Independent observer of the Global Fund

Global Fund Observer

NEWSLETTER

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ARTICLES:

1. NEWS: Diagnostic Review of Grants to Peru Praises Government Takeover of Global Fund Programmes

Some weaknesses in grant management identified

Report finds good practices that could assist other countries

The government of Peru has taken up funding for many activities that were initiated with Global Fund support over the past eight years and has achieved considerable success in the fight against the three diseases. This was one of the conclusions of a diagnostic review of Global Fund grants to Peru conducted by the Office of Inspector General.

The review sought to identify and share good practices, identify key risks to which grant programmes were exposed, and make recommendations for risk mitigation where weaknesses and gaps were identified.

A diagnostic review is different from a country audit in that no overall opinions are provided and no assurance is given regarding how grant funds were spent. This review sought to identify and share good practices as well as identify key weaknesses in the implementation of Global Fund grants.

The diagnostic review was carried out between 20 November and 13 December 2011. The review focused on three active grants: Round 6 HIV (Phase 2), Round 6 HIV (Phase 2) and Round 8 TB (Phase 1). These grants were worth $45 million, of which $39 million had been disbursed at the time of the audit. The grants were managed by three principal recipients (PRs): CARE Peru, Parsalud and Pathfinder International.

The OIG observed good practices which may serve as lessons for other countries receiving Global Fund support. The OIG noted that Peru is far advanced in the process of decentralizing administrative and financial authority and responsibility to health regions, districts and sub-districts. The OIG said that although this is not without problems, it has greatly contributed to increasing public participation in the planning and implementation of health services. For instance, several health districts have already started to include peer health promoters in their budgets and work plans.

The OIG said that the gradual expansion of the system of allocating budgets based on performance has helped to strengthen human resources in health facilities, including improving staff retention and performance.

The OIG also noted that expansion of rapid drug sensitivity testing for TB, using a network of regional reference laboratories supported by the Global Fund grant administered by Parsalud, has greatly reduced the time for the diagnosis of multiple drug resistance TB (MDR-TB) and has shortened the time for getting people into treatment.

Among the activities initiated with Global Fund support and then taken over by the Government of Peru were the provision of antiretroviral treatment, treatment for STIs, and treatment for MDR tuberculosis free of charge.

The OIG said that the programme for respiratory health promotion among secondary students implemented by the Ministry of Education under the Global Fund grant agreement with Pathfinder is well integrated into the Ministry's "healthy school" initiative. The material designed to support this initiative uses a state of the art approach to health promotion that compares favourably to more narrowly focused TB education seen in other countries.

The OIG said that Pathfinder Peru has developed an online M&E (SIME) in which all sub-recipients post expenses incurred, scanned copies of their invoices, work plans, monthly activity reports, result reports and any other information required for programmatic and financial monitoring. The system allows for timely online monitoring of programme activities.

The OIG noted several weaknesses in Global Fund grants in Peru. The OIG said that there were no national guidelines for the distribution of lubricants for male and female sex workers and for men who have sex with men under the Round 6 HIV grant. Groups of sex workers, which the OIG met, confirmed that there was a high demand for lubricants which is generally not met.

The OIG said that there is poor coordination between the TB programme supported by the Global Fund and the national TB programme. The OIG pointed out that the Ministry of Health and the Pan-American Health Organization had voiced similar opinions.

The OIG said that TB control in Peru is deteriorating and that proven public health standards for effective TB control are not being implemented. The OIG team noted that a non-standard DOTS protocol was being applied in the maintenance phase of TB treatment. In addition, the OIG

mentioned the absence of fixed-dose combination drugs, and a failure to consistently obtain a second sputum sample for diagnosis among patients with respiratory symptoms.

In a letter accompanying the report, Global Fund General Manager Gabriel Jaramillo said that the Global Fund Secretariat, the country coordinating mechanism and the PRs have drawn up an action plan to implement the OIG's recommendations.

The report on the diagnostic review in Peru is available on the Global Fund website here.

[This article was first posted on GFO Live on 17 October 2012.]

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2. NEWS: Future of AMFm to Be Decided at Global Fund Board Meeting in November

Outcome is uncertain

Independent evaluation describes the AMFm as a "game-changer" for the private sector

The future of the Affordable Medicines Facility–malaria (AMFm) will be decided at the Global Fund Board meeting on 14–15 November 2012. The outcome appears anything but certain. The AMFm was launched as a two-year pilot phase in April 2009 and began operations in July 2010. The AMFm is hosted by the Global Fund but its programme funding comes from other donors.

An independent evaluation of the AMFm was generally positive on the impact of artemisinin-based combination therapies (ACTs) in most countries. However, the Board's AMFm Working Group says that the AMFm should not continue without some changes. In addition, an article in the journal *Nature* says that many people the journal spoke to said that the AMFm must be changed or be phased out. Finally, the (US) President's Malaria Initiative publicly stated its concerns with the programme, including what it referred to as "overuse of ACTs" by people who did not need them.

Evaluation of the AMFm

The final report of the independent evaluation of the AMFm, which was released on 28 September 2012, said that the AMFm is a "game changer" for the private sector in most countries. The evaluation showed that as a result of the AMFm, significant quantities of quality-assured artemisinin-based combination therapies (ACTs) have been quickly and widely distributed through pre-existing private sector networks, reducing or closing the gaps in availability between rural and urban areas in a very short period.

The Global Fund commissioned the evaluation to find out whether the objectives of the AMFm's pilot phase have been achieved. The aim of the AMFm is to increase availability of ACTs, particularly through private outlets where most people seek their treatments.

The AMFm also aims to bring down the cost of ACTs by subsidising the price. To date, the AMFm

has subsidized nearly 270 million ACT treatments. This global subsidy is financed through contributions of $336 million from UNITAID, the governments of the UK and Canada, and the Bill and Melinda Gates Foundation. Technical support is provided by members of the Roll Back Malaria Partnership.

There are eight pilots operating in seven countries: Ghana, Kenya, Madagascar, Niger, Nigeria, Tanzania (with Zanzibar as a separate pilot) and Uganda. The independent evaluation covered all eight pilots.

The evaluation was led by a consortium of ICF International and the London School of Hygiene and Tropical Medicine. The Global Fund also contracted Data Contributors to undertake the fieldwork, data analysis and country reports.

The main results of the evaluation can be summarised as follows:

- **Availability:** The objective of increasing by 20 percentage points the availability of quality-assured ACTs was met in both urban and rural outlets in five of the eight pilots.
- **Price:** The objective of reducing the price of quality-assured ACT to less than one third of the most popular antimalarial that was not a quality-assured ACT was met in five pilots.
- **Market share:** The objective of increasing by 10 percentage points the market share of quality ACTs in outlets carrying antimalarials was met in four of the pilots.

While the findings varied considerably across the countries, the report said, there was an overall increase in the volumes of quality-assured ACTs, and a reduction in the volumes for the less effective anti-malarials across the pilot countries.

The Technical Evaluation Reference Group (TERG), an independent group advising the Board of The Global Fund, has established a sub-committee to conduct a technical review of the independent evaluation. The TERG will present a report on the results of this review to the Strategy, Investment and Impact Committee at its October 2012 meeting.

Findings from the evaluation will contribute to the decision by the Global Fund Board on the future of the AMFm project. It is expected that the Board's discussion will consider the evaluation findings alongside broader recommendations from working groups established by the Board and Roll-Back Malaria to advise on next steps.

Editor's Note: *At its 13–14 September 2012 meeting, the Board decided to continue hosting the AMFm to the end of 2013. The Board considers 2013 a "transition" year because whatever decision the Board makes in November 2012 concerning the future of the AMFm, there will need to be a transition period to implement that decision.*

Comments from the Board's AMFm Working Group

In a paper submitted to the Global Fund Board at its last meeting in September 2012, the AMFm Working Group, which is part of the Strategy, Investment and Impact Committee, noted that there has been several important changes to the malaria landscape since the Global Fund agreed to host

and manage AMFm Phase 1 in 2008. These changes are as follows:

- Malaria endemicity has fallen significantly due to the scale-up of malaria prevention efforts over the past several years.
- Countries have begun to scale-up access to diagnosis in the public sector.
- International funding for malaria declined in 2011 for the first time in a decade.
- Resistance to artemisinin has been detected in Southeast Asia, and there have been strong efforts to reduce the availability of oral artemisinin monotherapies in many countries through regulatory intervention.

The Working Group said that any successor to AMFm Phase 1 will need to take these developments into account. It added that AMFm should not be continued without some changes. The Working Group believes that a future AMFm model must ensure more sustainable funding; that quality-assured ACTs must be available to support implementation of regulatory interventions to limit availability of artemisinin monotherapies; and that the model should be flexible enough to account for different country circumstances.

Article in *Nature*

In an article in the journal *Nature* on 2 October, Amy Maxmen wrote: "Although no official decision has been announced about whether to continue the programme … many of those familiar with it have told *Nature* that it must change or be phased out after this year."

The article quotes Alan Court, senior adviser to the United Nations special envoy for malaria, and chair of the Global Fund Board's Working Group on the AMFm, as saying: "For me, the problem is that it has not been proven that the AMFm made a difference to malaria. There has to be a public-health purpose or else there is no purpose."

President's Malaria Initiative

In an announcement posted on its website at the end of September, the President's Malaria Initiative, which has a seat on the AMFm Working Group, expressed its concerns about the pilot phase of the AMFm. Among other things, it said that the independent evaluation report provides no evidence on ACT use by vulnerable groups, particularly for children under five; and that the report does not indicate that "the AMFm has played any significant role in 'crowding out' artemisinin monotherapies, as was originally intended."

According to the article in Nature, the US did not support the AMFm pilot directly because officials questioned whether a top-down subsidy to importers would get drugs to the most vulnerable groups.

Editor's Note: This article was first posted on GFO Live on 9 October 2012. It was revised on 15 October primarily to correct an error in the number of pilots and to replace two mentions of "percent" with "percentage points" in the first set of bullets.

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3. NEWS: OIG Releases Reports on Audits in Namibia and Kyrgyzstan, and on a Diagnostic Review in the Caribbean

The OIG noted both programmatic achievements and grant management deficiencies

For Namibia, the OIG said $2.2 million should be repaid

On 2 October 2012, the Office of the Inspector General (OIG) released three reports, two on audits conducted in Namibia and Kyrgyzstan, and one on a diagnostic review undertaken at the Caribbean Community Secretariat (CARICOM).

Namibia

The OIG said that while it noted a number of good practices and achievements as a result of the grants in Namibia, it also identified a number of significant weaknesses in the management of the grants. The OIG made 48 recommendations that it categorized as "critical" and another 15 that it labelled "important."

The audit, which was conducted in June–July 2011, covered six grants from Rounds 2–6 involving two principal recipients (PRs): the Ministry of Health and Social Services (MOHSS) and the Namibia Network of AIDS Service Organisations (NANASO). Total funding for the grants was $201 million, of which $148 million (74%) had been disbursed at the time of the audit.

The OIG identified expenditures of $2.2 million which it said were either ineligible or unsupported and should be repaid. The OIG said that after it shared its report with the country coordinating mechanism (CCM) and the PRs, additional information concerning these expenditures was provided which the OIG has not been in a position to verify. It was agreed that the Global Fund Secretariat would ask the local fund agent (LFA) to verify the additional information and that the Secretariat would, if appropriate, adjust the amount to be refunded.

The OIG said that significant actions have been taken by the PRs, the LFA, the country coordinating mechanism (CCM) and the Global Fund Secretariat to implement the audit's recommendations.

GFO plans to report in more depth on the Namibia audit in a future article.

Kyrgyzstan

As it did in its Namibia audit, the OIG concluded that the grants in Kyrgyzstan had scored some significant achievements but had also manifested weaknesses is grant management.

The audit, which was conducted in November–December 2009, covered six grants from Rounds 2–8 involving three PRs, all units of the Ministry of Health: the Republican AIDS Centre (two HIV grants), the National Centre of Phthisiology (two TB grants) and the State Sanitary Epidemiological

Department (two malaria grants). Total funding for the grants was $47 million, of which $32 million (68%) had been disbursed to the end of 2008.

The OIG identified expenditures of $122,062 which it said were either ineligible or unsupported and should be repaid. The OIG identified a further $58,482 in expenditures which it said should be repaid unless the PR in question, the State Sanitary Epidemiological Department, is able to provide appropriate supporting documentation to the LFA.

Although the amounts of expenditures which the OIG said should repaid are relatively small, the OIG said that "some issues" have been referred to the OIG's investigation unit for follow up. This means that some misappropriation of funds may be suspected.

The audit identified significant weaknesses in financial management, governance and oversight, and procurement. Subsequent to the audit, the three PRs were replaced by the United Nations Development Programme (UNDP).

The OIG identified a number of programmatic successes. For example, with the support of the Global Fund, the National Tuberculosis Control Programme achieved universal DOTS coverage, expanded DOTS-plus coverage in prisons, improved drug management, and integrated TB services at the primary health care level.

In addition, the OIG reported, Kyrgyzstan has recorded a significant reduction in malaria morbidity due to vector control measures, diagnosis and treatment.

With respect to HIV/AIDS programmes, the OIG noted that the PR carried out most of the planned activities under the Round 2 and 7 HIV grants. The OIG added that programmes successfully implemented included HIV prevention among youth, commercial sex workers and men who have sex with men; and harm reduction among injecting drug users, including prisoners, through syringe and needle exchange and methadone substitution therapy.

With respect to oversight, the audit identified a number of problems within the CCM. The OIG noted that civil society makes up only 17% of the CCM membership, well below the 40% recommended by the Global Fund. In addition, the civil society members were not selected by their own sectors based on a documented, transparent process (as is required). Further, although both the Chair and Vice-Chair of the CCM are from the government, there is no plan in place to mitigate the inherent conflict of interest. (This deficiency led to a Round 8 proposal from Kyrgyzstan being deemed ineligible.) Finally, the OIG said that although the CCM had an oversight plan, it did not meet the Global Fund's requirements and was not implemented due to a lack of funding.

One of the actions taken in response to the audit was to have Grant Management Solutions, a US-based technical support agency, provide support to the CCM to strengthen its oversight function. In addition, the CCM secretariat was moved from the MOH to the Office of the Prime Minister.

CARICOM

The diagnostic review for CARICOM covered one Round 9 multi-country grant, with a Phase 1

budget of $11.2 million of which $9.5 million had been distributed at the time of the review, which was in July 2012.

The OIG said that the diagnostic review "observed a strong, well-managed program that responded to its objectives of supporting national capacity in the response to HIV using a regional approach" and that many good practices were noted. Nevertheless, the OIG said, a number of risks were identified that could impede the successful outcome of grant programmes if they are not mitigated.

The OIG said that an action plan in response to the review's recommendations has been prepared jointly by the Global Fund Secretariat, the regional coordinating mechanism and the PR.

GFO plans to report in more detail on the CARICOM diagnostic review in a future article.

The audit reports for Namibia and Kyrgyzstan and the report on the diagnostic review in CARICOM are available on the Global Fund website here.

[This article was first posted on GFO Live on 11 October 2012.]

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4. COMMENTARY: Is There Scope for Risk?

Could someone please call the language police?

by David Garmaise

Anyone who has scrutinized reports from the Office of the Inspector General (OIG) will have noticed that in the last couple of years the tone has become less strident and more nuanced. The new tone is welcome, but I have a quibble about some of the new language.

Somewhere along the way, the OIG decided, or was told, that it should start using "the language of risk," since "risk" had become a new Global Fund buzzword. Thus, what used to be described as a "deficiency" is now described as a "risk." This has led to some pretty convoluted language in OIG reports.

First example: "There is a risk that it will not be possible to establish whether grant objectives have been achieved (and a risk that they may not be achieved) due to incomplete availability of baseline data and survey data for mid-course corrections."

What does this mean? I think that it means that the incomplete availability of baseline and survey data makes it difficult to ascertain whether grant objectives are being achieved and whether there is a need to alter the plan. Wouldn't it be more clear to say it this way?

Second example: "There is a risk that the quantity of condoms provided by the grant is inadequate to ensure achievement of grant objectives and that condoms distributed do not reach the intended

recipients, particularly MARPS."

I think this means that not enough condoms are being distributed to ensure grant objectives will be achieved, and that the condoms are not reaching intended recipients, particularly MARPS. Why not say so?

I am a big fan of clarity. If you fail to take your vitamins every day, would you say: "There is a risk that I am failing to take my vitamins every day"?

Third example: Referring to the performance of a particular local fund agent (LFA), the OIG said: "These observations point to a risk that the Global Fund Secretariat may not be always getting accurate grant related information." Can you tell what that means? I think it means that sometimes the LFA does not provide the Secretariat with accurate information on the grant. Maybe.

In addition to how the OIG refers to "risk," what the OIG used to describe as "an area of weakness" it now describes as "an area where there is scope for improvement" (or "scope for strengthening").

Thus, we get sentences like, "The audit also identified a number of areas where there is scope for strengthening the controls around procurement." I think this means that there were some weaknesses in procurement management.

And we get sentences like the following one (included in a recommendation): "There is scope for increased collaboration between the program and [the PR] by sharing information on…." I think that the OIG is recommending greater collaboration in the sharing of information between the programme and the PR. Couldn't the OIG just say so?

In conclusion, I want to say that there is a risk that the OIG is not always stating things clearly in its reports, and that there is scope for improvement in the language of the reports.

[This article was first posted on GFO Live on 10 October 2012.]

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5. NEWS: Malaria Grant Renewals in Nigeria Include $50 million in "New" Money

The Global Fund Board recently approved two Round 8 malaria grant renewals for Nigeria worth $225 million. This amount included $50 million in "new" money, which will be used to purchase bed nets.

A spokesperson for the Global Fund told GFO that although adding new money to a grant is not typical, it does happen from time to time. In this instance, he said, there was a large unmet need and a significant potential for impact. In addition, the Government of Nigeria agreed to commit additional funds ($100 million) to the programme.

The spokesperson said that the new money was within the ceiling originally approved for the grant, but was in addition to what had been expected to be committed this year. He added that funding for

purposes such as this periodically becomes available because some grants are not renewed for a Phase 2.

In the case of Nigeria, a third malaria grant was not renewed because the CCM decided it should be discontinued. The programmes under the discontinued grant were assigned to the PRs for the two grants for which Phase 2 was approved – the Society for Family Health and the National Malaria Control Programme. The PR for the discontinued grant was the Yakubu Gowan Centre. Yakubu was the subject of an OIG investigation in 2011 involving foreign currency transactions on the parallel market (see GFO article).

[This article was first posted on GFO Live on 9 October 2012.]

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6. NEWS: OIG Audit in Mozambique Identifies Serious Weaknesses in One PR: the Ministry of Health

Says control environment has not improved in eight years

MOH, other stakeholders, agree to steps to address the problems

According to the Office of the Inspector General (OIG), in the short to medium term the Ministry of Health (MOH) in Mozambique may not be able to meet the strict requirements of the Global Fund due to limitations in capacity. The MOH is principal recipient (PR) for three active grants, one for each disease.

The OIG made this observation in the final report of its audit on grants to Mozambique. We reported recently on some of the results of the audit (see GFO article). In this article, we provide more details.

In its report, the OIG said that it had identified significant fiduciary risks related to implementing grants through the public system in Mozambique. “If the Global Fund is to continue investing in Mozambique in the short to medium term,” the OIG said, “[it] should acknowledge the significant risks and set expectations for acceptable risk-taking in light of the weak control environment.”

Although the audit, which was carried out between November 2011 and March 2012, covered grants administered by three principal recipients (PRs), the main focus was on funds provided to one PR, the MOH, during the period 2008–2010.

During this period, the Global Fund grants were technically being administered directly by the MOH. Previously, between 2004 and 2008, money from the grants had been fed into a Common Fund for

Health, known as PROSAUDE, which also included money from other donors. Institutional arrangements had been established to manage the money in the Common Fund. These arrangements

were set out in a memorandum of understanding (MOU) signed in 2003. In the 2004–2008 period, the Global Fund disbursed $136 million into the Common Fund.

In September 2007, because of a lack of predictability of funding, the MOH requested that the Global Fund leave the Common Fund. When a new MOU for the Common Fund was negotiated in 2008, the Global Fund did not sign on. In 2008, the Global Fund asked the MOH to set up an accounting system for grant monies separate from the Common Fund for both drug procurement and other grant expenditures. Nevertheless, the OIG reported, the grants continued to be managed and implemented under the same institutional arrangements that were in place for the period 2004–2008.

It was not until 2010 that a Programme Management Unit (PMU) was established in the MOH to manage the Global Fund grants. The OIG said that although the PMU had developed procedures to ensure accountability and reporting by disease and grant, at the time of the audit the accountability and reporting systems had not yet been tested. As a result, no funds had been disbursed directly to the MOH since 2008.

During this period, the only disbursements made for the grants managed by the MOH were for the delivery of health products; these were made directly to suppliers through the Global Fund's Voluntary Pooled Procurement (VPP) programme. From December 2009 through the end of 2010, the Global Fund disbursed $84 million in this fashion.

The OIG said that when the Global Fund signed the first MOU for the Common Fund in 2003, the Fund did not have a substantive policy to guide funding through common funding mechanisms.

The OIG said that a capacity assessment of the MOH was not conducted prior to the start of grant disbursements in 2004. The OIG said that the MOH did not have sufficient capacity – particularly with respect to financial management systems and human resources – to manage and account for grant funds. The OIG said that many of the weaknesses in financial management were reported as early as 2006 but had not been addressed by 2012 when the OIG audit ended.

The OIG identified the root causes of the problems at the MOH as follows: (a) insufficient monitoring of provincial and district levels of government to ensure timely and accurate reporting; (b) insufficient mechanisms to monitor compliance to the Ministry's policies and procedures; and (c) a failure to act on recommendations from external reviewers.

The OIG said that some development partners have provided technical assistance to the MOH, but that "this effort was not well coordinated and sustained long enough to secure the required impact."

The OIG report describes a litany of problems with grant implementation. The following are a few examples:

- The progress update and disbursement requests (PU/DRs) submitted by the MOH for LFA review in 2009 were not of acceptable quality.

- The report of an external audit conducted in 2009 was not issued until June 2011.

- The MOH was not able to provide sufficient information to support the needs (gap analysis) stated in two disbursement requests submitted in 2011 for the purchase of pharmaceutical products .
- A large quantity of expired drugs was found in a warehouse in 2011.
- Bed nets that were supposed to be distributed free of charge were being sold.

In addition, the OIG said, its audit and other studies demonstrated significant supply chain weaknesses such as poor inventory control; a failure to reconcile stock balances; and instances of stockouts. This weak supply chain system remains a major risk to Global Fund investments, the OIG said. "Sufficient steps have not been taken to mitigate these risks."

The OIG noted that back in October 2004, the Global Fund Secretariat commissioned the then LFA, Deloitte Emerging Markets Group, to conduct a financial review of the Common Fund arrangement. The LFA concluded that established policies and procedures put in place for programme and financial management were not being followed and that supervision and internal controls were not adequate to manage the programme effectively. The LFA recommended that further disbursements to the Common Fund not be made given the prevailing circumstances. The OIG said that the internal control weaknesses identified by the OIG in 2012 are similar to those reported by the LFA in 2004, In other words, the OIG said, the control environment had not changed substantially in eight years.

The OIG said that the Global Fund Secretariat prepared a list of actions to address some of the weaknesses at the MOH, and that these actions were included as conditions precedent to a Round 8 grant (signed in November 2009) and two Round 9 grants (signed in February 2011). According to the OIG, many of these control weaknesses were still evident at the time of its audit in 2012.

Recommendations

The OIG recommended that the Global Fund support the MOH to develop and implement a capacity building plan, supported by money from the grants. The OIG also recommended that a competent entity be appointed to support the Ministry of Health to strengthen internal control systems for financial management, procurement and supply chain management and monitoring and evaluation.

According to the OIG, the Global Fund Secretariat, the MOH, the CCM, and in-country partners have agreed take a number of steps in response to the problems identified in the audit. For example, they have agreed to improve procurement by reorganising procurement units and recruiting qualified personnel; improving the quality of consumption data used for forecasting procurement needs; implementing a new logistics management information system; improving inventory management practices at warehouses; and implementing new standard operating procedures for managing of medicines at all levels.

Some of the capacity building and systems strengthening recommended by the OIG will be done through a Round 8 health systems strengthening grant that was recently re-programmed and "re-

launched" (see separate article) .

The audit report for Mozambique is available on the Global Fund website here.

[This article was first posted on GFO Live on 9 October 2012.]

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7. NEWS: Global Fund Board Approves "Re-Launch" of Malaria Grant in Mozambique

"New" grant focuses on systems strengthening and capacity building

In June 2012, the Global Fund Board approved the "re-launch" of a health systems strengthening (HSS) grant in Mozambique. After two years of inactivity, the grant was re-launched as a three-year re-programmed grant. It is believed to be the first time a grant has ever been re-launched.

The grant, bearing the number MOZ-809-G08-S, was from a Round 8 proposal that was approved for funding in November 2008 with a five year ceiling of $31.2 million. The Phase 1 grant agreement was signed in November 2009 with a budget of $11.8 million. Most of the activities of the grant were in four service delivery areas: health information systems, human resources, pharmaceutical supply chain management, and laboratories. The principal recipient was the Ministry of Health (MOH).

However, no disbursements were made during Phase 1 because the MOH was not able to fulfil the conditions precedent in the grant agreement designed to ensure that its financial reporting systems met Global Fund requirements. In addition, the National Audit Authority in Mozambique delayed providing audit reports of previous grants for more than two years.

Technical assistance was provided by the US government to try to clear the conditions precedent. Meanwhile, however, an external audit was commissioned, the results of which revealed serious weaknesses in the financial controls at the MOH.

By the time the various audit reports became available the grant should have been already invited for a Phase 2 review which, according to the Fund's performance-based policies, would have resulted in an automatic No-Go decision.

In November 2011, the OIG undertook an audit on the MOH (see separate article). The findings showed that serious weaknesses in the financial management, supply chain management and health information management systems in Mozambique posed a serious risk to the performance of the disease programmes, as did a lack of human resources capacity at the MOH. The OIG recommended providing funding for systems strengthening and capacity building.

Technically, the grant had never started because there had been no disbursements. Nevertheless, the Global Fund Secretariat invited the CCM to submit a request for continued funding and to ask for the grant to be re-programmed. With significant support from partner organisations, the CCM submitted

a request for $17.5 million over three years with a focus on the following:

- expanding the capacity and ensuring the quality of financial management system at the MOH;
- improving the capacities of the supply, distribution and warehousing procedures of the national health service;
- expanding the capacity and ensuring the quality of the health information systems at the MOH;
- increasing the number of trained health workers in country; and
- strengthening laboratories and other diagnostic services.

The Secretariat decided to ask the Global Fund Board to approve the request for continued funding as a "re-launch" of the original grant. The Board did so on 24 June 2012.

The Board decision is contained in Document GF-B27-11 which is available on the Global Fund website at www.theglobalfund.org/en/board/meetings/twentyseventh. Additional information for this article was taken from Document B26/ER/03 which was sent to Global Fund Board members at the time the decision was taken. This document is not available on the Fund's website.

[This article was first posted on GFO Live on 9 October 2012.]

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AVAILABLE ON GFO LIVE:

The following articles have been posted on GFO Live on the Aidspan website. Click on the article heading to view the article. These articles may or may not be reproduced in GFO Newsletter.

NEWS: OIG Releases Report on Diagnostic Review for Gambia Grants

> The diagnostic review for Gambia grants identified good practices among the six PRs but said there were some weaknesses in grant administration. The Office of the Inspector General also identified weaknesses in oversight by the country coordinating mechanism and the local fund agent.

NEWS: Diagnostic Review Finds that Eritrea Has Used Grant Funds Constructively to Strengthen Health Systems

> The diagnostic review of Global Fund grants to Eritrea found that the country has used Global Fund resources to strengthen its national health systems but manifests some weaknesses such as a failure to define national standards.

NEWS: OIG Releases Report on Audit of Global Fund Grants in Burundi

An audit on Global Fund grants to Burundi conducted by the Office of the Inspector General revealed significant positive results in all three disease areas, but said that there was room for improvement in financial management.

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This is an issue of the GLOBAL FUND OBSERVER (GFO) Newsletter.

We welcome suggestions for topics we could cover in GFO. If you have a suggestion, please send it to the Editor of GFO (see contact information below).

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