



Independent observer
of the Global Fund

OIG AUDIT OF GRANTS TO CÔTE D'IVOIRE SHOWS MIXED RESULTS

In an audit of grants to Côte d'Ivoire, the Office of the Inspector General (OIG) rated grant implementation arrangements as being “partially effective”; and supply chain controls and assurance mechanisms as “needing significant improvement.”

The OIG uses a four-tier rating system: Effective; Partially effective; Needs significant improvement; and Ineffective.

The audit, which was performed on all six active grants to Côte d'Ivoire (two for each disease), focused on the period from January 2014 to July 2016. The total value of the grants was \$246 million. A [report](#) on the audit was released in December.

Grant implementation arrangements

The Ministry of Public Health and Hygiene (MPH) is the principal recipient (PR) of three grants to the public health sector (\$104.9 million for malaria, \$90.4 million for HIV, and \$9.3 million for TB). However, most of the PR functions are delegated to the three national disease programs, supervised by the General Directorate of Health within the MPH. The General Directorate of Health also supervises the regional directorates of health in the 20 health regions. Two civil society organizations are the PRs of three grants to enhance the community health services: the National Alliance for Health and Development in Côte d'Ivoire (\$22.9 million for HIV and \$3.9 million for TB) and the Save the Children (\$14.7 million for malaria).

The OIG identified several positive factors that it said contributed to the grant implementation arrangements being partially effective, including the following:

- a strong health product distribution system led by central medical stores;
- well-coordinated interventions with other funders and with implementing partners;
- good coordination between the public and community health sectors; and
- increasing use of the logistics management information system (LMIS) and the health management information system (HMIS), which contributed to increased data availability and quality.

The OIG also observed some weaknesses. For example, it said that the disease programs lack both the authority to efficiently coordinate the cross-cutting grant activities as well as the capacity to implement so many activities. Oversight by the MPH is insufficient, the OIG said.

In addition, as of 30 June 2016, implementation had not started for a significant portion of grant activities (excluding health product procurement–related activities). This has resulted in low absorption rates – 45% for malaria, 38% for HIV, and 33% for TB.

To address these problems, the Secretariat will engage with the government and with partners to put in place a project management unit within the MPH, reporting to the Minister’s office, to ensure that the public sector PRs have the coordination capacity and authority to manage grant activities, particularly cross-cutting activities with other national counterparts.

Supply chain controls and assurance mechanisms

According to the OIG, Côte d’Ivoire has a solid basis to ensure an effective health product supply chain, due to qualified staff, a good institutional and regulatory framework, a modernized central medical store with good storage conditions, an up-to-date stock management system, and wide-ranging and regular distribution arrangements.

However, the OIG said, the national disease programs have a limited role in the oversight of the supply chain because the central medical store is in charge of all distribution. The programs do not review or validate product orders submitted by the districts and the largest health facilities to the central medical store. As a result, the OIG said, they do not monitor whether district and health facility stock levels, as well as consumption, are appropriate in relation to the programmatic data available. Nor do they continuously monitor product quality, stock levels and consumption at the national and district levels to ensure these are appropriate.

In addition, the audit identified significant gaps in inventory controls and reporting at the central medical store. As a result, any loss or theft of products might go unnoticed; and it is not clear whether the districts and the health facilities are receiving the right product quantities. The OIG said that the “first-expired-first-out” method has not been applied for all distribution, “resulting in a high likelihood of early product expiry in 2017.”

The auditors noted the following:

- three malaria treatment facilities (serving 18,000 patients in total) out of 26 visited by the OIG had malaria drug stock-outs lasting between 40 and 100 days;
- 13 out of 26 malaria treatment facilities had stock-outs of malaria rapid diagnostic tests lasting between five and 100 days, and 16 of the facilities had insufficient stocks or stock-outs of microscopy slides for malaria diagnostic tests for prolonged periods;
- 11 of the facilities prescribed malaria drugs without confirmation of the disease, with the risk that patients could develop drug resistance; and

- two-thirds of the facilities did not have sufficient buffer stocks (i.e. between two and four months' consumption).

The OIG found that weak stock management and quantification by the National TB Control Program led to overstocking of eight TB drugs at the national level, which resulted in \$71,000 worth of expiries in 2015, and \$65,000 in 2016 – as well as expiry risks estimated at \$217,000 for 2017. In 2015, drugs worth \$53,000 were spoiled at port due to bottlenecks in product delivery from the port to the central medical store.

The Secretariat has introduced several measures to mitigate the risks related to these findings, including the following:

- technical assistance was provided to support product quantification by the disease programs and the central medical store's stock management system;
- a "leadership development program" was piloted in several health regions and contributed to improved supply chain management; and
- periodical oversight missions were conducted which highlighted some of the stock management issues.

In late 2010, the Additional Safeguards Policy was implemented in Côte d'Ivoire. This policy puts in place extra financial controls and oversight over the grants. In 2013, the Global Fund Secretariat appointed a fiduciary agent to support the three disease programs in overseeing their financial and non-health procurement management and to build financial management capacity. From January 2014 to June 2016, the agent cost \$1.1 million (\$0.4 million per annum), which is about 5% of grant funds disbursed directly to the three disease programs during the same period (\$21.5 million). This is in addition to other financial assurance costs in the Global Fund's assurance framework, such as the local fund agent (\$0.7 million per annum) and annual external audits.

The Secretariat has agreed to implement further measures to strengthen accountability with respect to the supply chain, and to strengthen the oversight capacities of the disease programs. Specifically,

- the central medical store and the disease programs will perform regular reconciliation of the store's inventory with the disease programs' stock data, and investigate any differences;
- the disease programs will validate product orders received by the central medical store from the health districts and the largest health facilities; and
- a technical assistance mission will be supported to implement recommendations tailoring the Enterprise Resource Planning system (known as SAGE) to central medical store requirements.

This is the first time that the OIG has audited grants to Côte d'Ivoire. In April 2016, the OIG conducted an investigation into an alleged diversion of TB drugs (see [GFO article](#)).

"I Speak Out Now" pilot

In its report, the OIG said that Côte d'Ivoire ranked 107th out of 168 countries in Transparency International's 2015 Corruptions Perceptions Index (the lower the ranking, the less corrupt). Côte d'Ivoire is one of three pilot countries where the Global Fund is implementing its "I Speak Out Now!" campaign to combat fraud and corruption in the implementation of grants. Further details are available in the OIG's report; see also [GFO article](#).

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