



Independent observer
of the Global Fund

OIG REPORTS GOOD PROGRESS IN IMPLEMENTING GLOBAL FUND GRANTS TO ETHIOPIA, BUT SEVERAL PROBLEMS REMAIN

Despite political unrest and severe drought, Ethiopia has made significant progress in the fight against the three diseases. However, there are limitations in the underlying systems, and inefficiencies in procurement and supply chain management processes. These were some of the key findings of the Office of the Inspector General (OIG) in its audit of Global Fund grants to Ethiopia. A [report](#) on the audit was released on 27 November.

The audit was conducted on four active grants – one for each disease and one for RSSH – being implemented by two principal recipients (PRs), the Federal Ministry of Health (FMOH) and the HIV/AIDS Prevention and Control Office (HAPCO). The audit covered the period from July 2015 to March 2017. The total value of the grants was \$474.6 million. Ethiopia, a high impact country, is one of the largest recipients of grants from the Global Fund.

Significant progress

The OIG cited the following examples of the progress that Ethiopia has made:

- 25 million mosquito nets were distributed between 2015 and 2017;
- 280 districts are labeled mosquito-free;
- there was a 50% reduction in malaria incidence and mortality between 2010 and 2015;
- the TB program met all of the Millennium Development Goals;
- there has been a 50% decline in TB prevalence; and
- the number of people on antiretrovirals (ARVs) rose 27% from 330,000 in 2014 to 420,000 in 2016.

In addition, the OIG said, the country coordination mechanism's oversight committee regularly reviews grant performance; the Global Fund engages actively with in-country stakeholders; and Ethiopia's health extension workers program, which uses trained non-medical staff to provide primary health care in areas where access is limited, has significantly increased the availability of health services at the community level.

The table lists the four areas assessed in the audit, and the OIG's ratings and summary comments for each area.

Table: Ethiopia audit findings at-a-glance

AREA 1: Efficiency and effectiveness of the procurement and supply chain processes and systems.

Rating: Partially

OIG comments: The supply chain is able to distribute medicines to health facilities and no major stock-outs were observed at the service delivery point. However, there are limitations in the underlying systems and inefficiencies in procurement and inventory management processes.

AREA 2: Adequacy and effectiveness of processes and controls within funded disease programs in delivering quality services to intended beneficiaries.

Rating: Partially

OIG comments: Challenges in the delivery of quality services to beneficiaries are well identified by the country assessments conducted with the support of Global Fund and partners. But effective measures are still needed to address these challenges.

AREA 3: Effectiveness of the HSS grant in supporting the funded disease programs.

Rating: Needs improvement

OIG comments: The HSS grant was not adequately planned and executed in the current implementation cycle to address most of the identified challenges.

AREA 4: Adequacy of governance, oversight and assurance mechanisms within the financial management processes in supporting the disbursement and timely use and liquidation of grant funds.

Rating: Needs improvement

OIG comments: The country continues to face significant challenges in addressing delays in disbursement of grant funds at the implementation level and liquidation of related advances. This has resulted in about US\$150 million in outstanding obligations with just seven months to the end of the implementation period.

The OIG has a four-tiered rating scheme, as follows: Effective; partially effective; needs significant improvement; ineffective.

Concerns

The OIG said that most of the programmatic challenges identified by the audit were already known to the Secretariat.

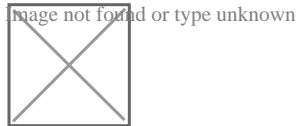
Procurement and supply chain

The multiplicity of manual and automated systems in procurement and in the supply chain makes it hard to trace medicines, the OIG said. In the audit sample, around 21% and 54%, respectively, of malaria and TB medicines could not be traced. The OIG said that it had also observed delays in procurement process and an accumulation of expired medicines. The OIG attributed these problems to inadequate governance and oversight by the MOH and the Pharmaceuticals Fund and Supply Agency (PFSA), which handles all procurement for the grants.

The OIG reported that the limitations in the supply chain are primarily attributable to inefficiencies in PFSA's organization and to the ineffective supervision and monitoring of its activities.

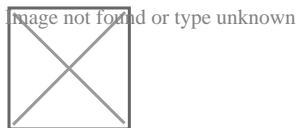
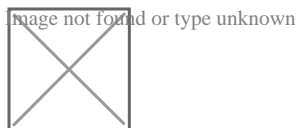
The PFSA installed a Health Commodity Inventory Management System in 2012 to improve traceability of medicines at the central level, the OIG said. However, most of the functionalities in the system were not enabled at the time of the audit; where controls have been activated in the system, the operations continue to be manual, thus circumventing the automated controls.

At the facility level, confirmation of goods received are not reviewed and signed off by management when the goods arrive, the OIG said. It takes an average of 313 days (ranging from 260 to 544 days) for facilities to review and submit the confirmations to the PFSA. The OIG observed that this limits the ability to identify and resolve discrepancies in deliveries throughout the supply chain.



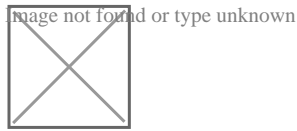
HSS grant

The OIG said that the design and implementation of the health systems strengthening (HSS) grant was an area that needed significant improvement. (We have used some illustrations in this section to summarize the OIG's findings.)



Absorption issues

The OIG said that 60% of the new activities cannot be completed by the end date of the grants (31 December 2017). The many changes have led to significant delays in using and liquidating funds, the OIG said, which, in turn, have affected absorption rates. As of May 2017, there was still \$133.0 million awaiting disbursement from the Global Fund plus an in-country cash balance of \$154.0 million. The difficulties in using up resources, the OIG said, were due to significant delays in Ethiopia's disbursement processes and deficiencies in its planning.



Quality of services

The OIG identified deficiencies in the quality of services in the following areas:

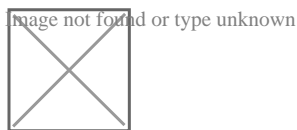
Challenges in implementing HIV testing services. The country has not had an approved HIV testing algorithm for four years and continuously revises its operational HIV testing algorithm to accommodate the available test kits.

Limitations in infrastructure and equipment. Health facilities collect the blood samples of HIV-exposed infants within 45 days, as per national guidelines. These samples are transported to designated laboratories. However, in the facilities visited by the OIG, it takes an average of five months for results to be transmitted to the health facilities, due to the limited availability of testing laboratories, challenges in transporting samples and a breakdown of the system for delivery of test results.

Gaps in the implementation of the Orphans and Vulnerable Children program. For example, the PR does not conduct regular spot checks of activities of the sub-recipients (SRs); and the SRs do not supervise the nine sub-sub-recipients and the more than 100 other implementers involved in the program.

Sub-optimal management of mosquito net distribution. Currently, there is limited visibility with respect to the number of nets distributed by the national malaria program. While all 25 million nets were reported to Global Fund as having been distributed in June 2016, the OIG observed that in the four regions it visited, some nets were not distributed until April 2017. At the time of the audit, the national program had yet to compile data on nets distributed across the entire country, which raises questions, the OIG said, regarding the number of nets reported to the Global Fund as distributed.

Challenges in the external quality assessments for malaria. For example, external quality assessments for malaria microscopy diagnosis had yet to be conducted in 15 of the 25 facilities visited.



Final word

There is a noticeable trend in OIG audits over the past few years: They have gone from being primarily focused on financial management, with some coverage of programmatic issues – to being much more focused on program implementation. The Ethiopia audit is 100% focused on programmatic issues.

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