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of the Global Fund

Ukraine starts transition away from Global Fund support without a detailed transition plan, OIG says

Ukraine will start transferring responsibility for key programs from NGOs to the government early in 2018 without having a detailed transition plan, the Office of the Inspector General (OIG) noted in a recent audit of Global Fund grants to the country. A [report](#) on the audit was released on 24 January.

Ukraine is a lower-middle-income country. Although Ukraine does not appear on the Global Fund's list of components projected to transition by 2025, the country's funding request in 2017 included plans for the government to assume a greater share of the responsibility for providing services (see [GFO article](#)).

On 1 December 2017, subsequent to the audit, the Board approved three TB/HIV grants for Ukraine from the country's 2017–2019 allocation. In the new grant cycle, which starts in January 2018, Ukraine aims to gradually transition activities and procurements from the current NGO PRs to the Public Health Center (PHC) — 20% in 2018, 50% in 2019 and 80% in 2020.

(For more on this issue, see the section on “Planning for transition” below.)

Representatives of civil society organizations and the PHC told Aidspan that they were generally satisfied with the contents of the audit report.

In this article, we provide a detailed summary of the audit findings and we report on the feedback we received. The article contains the following sections:

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OVERVIEW

Overall, the audit gave Ukraine a mixed report card. The OIG said that implementation arrangements, as well as procurement and supply chain management, were “partially effective,” the second highest ranking in the OIG’s rating scheme. However, it said, the effectiveness of program processes and controls needs significant improvement.

The Global Fund has signed grants worth over \$555.0 million and disbursed over \$547.0 million to Ukraine since 2003. The OIG audited grants managed by three of Ukraine’s four PRs (see Table 1), excluding the grant managed by UNICEF, which mainly provides commodities and services to conflict areas in Eastern Ukraine. The audit covered the period from January 2015 to June 2017.

Table 1: Active Global Fund grants to Ukraine at the time of the audit (\$ million)

Principal recipient	Comp.	Grant name	Signed amount
Alliance for Public Health		TB/HIV UKR-C-AUA	66.3 m
All-Ukrainian Network of People Living with HIV		TB/HIV UKR-C-AUN	63.3 m
Public Health Centre		TB/HIV UKR-C-UCDC	3.4 m
UNICEF	HIV	UKR-H-UNICEF	8.0 m
Total			140.9 m

Note: All grants had an end date of 31 December 2017 except for UKR-H-UNICEF which will end in June 2018. At the time of the audit, the 2018–2020 grants had not yet been approved.

Table 2 lists the three areas assessed in the audit, and the OIG’s ratings and summary comments for each area.

Table 2: Ukraine audit findings at-a-glance

AREA 1: Adequacy of the implementation and funding arrangements in supporting the achievement of grant objectives and sustainability of programs	Rating: Partially effective
OIG comments: The government has committed to a 25% increase in its budget for HIV and TB in the next grant period. Implementation arrangements at sub-recipient level have been simplified but more administrative and efficiency improvements are needed. The new funding cycle accompanies the gradual transition of procurement, supply chain and other functions to enhance long-term sustainability. However, although this transition starts in early 2018, the first steps to build a government procurement agency, and for finalizing future supply chain arrangements, have been initiated after the procurement mechanism reform.	
AREA 2: Effectiveness of the program processes and controls for delivering quality services to beneficiaries, including the availability of accurate and timely data to aid decision-making	Rating: Needs improvement

OIG comments: The combination of limited drug availability and an overloaded health workforce has hampered diagnosis and treatment of HIV; these issues could be exacerbated when the government takes over a significant proportion of health programs in 2018–2020. For HIV, in the sampled regions, a 25% variance was detected between the reported number of patients on treatment and the number of patients in the adherence records. Discrepancies of 5%–15% were also identified in reports, registers and patient cards. The two non-governmental PRs currently operate segregated patient data systems for patients having two separate unified codes, although work is ongoing to harmonize the systems.

AREA 3: Efficiency and effectiveness of procurement and supply chain processes and systems to ensure the timely availability of quality medicines, health and non-health products Rating: Partially Effective

OIG comments: Antiretroviral (ARV) drugs costs have been significantly reduced through advocacy and negotiation. However, some key drugs are still more expensive compared to the global average. Supply chain arrangements have improved through warehousing arrangements at central level, avoiding any major supply disruptions. However, post-transition arrangements need to be finalized.

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

ACHIEVEMENTS AND GOOD PRACTICES

The OIG identified the following achievements and good practices:

Treatments have produced good results. AIDS-related deaths were reduced from 14,000 in 2010 to 7,900 in 2015. In addition, 78% of people on ARV treatment had a suppressed viral load.

HIV programs have been scaled up. Ukraine adopted a test-and-treat approach as well as the UNAIDS 90-90-90 targets.

Major price reductions have been achieved. Concerted advocacy efforts by civil society organizations have led to price reductions for the majority of ARVs, largely aligning them with international generic reference prices.

The government has shown increased commitment. Despite conflicts in Eastern Ukraine and an economic recession since 2014, the government increased the HIV budget in 2017 for the procurement of medicines and other key interventions by 171%; and increased the TB budget by 133% (compared to 2016). The government also approved a four-year HIV strategy which featured a patient-oriented approach, including improved access to prevention programs for key populations.

KEY ISSUES AND RISKS

The audit report described several concerns, including the following:

- there are challenges in achieving current HIV targets and the proposed scale-up;
- improvements are needed in MDR-TB treatment and in coordination between the TB and HIV programs;
- there are procurement inefficiencies and gaps in supply chain processes;
- data quality challenges have affected decision-making; and
- there is a need for effective planning of the transition in grant implementation arrangements.

Below, we summarize the audit findings related to each of these concerns.

HIV targets and scale-up

The number of people on HIV treatment has increased from 64,360 in 2015 to 82,860 in 2017. Ukraine plans to continue this acceleration: The goal is to reach 194,400 on treatment by 2020. However, the OIG said, this is happening against a backdrop of significant programmatic and financial bottlenecks. The problems are in two areas: detection and treatment.

The depreciation of the Ukraine currency, the hryvna, has resulted in foreign exchange savings of approximately \$2.9 million in grant budgets over the period 2015–2017. The OIG stated that the Global Fund has not approved a request by Alliance Ukraine to use the savings to buy additional MDR-TB drugs. The OIG added that the Secretariat has not yet established a systematic process for evaluating potential reprogramming using foreign exchange savings, especially for life-saving treatment.

The OIG reported that Ukraine and the Secretariat were currently finalizing grant conditions and performance framework targets for the next grant cycle. The goal is to address the bottlenecks and progressively scale up the number of people on ART. A 2017–2021 national TB strategy is also being finalized, which will capture the actions needed to deliver improved results. Given these activities, the OIG said that no further agreed management actions are needed in this area.

MDR-TB treatment, TB-HIV coordination

The OIG said that the national TB program conducted the first country-wide survey from November 2013 to May 2014 to identify MDR-TB levels and risk factors. MDR-TB was detected in 24% of new patients and 58% of previously treated patients. This is higher than the international averages of 4% and 21%, respectively, for those groups.

The OIG identified three factors contributing to high disease burden and new infections:

- cross infection among TB patients;
- low MDR-TB treatment success; and
- inadequate TB/HIV cooperation.

Given that these issues are being addressed, including through grant conditions and the performance framework for the 2018–2020 grant cycle, no further agreed management actions are needed in this area, the OIG stated.

Procurement and supply chain

Thanks to concerted efforts by civil society organizations, some pharmaceutical manufacturers have agreed to include Ukraine under voluntary licensing agreements, or to waive their patent rights in Ukraine, the OIG reported. This has resulted in a broader set of health products being available, as well as price reductions for the majority of ARVs — including the main HIV regimen that covered 40% of Global Fund–supported patients as recently as 2017.

However, some key drugs remain more expensive than international generic reference prices. The OIG said this is because of Ukraine’s market size and purchasing power; inefficiencies in procurement practices; intellectual property rights; and trade issues. Despite some simplifications, the OIG stated, there

are still multiple HIV treatment regimens procured using Global Fund grants, contributing to procurement and administrative inefficiencies. “Government procurement delays have resulted in consistent borrowing from the Global Fund drug stocks, with higher stock-out risks as Global Fund reduces drugs investments in the next grant cycle,” the OIG said. Gaps in coordination led to expiries and large quantities of MDR-TB drugs with a short shelf life, the OIG added.

The OIG provided an example of what happens when government bureaucracy is involved. The government has an annual budgeting and funds allocation process which is generally approved around the start of the year. Procurement cannot go through before the funds are made available. The procurement process then takes another 12–18 months before the drugs can be delivered. As a result, 2016 procurements were only delivered in late 2017.

The OIG observed that Ukraine is currently using a regimen consisting of lopinavir and ritonavir as a first-line medicine although this is not recommended by the World Health Organization (WHO). In addition, the OIG said, the regimen costs about 200% more than the WHO-recommended first-line treatment. In the current grants, this drug combination alone constitutes almost half of the \$28 million budget for the procurement of ARVs. While government purchases of these second-line drugs used for first-line treatment decreased by 6% between 2015 and 2017, their procurement using Global Fund grants has increased by 34% during the same period, the OIG said.

Ukraine is in the process of creating a national procurement agency. A concept to reform the procurement of health products has recently been approved by Parliament, the OIG said. “This should help develop a capacity-building plan for a national procurement agency and finalize future supply chain arrangements. Both are needed by mid-2018 as part of the envisaged transition to PHC under the next grant cycle.”

Currently, centrally procured health products transit through a central warehouse before being distributed in full to the regions. The audit found that the capacity and conditions of the central warehouse do not meet international standards. Therefore, health products procured with grant funds are managed through private warehouses. The OIG reported that the PHC has concerns about continuing this arrangement with private sector partners after the transition, due in part to regulatory requirements. The gradual transition of procurement to the PHC will start in 2019. “In the absence of a plan to evaluate the actual capabilities of government warehouses and to address the potential gaps, the transition from private sector arrangements to public facilities may introduce significant risks to the delivery of grant services,” the OIG stated.

Agreed management action

The Secretariat will:

- ensure that the drugs procured with Global Fund grants are only WHO-recommended regimens;
- establish an optimization plan to increase treatment impact;
- establish an effective procurement coordination mechanism between government and donors to avoid any future overstock or stock-outs; and
- discuss and agree with the PHC the supply chain arrangements for grants in the next grant cycle, including plans for any capacity building initiatives needed for national supply chain arrangements.

Due date: 31 July 2018

Data quality

The audit found that there were challenges with data quality that were affecting decision-making. Specifically:

- there is no reliable mechanism to confirm the number of people on ARVs;
- there are discrepancies in data among the reports submitted at the national level, the TB registers and the patient cards at facilities; and
- the two main PRs operate segregated patient recording and reporting systems with different registration codes.

Agreed management action

The Secretariat will ensure that costed M&E plans for TB and HIV are developed, and that they include plans

- strengthening the reporting systems covering but not limited to the harmonization of patients' identification;
- strengthening the monitoring and supervision systems for TB and HIV programs; and
- performing evaluations and surveys.

Due date: 30 September 2018

PLANNING FOR TRANSITION

As mentioned above, Ukraine plans to gradually transition activities and procurements from the current NGO PRs to the PHC. The size of the PHC grant went from \$3.3 million in 2015–2017 to \$44.3 million in 2018–2020. The PHC will assume major new responsibilities, taking over key program activities such as prevention, outreach and procurement. These changes will require a detailed analysis of the PHC's new roles and responsibilities, the OIG said.

In the absence of a detailed transition plan, the OIG said, capacity-building gaps may affect the ability of the PHC to successfully take on its new responsibilities. The OIG said that the plan will need to take into account the impact of transition on access to services for key populations as well as the range of services that will be provided.

The OIG said that during interviews with representatives from key populations, including PWID, female sex workers and MSM, they expressed concerns about the possible adverse impact on access to services when the prevention activities move to PHC. These concerns arise from multiple factors including the fact that these populations are criminalized in Ukraine. The OIG said that there are reservations about the government's commitment and in-depth understanding of these interventions as well as a risk that efficiency considerations will take precedence over the delivery of comprehensive programs. The OIG cited as an example the fact that after the Ministry of Health took over the methadone program, a psychological support component was considered unnecessary and was removed.

The 2018–2020 grants reduce the number of sub-recipients (SRs) from 225 to 108. However, the OIG noted, there has been no detailed review to map the technical capacity and regional presence of the SRs that will remain.

The audit identified challenges with respect to the management of SRs. For example:

- there have been instances where SRs have been appointed without an open tender;
- many SRs have very high management costs;
- there have been instances of duplication of services among SRs; and
- there have been instances of nepotism in SR staffing.

In addition, the OIG noted several instances of expenses with insufficient or no supporting documents. These instances have been referred to the OIG's Investigations Unit for further review.

The OIG said that Ukraine's transition plan should address the impact of transition on SR management.

Agreed management action

The Secretariat will ensure that:

- a detailed action plan to transition from donor funding to government funding with the rate of 20%–50%– developed, which includes measures to ensure satisfactory quality and access of services by key affected after transition; and
- the ongoing sub-recipient selection process systematically considers administrative costs, geographical and control gaps in the existing cycle, to explore further implementation improvements and efficiencies.

Due date: 30 September 2018

PREVIOUSLY IDENTIFIED ISSUES

The OIG previously audited grants to Ukraine in November 2010 and released the [report](#) in August 2012 (see [GFO article](#)). The OIG said that the risks identified in the earlier audit have been “materially mitigated.”

REACTIONS

Aidspan contacted several community representatives and staff of the PHC. All those who responded said that they were generally pleased with the content of the audit report and with the audit processes.

Anton Basenko, Country Focal Point for the international advocacy project PITCH, and a member of the Communities Delegation to the Board of the Global Fund, said: “The report reflects the concerns that we raised. We feel that we had meaningful involvement in the process. It helped that the community representatives had CCM member status by the time the audit was conducted.” Basenko also represents PWID on the CCM.

Nataliya Nizova, ex-Director General of the Public Health Center (PHC) said that during the audit, “the PHC had full opportunity to cover and comprehensively discuss the most important, including difficult, aspects related to the implementation of grants in Ukraine.”

Andrey Klepikov, Head of the Alliance for Public Health, said: “As one of the PRs, the Alliance was naturally very involved in the audit. We also participated in the de-briefings with the CCM and the other PRs. The OIG has a clearly defined and openly accessible [stakeholder engagement model](#), so we knew in

advance at what stage and how we should be involved.”

One respondent — Olena Kucheruk, Public Health Program Initiative Manager for the International Renaissance Foundation — told Aidspace that she would have liked to have seen more in the audit report on the health care reforms that are underway in the Ukraine. “The transition to a new health care system may continue in ways that are not always predictable. This creates uncertainty which, in turn, may affect the continuity of services,” she said.

“Another risk is that the PHC needs to develop networks in the regions,” Kucheruk said. “After operating with Global Fund budgets for the next three years, the PHC will need to develop state level budgets after 2020. This process is just beginning and remains not well coordinated. There is a need to develop a clear vision at strategy at the national level, with clear understanding of how local PHCs should look like, how they should be subordinated, and how they will operate to ensure continuity of services.”

Finally, Kucheruk said, she would have welcomed more discussion in the audit report on key population involvement and participation. “There are concerns about whether all key populations were engaged in the response to the epidemics, about the legitimacy of some of the representatives of these populations and about communication within those communities.”

Transition

One of the agreed management actions in the audit report concerned the preparation of a detailed transition plan. Aidspace asked the representatives to comment on issues related to transition.

“We have to make sure that the commitment to develop a transition plan is more than just a statement of intent. It has to be translated into action,” Basenko said. Regarding the 20%–50%–80% targets, Basenko said that they were somewhat arbitrary, especially the first target (20% by January 2018). “It was based on what was happening in two regions of Ukraine (out of 25),” Basenko said, “but these regions really only represented 5% of the total.”

Basenko also said that in order for the transition to happen, Ukraine needs to develop a new national HIV program. “But there is not enough time to do this properly,” he said, “and the development of regional strategies is not far enough advanced.”

Nizova told Aidspace that when she was Head of the PHC (her contract expired in September 2017), she supervised the involvement of the center’s specialists in the preparation of a transition strategy and an action plan for implementation, which was reflected in Ukraine’s funding request to the Global Fund. “The main concern, in my opinion, is the slow progress of reforms in the public sector, primarily in the area of procurement and finance.”

Klepikov said that a TB/HIV sustainability strategy was approved by the Cabinet of Ministers. “Now, the key next steps are to make sure that the two new national programs on TB and HIV will be approved by the Parliament and properly funded.”

Klepikov noted that the transition is already underway. He said that the Alliance is currently transitioning an opioid substitution therapy (OST) program with over 10,000 patients to the government, and that the transfer is going well. As of beginning of January 2018, about 10% of the OST patients already started to receive methadone procured by the Ministry of Health, he said. “We expect that transitioning the OST program will be completed in mid-2018.”

Klepikov said that work on the detailed transition plan must start right away. “And, of course, it is not about developing a nice paper. It will require approval of some new working mechanisms — for example, for NGOs to access domestic funding — as well as the government’s decision on an increase in funding, and

on funding new activities, such as prevention among PWID, MSM and sex workers.”

Final word

“The audit shows that there has been good progress in fighting the epidemics in Ukraine,” Klepikov told Aidspace. “Following the previous OIG audit done in 2010, Ukraine received 76 recommendations. This latest audit produced only three recommendations.”

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