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OIG AUDIT IN GUINEA-BISSAU QUESTIONS WHETHER PBF IS POSSIBLE WHERE PERFORMANCE DATA ARE NOT RELIABLE

The Office of the Inspector General (OIG) says that its recent audit of grants to Guinea-Bissau raises questions about the suitability of performance-based funding in countries where performance data are not reliable.

“The expectations for reporting, management and oversight placed on fragile states by the Global Fund have not been realistic,” the OIG said.

To mitigate this, the Secretariat has committed to reviewing how its performance-based approach can be tailored in countries with significant data quality challenges.

The report on the audit in Guinea-Bissau was published on 3 October. Around the same time, the OIG released reports on investigations in Mali and Ghana. In both investigations, the OIG identified expenditures that were not compliant with the grant agreements. All three reports are available [here](#).

In Guinea-Bissau, the OIG audited an HIV grant managed by the National Secretariat to Fight AIDS (SNLS), and a TB grant and a malaria grant, both managed by the United Nations Development Program (UNDP). The review covered the period from 1 January 2013 to mid-2014.

Guinea-Bissau is the first country in the OIG’s 2014 work plan to be audited using a new and tailored approach to examine the controls in place to safeguard future investments.

The audit found that financial controls were generally effective, but that there were problems not only with the reliability of performance data, but also with supply management and programmatic performance.

There was no testing of the quality of Global Fund-financed products after they arrive in country, and stock management and storage conditions at health facilities were inadequate.

With respect to programmatic performance, the OIG singled out poor infrastructure, limited supervision and a lack of qualified staff at health centers.

Guinea-Bissau, one of the world's poorest countries, is a difficult environment in which to implement grants. For this reason, and because the country experienced a coup d'état in 2012, grant activities have been scaled back to provide only priority services.

The OIG said that from the time of the coup d'état to the installation of a new government following elections in July 2014, almost no international aid entered the country. The Global Fund was the only donor contributing to the health sector during this period.

In the past two years, the Secretariat has implemented a number of actions to better manage the grants, including allocating a dedicated fund portfolio manager (FPM), reducing the level of disbursements, implementing a zero cash policy, changing the PRs for the TB and malaria grants (to UNDP), and implementing pooled procurement. A zero cash policy means that the PR will make direct payments to vendors instead of transferring the funds to sub-recipients (SRs). The Secretariat also re-tendered the local fund agent (LFA) contract as a result of a number of performance issues.

Mali investigation

In its investigation into a Round 4 HIV grant to Mali, the OIG found numerous irregularities in procurement transactions involving expenditures of \$2.2 million which the OIG said were not in compliance with the grant agreement.

The \$45 million grant was active between 2005 and 2010. The principal recipient (PR) was the Haut Conseil National de Lutte contre le Sida (HCNLS). The grant focused on prevention and care.

The investigation found irregularities in 357 separate transactions by the PR, its SRs and sub-SRs; and that there was collusion between implementers and vendors in the preparation of quotations.

Since 2011, HCNLS has no longer served as a PR, but it is currently an SR for some grants.

In June 2011, the OIG had identified serious fraudulent practices in two malaria and two TB grants managed by the Ministry of Health. There have also been problems with other HIV grants to Mali. (See GFO articles [here](#), [here](#) and [here](#).)

The OIG said that it had to curtail its investigation because of security issues that arose in 2012 as a result of tensions between the OIG and government officials. Subsequent political unrest halted the OIG investigation completely. As a result, plans to review activities under two other HIV grants and a malaria grant were dropped.

In 2010, in response to the OIG's preliminary findings, the Secretariat undertook a series of "corrective and preventive" actions that affected all grants to Mali. The actions included reducing grant activities to essential services, replacing some of the PRs, and instituting a zero cash policy for SR expenditures. As a result of this latest investigation, the Secretariat will implement additional actions, including appointing a fiscal agent to review PR and SR transactions.

It will be up to the Secretariat's Recoveries Committee to decide how much of the \$2.2 million in non-compliant activities should be recovered. The earlier investigation into TB and malaria grants identified \$5.2 million in misused funds. In a statement accompanying the release of the latest OIG report, the

Secretariat said that \$300,000 of the \$5.2 million has been recovered and that the Fund is “securing a signed protocol agreement for the repayment of the remaining US\$4.9 million with a schedule for repayment”.

The Secretariat said that the Mali portfolio now operates under a set of risk mitigation measures that are among the most stringent in the Global Fund.

Ghana investigation

In its investigation of Global Fund grants to Ghana, the OIG found that between 2005 and 2011, the Ghana Health Service (GHS) spent \$8.2 million on the construction of six buildings without approval from the Global Fund. The GHS was the implementing arm of the Ministry of Health (MOH) and PR for several HIV, TB and malaria grants.

The construction included the rebuilding of a residential bungalow owned by the MOH and used by the program manager of the National AIDS Control Program, at a cost of \$159,000.

The investigation also found bidding irregularities in tenders managed by the GHS.

The investigation was spurred by an [audit](#) of grants to Ghana in 2009-2010 that identified \$9.8 million in non-compliant expenditures, most of which was for construction contracts.

The OIG said that there were efforts to hide the true nature of the construction expenditures. Neither the GHS nor the LFA mentioned the existence or extent of the construction projects in progress reports submitted to the Secretariat. In other documents, the GHS identified the projects as either “refurbishment,” “redecorating” or “remodeling.”

The OIG found that the full \$8.2 million spent on construction was not in compliance with the relevant grant agreements, was unapproved and unbudgeted, and was expended through non-competitive procurement. However, the investigators concluded that \$6.7 million of the expenditures were related to the programs being funded by the grants and that the buildings involved were important components of the health system. The OIG did not recommend that the Global Fund recover these expenditures.

However, the OIG said, the other \$1.5 million, which included the construction of the bungalow, could not be justified. The Secretariat has agreed to seek the recovery of this amount from the MOH.

The OIG noted that since 2011, the Secretariat has implemented several actions to address the problems identified by the investigation. These actions included providing more guidance for the LFA; assigning a dedicated FPM to the Ghana grants; improving record keeping; and providing clearer guidance on budgeting and financial reporting.

The OIG observed that “the nature of renovation and construction work is inherently risky,” and that “the architecture of funding from the Global Fund and the associated oversight are not well suited to these types of activities.” The OIG concluded that renovation projects require additional scrutiny and safeguards.

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