

# 37<sup>th</sup> Board Meeting

## Update and discussion on health situation in Venezuela

GF/B37/21 – Revision 1  
03-04 May 2017, Kigali, Rwanda

### **Board Decision**

Purpose of the paper: This paper brings to the Board's attention the issue of Venezuela, an ineligible country that is undergoing a protracted economic crisis which is having significant impact on the health system, including HIV, TB and malaria programs. The Board is requested to provide guidance to the Secretariat on whether it should pursue options for future Board decision regarding providing support.

## Part 1 - Decision Point

1. Based on the rationale provided below, the following decision point is presented to the Board :

### **Decision Point GF/B37/DP11: Health Situation in Venezuela**

1. **The Board expresses:**
  - a. **Continued concern about the resurgence of malaria, shortages of critical commodities for HIV and TB, and broader health crisis in Venezuela and its impact on the region; and**
  - b. **Appreciation for the engagement of communities, civil society groups, PAHO, UNAIDS, WHO and others and their efforts to raise awareness and explore solutions for this situation.**
2. **The Board discussed at length, noting Venezuela is currently not eligible for Global Fund financing, and calls for a coordinated regional response to the health crisis in Venezuela and that addresses the impact on the region incorporating relevant partners, donors and financiers.**
3. **Under such circumstances, in the context of a regional response, the Global Fund will continue to engage and, if possible, support the regional response.**
4. **The Board directs the Strategy Committee and the Secretariat to discuss exceptional circumstances in non-eligible countries as part of the ongoing review of the Eligibility Policy.**

## Part 2 - Relevant Past Decisions

Relevant past Decision Point	Summary and Impact
<b>GF/B36/DP05: Sources and Uses of Funds for the 2017 – 2019 Allocation Period (November 2016)<sup>1</sup></b>	In accordance with the allocation methodology adopted in April 2016, the Board approved, with respect to the 2017 – 2019 allocation period: (i) the total amount of sources of funds for allocation; (ii) the total amount of sources of funds for country allocations; and (iii) the total amount of sources of funds for catalytic investments, as set forth in GF/B36/03. The potential funding of support to the health situation in Venezuela would be an exception to the authorized uses of the total sources of funds approved by the Board.
<b>GF/B35/DP07: Eligibility Policy (April 2016)<sup>2</sup></b>	The Board approved the revised Eligibility Policy, as set forth in Annex 2 to GF/B35/06 – Revision 1, stipulating the income level and disease burden criteria for country components to be eligible to receive an allocation. It further established that income level classifications would be based on the latest three-year average of GNI per capita data and a country component could become newly eligible only after being eligible under the criteria for two consecutive eligibility determinations. As with the previous eligibility policy, eligibility determinations for

<sup>1</sup> <https://www.theglobalfund.org/board-decisions/b36-dp05/>

<sup>2</sup> <https://www.theglobalfund.org/board-decisions/b35-dp07/>

Relevant past Decision Point	Summary and Impact
	each allocation period are made prior to the allocation of sources of funds. The potential funding of support to the health situation in Venezuela would require exceptions to the Eligibility Policy.
<b>GF/B35/DP10: 2017 – 2019 Allocation Methodology (April 2016)</b> <sup>3</sup>	The Board approved the refined allocation methodology, as set forth in Annex 1 to GF/B35/05 – Revision 1, which stipulated the total amount of sources of funds for allocation would be apportioned for country allocations to eligible country components and catalytic investments. The Board further affirmed restated core elements of the principles and framework for the allocation-based funding model, as set forth in the Annex 3 to GF/B35/05 – Revision 1, outlining the country-driven process to request funding and required independent technical review of funding requests. The potential funding of support to the health situation in Venezuela would require exceptions to the aforementioned policies.
<b>GF/B31/DP11: Revision to the OIG Disclosure Policy and OIG Charter (March 2014)</b> <sup>4</sup> and <b>GF/B28/EDP16: Revised Charter of the Office of the Inspector General and the Terms of Reference of the Inspector General (March 2013)</b> <sup>5</sup>	The Board approved the revised Charter of the Office of the Inspector General, specifying the Office of the Inspector General’s authority to access all books and records maintained by the Global Fund Secretariat and those relating to grants funded by the Global Fund or the implementation of Global Fund financed programs and operations, as well as seek information required from relevant, involved personnel. The potential funding of support to the health situation in Venezuela could present the need for exceptions with respect to access requirements described above.
<b>GF/Bo5/DP07: Fiduciary Arrangements (June 2003)</b> <sup>6</sup>	The Board endorsed fiduciary arrangements, as set forth in GF/Bo5/13, to provide adequate and transparent reporting of programmatic results and financial accountability as well as effective monitoring and evaluation plans. The potential funding of support to the health situation in Venezuela could present the need for exceptions with respect certain principles and standards regarding programmatic and financial oversight.

### Part 3 - Action Required by the Board

- The Board is requested to decide if the Secretariat should continue discussions with the Pan American Health Organization (PAHO) on a potential option to provide support to Venezuela in view of the current crisis. Should the Board decide that the Secretariat should pursue discussions given the exceptions required, the Secretariat will present a subsequent decision point for Board approval.

### Part 4 - Executive Summary

- The Board and Strategy Committee have asked the Secretariat to proactively identify issues related to achieving the Global Fund mission of ending the epidemics of HIV, TB and malaria and where the Global Fund could contribute to impact. Under that guidance and in light of discussions and requests made from partners, the Secretariat is bringing the issue of Venezuela to the Board for discussion and direction on next steps.

<sup>3</sup> <https://www.theglobalfund.org/board-decisions/b35-dp10/>

<sup>4</sup> <https://www.theglobalfund.org/board-decisions/b31-dp11/>

<sup>5</sup> <https://www.theglobalfund.org/board-decisions/b28-edp16/>

<sup>6</sup> <https://www.theglobalfund.org/board-decisions/bo5-dp07/>

4. The protracted economic crisis in Venezuela has severely affected its overall health system, including HIV, TB and malaria programs. Currently Venezuela, declared malaria-free by WHO in 1961 (Northern Part of the country), is experiencing a significant resurgence in malaria. Current estimates indicate that the 240,000 new malaria cases account for more than half of all cases in the Americas and has the potential to affect gains made in neighboring countries. Stock-outs of ARVs and TB drugs, including but not limited to antibiotics, antivirals, HIV and viral load tests, condoms and other products could impact the approximately 110,000 people living with HIV/AIDS<sup>7</sup> and increase TB incidence.
5. Despite continued engagement with the Pan American Health Organization (PAHO) and UNAIDS, who are the Global Fund's main interlocutors for the health response to Venezuela, the Secretariat currently has insufficient information to recommend a decision on potential financing to the Board. The Secretariat presents this paper to the Board for guidance, before proceeding to further evaluate or develop options, given the significant Board exceptions that would be required.
6. This paper provides background on the situation in Venezuela, a preliminary potential option to provide support, including recommended conditions and further information that would be a prerequisite for any potential recommendation to provide support, and the potential exceptions to Board policies that would be required.
7. The Secretariat is requesting the Board's direction on whether the Secretariat:
  - a. should continue gathering information and potentially pursue negotiations with PAHO to present, for future approval, an option for providing funding for Venezuela; or
  - b. cease discussions if the Board is unlikely to grant the necessary exceptions to existing policies, such as the Eligibility Policy and as otherwise described below.

## Part 5 – Background

8. Since 2013, Venezuela's economy has experienced high unemployment, high inflation and stagnant demand that is related to and exacerbated by the on-going political situation. The current crisis has severely crippled the health system, as evidenced by the Venezuelan legislature declaring a humanitarian emergency in the health system in January 2016. Shortages of goods and services have had a significant impact on malaria, HIV, TB and the overall health system. On 24 March 2017, Venezuela officially requested help from the United Nations to help regularize the supply and distribution of medicines in the country.<sup>8</sup>
9. While the Northern Area of Venezuela was certified malaria-free in 1961<sup>9</sup>, other parts of the country remained endemic for malaria and it has subsequently been unable to maintain zero cases of local transmission. Venezuela has both Plasmodium Falciparum and Plasmodium Vivax, but limitations regarding public access to official government statistics and data make it hard to quantify the extent of the problem.
10. The illegal mining industry for precious minerals has dramatically grown in the face of the on-going economic crisis, specifically in two remote regions – Bolivar and Amazonas – where malaria is prevalent, and the influx of miners has led to a sharp increase in malaria infections. Based on official data provided by the Ministry of Health of Venezuela, and verified by PAHO, in 2016 the number of new malaria cases accounted for over half of all new cases in the Americas. Furthermore, current 2016 data provided to the Secretariat indicate there were approximately 240,000 cases of malaria, compared to 136,402 cases in 2015 and 90,708 in 2014 for 78% and 50% increases

---

<sup>7</sup> UNAIDS, <http://www.unaids.org/en/regionscountries/countries/venezuela>

<sup>8</sup> <http://www.bigstory.ap.org/article/5fbad7eae30411b8796a4b265416ca/venezuela-asks-un-help-boosting-medicine-supplies>

<sup>9</sup> <http://www.who.int/malaria/areas/elimination/wmr-2012-supplementary-list.pdf?ua=1>

respectively. The numbers in 2016 do not include the approximately 100,000 cases of malaria recurrence in the same year.

11. This resurgence of malaria has the potential to spill over to neighboring countries and reverse prior gains. Venezuela borders the two countries with the highest malaria prevalence in the Amazon region – Columbia and Brazil -- and the only other country in the region with rising malarial incidence, Guyana. Of the three countries, only Guyana is eligible for Global Fund financing for malaria. The borders of the four countries are a hotbed for illegal subsistence mining, which has significant cross-border health implications.
12. Finally, shortages in essential commodities and health equipment, including an 80% shortage of essential medicines and diagnostics, is also affecting HIV and tuberculosis programs and may potentially impact the rate of new infections. The impact of ARV stock-outs in 2017 is compounded by national stock-outs of condoms and other critical commodities.
13. Civil society organizations and PAHO have requested Global Fund assistance in responding to the crisis and the Global Fund has been in continued contact with PAHO and UNAIDS who are leading the health response in the country. **To date the Global Fund Secretariat has not received a request from the Venezuelan government to provide assistance.**
14. Venezuela is currently not eligible for HIV, TB, and malaria under the Global Fund Eligibility Policy and to date has only benefited from a Round 3 regional malaria grant that provided malaria prevention support to the border areas of Colombia, Ecuador, Peru and Venezuela, and closed in 2012. Venezuela has never applied or been eligible for a single-country grant.<sup>10</sup>
15. The Secretariat is seeking Board guidance on the next steps and in particular, what flexibilities and/or exceptions the Board would be willing to consider, noting that the Global Fund currently does not finance grants in Venezuela and the country is not eligible for HIV, TB or malaria funding.
16. The reminder of this paper outlines a potential option to provide assistance to Venezuela through PAHO, conditions and further information that would be a prerequisite for any potential funding recommendation on providing such assistance, potential exceptions to Board policies that would be required, and a request for Board guidance.

## **Part 6 – Discussion**

### **A. Update on Potential Option to Support Venezuela through the PAHO Strategic Fund**

17. Through discussions with PAHO and UNAIDS, one potential option that could partially alleviate the current shortages of essential malaria, HIV and TB medicines and commodities in Venezuela was identified. The discussions around this option are still in their early stages. The Secretariat currently has insufficient information to provide the Board with an assessment of the expected impact, oversight mechanisms and implementation arrangements of any potential assistance, including mechanisms to monitor or evaluate the effectiveness of such assistance, and is therefore unable to present this issue as a decision on funding. However, the Secretariat would like to update the Board on this issue, review the options and exceptions that would be required for any potential approval of funding, and ask the Board for clear guidance on whether to continue collecting information and pursue further negotiations considering the Board exceptions that would be required.
18. Venezuela purchases its medicines from the PAHO Strategic Fund which procures essential medicines and health commodities for HIV, TB and Malaria on behalf of member states. Member states are eligible for interest-free loans through the Capital Account, which cannot exceed US\$2

---

<sup>10</sup> Venezuela, although not directly receiving funding, indirectly benefits from some of the activities that are being financed under the regional HIV grant provided to the International Community of Women (ICW) (QRA-H-HIVOS) and the TB grant being provided to the Organismo Andino de Salud QRA-T-ORAS.

million. PAHO normally charges a 4.25 % fee to countries for procuring under the Strategic Fund (of which 1.25% is an administrative fee and 3% goes toward the capital account).

19. Through its discussions with the Secretariat on potential areas for collaboration with the Global Fund in Venezuela, PAHO has asked the Secretariat to consider the possibility of providing funding for Venezuela directly to the Strategic Fund. This funding would be used by the Strategic Fund to extend to Venezuela an increased amount of credit to purchase essential HIV, TB and malaria medicines and commodities for up to three years. The Strategic Fund's reporting mechanisms allow for reporting on all stages of the procurement process, including information on goods, pricing, shipping, and insurance costs until the point of entry. Upon the shipments arrival in country, the Ministry of Health takes over the commodities which are then taken to the central warehouse and distributed.
20. Based on information provided to the Secretariat, the total estimated need for HIV, TB and malaria drugs and health commodities for 2017 alone is around US\$25 million, which includes priority malaria response needs, as well procurement of ARVs and TB support. It is important to note that this amount exceeds the total funding available for the Global Fund Emergency Fund for the 2017-2019 allocation cycle. The Secretariat currently does not have information on other potential donors for essential medicines and commodities in Venezuela, or a plan for maintaining a long-term response to address the situation.

#### **B. Secretariat Recommended Conditions and Information Needs**

21. The Secretariat does not have sufficient information to present a funding proposal to the Board. Before the Secretariat can recommend a funding proposal to the Board (and pending Board discussion on the exceptions required) the Secretariat would seek significant additional information and recommend a number of conditions for financing.
22. The Secretariat notes that accurate, updated epidemiological data is essential to fully evaluate the situation and determine the amount and type of impact that potential financial assistance could achieve. Furthermore, the impact of a potential Global Fund investment would be largely dependent on the amount provided, as well as potential funds raised through matching efforts. As such, any financial assistance provided by the Global Fund would best be leveraged as part of a coordinated response with multiple donors for greater impact and sustainability, rather than provide short term financing without a longer term plan. However, as noted above, the Secretariat does not currently have information on other potential donors but will continue to seek this information and recommends that any potential Global Fund financing be matched with other donor contributions.
23. Given the uncertainty in relevant data and information, significantly more information on the epidemiological and commodity situation in Venezuela is required before proceeding, including particularly data on incidence of the three diseases and quantifiable measures of stock-outs and shortages. Furthermore, the Secretariat does not currently have information on other potential donors, and this information must be collected and understood in advance of developing or pursuing any potential option that could be considered by the Board. Additionally, in recognition of the need to have a coordinated, collective response, a further mapping of relevant actors and their respective responses is needed. Should the Board decide to provide monetary resources to Venezuela through the PAHO Strategic Fund, the Secretariat would recommend this be a one-time contribution, specifically earmarked for Venezuela, to allow the country to rapidly purchase essential HIV, TB and malaria medicines and commodities. The Secretariat would strongly recommend that these funds be contingent on, at a minimum, the following conditions:
  - a. The amount of funding made available by the Global Fund is matched at least 1:1 by other funds or other donors and would not exceed US\$10 million.
  - b. The impact of the investment is quantified in terms of what the funds will be used for and the expected outcome of such funding, including but not limited to number of persons receiving treatment and diagnosis, and potential lives saved through the investment.

- c. The Government of Venezuela is in agreement with this arrangement and provides a plan of when payments will be made for purchases of essential malaria, TB and HIV medicines and commodities, as well as how such medicines and commodities will be distributed.
  - d. PAHO waives its 13.5% management fee<sup>11</sup> to administer funding provided by the Global Fund towards Venezuela.
  - e. The Global Fund provides a “reimbursable grant” to PAHO and only after PAHO receives payment from Venezuela, PAHO will notify the Global Fund and facilitate the repayment of funds directly to the Global Fund.
24. Any decision to provide support to Venezuela, and in particular financial assistance, would be on an exceptional basis and the Board would have to decide to provide those exceptions. Such exceptions to policies and practices relate to eligibility, source of funds, implementation arrangements, access rights, and potentially other areas. Any decision to support, despite any statements of not setting a precedent, may imply, or be taken as, a precedent and will likely raise questions and requests about funding for other ineligible country components in the future, or in contexts beyond current policy parameters. The remainder of this section highlights certain areas where potential exceptions may be required depending on the final modality.

### **Eligibility**

25. The Global Fund Eligibility Policy considers both income level<sup>12</sup> and disease burden criteria<sup>13</sup> to determine eligibility. It also requires that countries be eligible for two consecutive determinations, in order to be eligible to receive an allocation. Upper-middle income countries (UMIC) like Venezuela that are not part of the Group of 20 (G-20) countries must have **at least** a high disease burden to be eligible. The NGO Rule for HIV allows for UMIC’s **not** on the OECD-DAC List of Recipients to be eligible for HIV funding if they have at least a high disease burden and there are political barriers to providing funding for target populations supported by a country’s epidemiology.
26. The Eligibility Policy does not contain any flexibilities for funding country programs in non-eligible countries. This serves to ensure that the Global Fund is able to provide maximum funding to countries with the highest burden of disease and least economic capacity and to key and vulnerable populations in these countries. Any exceptions to the Eligibility Policy would require explicit Board approval.
27. Venezuela currently does not meet eligibility criteria due to the following:
- a. Venezuela currently classified as a UMIC with moderate disease burden for HIV, TB and Malaria and is therefore ineligible as UMIC.
  - b. Venezuela is on the OECD-DAC List of Recipients and therefore could not be considered under the NGO Rule for HIV.
  - c. Venezuela does not meet the criteria of being eligible for two consecutive determinations.
  - d. Had Venezuela been eligible they would have likely only been eligible for minimum shares of approximately \$500,000.
28. Providing any financing for Venezuela would constitute an exception to the Eligibility Policy.

---

<sup>11</sup> This fee is separate to the 4.25% that countries must pay to procure under the Strategic Fund.

<sup>12</sup> The Global Fund determines income classification using an average of available GNI per capita data over the latest three year period.

<sup>13</sup> The disease burden indicators used for eligibility were approved in 2011 based on recommendations from Technical Partners and data must be officially provided by WHO and UNAIDS.

## Sources of Funds

29. In November 2016, the Board allocated available funds for the 2017-19 allocation period. All sources of funds for the 2017-19 allocation period have been allocated either directly to country allocations for eligible disease components or to catalytic investments through matching funds, multi-country or strategic initiative operational modalities. As such, there are no currently available sources of funds from this period.<sup>14</sup>
30. In order to provide funding for Venezuela the Board would need to authorize the exceptional use of funds for this purpose as well as determine the source of funds noting that all funds for the 2017-19 allocation period are currently allocated.

## Independent Technical Review

31. Unless otherwise specified, such as is the case for strategic initiatives under catalytic investments, Global Fund financing is subject to an independent technical review by the Technical Review Panel (TRP). Providing any monetary resources for Venezuela outside a traditional grant-making process would require a Board exception to independent technical review, however the Secretariat could provide funding for critical commodities through PAHO.

## Programmatic and Financial Accountability and Oversight

32. Global Fund financing is, unless otherwise specified, subject to establishing comprehensive plans for assessing programmatic results and financial accountability through monitoring, evaluation and auditing measures.
33. In all cases where the Global Fund is providing funding, there is engagement with local stakeholders from both governmental and non-governmental sectors through Country or Regional Coordinating Mechanisms (CCM or RCM). There is no CCM or RCM in Venezuela and the Secretariat would not recommend that one be established for an ineligible country for such a financing arrangement as described above in Section 6A. Therefore, the Board may need to waive the CCM requirements in the case of Venezuela.
34. Other exceptions may be required given the likely limitations on the Global Fund's ability, both at the Secretariat and Office of Inspector General (OIG) levels, to independently monitor, evaluate, verify, audit or investigate the utilization of funding and the results derived from such funding.

## **Part 7 – Risk Assessment Process Summary/Outcomes**

35. The Secretariat notes that in discussions with PAHO, they have indicated high confidence in their ability to deliver commodities through the existing distribution systems and to provide flexibility on any overhead fees charged. It is highly likely that any investments in key malaria, HIV and TB commodities for Venezuela through PAHO will be utilized for impact.
36. However and as outlined above significant additional due diligence will have to be undertaken to get the Secretariat comfortable with the programmatic and financial risk and assurance mechanisms before the Secretariat would recommend this for a Board decision. The Board and Secretariat would also need to consider and evaluate the risks of granting exceptions to policies and practices with respect to eligibility, independent technical review, sources of funds, and potentially aspects of programmatic and financing oversight.

---

<sup>14</sup> For the 2017-19 allocation period, the Global Fund has allocated USD 20 million an Emergency Fund which aims to ensure the continuity of essential prevention and treatment services in an emergency situations. However the Emergency Fund requires countries to be eligible for Global Fund financing or for the target populations to be covered under the request to be from an eligible country and the country must also be facing a Level 2 or 3 emergency as classified by the Inter-Agency Standing Committee (IASC) or a WHO classified Grade 2 or 3 emergency. Venezuela is not eligible for Emergency Fund financing.

37. Regarding the potential exception to the Eligibility Policy, the situation and proposed option to respond through PAHO in Venezuela is unique in a number of ways including:
- a. Venezuela is not eligible, has never been eligible, and has never had a single country grant;
  - b. Venezuela's health crisis, particularly the malaria outbreak, threatens to spill over its borders into a regional crisis and affect eligible countries;
  - c. The Venezuelan government has requested UN assistance to meet its health needs;
  - d. There is an existing response mechanism through PAHO that can deliver essential commodities to Venezuela;
  - e. A request from a partner global health institution (PAHO) has been submitted to the Global Fund;
  - f. Any potential financial assistance would be a one-time investment that will be taken over by increased domestic and other donor funds.
38. Despite this unique situation, there are risks of setting a precedent in providing any funding to a non-eligible country. Needs for the three diseases exist across the globe in non-eligible countries. The Board-approved Eligibility Policy sets clear expectations that the Global Fund cannot fund non-eligible countries. Exceptions to the Eligibility Policy risk spreading scarce resources among a greater number of countries and therefore risks reducing overall impact.

## **Part 8 – Recommendation**

39. The Secretariat requests the Board's direction on whether the Secretariat should continue to gather information and pursue negotiations with PAHO and other partners to address the health situation in Venezuela. A Board recommendation to proceed indicates likely future Board approval of the numerous exceptions to Board Policies which would be required before providing financing for Venezuela.
40. If the Board recommends continuing discussions and beginning negotiations, the Secretariat will work to gather additional information as noted above and seek to develop a funding recommendation for Board decision with the conditions outlined in paragraph 23. The Secretariat will expect that if such information and conditions are met, the Board will be likely to positively consider the recommendation and exceptions required.
41. If the Board directs the Secretariat to end discussions, the Secretariat will notify partners that the Global Fund is not in a position to grant the necessary exceptions and therefore cannot provide financial support to Venezuela.
42. In either case, the Secretariat will endeavor to continue to proactively identify and raise issues for Board consideration and direction.