

Electronic Report to the Board

Proposed Funding to Address the Health Crisis in Venezuela

GF/B39/ER10

10 September 2018

For Board Decision

Purpose of the paper: Based on the recommendation of the Strategy Committee, this paper presents an exceptional request for Board approval to provide funding to respond to the health and economic crisis in Venezuela, a non-eligible upper-middle income country in crisis, which is in line with the Board-approved approach to non-eligible countries in crisis (GF/B39/03- Revision 1).

This document is part of an internal deliberative process of the Global Fund and, as such, cannot be made public.

Decision

Electronic Board Decision Point: GF/B39/EDP11: Approval of Funding to Address the Health Crisis in Venezuela

The Board:

- 1. Expresses continuing concern about the public health crisis in Venezuela, a country that is not currently eligible for Global Fund funding, and its adverse impact on the fight against HIV, tuberculosis and malaria in Venezuela and the region;**
- 2. Acknowledges the extraordinary proposal for funding presented by the Secretariat, and developed in consultation with partners and civil society, in accordance with the approach for potential engagement with non-eligible countries in crisis approved by the Board through GF/B39/DP04;**
- 3. Recognizes that the emergency circumstances in Venezuela and the exceptional nature of the funding proposed require unique implementation and management arrangements, which differ substantially from the standard Global Fund funding model and applicable policies, as described in Annex 1 to GF/B39/ER10 (Annex 1);**
- 4. Accepts that the proposed implementation and management arrangements entail unique risks, as described in GF/B39/ER10 and Annex 1, including that the Office of the Inspector General will not be able to provide the Board with assurance, whether through audit or investigation work, over the funds disbursed under the proposed funding arrangements;**
- 5. Based on the recommendation of the Strategy Committee, approves the investment and terms set forth in Annex 1, to provide USD 5,000,000 to support the procurement of critical health products for Venezuela; and**
- 6. Calls for continuous engagement from relevant partners, donors and other stakeholders to further support a regional response to the health crisis in Venezuela.**

Budgetary implications: USD 5,000,000, funded through available sources of funds identified by the Audit and Finance Committee under GF/AFC07/DP1

A summary of relevant past decisions providing context to the proposed Decision Point can be found in Annex 4.

Executive Summary

Context

- At the 39th Board Meeting, the Board approved an approach¹ for engagement with non-eligible countries in crisis, which relies on a flexible and ‘light-touch’ assessment of the health and economic impact of a crisis in non-eligible low and middle-income countries. The approach clearly noted that the traditional Global Fund model of accessing funds would not be the most practical or effective in providing immediate relief to affected populations, and that “effectively responding in ineligible crises environments where the Global Fund has never engaged or already exited would be operationally challenging and may require compromises on risk assurance, OIG access, programmatic oversight and other areas.”²
- The Board further acknowledged that given the lack of a dedicated source of funds to support non-eligible countries in crisis for the 2017-2019 allocation period, funding for non-eligible countries in crisis must be assessed against other trade-offs in the portfolio of eligible grants, specifically funding needs on the register of unfunded quality demand. The Board recommended that the total amount of funds awarded to non-eligible countries in crisis not exceed USD 20 million for a three-year period.
- Under the approach approved by the Board, the Secretariat may present, in consultation with relevant partners, investment cases meeting the criteria described in the Global Fund Approach to Non-Eligible Countries in Crisis (GF/B39/03- Revision 1) to the Strategy Committee for review and recommendation to the Board. The Secretariat committed to being transparent about the potential risks and proposed mitigation measures when providing its recommendation.
- Immediately after the 39th Board Meeting, the Secretariat triggered the assessment of Venezuela, a non-eligible upper-middle income country, in light of the protracted economic crisis and the significant impact it has had on the country’s health system, in particular the availability of life-saving drugs, diagnostics and prevention commodities for HIV, TB and malaria.
- The Strategy Committee has reviewed this request and has confirmed that the Secretariat’s analysis of the health situation in Venezuela meets the criteria described in GF/B39/03- Revision 1. The Strategy Committee therefore recommends the Decision Point on Page 2 for Board Approval.³

Questions this paper addresses

- A. What is the need or opportunity, including the disease-specific and economic context?
- B. What do we propose to do and why?

Conclusions

- A. The economic crisis in Venezuela has severely impacted the country’s health system and the provision of services, including through the national HIV, TB and malaria programs. Stock-outs and shortages of key essential commodities including ARVs, anti-TB drugs, anti-malarials, diagnostics and key prevention commodities for HIV and malaria have had a significant impact on the lives of people living with or affected by the three diseases.

¹ GF/B39/03 – Revision 1, as approved through GF/B39/DPO4.

² GF/B39/03- Revision 1, paragraphs 2 and 24.

³ GF/SC07/EDP01. The Decision Point was approved by more than two-thirds of the voting Strategy Committee members. Two voting members expressed support for the underlying proposal, but requested amendments to the Decision Point, which is not permitted under the Board and Committee Operating Procedures. Therefore, their votes were considered votes against the Decision Point in line with Global Fund procedures. The Secretariat provided written responses to the questions and concerns raised, and with respect to comments regarding the assurance arrangements, reiterated its commitment to ensuring an accurate representation of the associated risks to the Board.

- B. In June 2018, the Pan American Health Organization (PAHO) and UNAIDS undertook an in-country technical assessment of the critical gaps in programming for the three diseases in Venezuela. Based on this assessment, and considering the different availability of essential life-saving commodities for the three diseases in the country for the next 12-months, the Strategy Committee and the Secretariat recommend that the Board provide USD 5 million to help alleviate gaps in HIV treatment in Venezuela. Based on the information provided by PAHO and UNAIDS, the Strategy Committee and the Secretariat consider the critical gaps in treatment for HIV to be the most urgent current need across the three diseases and recommend that USD 4.9 million be provided to directly purchase ARVs through the PAHO Strategic Fund (the “Strategic Fund”), and USD 100,000 be provided to support Venezuelan civil society, through UNAIDS, to provide oversight and monitoring of the delivery of ARVs to patients.
- C. The proposed funding request represents a short-term humanitarian response to assist the people of Venezuela in meeting high priority health needs. The funding available is insufficient to meet more than a fraction of the total need, which extends beyond HIV, TB and malaria. More fully addressing the health needs of the Venezuelan people will require additional commitments from other donors and partners in the near-term, and ultimately a resolution of the economic and political situation so that the Venezuelan government can provide for the health of its people.

Input Sought

- The Board is requested to approve Decision Point: GF/B39/EDP11: Approval of Funding to Address the Health Crisis in Venezuela.
- As the Board considers the proposed investment case, it is requested to recall that the proposed implementation arrangements for non-eligible countries in crisis are by necessity different from traditional grants arising from country allocations. As the Board reviews this request, the following questions should guide deliberations:
 - Does the Board agree with the Secretariat's assessment that the economic and epidemiologic crisis indicates a degree of severity in line with the Board decision and discussion on non-eligible countries in crisis?
 - Does the Board agree that the proposed investment to address the crisis in Venezuela has strong strategic value and is consistent with the Global Fund's mission and strategic goals, and the intent of the Board decision on non-eligible countries in crisis?
 - Does the Board agree to use the proposed source of funds – funds identified for portfolio optimization - for this purpose, recognizing the trade-offs against other possible uses of those funds, including scale up in eligible countries?
 - Does the Board agree that the implementation and assurance arrangements are consistent with the intent of the investment and to accept the risks inherent in these arrangements in light of the expected strategic value of the investment?

Input Received

- Since the Secretariat triggered the assessment of Venezuela, there has been active engagement with partners – in particular with PAHO and UNAIDS - as well as national and international civil society, in preparing the technical assessment of the HIV, TB and malaria situation. PAHO and UNAIDS have developed a Plan Maestro para el fortalecimiento de la respuesta al VIH, la tuberculosis y la malaria en la República Bolivariana de Venezuela desde una perspectiva de salud pública (the “Master Plan”), which has been endorsed by the Ministry of Health, for the strengthening of the response to HIV, TB and malaria in Venezuela. The Master Plan was developed during a technical mission conducted by PAHO and UNAIDS in June 2018, which solicited input from national counterparts for the three diseases and civil society. The Master Plan includes a prioritization of interventions, over a three-year period, for possible donor assistance.
- The Secretariat has consulted with the Office of the Inspector General (OIG) in these discussions from an early stage, and sought and received the OIG's advice. Taking into account

the exceptional circumstances of this funding, the emergency context, and other relevant factors outlined by the Secretariat in this paper, the OIG does not have any objection related to the lack of access rights in this case and it acknowledges the risk-acceptance decision implied in the Board's approval of this funding.

- Feedback from the Strategy Committee's review of the request has been incorporated where applicable.

What is the need or opportunity?

1. Since 2013, Venezuela has been experiencing an economic crisis characterized by high unemployment, hyper-inflation, and stagnation, which has been exacerbated by the ongoing political situation and worldwide drop in oil prices. The current crisis has resulted in chronic shortages of food and medicines, including essential medicines and commodities for HIV, TB and malaria.
2. To date, there has been no official request from the Venezuelan government to the Global Fund for assistance; however, in March 2017 the government officially requested help from the United Nations to regularize the supply and distribution of medicines in the country.⁴ Civil society organizations first requested Global Fund support in June 2016. In May 2017, the Secretariat presented an update to the Board on the health situation in Venezuela and a potential option for providing assistance, which was not supported. However, the Board directed the Strategy Committee to discuss exceptional circumstances of non-eligible countries in crisis as part of its review of the Eligibility Policy.⁵ The Secretariat provided an update on the situation to the Board in November 2017. Based on the recommendation of the Strategy Committee, the Board approved an approach for considering potential support for non-eligible countries in crisis in May 2018.⁶
3. The Board-approved approach for non-eligible countries in crisis requests that the Secretariat assess the economic and epidemiological context (including the availability of life-saving treatment and other core interventions), as well as potential implementation arrangements, in considering whether to recommend that the Global Fund provide exceptional financial support.⁷
4. The Secretariat triggered an assessment of Venezuela on 14 May 2018, immediately following the Board decision. Venezuela is a non-eligible upper-middle income country⁸ and has never received a Global Fund country grant. The health situation in Venezuela is not classified as a Grade 2 or 3 emergency by WHO nor a Level 3 emergency by the Inter-Agency Standing Committee (IASC), however it is currently being managed as an administrative emergency by PAHO.
5. This assessment has been conducted based on the best available economic data from the IMF, and other publically available sources, and epidemiological data from PAHO, UNAIDS and civil society. The government of Venezuela has not officially reported epidemiological data since the end of 2016.⁹ Data collected and analyzed during the PAHO-UNAIDS led mission was agreed upon with national programs and civil society and included in the Master Plan. The Master Plan is considered the best available source of up-to-date epidemiologic data.
6. In June 2018, PAHO and UNAIDS undertook a joint technical mission to Venezuela to assess how to strengthen the national response to HIV, TB and malaria, which has been significantly weakened

⁴ <https://www.bbc.com/news/world-latin-america-39388850>

⁵ GF/B37/DP11.

⁶ GF/B39/03 – Revision 1, as approved through GF/B39/DPo4.

⁷ This approach excludes high-income countries and is not intended to be a long-term funding mechanism, noting that funding under this approach would be initially for a 12-month period and does not make a country eligible.

⁸ Venezuela has never been eligible for Global Fund support as it has not met the UMIC eligibility disease burden thresholds for HIV, TB or malaria. Venezuela currently has an adult national HIV prevalence of 0.56%, and while the prevalence in key populations is likely to be above the 5% threshold required for UMICs, there is no available data at this time.

⁹ The Ministry of Health previously published weekly epidemiological bulletins, which summarized the epidemiological situation at the national level. The last published bulletin corresponds to week 52 of 2016 and is available on the Venezuelan Health Observatory website: <https://www.ovsalud.org/descargas/publicaciones/documentos-oficiales/Boletin-Epidemiologico-2016.pdf>

by the protracted economic crisis. The main objective of this mission was to facilitate the dialogue between all stakeholders (government, civil society, scientific community, health workers, and others) in order to agree on priority recommendations and urgent measures needed to support the continuity of access to health services, to develop a plan to help prioritize critical areas, and facilitate coordination with other potential international donors.

7. The investment case presented in this paper is based on available information, analysis and recommendations from this technical mission, as reflected in the Master Plan, recent updates provided by PAHO, as well as other public sources of information as of 21 August 2018. The data contained in the Master Plan cannot be independently verified by the Secretariat. The Secretariat is relying on the technical assessment of PAHO and UNAIDS and acknowledges that there may be some limitations in the data and that, due to the situation, the data and needs may change as new information becomes available.
8. The health system in Venezuela, which was once considered a success in the region, having achieved most of the UN's Millennium Development Goals set for 2010, is now collapsing. The economic crisis is primarily the result of government policies that began during the Chávez Administration and have continued under the Maduro Administration.¹⁰ Initially, the Chávez Administration promoted policies aimed at reducing poverty and inequality, but nationalization of privatized industries was accompanied by the expansion of state bureaucracy, which was funded by strong oil revenues and unrestricted public borrowing.¹¹ The government now has one of the highest instances of external public debt as compared to its GDP¹², which coupled with a worldwide fall in oil prices,¹³ sanctions and government currency controls, has contributed to the largest annual inflation rate increase of over 13,000 percent in 2017.¹⁴

HIV

9. The latest available official data, from 2016, estimates that there were 120,000 people living with HIV (PLWH), 6,500 new infections, and 2,500 AIDS-related deaths. While the national adult prevalence (adults aged 15 to 49) is 0.56%, there is no prevalence data for key populations, such as men who have sex with men (MSM) and male and female sex workers, who are estimated to have a prevalence of above 5%. To date it has not been possible to undertake a bio-behavioral survey to estimate the size and prevalence of HIV in key populations, although there is one currently underway for MSM with support of PAHO and UNAIDS.
10. The national HIV response has significantly deteriorated, particularly on provision of continuous ARV treatment, diagnosis and treatment of opportunistic infections, viral load and laboratory monitoring, and key prevention commodities. There are currently 69,667 people on ARV treatment and there is a stock-out of most ARVs. Of the 69,667 people currently on treatment, approximately 58,000 have experienced treatment interruptions due to stock-outs of anti-retrovirals. The government is currently procuring only approximately 4% of the total program needs. As of August 2018, there is only 1-2 months' worth of stock in the country for some treatment regimens.
11. While drug donations from UN partners, civil society and others have been essential in supporting the national program, these have been uncoordinated stopgap measures that are not sustainable in the long term and have raised concern about developing drug resistance. One of the agreed actions

¹⁰ Hugo Chávez was president from February 1999 to March 2013.

¹¹ <https://www.aljazeera.com/programmes/the-big-picture/2018/02/2018-02-riches-rags-venezuela-economic-crisis-180211123942491.html> (accessed 7 August 2018)

¹² IMF data indicates that currently Venezuela has the fourth largest debt-to-GDP ratio, http://www.imf.org/external/datamapper/GGXWDG_NGDP@WEO/OEMDC/ADVEC/WEOWORLD

¹³ Venezuela has the largest reserves of crude oil in the world.

¹⁴ The average consumer price index (CPI) is a measure of a country's average level of prices based on the cost of a typical basket of consumer goods and services in a given period. The rate of inflation is the percent change in the average CPI. (Source: World Economic Outlook (April 2018)

http://www.imf.org/external/datamapper/GGXWDG_NGDP@WEO/OEMDC/ADVEC/WEOWORLD

of the PAHO and UNAIDS technical mission in June was to revise the treatment protocols for ARV treatment for the majority of the ART cohort to a Dolutegravir (DTG) based regimen – in line with updated WHO guidelines - which is simplified, better tolerated, more protective against drug resistance and more cost-effective.

12. In addition to the donations made by UN partners and civil society, the Global Fund Principal Recipient in Haiti – Population Services International (PSI) - has donated approximately USD 410,000 worth of excess 2nd line adult ARVs that will otherwise expire in December 2018, to PAHO in Venezuela, which would provide treatment for approximately 10,000 people on ART for 3 months (29,000 bottles of ATV).¹⁵

Tuberculosis

13. According to the 2017 WHO Global TB report, 2016 TB incidence was estimated at 32 per 100,000,¹⁶ which is the highest in 40 years. More than half of TB cases are located in the Capital District area,¹⁷ with the remaining cases concentrated in four states: Zulia, Miranda, Carabobo and Anzoátegui. In 2017, the increase in cases was predominately concentrated in men aged 15 to 34. Prisoners and indigenous populations account for more than 20% of all TB cases – 15.7% and 6.8% respectively – with TB/HIV co-infection accounting for 4.8% of all cases.
14. There has been a 41% increase in TB cases from 2014 to 2017 (6,062 cases to 10,185 cases). Active case finding, contact tracing, opportune diagnosis and treatment has been affected by the lack of supplies and financing. In 2017 only 33% of presumptive TB cases were identified.
15. Based on the information provided in the Master Plan, and confirmed by PAHO, there was a 1-2 month stock-out of 1st and 2nd line anti-TB drugs in country. In order to address the immediate shortages of drugs, PAHO provided a donation in July 2018 to cover 1st line treatment for a 3-month period. The government also placed an order in June 2018 for 1st and 2nd line TB drugs, which, based on current stock levels, actual procurements and donations received, will cover needs until July 2019. *This figure has changed since the development of the Master Plan, which had assumed the needs would be covered until November 2019.* The National Tuberculosis Program (NTP) has informed PAHO that they will be requesting the government to provide additional funds to secure remaining needs for 2019. In the near term, the Secretariat understands from PAHO that there is an unforeseen shortage of 500,000 tablets (valued at approximately USD 36,000) of the 1st line fixed dose combination regimen of HRZE¹⁸ to cover the need from September to December 2018, which is linked to supplier-related delays rather than to lack of funding. The Strategic Fund and The Stop TB Partnership/Global Drug Facility (GDF) are looking for ways to fill this gap. There are also critical gaps in essential diagnostic, laboratory capacity and supplies currently and for 2019.

Malaria

16. While the northern area (and most populated area) of Venezuela was certified malaria free in 1961, other parts of the country have remained endemic for malaria. There have been significant increases in malaria since the economic crisis: in 2012 there were 51,264 cases, while in 2018 the estimated

¹⁵ The expiring ARVs are being transferred to PAHO Venezuela, which confirmed that Venezuela currently has a stock-out of the regimen concerned. The Secretariat confirmed with several partners, including PEPFAR, Médecins Sans Frontières and main Sub-recipients in Haiti, the Dominican Republic and the Strategic Fund, that they could not absorb the expiring ARVs. The Secretariat also assessed whether there were other eligible countries in the region who had need for the stock, but determined that the limited needs in eligible countries did not justify the additional transaction costs entailed in splitting the stocks into multiple shipments.

¹⁶<http://apps.who.int/iris/bitstream/handle/10665/259366/9789241565516eng.pdf;jsessionid=6821EE6A74B39AC75E42E1B6D5F0333D?sequence=1>, page 232

¹⁷ The Capital District (or Distrito Capital in Spanish) is Venezuela's Federal district and contains about half of Caracas, the capital city of Venezuela.

¹⁸ Isoniazid (H), Rifampicin(R), Pyrazinamide (Z), Ethambutol (E). The shortage of this 1st line fixed dose combination is due to delays reported by the manufacturer which is not unique to Venezuela.

number of cases is 1.2 million – the same amount for the entire Americas region in 2000.¹⁹ The latest available data from PAHO indicates that there were 411,586 cases (77% vivax; 23% falciparum) in 2017, which was up 69% from the previous year. As of week 22 of 2018 there were 97 malaria-related deaths – while in 2017 there was a total of 214 deaths.

17. The prolonged economic crisis has directly contributed to the significant increases in malaria cases, a 692% increase from 51,264 cases in 2012 to 406,247 in 2017, with many Venezuelans moving to malaria endemic areas to engage in illegal subsistence mining. Of the 9 states²⁰ that are affected by malaria, Bolívar state accounts for the majority of cases.
18. Due to lack of financial resources, operational capacity, equipment and updated guidelines, recommended vector control interventions – distribution of long-lasting insecticide treated nets (LLINs) and indoor residual spraying (IRS) – are not being implemented. PAHO has donated 150,000 LLINs, which were expected to arrive in late August.
19. The government procured anti-malarial drugs in January and June 2018 to cover the needs for one year, and there is sufficient stock of drugs to cover the state of Bolívar. However, there is a gap for the other 8 states. The 9 states with malaria transmission are characterized by violence related to the illegal mineral mining industry and thefts of commodities – anti-malarials have been reported to be sold on the black market. UNICEF and PAHO have donated antimalarial drugs.
20. The effect of the rapid increase of malaria is also having a regional impact, particularly in Brazil, Colombia, Guyana, Peru and Ecuador. The spillover may jeopardizes gains made to control the disease. The Global Fund no longer has active malaria grants in Brazil, Colombia, and Ecuador, however the Guyana malaria grant included an intervention in 2017 to include treatment centers at the Venezuelan border to provide LLINs, and other countries with Global Fund grants are considering whether regional spillovers need to be addressed through reprogramming or within new grant applications.

Economic Situation

21. Venezuela, an upper-middle income country,²¹ is one of the world's most indebted countries, with the largest share of public external debt as a percentage of both GDP and exports. Oil revenues account for 98% of Venezuela's export earnings.²² Since 2017, despite a small rise in global oil prices, OPEC indicated that national oil production had steadily fallen to a 30-year low in production at the beginning of 2018, due to lack of capital investment and political turmoil.²³ With falling revenues, partly due to government price controls, and increasing debt, there is a shortage of key commodities and raw materials, leading to the collapse of the agriculture and manufacturing sectors. This is reflected in non-oil tax revenues, which have declined by 70% in real terms between 2012 and 2016.

¹⁹ <https://www.voanews.com/a/who-malaria-deaths-cases-plunge-in-latin-america/3043156.html>

²⁰ Bolívar, Amazonas, Sucre, Monagas, Delta Amacuro, Anzoátegui, Nueva Esparta, Miranda, and Zulia. The total population of these 9 states accounts for 37% (11.8 million) of the total population of Venezuela (32.3 million).

²¹ There is no official GNI pc data reported since 2015 (for calendar year 2014). The Secretariat requested clarification from the World Bank on how Venezuela was determined to be an upper-middle income country for World Bank Fiscal Year 2019 (July 2018-June 2019). The World Bank noted that when estimating GNI pc for Venezuela for World Bank Fiscal Year 2019, they considered the overall state of the economy based on the International Monetary Fund's (IMF) World Economic Outlook and World Bank internal estimates. The lack of reported economic data is problematic and in May 2018 IMF issued a declaration of censure for Venezuela for not providing required data under IMF Article VIII, Section 5.

²² https://www.opec.org/opec_web/en/about_us/171.htm

²³ OPEC Data Show Venezuela Oil Output in Free Fall" (2018, July 16 13). Retrieved July 16, 2018, from <https://financialtribune.com/articles/energy/89818/opec-data-show-venezuela-oil-output-in-free-fall>

22. The economic collapse, coupled with sanctions on the government and individuals, and other financial restrictions²⁴ have resulted in a lack of access to hard currency to pay for basic imports of food and medicine. Based on the 2017 Encuesta de Condiciones de Vida (Encovi) – or Living Conditions Survey - which is published by a consortium of Venezuelan universities, 87% of Venezuelans were living in poverty and 61.2% in extreme poverty. This translates to 9 out of 10 households not having sufficient resources to access necessary basic goods.²⁵
23. The economic crisis has resulted in the mass migration of Venezuelans fleeing poverty, hunger and violence into neighboring countries. According to the International Organization for Migration, there has been an increase in migration since 2016, with an estimated 1.6 million Venezuelans abroad in 2017, compared to 700,000 in 2015. The majority of the migration is to other countries in South America, with the border areas of Colombia and Brazil most affected.²⁶

Assessment Conclusion and Needs

24. Based on the data above, the Strategy Committee and the Secretariat have concluded that the economic and epidemiologic crisis in Venezuela indicates a degree of severity that is in line with the Board decision and discussion on providing support to non-eligible countries in crisis.
25. The Master Plan prepared by PAHO and UNAIDS has been shared and formally endorsed by the Minister of Health and shared with civil society. It estimates that the overall need for three years to strengthen HIV, TB and malaria programs, and to ensure continued treatment and diagnosis, is USD 122 million. The majority, approximately USD 100 million, is for HIV (of which USD 51.7 million is for ARVs over a three-year period). The needs for TB amount to USD 5.1 million over three years, of which 23% is for 1st and 2nd line anti-TB medicines and 54% for laboratory and diagnostic supplies. For malaria, USD 16 million is estimated to be required, of which 10% is for medicines, 48% for prevention (including LLINs) and 26% for diagnostics.
26. The data cited in this paper for HIV, TB and malaria, unless otherwise indicated, comes from the Master Plan prepared by PAHO and UNAIDS, which is attached as Annex 2 and contains additional detailed analysis of the three diseases, including donations received by the Ministry of Health as of June 2018 (Tables 20 and 21), as well as agreed upon recommendations.²⁷

What do we propose to do and why?

What is the proposal?

27. Based on the technical assessment conducted by PAHO and UNAIDS, and the available epidemiological and economic data, the Secretariat does not anticipate that the health situation in Venezuela will improve in the near to medium term. The health sector has been severely affected by the economic crisis and there are insufficient resources – both human resources and commodities – to maintain a functional health system. The economic outlook for Venezuela is poor and the country is expected to continue to be significantly constrained economically and to have limited fiscal space. The immediate needs to strengthen the HIV, TB and malaria programs are far greater than potentially available Global Fund resources.

²⁴ The United States of America has issued a warning through the Financial Crimes Enforcement Network (Treasury Department) alerting to widespread public corruption in Venezuela by government officials <https://www.fincen.gov/resources/advisories/fincen-advisory-fin-2017-a006>

²⁵ <https://www.ucab.edu.ve/wp-content/uploads/sites/2/2018/02/ENCOVI-2017-presentaci%C3%B3n-para-difundir-.pdf>

²⁶ <https://www.iom.int/news/un-migration-agency-launches-regional-action-plan-strengthen-response-venezuelan-outflows>

²⁷ The original Spanish version of the Master Plan is available at Annex 2, and a courtesy English translation is available at Annex 3. In the event of inconsistency between the original Spanish version and the courtesy English translation, the Spanish version will control.

28. Since the Global Fund triggered the assessment of Venezuela, the Secretariat has engaged in discussions with a number of partners who are currently working in Venezuela, the region, or have been considering possible engagement. The Global Fund Board's decision on non-eligible countries in crisis has mobilized partners, and there is a planned donor roundtable in early October 2018 in Washington DC, to discuss the HIV, TB and malaria situations in Venezuela, and ways to provide support.
29. The Strategy Committee and the Secretariat recommend that USD 5 million be made available by the Global Fund to provide support to the people of Venezuela for an initial 12-month period. The recommended amount and duration is based on the Board-approved approach for non-eligible countries in crisis, which recommends that the total amount that can be provided to non-eligible countries in crisis not exceed USD 20 million for the 2017-2019 allocation period and be for an initial 12-month period. The Secretariat anticipates that there will be a continuing need for funding beyond the initial 12-months and USD 5 million, but notes that any additional funding would be conditional upon an assessment of the impact of this proposed investment and subject to additional Board approval and the availability of funds.
30. The Strategy Committee and the Secretariat recommend that USD 5 million be used for HIV, noting the urgent need to provide life-saving treatment to the existing cohort of PLWH. The Secretariat has carefully considered the needs of TB, including the most recent information from August 20 2018, and consulted with the Stop TB Partnership on the way forward and will continue to closely monitor the situation. The Secretariat has also carefully assessed the malaria situation which also has critical gaps. However, in view of the limited funds available, and the fact that PAHO has confirmed that the government has made a procurement of anti-TB drugs to cover the needs through July 2019, and that there are sufficient anti-malarials for the highest burden malaria state (Bolívar), the Strategy Committee and the Secretariat recommend that the limited funding be provided solely for the response to HIV.
31. The Strategy Committee and the Secretariat recommend that USD 4.9 million be provided directly to the Strategic Fund as a donation, not a grant, for the purchase of ARVs and USD 100,000 be provided to UNAIDS to provide technical support to Venezuelan civil society for the continued oversight and monitoring of the delivery of ARV treatment to patients.
32. The USD 4.9 million is intended to procure ARVs for the cohort of existing patients and would, taking into account existing stocks and donations, provide treatment to approximately 60,000 patients for 3 months. These funds will be channeled directly to PAHO for procurement through the Strategic Fund and the actual numbers and regimens of ARVs to be procured would be based on updated quantifications from PAHO, in consultation with the National AIDS Program, and in accordance with the Master Plan.²⁸
33. Organized civil society and communities working in HIV have historically played a fundamental role in the response to HIV in Venezuela. Civil society has been key in ensuring free access to ARV treatment and it has played a critical role in monitoring the situation of ARV stock-outs since the first stock-outs in 2009, which has worsened significantly in the last two years. Red Venezolana de Gente Positiva (RVGP+) and Acción Ciudadana Contra el SIDA (ACCSI) have been undertaking joint monitoring of ARV stock-outs throughout the country. The Strategy Committee and the Secretariat recommend that USD 100,000 be provided to UNAIDS to support civil society for a 12-month period in order to provide additional oversight over the Global Fund investment.
34. In the Board paper on the Global Fund approach to non-eligible countries, the Secretariat indicated that requests to fund non-eligible countries in crisis would not follow traditional Global Fund arrangements.²⁹ As described in the paper there are key differences between this request and traditional Global Fund grants derived from country allocations, noting that the arrangement required to provide a rapid and efficient response in this crisis context entails significantly higher levels of risk and lower levels of assurance. The Board is requested to consider these risks in determining whether to approve this request.

²⁸ Final quantities will be agreed between PAHO and the National AIDS Program and may differ from those in the Master Plan, depending on updated needs.

²⁹ GF/B39/03, Revision 1, paragraph 14

Proposed Implementation Arrangements

PAHO Strategic Fund

35. The Strategic Fund³⁰ is a regional pooled procurement mechanism for essential medicines and health commodities that procures on behalf of member states and has been operational since 2000. The Strategic Fund currently has 33 participating countries. Through the Strategic Fund, member states are eligible to access credit lines through the solidarity capitalization account. The benefits of procuring through the Strategic Fund include, but are not limited to:
- i. Assistance with the planning and management of the procurement of medicines and strategic commodities;
 - ii. Economies of scale and access to competitive prices – the Strategic Fund benefits, through a Memorandum of Understanding on Sourcing Collaboration with the Global Fund, from the Global Fund’s Framework Agreements for the procurement of ARVs and accesses these products under the same competitive terms and conditions (including pricing) as the Global Fund’s Pooled Procurement Mechanism; and
 - iii. Quality assurance over the procured commodities. Based on the WHO prequalification program and through collaboration with National Regulatory Authorities in countries across the Region, PAHO assures the quality, safety and efficacy of the products acquired through the Strategic Fund. PAHO has internal quality assurance processes for the continuous monitoring of products acquired through its procurement mechanisms, to ensure that products that reach member countries meet strict international recommended standards.
36. The government of Venezuela has been using the Strategic Fund since 2010 to procure medicines, including HIV medicines. In April 2018, the Ministry of Health paid its entire 2017 debt related to the credit line and in June 2018 a new line of credit with a maximum USD 2 million ceiling was established.³¹ In January and June 2018, orders equaling USD 1.8 million were made, which included ARVs, anti-tuberculosis and anti-malarials, as well as other essential medicines. While the government has repaid its debt related to the initial line of credit and made procurements via the 2018 line of credit, it has not procured large enough quantities of required essential medicines. The recent procurements of ARVs, anti-TB drugs and anti-malarials amount to only 5% of the total need for medicines in Year 1 according to the Master Plan. During the technical mission in June, the government agreed that all donations should be channeled through PAHO.
37. The Strategy Committee and the Secretariat recommend that the Global Fund enter into a contribution agreement for USD 4.9 million with PAHO for the procurement of ARVs through the Strategic Fund.³² This procurement would entail a one-time purchase of ARVs, and, while drugs may arrive in country at different times, the full USD 4.9 million will be disbursed at one time. Pursuant to this agreement, the commodities procured with Global Fund resources would be shipped and consigned to the PAHO/WHO office in Venezuela, which will be responsible for the nationalization and customs clearance of the products in line with government procedures. PAHO Venezuela will facilitate the delivery of the products to the central warehouse. This is an additional safeguard that PAHO will exceptionally be able to provide, which would not be available if the Global Fund were to directly procure commodities through one of its suppliers.³³ PAHO has also been selected in light of its existing relationship and collaboration with the government of Venezuela – the government of Venezuela already procures through the Strategic Fund and PAHO

³⁰ https://www.paho.org/hq/index.php?option=com_content&view=category&layout=blog&id=8775&Itemid=1694&lang=pt

³¹ The Strategic Fund can approve lines of credit of up to USD 2 million and in special or urgent cases the Director of PAHO can approve a higher ceiling.

³² The Secretariat notes that although the funding would be channeled through the Strategic Fund, it would not be used to finance a loan to the Venezuelan government. Venezuela is one of the world’s most indebted countries, currently suffering extreme inflation and economic collapse, which would make any future repayment subject to a significant improvement in the economic situation. Furthermore, designing a loan and negotiating repayment conditions, either with Venezuela or PAHO, would require significant additional time, and potentially require complex implementation arrangements and additional Board exceptions.

³³ The Strategic Fund’s responsibility normally stops at port when commodities are procured with national funds.

has permission from the relevant authorities to operate in country – which will significantly facilitate the delivery and receipt of the commodities in-country. The Secretariat, after consultations with in-country stakeholders, has not identified a secure or legal means of bringing commodities into Venezuela outside of government-approved processes.

38. PAHO will manage the procurement process, which will include, in addition to the procurement and delivery of the commodities, support to the National AIDS Program and the Ministry of Health on the quantification of needs and development of procurement and distribution plans. Having such plans in place will provide visibility into the expected distributions and will facilitate civil society monitoring. ARVs will be procured in accordance with the Master Plan and the latest availability of ARVs, taking into account any relevant government orders or donations. PAHO will also work with the government of Venezuela to help facilitate the import permissions with respect to the ARVs and to verify the receipt of the ARVs at the central warehouse following transfer from port. In order to support its ongoing efforts and collaboration, PAHO is requesting USD 208,250 from the total approved funding of USD 4.9 million. In recognition of the partnership between the Global Fund and PAHO, the Director General of PAHO has agreed to waive its standard overhead of 13%.
39. Under the proposed contribution agreement with the Global Fund, PAHO will be responsible for procuring ARVs through the Strategic Fund, in accordance with the procurement and distribution plan referenced above, and delivering the commodities to the port of entry.³⁴ PAHO Venezuela will, in coordination with the Venezuelan government, clear commodities through customs and facilitate the transfer and delivery of commodities to the central warehouse. The National AIDS Program will be responsible for ensuring delivery from the central warehouse to the 51 dispensary sites.³⁵ It should be noted that neither PAHO nor the Global Fund will have any legal agreement with the government of Venezuela, and PAHO's responsibility for the commodities extends only to delivery to the central warehouse. As such, the Global Fund will not have recourse against any entity for loss, destruction, or misuse of the commodities once PAHO has delivered the commodities to the central warehouse.
40. However, PAHO has agreed to engage in additional monitoring and reporting in order to provide assurance that the commodities are cleared through customs and reach the central warehouse.

UNAIDS

41. UNAIDS is a key partner in Venezuela and has been working closely with civil society and communities of people living with or affected by HIV/AIDS. The Strategy Committee and the Secretariat recommend that USD 100,000 be provided to UNAIDS for Venezuelan civil society in order to strengthen their capacity and participation in order to continue to advocate for PLWH, monitor access to care and treatment and the delivery of ARVs at the national and sub-national levels, and to strengthen their coordination with the National AIDS Program. This amount has been determined based on the Master Plan and priorities identified by civil society.
42. The Global Fund, upon Board approval, would enter into a contribution agreement with UNAIDS for USD 100,000, for which UNAIDS has agreed not to charge any overhead or direct costs. The totality of funds would be used to support civil society which has been engaged in the monitoring of ARV stock levels for years. The agreement would detail the manner by which UNAIDS would support civil society for a 12-month period in order to provide additional oversight over the Global Fund investment, as well the exact mechanism for reporting.
43. Pursuant to the agreement with UNAIDS, UNAIDS will support civil society organizations in preparing reports and analysis of stock levels at dispensation sites in line with the distribution plan. UNAIDS will also, as needed or warranted, undertake verification exercises at central or regional warehouses to verify stock levels post-delivery. UNAIDS will provide three quarterly reports to the

³⁴ The commodities will be delivered according to CIP ("Carriage and Insurance Paid to") Incoterms (<https://iccwbo.org/resources-for-business/incoterms-rules/incoterms-rules-2010/>).

³⁵ As noted in the Master Plan (page 26 of the English Translation), ARVs are distributed through 51 dispensary sites (pharmacies) located near HIV clinics under the supervision of 24 state coordinating bodies (1 per state) that monitor the inventory of ARVs and request monthly distributions from the National AIDS Program based on stock levels and needs.

Global Fund, which will be prepared with input from civil society organizations and which will include stock levels of drugs at the three levels. The expectation is that this support will also facilitate the establishment of a systematic mechanism for civil society organizations to work with the National AIDS Program on verification and oversight of drug delivery in Venezuela.

Variations from Standard Global Fund Operating Model and Policies

44. As discussed with the Board at its 39th meeting, the Secretariat highlights that the proposed investment in Venezuela differs substantially from the traditional Global Fund funding and grant management model.³⁶ Unlike traditional Global Fund grants, accountability for the proposed investment is limited to the procurement and delivery of commodities to port, customs clearance and delivery of commodities to the central warehouse, and some downstream monitoring activities; further distribution of the commodities to intended beneficiaries will be the responsibility of the Venezuelan government, which will have no formal obligation to complete this distribution. While the proposed arrangements are necessary to deliver a rapid and efficient response to the crisis situation in Venezuela, the investment comes with attendant risks that the Board is requested to explicitly consider in determining whether to approve funding for Venezuela. Approval of this proposal entails accepting these risks in order to deliver impact in Venezuela, taking into account the critical situation in the country and the lack of other viable options. These variations and their related risks are detailed further in the table below. While related mitigation measures have also been identified in the below table where applicable, the Secretariat notes that there remains significant residual risk which is inherent in the limited scope of the investment, i.e. the lack of accountability for commodities once received in the central warehouse. This risk cannot be fully mitigated under the proposed implementation arrangement.

Variation	Description/Related Risk	Mitigation
Scope of Investment and Accountability	The design of the funding arrangements intrinsically puts a practical limit on the assurance and oversight which can be provided under the proposed arrangements. The proposed investment is limited to procurement and delivery of commodities to port, customs clearance and delivery of commodities to the central warehouse, with some limited downstream monitoring activities. PAHO's responsibility for the commodities ends with delivery to the central warehouse, after which the government of Venezuela assumes	<ul style="list-style-type: none"> • PAHO and UNAIDS will provide monitoring and assurance activities that will indicate whether the commodities reach patients as intended. Both PAHO and UN partners have presence in country and have strong existing relationships with relevant governmental counterparts. • PAHO has agreed to conduct extraordinary verification exercises beyond delivery at port, in coordination with the government of Venezuela and the National AIDS Program (NAP), to verify delivery of the commodities to the central warehouse and to provide verification reports.

³⁶ In the Board paper on the Global Fund approach to non-eligible countries (GF/B39/03 – Revision 1), the Secretariat indicated that requests to fund non-eligible countries in crisis would not follow traditional Global Fund arrangements. Specifically, the Secretariat noted that “[i]mplementation arrangements are unlikely to follow traditional Global Fund arrangements (e.g. CCMS, funding request, grant making, etc.) due to the uniqueness of crises, likely absence of previous Global Fund implementing partners in the country, and need for rapid responses. It is expected that such a response will be led by in-country partners with implementation arrangements that provide sufficient and responsible oversight of funding and impact, taking appropriate account of the specific political situation and circumstances of the crisis, including considering use of civil society, multilateral, or other non-government actors as the primary funding channels when a health crisis in HIV, TB, or malaria is not acknowledged by a national government.” In addition, the Board when approving the Global Fund approach to non-eligible countries in crisis noted that investments in non-eligible countries in crisis would likely contemplate non-traditional implementation arrangements and a higher level of risk acceptance.

	<p>responsibility over transport through the supply chain to patients. Neither PAHO, UNAIDS nor the Global Fund will have any contractual relationship with the government of Venezuela. Traditional assurance and accountability mechanisms (e.g. LFA, independent audit, investigations, sanctions, etc.) will not be present.</p>	<ul style="list-style-type: none"> • UNAIDS will be supporting civil society in-country to perform monitoring and stock verification at dispensation sites, as per the distribution plan to be developed and agreed.
Sustainability	<p>The Global Fund contribution is a one-off investment that is limited and not necessarily sustainable.</p>	<ul style="list-style-type: none"> • The Global Fund's decision on non-eligible countries in crisis has generated interest from other donors and partner and as such the Secretariat, together with partners in the region, is planning an initial donor roundtable to be held in early October 2018 to discuss the HIV, TB and malaria situations (as well as possibly some broader health systems issues), develop a coordinated support mechanism and determine ways to support the country and/or the neighbouring region affected by the influx of people leaving Venezuela.
Access Rights	<p>The funding arrangements do not provide the Global Fund unrestricted right of access to books, records, personnel or sites relating to the funded activities, including as required under the Charter of the Office of the Inspector General.³⁷</p> <p>PAHO has not agreed to grant the Global Fund access to its books, records, or sites, or those of its suppliers.</p> <p>UNAIDS has not agreed to grant the Global Fund access to its books and records nor guarantees of collaboration into accessing sites and personnel, but will ensure Global Fund access to the books and records of any contracted civil society organizations receiving Global Fund funds.</p>	<ul style="list-style-type: none"> • Other than USD 208,250 for PAHO's costs, the PAHO contribution will only be used for the procurement and delivery of drugs through port to the central warehouse. Verification of procurement and delivery can be achieved through means other than access to financial books and records. Therefore access (or subsequent OIG audit or investigation) is unlikely to add meaningful assurance given the scope of PAHO and UNAIDS's responsibilities. • PAHO has no downstream implementation partners. • The agreement with UNAIDS will allow verification of downstream expenditures of civil society

³⁷ Approved under GF/B31/DP11.

		organizations conducting monitoring activities.
Audit	All contributions to PAHO and UNAIDS are subject to their internal and external auditing procedures and are not subject to independent audit.	<ul style="list-style-type: none"> • PAHO and UNAIDS' organizational audits would provide limited assurance that the funds are managed in line with their respective accounting and procurement processes and under applicable accounting standards. • PAHO will notify the Global Fund in the event that PAHO becomes aware of information that necessitates further assurances or integrity-related actions in connection with the activities.
Recoveries	PAHO will be responsible only for procurement and delivery of commodities to the central warehouse. If commodities are misused or diverted after delivery to the central warehouse, the Global Fund will have no recovery action against any entity.	<ul style="list-style-type: none"> • Additional monitoring and verification to be conducted by PAHO and UNAIDS will indicate whether drugs are reaching the intended beneficiaries. If there is evidence that drugs are not reaching patients as intended, no additional funding will be provided to help address the crisis in Venezuela.
Quality and Supplier Assurance	This proposal does not follow regular Global Fund grant procedures and thus does not include references to Global Fund policies with respect to quality assurance and supplier conduct.	<ul style="list-style-type: none"> • PAHO's quality assurance policies and supplier qualifications are clearly set-out on its website and provide adequate assurance. These policies will be incorporated by reference, as applicable, in the agreement with PAHO (the "Agreement"). • Products procured by PAHO are pre-qualified by WHO, registered in the National Regulatory Authorities of reference medicines of the region or evaluated through internal processes for the assurance of quality.
Reporting	The arrangement will not follow standard Global Fund grant financial or programmatic reporting.	<ul style="list-style-type: none"> • The disbursement schedule and reporting requirements will be set out in the Agreement in order to ensure adequate procurement and delivery to port. • PAHO will provide the Global Fund with a final report, approved by its

		<p>director of finance, when delivery is completed.</p> <ul style="list-style-type: none"> • The Agreement will confirm that funds will only be used to procure the approved commodities. Any unused funds will be returned to the Global Fund or used for a further purchase of commodities after Global Fund approval.
Internal Policies	<p>The funds will not be subject to standard obligations as under the Global Fund grant regulations (e.g. codes of conduct and anti-money laundering provisions). The Global Fund will rely on PAHO and UNAID's internal policies and there is a risk that not all of the Global Fund's policies and principles will be applied to this arrangement.</p>	<ul style="list-style-type: none"> • PAHO has its own anti-corruption and anti-terrorism policies in place, which cover the key aspects of the Global fund policies on such matters and provide adequate assurance given (1) the nature of PAHO's activities under this arrangement and (2) the fact that PAHO only deals with pre-qualified suppliers that are not on the UN sanctions list or suspended or debarred by the World Bank. • PAHO requires its suppliers to sign the UN Supplier Code of Conduct, which deals with matters related to conflicts of interest, proper labour and human rights practices and corruption matters and which provides adequate assurance in lieu of the applicability of the Global Fund Code of Conduct for Suppliers.
Country Funding Request	<p>The request has not been submitted by a Country Coordinating Mechanism, which is the standard mechanism for submitting a funding request for country allocations. As such, it has not been developed in the same manner as regular funding requests.</p>	<ul style="list-style-type: none"> • The assessment and recommendation are based on information available from technical partners, civil society, as well as published economic data. • The Secretariat has chosen PAHO as the implementing partner because it has the regional expertise – in particular the Strategic Fund - and experience to operationalize the planned activity, which is to procure ARVs. The government of Venezuela already procures through the Strategic Fund and PAHO has permission from the relevant authorities to operate in country.
Technical Review	<p>The Technical Review Panel has not reviewed this request – the</p>	<ul style="list-style-type: none"> • There has been active engagement with partners – in particular with

	<p>recommendation from the Strategy Committee and the Secretariat is based on an in-country technical assessment undertaken by PAHO and UNAIDS.</p>	<p>PAHO and UNAIDS – as well as civil society and Venezuelan government counterparts – in particular the National AIDS Program – in preparing the technical assessment of the HIV, TB and malaria situation. A Master Plan has been developed to help prioritize critical areas, as well as to facilitate coordination with other potential international donors.</p>
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Sources of funds

45. There is no dedicated source of funds for non-eligible countries in crisis for the 2017-2019 allocation period. Any funding for a non-eligible country in crisis will be exceptional and requires the Secretariat to identify a source of funds. The Strategy Committee and the Secretariat recommend that USD 5 million be made available from the USD 144.9 million that is available as of July 2018 to finance prioritized and costed areas of need on the register of unfunded quality demand (UQD) through Portfolio Optimization.³⁸
46. The Secretariat has assessed this investment against the current UQD register, which is currently valued at USD 3 billion. In July 2018, the Secretariat undertook a thorough review and prioritization of the UQD register, including consultations with technical partners. Through the Grant Approvals Committee, the Secretariat has recently decided to award³⁹ USD 127.7 million of the available USD 144.9 million to invest in priority investment cases with time-sensitive and critical needs. The Secretariat has also identified USD 153.1 million for future awards and has identified an additional USD 349 million queued for potential award later.
47. The Strategy Committee and the Secretariat have weighed the trade-offs in investing in eligible countries with UQD against providing support for Venezuela, a non-eligible country in crisis. While there remain clear gaps in the portfolio of eligible countries, the most critical and urgent needs in 2018-2019 are able to be filled with the USD 127.7 million awarded funds. Grants emerging from the 2017-2019 allocation period have only been implementing for 7 months and there will be ongoing opportunities for in-country optimization and reprogramming that will likely allow for some interventions currently in the UQD register to be funded at later dates. In addition, many countries will benefit from the newly negotiated ARV framework agreements, which will result in efficiencies that can later be reprogrammed within HIV components. Thus, the Strategy Committee and the Secretariat are currently comfortable recommending the use of USD 5 million in available portfolio optimized funds as the source of funds to support the proposed response to the health crisis in Venezuela, while noting that future weighing of support for countries in crisis against UQD needs may be more challenging.

Why is this the Secretariat's recommended option?

48. The Secretariat notes that the health situation has continued to progressively worsen over the past two years, and based on the economic outlook for Venezuela and the current political environment, it is unlikely to improve in the near to medium term. The Secretariat notes that there are critical needs across the three diseases, including shortages of key commodities, and considered the possibility of apportioning the recommended funding across the three diseases, however, this was

³⁸ GF/AFC04/DP01 –USD 50 million was approved in July 2017, however the Board in May 2018 decided to allocate USD 5,069,700 for CCM evolution (GF/B39/DP10) and for the implementation of the CCM Code of Conduct (GF/B39/DP09), resulting in USD 44,930,300 available. GF/AFC07/DP01 – the AFC approved an additional USD 100 million to be made available for Portfolio Optimization.

³⁹ Subject to Board approval.

not deemed the most impactful option. Taking into account the availability of life-saving treatments for the three diseases, including the most recent information from 21 August 2018 for TB, the Secretariat determined that the needs in HIV are the most critical at this time. While USD 5 million represents a small portion of the ARV needs for 12-months, these funds will help to ameliorate the current ARV stock-out situation. The Secretariat acknowledges that the funding available is insufficient to meet the total need for the three diseases and notes that addressing the health needs of the Venezuelan people will require additional commitments from other donors or partners in the near-term, either through in-kind donations or financial support. The longer-term solution will be dependent on an improvement of the economic and political situation.

49. The proposed implementation arrangements with PAHO and UNAIDS, while different from traditional grant arrangements, are considered by the Secretariat to be the most effective arrangements possible and likely to deliver the expected outcomes in the crisis context in a rapid and efficient way. Both PAHO and UNAIDS have in-country presence, established working relationships with government counterparts and civil society, and have the capacity to provide oversight over the proposed investment. The Strategy Committee and the Secretariat have carefully considered the risks associated with this investment and the Board will need to consider and accept the identified risks, including the limitations described in this paper, if it approves this proposal for funding to support the people of Venezuela.
50. In terms of sources of funds, the Secretariat has carefully considered the trade-offs in terms of not providing these funds to eligible countries through portfolio optimization. While many existing programs would benefit from additional resources, the most critical 2018-2019 needs are able to be filled with already awarded funds and recent grants will likely find efficiencies during implementation which could be used to scale-up existing programs and fund priority interventions that are currently on the UQD register.
51. The Secretariat has consulted with the Office of the Inspector General (OIG) in these discussions from an early stage, and sought and received the OIG's advice. Taking into account the exceptional circumstances of this funding, the emergency context, and other relevant factors outlined by the Secretariat in this paper, the OIG does not have any objection related to the lack of access rights in this case and it acknowledges the risk-acceptance decision implied in the Board's approval of this funding.

What do we need to do next to progress?

What is required to progress the proposal?

52. The Board is requested to approve an investment of USD 5 million for Venezuela in line with the Board-approved approach for non-eligible countries in crisis, as recommended by the Strategy Committee and the Secretariat.

What would be the impact of delaying or rejecting the decision to progress?

53. The decision at the 39th Board Meeting in May 2018 to approve an approach for non-eligible countries in crisis made clear that a proposal to provide assistance to Venezuela would be presented to the Board via the Strategy Committee. There is now reputational risk related to the expectation that some funding will be provided by the Global Fund, and PAHO and UNAIDS have worked diligently to provide robust technical information to build the investment case that the Secretariat requested.
54. The crisis in Venezuela is not expected to improve in the near to medium term. If the proposed request to provide support to the Venezuelan people is rejected, stock-outs of ARVs will continue and there will be increased potential ARV drug resistance. The health of PLWH in Venezuela will continue to deteriorate and this could have significant impact on neighboring countries and impact

Global Fund investments in the region. A decision not to recommend this to the Board should be based on clearly communicated objections.

Recommendation

55. The Strategy Committee recommends that the Board approve the decision point on page 2.

This document is part of an internal deliberative process of the Global Fund and, as such, cannot be made public.

Annex 1 – Terms of Investment in Venezuela

1. **Amount:** USD 5,000,000 (total)
2. **Duration:** one year
3. **Funding recipients:** PAHO (USD 4,900,000); UNAIDS (USD 100,000)
4. **Activities to be funded:**
 - a. **PAHO:** procurement of ARVs in accordance with a procurement plan to be agreed with the government of Venezuela and the National AIDS Program, clearance of ARVs through customs at port of entry and delivery of ARVs to the central warehouse.
 - b. **UNAIDS:** provision of support to civil society for post-delivery monitoring of stocks at central and sub-national warehouses and dispensation sites, and delivery of treatment to patients.

5. Indicative Budget:

Area	Amount
Antiretroviral drugs (to be procured through the Strategic Fund)	USD 4,691,750
PAHO costs	USD 208,250
Support for civil society monitoring (through UNAIDS)	USD 100,000
Total	USD 5,000,000

6. Terms of the investment that differ from standard Global Fund grants:

Variation	Description
Scope of Investment and Accountability	Legal accountability to the Global Fund for the commodities ends after delivery to the central warehouse, after which the government of Venezuela assumes responsibility over transport through the supply chain to patients. Traditional assurance and accountability mechanisms (including but not limited to: a local fund agent, independent audit, investigations, and sanctions) will not be present.
Sustainability	The Global Fund contribution is a one-off investment that is limited and not necessarily sustainable.
Access Rights	The funding arrangements do not provide the Global Fund unrestricted right of access to books, records, personnel or

	sites relating to the funded activities, including as required under the Charter of the Office of the Inspector General. ⁴⁰
Audit	Contributions to PAHO and UNAIDS will be subject to their respective internal and external auditing procedures and will not be subject to independent audit.
Recoveries	PAHO will be responsible only for procurement and delivery of commodities to the central warehouse. If commodities are misused or diverted after delivery to the central warehouse, the Global Fund will have no recovery action against any entity.
Quality and Supplier Assurance	Procurement will be conducted in accordance with PAHO's quality and supplier assurance policies, rather than those of the Global Fund.
Reporting	The agreement will not follow standard Global Fund grant financial or programmatic reporting.
Internal Policies	The funds will not be subject to standard obligations under the Global Fund grant regulations. PAHO and UNAIDS' policies and procedures will apply to the contributions.
Country Funding Request	The request has not been developed or submitted by a Country Coordinating Mechanism.
Technical Review	Technical assessment of the proposal has been provided by PAHO and UNAIDS. The Technical Review Panel has not reviewed this request.

⁴⁰ Approved under GF/B31/DP11.

Annex 2 – Master Plan (original Spanish version)

Available on the OBA Portal at:

<https://tgf.sharepoint.com/sites/ESOBAl/GFBC/StrategyCommitteeSC/Forms/AllItems.aspx?RootFolder=%2Fsites%2FESOBAl%2FGFBC%2FStrategyCommitteeSC%2FSC%20Meetings%2F7th%20SC%20Meeting%2010-12%20July%202018%2FEDP%20Venezuela%20request&FolderCTID=0x012000C1C929A46EAAD44FA511FF0F17C676050049ED0198D08FB441A942B307F079AED4&View=%7B06DD2FDB-0036-4186-922D-526A799041CC%7D>

Annex 3– Master Plan (courtesy English translation)

Available on the OBA Portal at:

<https://tgf.sharepoint.com/sites/ESOBAl/GFBC/StrategyCommitteeSC/Forms/AllItems.aspx?RootFolder=%2Fsites%2FESOBAl%2FGFBC%2FStrategyCommitteeSC%2FSC%20Meetings%2F7th%20SC%20Meeting%2010-12%20July%202018%2FEDP%20Venezuela%20request&FolderCTID=0x012000C1C929A46EAAD44FA511FF0F17C676050049ED0198D08FB441A942B307F079AED4&View=%7B06DD2FDB-0036-4186-922D-526A799041CC%7D>

Annex 4 – Relevant Past Decisions

Relevant past Decision Point	Summary and Impact
<p>GF/B39/DP04: Potential Engagement with Non-eligible Countries in Crisis (May 2018)⁴¹</p>	<p>The Board acknowledged that a health crisis of significant magnitude may occur in a non-eligible country, which may warrant Global Fund support. The Board directed the Secretariat, in consultation with partners, to present potential investment cases that meet the criteria described in GF/B39/03- Revision 1 to the Strategy Committee for recommendation to the Board.</p>
<p>GF/B37/DP11: Health Situation in Venezuela (May 2017)⁴²</p>	<p>The Board directed the Strategy Committee and the Secretariat to discuss exceptional circumstances in non-eligible countries as part of the ongoing review of the Eligibility Policy.</p>
<p>GF/B28/EDP16 (March/2013): Revised Charter of the Office of the Inspector General and Terms of Reference for the Inspector General⁴³</p> <p>GF/B31/DP11 (March/2014): Revision to the OIG Disclosure Policy and the OIG Charter⁴⁴</p>	<p>Providing requisite access and audit rights to fulfil its mandate under the Board-approved “Terms of Reference of the Inspector General” and the “Charter of the Office of the Inspector General”, it limits the scope of the OIG’s work and consequently its capacity to fulfill its mandate.</p> <p>The OIG Charter, as initially adopted in March 2013, and most recently amended in March 2014, notes under Article 17 that the Office of the Inspector General will have the authority to access, inspect, review, retrieve and make copies of all 1) books, records and documents maintained by the Global Fund Secretariat; and 2) books and records relating to grants funded by the Global Fund or the implementation of Global Fund financed programs and operations, whether maintained by Principal Recipients, Sub-Recipients, LFAs or LFA subcontractors, suppliers and service providers or other individuals and entities who are engaged in, or involved in, carrying out or participating in Global Fund financed programs or operations, and those who have received Global Fund monies or assets, either directly or indirectly.</p> <p>It further authorizes the Office of the Inspector General to seek any information required from personnel of the Global Fund and those that are external, including Principal Recipients, Sub-Recipients and, suppliers and service</p>

⁴¹ <https://www.theglobalfund.org/board-decisions/b39-dp04/>

⁴² <https://www.theglobalfund.org/board-decisions/b37-dp11/>

⁴³ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B28/EDP16/>

⁴⁴ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B31/DP11/>

Relevant past Decision Point	Summary and Impact
	<p>providers involved in Global Fund financed programs and operations and require such personnel to cooperate with any reasonable request made by the Office of the Inspector General.</p> <p>If the decision point presented in this paper is recommended by the Strategy Committee and approved by the Board, it will restrict the access rights of the OIG and accordingly, the OIG will not be able to provide any assurance (audit or investigation) on the use of funds or any other aspects of this arrangement.</p>

Annex 5 – Relevant Past Documents & Reference Materials

Board paper: Global Fund approach to non-eligible countries in crisis – GF/B39/03 – Revision 1

https://www.theglobalfund.org/media/7397/bm39_03-approachtononeligiblecountriesincrisis_report_en.pdf?u=636637835300000000

Board paper: Update and Discussion on the Health Situation in Venezuela - GF/B37/21 – Revision 1

https://www.theglobalfund.org/media/6459/bm37_21-healthsituationinvenezuela_report_en.pdf?u=636637834810000000