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## OIG AUDIT OF MOZAMBIQUE GRANTS REVEALS WEAKNESSES IN IMPLEMENTATION AND SUPPLY CHAIN MANAGEMENT

An audit into grants to Mozambique undertaken by the Office of the Inspector General has concluded that both grant implementation arrangements and supply chain controls and assurance mechanisms “need significant improvement.”

“Needs significant improvement” is the second lowest rating in the OIG’s four tier rating scheme. The four tiers are effective; partially effective; needs significant improvement; and ineffective.

A [report](#) on the audit was made public on 10 March.

Mozambique is a difficult operating environment. A low income country, Mozambique ranked 180 out of 188 countries in the 2015 United Nations Development Program human development index report. Transparency International’s 2016 Corruption Perceptions Index ranked Mozambique at 142 out of 176 countries.

Mozambique is currently facing challenges with the depreciation of the local currency and with ongoing conflict in three provinces: Zambezia, Nampula and Sofala. Economic and social conditions have deteriorated. The International Monetary Fund and development partners suspended financial aid to Mozambique in April 2016 as a result of undisclosed debts.

Mozambique has six active grants with a value of \$529 million, of which \$222 million was disbursed to three principal recipients (PRs) as of September 2016. The Ministry of Health (MOH) is the public sector PR and there are two NGO PRs: Fundação para o Desenvolvimento da Comunidade (FDC) and World Vision.

The audit examined the HIV, TB, malaria and health systems strengthening grants administered by the MOH, and the HIV and TB grants administered by FDC, for the period January 2014 to June 2016. The audit did not cover the malaria grant managed by World Vision.

A previous audit of the portfolio in 2012 highlighted weaknesses in the capacity of the MOH and the need to improve the quality of service delivery, procurement efficiency and reliability of data for decision-making. The OIG stated that Mozambique has addressed some of the issues identified in the 2012 audit related to supply chain. However, it said, some capacity weaknesses at the MOH and quality of service delivery issues remain unresolved.

### Grant implementation arrangements

The grants to Mozambique have been successful at increasing coverage. The number of people on antiretroviral treatment increased by over 40% between 2014 and 2016. The TB case notification rate increased by 26% between 2013 and 2015. There is universal confirmation of uncomplicated malaria before treatment. And, finally, a District Health Information System has been rolled out to make data available at all levels.

However, the OIG said, there has not been a commensurate and consistent improvement in the quality of diagnosis and treatment of patients. The OIG attributed this to ineffective oversight, coordination and management.

(The OIG noted that the Secretariat has identified quality of service as a significant issue in the corporate risk register. The Global Fund is currently developing tools to proactively identify and address quality of service issues.)

The OIG said that proficiency testing revealed poor diagnosis of all three diseases. Some providers of HIV testing failed the proficiency testing, which increases the risk of incorrect diagnosis. This means that there is a risk that HIV-positive people may not get treatment and HIV-negative people may be put on treatment unnecessarily.

The OIG said that Mozambique continues to have low retention rates of patients on antiretrovirals and patients receiving multi-drug-resistant TB treatments. Mozambique's retention rates are the lowest in the region.

The OIG said that the country coordination mechanism (CCM) has been strengthened through technical assistance, and that it engages with stakeholders on the development of funding requests. However, the OIG said, the CCM "does not effectively oversee implementation of the grants." For example:

- actions discussed at CCM meetings are not followed up for implementation by the PRs;
- the CCM has not defined the minimum level of information required from the PRs to ensure effective oversight; and
- key members of the CCM, including the MOH, are not actively engaged in the oversight of the grants. The attendance rate by all members, including alternates, for the 12 meetings between 2015 and 2016, was 45%.

According to the OIG, the MOH's project management unit lacks the required technical expertise, managerial capacity and resources to ensure the effective implementation of the grants. The OIG said that this weak implementation capacity contributed to a very low absorption rate: The MOH has only spent 25% (\$3.4 million) of the funds disbursed by the Global Fund since 2013 (\$13.4 million).

The infrequent and inconsistent coordination of ten implementing agencies within the MOH has resulted in delays in key activities, the OIG found. There is also duplication of activities for key affected populations

among the various donors.

## Supply chain

About 84% of the Global Fund grants to Mozambique are spent on procurement of medicines and other health products. The procurement of HIV and TB medicines is done, respectively, through the Fund's Pooled Procurement Mechanism and the Global Drug Facility.

The OIG said that the supply chain in Mozambique is able to distribute medicines but that gaps exist in storage, distribution and logistics management systems, which creates inefficiencies.

The OIG said that there is insufficient space in storage rooms, as well as inadequate measures to control the temperature in the rooms. All the warehouses it visited, the OIG said, were overfilled with products, exceeding recommended storage density several fold. The OIG said that the storage conditions would not be able to support planned scale ups, especially the introduction of "test and start" which is expected to increase the volumes of HIV medicines by more than 75%.

Mozambique has improved its logistics management information systems since the last audit, the OIG reported. However, the existing systems used to collect distribution and consumption data have not been effectively integrated to provide reliable information for supply planning. The OIG stated that Mozambique has consistently reported variances between the distribution and consumption data of medicines – variances which are yet to be resolved.

The OIG reported that there are limited in-country mechanisms to routinely monitor the quality of medicines across the supply chain. There are no qualified or certified laboratories in Mozambique to provide quality assurance of procured medicines, the OIG said. The Global Fund has earmarked resources to enable Mozambique to obtain services from qualified laboratories in other countries, but the procurement processes to allow this to happen have yet to be completed.

These quality assurance gaps contributed to stock-outs and expiries across the supply chain, the OIG said.

Accountability and ownership of the supply chain network are split across the administrative levels of the country, resulting in a lack of holistic oversight of the overall supply chain network, the audit found. A supply chain strategy developed by the Ministry of Health to address the above gaps has not been operationalized; activities in the strategy have not been prioritized and costed. Although the Global Fund earmarked \$7.6 million under the health systems strengthening grant to address some of the supply chain challenges, the OIG said, no activities related to this investment have been completed since 2013.

Mozambique experienced delays in the procurement of medicines, the OIG found. In January 2016, the delayed arrival of anti-malaria medicines resulted in a stock out that lasted over a month and a half. The TB program experienced a six-month delay in four shipments due to the lack of agreement between Mozambique and the Global Drug Facility to transport products in pallets.

The OIG said that during the period examined by the audit, the process to procure material non-health products spanned two years. This contributed to the low absorption rate noted above.

The MOH has been unable to effectively mitigate the recent foreign exchange rate risks affecting grant funds disbursed to the country. The Ministry converted \$8 million received from the Global Fund into local currency before grant activities started. Delays in the procurement processes coincided with foreign exchange movements that devalued these converted funds by approximately \$3.9 million.

The OIG found that although the country team at the Secretariat has increased engagement with in-country stakeholders, and although it spotted some of the issues identified in the audit, there was room for

improvement in the team's management of agreed actions. The OIG stated that Mozambique has not met some of the agreed actions tied to disbursements, one of which has been outstanding since 2013.

One example of the problem: Mozambique was required to engage treatment adherence supporters to improve antiretroviral retention rates, but has not met this condition since 2015.

Another example: The country team reviews the terms of reference (TORs) developed by the PRs to engage consultants. These reviews go through many iterations since the implementers are unable to prepare the TORs in a way that is acceptable to the Secretariat. One set of TORs had at least six iterations before it was approved by the country team.

#### Agreed management actions (AMAs)

See the table for a list of the AMAs the Secretariat committed to as a result of the audit. All AMAs are the responsibility of the Grant Management Division.

Table of AMAs

Category	Agreed management action	Target date
Quality of health services	The Secretariat and partners will conduct a national sample-based follow-up study to track and determine the status of lost-to-follow-up cases of people on antiretroviral treatment in selected sites.	31 Dec 2018
	The Secretariat will work with the MOH to support development and implementation of a plan for decentralized and integrated supervision for the three diseases and Health Management Information System (HMIS). This will include direct financial flows to the provinces.	31 Dec 2017
Control and assurance over supply chain	The Secretariat will review the status of implementation of the HSS grant activities, and the status of conditions in disease grants together with the PRs and develop an implementation plan for the remaining duration of the grants.	30 Jun 2017
Implementation arrangements	The Secretariat will work with the CCM, government and partners to engage senior level involvement of government and partners in the CCM.	31 Dec 2017
	<p>The Secretariat will support the MOH to:</p> <ul style="list-style-type: none"> <li>• develop a plan to enhance oversight of grants by senior management;</li> <li>• restructure the PMU, including performance indicators and clear lines of authority; and</li> <li>• strengthen the existing coordination structures between the PRs of TB and HIV grants.</li> </ul>	

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