THE OFFICE OF THE INSPECTOR GENERAL

The Global Fund to Fight AIDS, Tuberculosis and Malaria

Diagnostic Review of Global Fund Grants to the State of Eritrea

GF-OIG-12-003
6 August 2012

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Executive Summary

Introduction

1. This diagnostic review of the Global Fund grants to the State of Eritrea sought to identify and share good practices, identify key risks to which grant programs were exposed, and make recommendations for risk mitigation where weaknesses and gaps were identified. It took place from 16 April to 4 May 2012. The review covered the five grants to Eritrea that were active at the time of the review, which had a total budget of USD 79 million of which USD 54 million had been disbursed. The Principal Recipient (PR) for all the grants was the Ministry of Health (MOH).

2. We found strong evidence of successful national responses to Malaria and HIV in Eritrea, and many good practices were observed during the course of the diagnostic review. Notwithstanding this, a number of risks were identified that could impede the successful outcome of grant programs unless mitigated. In particular, the OIG observed a number of weaknesses in the tuberculosis program which require urgent attention. An action plan in response to the report recommendations has been prepared by the Global Fund Secretariat, the CCM and the PR and is included as Annex 2.

3. This report presents 5 "Critical" recommendations[1] and 17 categorized as "Important", which need to be implemented to address material risks to the effectiveness and value of the Global Fund´s support.

Key Outcomes

4. The PR has committed to take action to address the human resource and transportation constraints identified in the area of program implementation and monitoring. This will result in stronger quality control and supervision, laboratory services and program data management. The PR intends to strengthen the supply chain for socially marketed condoms, and ensure the re-launch of condom marketing and distribution. The planned tuberculosis prevalence survey will be reprogrammed, with the Global Fund Secretariat, to address other priority areas for the TB program such as a drug resistance survey for the emergent MDR TB treatment program.

5. With regard to procurement and supply chain management, the PR has agreed to:

- Define national standards for drug management and prepare technical specifications for the new logistics management information system;
- Strengthen procurement procedures, including ensuring appropriate training for staff in PSM policies and good procurement practices, updating and streamlining bid documents, strengthening penalty clauses in contracts and implementing a formal supplier performance monitoring system;
- Improve quality assurance mechanisms by providing training to staff in drug registration and prequalification procedures, and ensuring compliance with the Global Fund policy for quality control testing of drug samples; and
- Take measures to minimize the risk of loss of inventory by reducing the fire hazard in warehouses and insuring warehouses.

6. With regard to finance and administration, the PR has agreed to strengthen controls over the integrity of financial records by ensuring adherence to established procedures, improving segregation of duties, and making improvements to the accounting software. Controls will be strengthened over accountability for fixed assets, training expenditure and per diem payments. Additionally, the PR has agreed to ensure that all program income from social marketing activities is reported to the Global Fund and used for program purposes.

[1] Recommendations are categorized as: "Critical" and "Important". Definitions are in Annex 2.

Message from the General Manager of the Global Fund

The Global Fund
To Fight AIDS, Tuberculosis and Malaria

10 YEARS OF IMPACT

Gabriel Jaramillo, General Manager

gabriel.jaramillo@theglobalfund.org
www.theglobalfund.org

T +41 58 791 1842
F +41 58 791 1641

Chemin de Blandonnet 8
1214 Vernier, Geneva
Switzerland

Our ref: OGM/GJ/JK/2012.08.03-ERITREA

3 August, 2012

MESSAGE FROM THE GENERAL MANAGER

I would like to thank the Office of the Inspector General for its thorough and insightful work on the Diagnostic Review of the Global Fund Grants to Eritrea. The diagnostic review was conducted between April 16 and May 4, 2012 and covered the five grants to Eritrea that were active at the time of the review, totalling US$ 79 million - of which US$ 54 million had been disbursed. The Ministry of Health was the principal recipient for all the grants.

As noted in the review report, the social and political history of Eritrea creates a special environment for the implementation of Global Fund-supported programs. The government is considered a competent implementing partner and has the capacity to reach the great majority of the population. The country also benefits from well-established community systems.

The review found strong evidence of successful national responses to malaria and HIV. In 1999, malaria was the main cause of morbidity and accounted for a third of all health facility visits. In 2010, it accounted for less than 3% of such visits. HIV prevalence among women aged 15 to 24 attending antenatal clinics declined from 2.1%, in 2003, to 0.7%, in 2009. In addition, the review report identified good financial reporting capability, comprehensive verification of expenditures and a remarkable National Health Information System. Eritrea has also used Global Fund resources from a number of grants constructively to strengthen its national health systems. At the time of the review, the Global Fund was the leading international organization providing financial support to fight HIV, tuberculosis and malaria in the country.

Tuberculosis control, however, has been less successful than the HIV and malaria programs. The government does not know the real prevalence of TB, and there is evidence that many patients with the disease are neither detected nor treated. Both the notification rate and the treatment success rate have been falling over the past years.

The diagnostic review found a number of risks that should be mitigated, in order to not jeopardize the successful outcome of grant programs. Human resources and transportation constraints raised particular concerns. To address the risks, the report presents 22 recommendations. The Global Fund Secretariat, the Country Coordinating Mechanism and the principal recipient developed an action plan in response to the report recommendations, which is included in Annex 2.

Diagnostic reviews by the Office of the Inspector General are an essential form of quality control for the Global Fund. The Office of the Inspector General plays an indispensable role in helping us all achieve our mission of effectively investing the world's money to save lives.

Yours sincerely

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Message from the Country Coordinating Mechanism[2]

23 July 2012

Mr. John Parson
Inspector General

Eritrea's response to the OGI Diagnostic Review Draft Report

The Country Coordinating Mechanism of Eritrea (CCM-Eritrea), along with the PR, SR and other relevant stakeholders, has critically reviewed your findings and recommendations. And we hereby submit our response to the Draft Report for your kind consideration in finalized it. Report has been prepared in the form of tract changes and additions on the main Draft Reports.

First, CCM –Eritrea believes that the Draft Report is well structured, balanced, frank and quite objective. It adequately recognized the CCM, PR, SR and other stakeholders efforts and the challenges being encountered in implementing Global Fund financed programs in Eritrea. Progress made in combating the three-targeted diseases and the challenges to be overcome are well presented. The Draft has adequately taken into account the comments and requested amendments made during the warp-up meeting.

Second, the OIG Diagnostic Review Process has been a good exercise and a learning opportunity for both the CCM and the PR. Its outcome has quite clearly and objectively showed us the progress we are making and the challenges to be tackled to effectively combat the three-target diseases in Eritrea. The specific detailed recommendations given on the need to improve our efforts in the diagnosis, prevention and treatment of tuberculosis are especially highly appreciated.

Third, we would like to assure you that both the CCM and the PR are committed to implementing Global Fund financed programs in Eritrea in accordance with its guidelines, procedures, standards and requirements to achieve stated objectives, Accordingly, we will make concerted efforts to take the necessary measures to implement the recommendations in the Plan of Action as scheduled.

Finally, thank you for your objective review and analysis of the good practices, weaknesses and risks to which Global Fund grant programs were exposed in Eritrea and the valuable risk mitigating recommendations offered in the Draft Report.

Best Regards,
Woldai Futur
CCM Chairman

[2] The OIG has taken account of the final changes proposed and has written to the CCM Chair to explain how these have been reflected in the report released to the Board.

Introduction

What was the review about?

7. As part of its 2012 plan, the Office of the Inspector General (OIG) undertook a diagnostic review of the Global Fund grants to the State of Eritrea. This review sought to:

- Identify and share good practices; and
- Identify and report the key risks to which the grant programs are exposed, along with recommendations aimed at ensuring the risks are adequately mitigated.

8. A diagnostic review is different from a country audit in that no overall opinions are provided and no assurance is provided regarding how grant funds were spent. The team for the diagnostic review included technical experts in public health, financial management, and procurement and supply chain management. The fieldwork for the diagnostic review was conducted from 16 April to 4 May 2012 in Asmara and five of the six zobas.[3]

9. Since the beginning of Global Fund support to Eritrea, the country has obtained nine grants:

Round/ Disease	Grant Number	Total Grant Amount USD	Total Disbursed to 31 March 2012 USD	% Disbursed
R2 Phases 1 & 2 Malaria	ERT-202-G01-M	7,189,937	7,189,937	100%
R3 Phases 1 & 2 HIV	ERT-304-G02-H	16,692,156	16,692,156	100%
R5 Phases 1 & 2 HIV	ERT-506-G03-H	28,658,165	27,431,819	96%
R6 Phases 1 & 2 Malaria	ERT-607-G05-M	12,301,265	9,692,766	79%
R6 Phases 1 & 2 TB	ERT-607-G04-T	6,353,586	6,353,586	100%
R8 Phase 1 HIV	ERT-809-G06-H	15,174,249	13,319,850	88%
R9 Phase 1 Malaria	ERT-910-G07-M	26,989,943	21,264,267	79%
SSF Phase 1 HIV	ERT-H-MOH	18,644,946	7,660,209	41%
SSF Phase 1 TB	ERT-T-MOH	6,366,128	2,200,964	35%
	Total	**138,370,375**	**111,805,554**	

10. The Principal Recipient (PR) for all the grants has been the Ministry of Health (MOH). The diagnostic review covered the five grants to Eritrea from Round 6 onwards that were active at the time of the review.

What is the environment within which programs were implemented?

11. After a 30-year armed struggle, the people of Eritrea overwhelmingly voted for independence from Ethiopia in a popular referendum in 1993. In 2011, Eritrea was listed for the first time in the UNDP table of Human Development Indices in position 177 out of 187

[3] Regional/zonal subdivisions of Eritrea

countries.[4] There has not been a national population census and therefore there is much uncertainty about reported rates and indicators; the United Nations agencies use a population estimate of 5.2 million, while the Government of Eritrea estimates the population at 3.75 million.[5]

12. The history of the long liberation struggle continues to affect the social fabric of the country. Mass organizations such as the National Union of Eritrean Youth and Students (NUEYS) and the National Union of Eritrean Women emerged during the fight for independence. They continue as popular institutions rooted in communities but their history also links them closely with the State. The dominant role of the State in Eritrea is noticeable in the health sector. At least 87% of all health professionals in the country are employees of the MOH. Of the 335 health facilities in the country, 248 are Government owned, 33 are operated by churches, 32 are company clinics and 22 are private.[6]

13. Health care is highly subsidized with minimal user charges in public facilities and a long list of fee exemptions. Social welfare services are delivered by a network of social workers employed by the Ministry of Labor and Human Welfare working in close collaboration with village and community institutions and with the local chapters of the mass organizations.

14. The health status of the Eritrean population was assessed in Eritrean Demographic Health Surveys (EDHS) in 1995 and 2002, and in the Eritrean Population Health Survey (EPHS) in 2010, the report of which has not yet been released:

Indicator	**EDHS 1995**	**EDHS 2002**	**EPHS 2010 (unpublished)**
Infant Mortality Rate	72/1,000	48/1,000	42/1,000
Under 5 Mortality Rate	136/1,000	93/1,000	63/1,000
Maternal Mortality Ratio[7]	656/100,000	561/100,000	486/100,000
Children 12-23 mo. fully immunized	41 %	76 %	84 %
% women 15-49 supporting FGC [8]	57 %	49 %	12 %

15. There has been progress in key health and health service indicators, although the rate of progress has slowed over the last eight years. The rapid decline of support for female genital cutting illustrates the very high level of social mobilization and the responsiveness of the population to public social messaging.

16. The social and political history of Eritrea creates a special environment for the implementation of Global Fund-supported programs. The Government is a competent implementing partner with

[4] UNDP Human Development Report 2011
[5] 2010 estimates from the UNDP 2010 Human Development Report and the Government of Eritrea 2010 National Health Report
[6] Government of Eritrea: 2010 National Health Report
[7] All data were reported in 2010 and correspond to the periods of 1996-2000; 2001-2005 and 2006-2010
[8] Female genital cutting

the capacity to reach the great majority of the population. Community systems are strong.

17. At the time of the review, the Global Fund was the leading international organization providing financial support for HIV, tuberculosis and malaria programs. The World Bank HAMSET program financed with an IDA credit of USD 64 million was implemented from 2001 to 2009. A joint UN HIV program financed with a Norwegian grant of USD 7 million followed from 2008 to 2012. International technical and financial support to the programs is provided by UNICEF, UNFPA, WHO, UNDP, UNAIDS and the RBM partnership, each working in their specific field of expertise.

Grant Implementation

Who was responsible for implementing the programs?

18. The grants are administered by the Project Management Unit (PMU) of the MOH, which has a head office and branch offices in each of the six zobas. The PMU coordinates grant-funded procurement of pharmaceuticals and other health products with PHARMECOR, a parastatal organization responsible to the MOH to procure, store and distribute pharmaceuticals, and medical supplies and equipment. At the time of the review, the MOH was in the process of a structural change that was almost complete. Under the new structure, the main departments/units of the MOH implementing Global Fund-supported programs will be:

- The Division of Communicable Diseases which includes the National Malaria, Tuberculosis and HIV Programs;
- The Department of Policy, Planning and Human Resources Development;
- The Department of Medical Services;
- The National Health Laboratory;
- The National Blood Transfusion Service;
- The National Medicines and Food Administration; and
- The zonal medical offices in the six zobas.

19. The programs are implemented through a total of ten sub-recipients (SRs). These are Government Ministries (Defense, Education, Information, Transport and Communications, and Labor and Human Welfare) and civil society organizations working closely with government:

- Eritrean Social Marketing Group (ESMG);
- Association of People Living with HIV;
- National Confederation of Eritrean Workers;
- National Union of Eritrean Youths & Students (NUEYS); and
- National Union of Eritrean Women.

Who was responsible for oversight?

20. In accordance with the Global Fund model, the Country Coordinating Mechanism (CCM) is responsible for overseeing Global Fund-supported grant programs, the Local Fund Agent (LFA) provides independent verification to the Global Fund Secretariat of program progress and financial accountability, and the Global Fund Secretariat monitors program effectiveness. Notable features of the oversight of the Global Fund grant programs in Eritrea are:

- The CCM has constituted an Oversight Committee mandated to include members from Government, development partners, civil

society organizations and technical advisors. The Oversight Committee meets regularly with the PR and SRs to review programs and has plans to conduct periodic site visits to obtain first-hand information on program activities and quality;
- The LFA work includes spot reviews of grant administration by the SRs and the zoba PMUs;
- The PMU reviews all expenditures made by SRs and the zoba PMUs;
- The annual external audits of the grant programs now include an audit of all SRs who manage grant funds; and
- The Zoba Government Administration oversees the zoba PMU grant program expenditure.

What were the program achievements and challenges?

Malaria

21. Over the last ten years, Eritrea has achieved a significant reduction in the incidence of, and mortality from, malaria. Between 2005 and 2011, the number of malaria cases treated in health facilities and by community health workers almost halved, decreasing from around 120,000 to 70,000.

HIV

22. HIV prevention activities in Eritrea have resulted in good outcomes, as shown by the declining HIV prevalence among women aged 15 to 24 attending antenatal clinics.

Year	2003	2005	2007	2009
HIV prevalence, women 15-24	2.1%	1.8%	0.9%	0.7%

23. During the same period, there have been steady increases in the number of HIV testing sites, the availability of HIV testing in ante-natal clinics and in condom availability and distribution. In April 2012, about 6,000 people were receiving ART, mostly first-line drugs. Depending on the actual population size, this represents up to one third of all people living with HIV, a proportion that approximates universal coverage.

Tuberculosis

24. Tuberculosis control in Eritrea has been less successful than the HIV/AIDS and Malaria programs. The real prevalence of tuberculosis is not known, but there is evidence that many patients with tuberculosis are neither detected nor treated. Both the notification rate and the treatment success rate have been falling over the past years.

Good Practices

What good practices were observed during this diagnostic review?

25. Health Systems Strengthening: Eritrea has used Global Fund resources from a number of grants constructively to strengthen its national health systems. A remarkable initiative not commonly seen in Global Fund-supported programs is the support to pre-service training of Associated Nurses. In addition, there is strong direction to use Global Fund grant resources for systemic improvement and to avoid the creation of parallel grant-specific systems and processes.

26. National Health Information System: The development of the National Health Information System with support of partners including the Global Fund merits special mention. The system generates timely and reliable information on a wide range of subjects, including core program

information for malaria and HIV programming. It is easily accessible at national and zoba administration level, and has been designed to integrate community-based health information in the future

27. Community-level malaria control: The success of malaria control in Eritrea is evident from national data. In 1999, malaria was the main cause of morbidity in Eritrea and accounted for a third of all health facility visits. In 2010, malaria accounted for less than 3% of all health facility visits. A main contributor to this achievement has been the successful mobilization of community health agents and women's action groups for the treatment and prevention of malaria.

28. National ownership of HIV program: Social support provided in the context of the response to HIV is well embedded in a national welfare system with strong community roots. The programs managed by the Association of People living with HIV, the Ministry of Labor and Human Welfare and the National Union of Eritrean Women are complementary and provide services that are based on robust needs assessments. The programs are well conceived and integrated in the national welfare system with programs funded from other sources.

29. Tools for the supervision of health facilities: The Inspection Unit of the Department of Regulatory Services (DRS) has produced clear and comprehensive guidelines and tools for the supervision of the lower-level health facilities. The personnel responsible for logistics management in the health centers and health stations have access to written standard operating procedures.[9]

30. Use of solar energy: Many of the health facilities in the lowland areas have no electrical power service and experience higher than optimal storage temperatures; however, facilities visited by the OIG used solar energy refrigeration units to maintain a well-managed cold chain.

31. Financial reporting capability: The accounting software used by the PMU to record all financial transactions of the PR, zonal offices and SRs, enables the uploading of Global Fund approved budgets and the recording of transactions by Enhanced Financial Reporting cost category, service delivery area and project activity codes. This functionality helps the PMU to generate financial reports directly from the system.

32. Comprehensive verification of SR expenditures: Transactions from zonal offices and SRs are independently verified prior to posting. The zonal offices and SRs are required to submit all original supporting documents along with the financial report to the central PMU office, where they are verified against the approved budgets and supporting documents before being recorded in the accounting system by the program accountant.

33. CCM Oversight Committee: The CCM has documented operational procedures and guidelines on its roles and responsibilities in grant oversight, which serve to guide its Oversight Committee.

[9] *Essential Drugs & Medical Supplies: Logistics Management for Health Centers and Health Stations*

Risks

What were the general health systems program risks?

Risk 1: Grant implementation affected by human resource constraints

34. Eritrea faces a general shortage of human resources in health, exacerbated by high attrition rates and considerable mobility of staff. Despite efforts to increase pre-service training, the ratio of physicians per population fell from 0.67 per 10,000 in 2002 to 0.57 in 2010; the ratio of nurses improved only moderately from 2.8 to 3.3 per 10,000.[10] This had the following consequences:

- Quality control of laboratory services: The systems for quality control and supervision of laboratory services in Eritrea are designed in a cascading manner. The National Health Laboratory (NHL) supervises laboratories in six zonal referral hospitals which in turn oversee the laboratories in 64 community hospitals and health centers. This system replaced a centralized approach to quality control but is not yet fully functional. The OIG was unable to obtain supervision or quality control reports from the laboratories visited.[11] Laboratory practices were in need of improvement in several laboratories visited. For example, more than 80% of the registry entries for sputum slides in Barentu Referral Hospital were marked as "saliva", which indicates a problem with sample collection. The same hospital had only one microscope available, creating a tension between volume and quality in laboratory diagnosis.

- Introduction of new laboratory techniques: Early infant diagnosis of HIV infection is a prerequisite for quality pediatric care of infants born to HIV positive mothers. The technique and the equipment were introduced at the NHL in 2009 and used extensively for the confirmation of HIV rapid test results collected during the 2010 EPHS. Since then, the equipment has been dormant; according to the NHL this was due to a shortage of qualified staff. NHL management explained that the service would become available in June 2012.

- Supervision of clinical services by zoba and central staff: The OIG observed gaps in the supervision of HIV and tuberculosis services at the zoba level in Gash Barka, Anseba and Debub, none of which had supervision schedules or records that supervision had taken place at the health centers.

- Health information data accuracy: Eritrea has a well performing health information system that captures most of the relevant data for HIV and malaria in a timely manner. Nonetheless the three programs had weaknesses in data management related to staff shortages:

    - The malaria program did not have a statistician/epidemiologist able to install and manage a geographical information system;
    - The M&E officer of the HIV program was unable to use the database that was developed for the program; and
    - The data for tuberculosis were collected, verified, entered and analyzed by the Manager of the National Tuberculosis Control Program (NTCP), who also had a number of competing priorities.

35. The budget for a long-term international advisor for the NTCP was approved in 2009 at the start of Phase 2 of the Round 6 tuberculosis grant. A request was sent by the MOH to WHO in December 2009,

[10] MOH Annual Health Sector Activity Report 2010, and MOH HSSDP 2010-2014 (for 2002 data)
[11] An exception was the quality control registers for rapid HIV tests viewed in Maekel zoba

however, as of April 2012 the position had not been filled. The WHO Representative assured the OIG that immediate action would be taken.

36. At the time of the review, the MOH had undergone an internal reorganization which will see all three programs in a single division of Communicable Diseases together with the Integrated Disease Surveillance and Response unit that monitors diseases with epidemic potential on a weekly basis. This creates the opportunity to achieve economies of scale by strengthening the M&E capacity of all three programs through a single unit within the division.

37. Risk mitigation proposed: The Global Fund Secretariat needs to work with the PR to address the key staffing and capacity constraints and ensure that: an effective cascading system for supervision and quality control of laboratory services is implemented; new technologies are used when they become available; tuberculosis control is strengthened; and specific programmatic M&E requirements for malaria, tuberculosis and HIV are met.

Risk 2: Program mobility limited by difficulties in obtaining vehicles

38. Almost all government vehicles in Eritrea are administered by public service car pools at central and zoba level, including vehicles bought with Global Fund support. A program officer who requires a vehicle for supervision or data quality control has to apply to the pool and will be allocated a vehicle based on availability. This is a process that can take several weeks and is subject to cancellation at short notice. In order to circumvent this process, the programs are making use of private hire vehicles, which are costly. Second to human resources constraints, the difficulties in obtaining vehicles were cited by program coordinators and supervisors as the main reasons for not conducting planned supervision and quality control visits.

39. Risk mitigation proposed: The Global Fund Secretariat should ensure that a study is conducted of the grant program transport arrangements. Should alternative arrangements be deemed necessary based on the results of the study, these should be negotiated with the involvement of the CCM.

What were the risks related to the HIV program?

Risk 3: Gap in knowledge about risk groups and risk behaviors

40. The incidence of HIV infection in Eritrea is decreasing. The overall HIV prevalence among the population of 15 to 49 in Eritrea is 0.9%,[12] about a quarter of the prevalence estimated at the start of the epidemic. HIV transmission is becoming more concentrated, i.e. more directly associated with identifiable behaviors and specific demographic, social and behavioral groups. This is recognized by the National HIV Program, which has identified female sex workers and male truck drivers as groups to be targeted for HIV prevention.

41. Same sex relationships are not legal in Eritrea. Male to male sex is known to be an important source of new HIV infections in practically all countries where studies have been undertaken. This is particularly true for countries with concentrated epidemics, and for countries where male to male sex is by necessity a highly clandestine activity. The men involved are therefore not easily reached by HIV prevention programs. Both of

[12] Preliminary results of the 2010 EPHS

these conditions apply to Eritrea. There is a serious risk that the current progress in HIV prevention may be compromised because this important risk has not been addressed. Similarly, there are no data on injecting drug use in Eritrea.

42. Risk mitigation proposed: The Global Fund Secretariat should work with the PR, with the technical and policy support of the UNAIDS country office, to ensure a study is conducted that will provide the necessary data to confirm whether or not any other high-risk groups exist for the purposes of targeting HIV prevention.

Risk 4: Need to strengthen the supply chain for socially marketed condoms

43. Unbranded male condoms were available free of charge through health facilities and VCT sites in Eritrea; however, this accounts for less than 20% of condoms distributed in the country. More than 80% of condoms were distributed by the Eritrean Social Marketing Group (ESMG), which started as a partnership between Population Services International, the MOH and the National Union of Eritrean Youth and Students. When the joint project ended in 2005, ESMG continued as an independent parastatal organization affiliated to NUEYS with funding primarily from the Global Fund and UNFPA.

44. ESMG receives unbranded condoms from PHARMECOR and sells them branded as *Abusalama*. This was supported by the Global Fund Round 5 HIV grant and will be continued under the single-stream grant approved in Round 10. However, due to a financing gap for social marketing activities, condom promotion and distribution by ESMG came to a halt in the last quarter of 2011. While 5.6 million male condoms were distributed in 2011, only 675,000 condoms left the warehouse in the first four months of 2012.

45. The funding crisis revealed an important underlying risk. ESMG is responsible for the entire supply chain of condoms from the point of import to the point of retail. At the time of the audit, ESMG did not have the necessary infrastructure or the financial and logistical resources to ensure an uninterrupted supply at the retail level. The ESMG supply and distribution system had only one central depot in Asmara and no possibilities to stock condoms at an intermediate (zoba) level. A fleet of vehicles delivered condoms to retailers, including to the most remote villages of the country, from the central depot.

46. Risk mitigation proposed: In order to mitigate the risk of constraints in the supply chain, more effective mechanisms are required to enable socially-marketed condoms to reach the remote levels in Eritrea.

What were the risks related to the TB program?

Risk 5: Opportunity to better address priorities within the TB program

47. The OIG observed a number of areas for improvement of tuberculosis control in Eritrea, some of them related to the general issues of human resources and program mobility mentioned previously:

- Declining treatment success rates since 2008;
- Declining case notification rates since 2005;
- Persistence of registered tuberculosis cases in the country characterized by a large number of smear negative patients, thus indicating quality problems

with the diagnosis of tuberculosis in health facilities;
- Inconsistent program guidance and service provision for pediatric tuberculosis;
- Inconsistent allocation of responsibilities for tuberculosis control at health facility level;
- Inconsistent supervision and quality control of clinical and laboratory services by the zoba administrations and reference laboratories;
- Inconsistent supervision of community tuberculosis health promoters;
- A need for improvement in the system for the diagnosis of multi-drug resistant tuberculosis;
- Insufficient staffing of the NTCP at national level; and
- Unknown prevalence of tuberculosis in Eritrea.

48. Many of these areas for improvement were known to the Global Fund Technical Review Panel (TRP) at the time of the review of the Round 10 proposal.[13] Some were confirmed by the recent evaluation of the NTCP conducted by WHO.

49. Among the issues to be addressed with Global Fund support, the TRP considered the conduct of a tuberculosis prevalence survey to be of least priority. An amount of USD 300,000 for this survey had been approved for year 5 of the Round 6 grant. This information was, however, not provided to the TRP; the consolidated budget request for Round 10 indicated this as a new activity for USD 450,000. The TRP asked that this budget line be removed. The CCM responded that it would conduct the prevalence survey with funding from other sources. The grant agreement, however, included a prevalence survey at a level of USD 600,000, despite the final TRP recommendation clearly stating that this should not be funded by the Global Fund.

50. The OIG considers that the TRP recommendation not to fund the prevalence survey is technically sound. More importantly, Eritrea requires data on drug resistance for its emergent MDR TB treatment program. The protocol for a drug resistance survey has already been developed with assistance from WHO. In its Round 10 proposal, the CCM stated that the drug resistance survey was funded at a level of USD 120,000 and submitted a zero budget request. A budget of USD 40,000 for this survey was included in Phase 2 of round 6, but this information was also not included in the documents of the grant application. The TRP did not question the priority of the drug resistance survey and the omission of a budget request may have been an oversight.

51. Risk mitigation proposed: The PR, with the Global Fund Secretariat, should consider reprogramming the funds allocated to the TB prevalence survey to finance a national drug resistance survey and activities to strengthen the monitoring and evaluation of tuberculosis programs.

What were the risks related to PSM?

Risk 6: Need to define national standards for drug management

52. The MOH in Eritrea is using a Logistics Management Information System (LMIS) to manage inventory and distribution of pharmaceuticals, medical supplies and equipment. The LMIS does not have written technical specifications and is not based on sufficiently defined national

[13] TRP proposal review form and the subsequent exchange between the TRP and the CCM

standards. The lack of standardization creates serious challenges for the quantification and management of national stocks, which need to be mitigated. In particular:

a) The national coding system is not harmonized: The codes for products, clients and suppliers in PHARMECOR at the central level differ from codes used at zoba level, and between zobas. Identical pharmaceutical products may have two distinct codes, and codes are sometimes assigned to products without a precise definition that could serve as a unique identifier.
b) The unit definition of pharmaceuticals is not harmonized: The central level uses the final packaging of a product as the selling unit (e.g., box of 500 tablets) while the zoba level uses the minimum possible unit of sales as the selling unit (e.g., tablet). The central level manages quantities with decimals (i.e., 0.5 boxes) and creates a new product code for each package size of the same pharmaceutical product.
c) Pharmaceuticals, laboratory reagents and other health products such as condoms are not managed by batch number: Batch number management is an essential element of quality assurance. In Eritrea, it is not practiced at any level of the pharmaceutical supply chain, nor in the supply chain for socially marketed condoms by ESMG.

Risk 7: Need to prepare technical specifications for new LMIS

53. The MOH is developing a new computerized LMIS based on an Oracle platform, which is expected to overcome a number of the limitations experienced with the MS Access platform that is currently used. A consultant has been contracted to design the new LMIS and to organize the migration of data from the current LMIS. In Phase 1 of this project, the consultant identified that:

- There was no documentation of the existing stock control system;
- There were differences between the stock control databases at various levels, which will make it very difficult to develop the new Oracle Master Database;
- There were three different types of databases; and
- The current stock control system had no functional specification.

54. The consultant concludes that the above factors "will make the development of the new Oracle Web Application increasing more difficult as we might interpret processes differently and ultimately not deliver the desired result."[14]

55. Risk mitigation proposed includes the need for designing technical specifications for the new LMIS that are based on a harmonized and standardized national system of drug management, and that includes input from PHARMECOR. With Phase 1 complete, the present is a good opportunity to review the terms of reference, timing and work plan for the next stages.

Risk 8: Opportunity to improve the collection and monitoring of consumption data

56. The drug distribution system in Eritrea is based on a pull system. Lower-level health facilities use manual stock cards and ledgers for stock management. They compile a monthly consumption register on stocks dispensed each day. This is submitted to the zoba medical stores, which report quarterly to the central LMIS Unit. Data from the lower-level health facilities are not used for decision making at zoba level, nor are

[14] Phase 1 report prepared by LMIS consultant

they captured in a tool that would facilitate this. Thus zoba medical store pharmacists are unable to monitor consumption at the lower-level health facilities, resulting in an over-distribution of anti-malarial drugs, which has been in evidence for more than five years.

57. Risk mitigation proposed: The zoba medical stores, rather than the central LMIS Unit, can play an important role in monitoring drug consumption at lower-level health facilities to mitigate this risk. This would allow the central database to focus on a regular analysis of national needs of specific products for reordering, rather than monitoring consumption of all 380 heath facilities.

Risk 9: Measures to strengthen procurement procedures

58. The standard bid documents developed for procurement under the World Bank HAMSET project are still used by the PMU. Since many World Bank requirements are not applicable to procurement in Global Fund grants, streamlining the bid documents should encourage greater participation. For example, World Bank documents stipulate award by lots for international competitive bidding. Procurement with Global Fund grant money allows item-by-item awards. Pharmecor indicated that it would be easier to award on an item-by-item basis and agreed that this would also foster increased competition.

59. Supplier contracts did not consistently include adequate penalty clauses for suppliers who fail to comply with contractual obligations. At the time of the review, clauses were limited to delayed deliveries by suppliers but did not protect the PR against short shelf life and the potential for increased costs and stock outs arising from partial shipments. This leaves the purchaser without legal recourse should the supplier not perform in accordance with the terms outlined in the contract and purchase order.

60. Risk mitigation proposed: A formal database should be created to capture supplier performance and to give an overall objective evaluation of supplier performance over time. This would strengthen compliance with the draft PSM Manual (January 2012), which indicates that the PMU shall develop tools for the continuous measurement and monitoring of suppliers against signed contracts.[15] Another benefit would be the inclusion of past performance as part of the bid evaluation criteria.

Risk 10: Scope to strengthen quality assurance mechanisms

61. All products procured with Global Fund resources should be subject to authorization by the national drug regulatory authority, as stipulated in Global Fund policy and in local policy.[16] At the time of the review, the Department of Regulatory Services of the MOH had not yet registered any medicines manufactured by overseas suppliers. In the absence of such registration, good procurement practice suggests that suppliers be prequalified as the first phase of the bidding process.[17] There is scope for introducing this practice for future bidding procedures to mitigate the risk of poor supplier choice.

[15] Section 1.3 and 3.3.5, part c).
[16] *Global Fund Quality Assurance Policy for Pharmaceutical Products* (14 Dec 2010), para. 19; *PSM Manual* (January 2012), section 3.3.5, part b).
[17] *A Model Quality Assurance System for Procurement Agencies*, World Health Organization (2007), p. 43

62. Principal Recipients should ensure that random samples of Finished Pharmaceutical Products (FPPs) are obtained at different points in the supply chain to monitor their quality and mitigate the risk of having poor quality pharmaceuticals.[18] In 2011, 221 samples were collected from Northern Red Sea, Anseba and Gash Barka health facilities and sent to the National Drug Quality Control Laboratory for quality control testing. However, no post-marketing surveillance activity had taken place in 2012 by the time of the review.

Risk 11: Measures to minimize the risk of loss of inventory

63. During the OIG's visits to the zoba medical stores and health facilities, a number of areas for improvement were observed with regard to risk of loss or spoilage of inventory. These included a need for:

- Fire extinguishers that are available, regularly inspected and serviced;
- No Smoking signs;
- Written safety procedures;
- Ad hoc fire drills;
- Storage of hazardous and flammable products separately from the main inventory of medicines and other health products; and
- Storage of items on pallets rather than directly on the floor.

64. The review team was advised that there was no insurance coverage for inventory stored at the zoba medical stores or health facilities, which was not in line with the PSM Manual (January 2012).[19]

Risk 12: Scope for improvement in systems of supervision

65. The limited availability of persons with formal training in supplies management in the health centers, health stations and some hospital clinics (e.g. ART clinics), coupled with high turnover, make it critical that adequate supervision and monitoring be in place to ensure compliance with national and international standards. Observations pointed to a need for more stringent supervision and monitoring. In particular, the following showed scope for improvement to mitigate the risk of poor supplies management:

- Labeling of shelves with product names;
- Storage space to facilitate layout of products to implement the First Expiry First Out rule;
- Agreement between daily consumption sheet quantities and stock card quantities; and
- Consistent documentation of the collection and destruction of expired drugs in compliance with national procedures in all zobas.

66. There was a recognized need to develop a pharmaceutical supervision system for the zoba medical stores and zonal referral hospitals.

What were the risks related to Finance and Administration?

Risk 13: Need to strengthen controls over the integrity of financial records

67. The OIG review of the PMU procedures followed for banking and accounting of transactions highlighted the following areas where controls have scope to be strengthened:

i) Segregation of duties: The Program Accountant performs a number of conflicting roles including preparing payment vouchers, preparing checks,

[18] *Global Fund Quality Assurance Policy for Pharmaceutical Products*, para. 25.
[19] *PSM Manual* (2012), section 4.6, part a).

recording disbursements, preparing bank reconciliation statements and safeguarding blank checks. There is a need for consistent review of bank reconciliation by the Deputy Director to decrease the risk of unauthorized disbursements.

ii) Temporary use of grant funds for non-program purposes, and scope for improvement in accounting controls: The review team noted eight instances (amounting to USD 1,258,426) where grant funds were transferred to, or used to pay the expenses of, parties outside of the approved grant programs. In each case the funds were returned to the Global Fund grant program bank accounts at a later date. At the time of publication of this report, the OIG was still examining these transactions.

Specifically:

- In two instances, the transfer was made in USD and returned in ERN. However, there was a risk that the funds could be used to take advantage of currency differentials in the market;
- In six instances, the transactions were not recorded in the accounting system, and in one instance the transaction was incorrectly recorded;
- Three of these transactions did not appear in the relevant bank reconciliations as these bank reconciliations had either not been prepared (months of February, April and May of 2010) or had been incorrectly prepared (January 2011).
- In three instances relating to payment of expenses on behalf of other donors, the supporting documents were unavailable for OIG review.

iii) Accounting software controls: The review of the accounting software highlighted that the system allows the accounts staff to:

- Edit the transactions recorded in the accounting system without posting an adjustment entry and without a log of edits made to existing transactions;
- Record transactions in the previous months/periods; and
- Select an Enhanced Financial Reporting cost category and/or Service Delivery Area (SDA) that is not mapped to that particular project activity code. This has resulted in inaccurate reporting of expenses under incorrect cost categories and SDAs.

iv) Accuracy of input of accounting transactions: Although transactions were reviewed and approved prior to being entered in the accounting system, there was no consistent review of the accuracy of transactions once entered. The review saw 18 instances of incorrect account codes being entered into the system.

v) Stamping of invoices and supporting documents: On making payments to the vendors, invoices and supporting documents were not stamped 'paid' or otherwise marked in order to limit the possibility of duplicate payments using the original documents.

68. Risk mitigation proposed: The PR should ensure that appropriate controls over financial records are in place going forward.

Risk 14: Measures to improve controls over accountability for fixed assets

69. The MOH Property Section received and stored program assets purchased by the PMU, and distributed these to beneficiary entities (hospitals, MOH departments, etc.) based on distribution lists provided by the MOH Administration and Finance Department.

70. The OIG review highlighted the following areas where controls over fixed assets can be improved:

i) Assets were sent to the Property Section stores at the zoba-level, which were responsible for distributing them to their final destination. However, the zoba level stores did not provide the central Property Section with details of which assets were actually distributed and which remained in the stores. Without this record at the central level, the PMU was unable to obtain details of where program assets were located. The review team noted 322 assets[20] with a total value of USD 121,016 that had been lying unutilized for between 295 to 798 days at Property Section stores at the central and zoba levels.

ii) Assets received by beneficiary entities were found not to have been consistently entered into the entity's fixed asset register, tagged with a unique fixed asset number, or subject to periodic physical verification.

71. Risk mitigation proposed: In order to strengthen the accountability for fixed assets, the central Property Section should receive regular reports from the zoba-level Property Section stores regarding the locations of program assets and provide this information to the PMU to enable follow up regarding proper use of assets. Additionally, the beneficiaries of program assets should maintain adequate controls, including the maintenance of a fixed asset register, tagging of fixed assets and periodic physical verification.

Risk 15: Program income from social marketing activities not reported to the Global Fund

72. The review team visits to selected zonal offices and SRs documented program income totaling USD 262,323 from the sale of condoms by ESMG and the sale of bed nets by the Gash Barka and Debub zonal offices of the MOH. This program income had not been reported to the PMU, and therefore had not been recorded and reported to the Global Fund. The ESMG and the zonal offices had not credited this income to program bank accounts. It was therefore not possible to establish whether any of this income had been utilized for non-Global Fund-related purposes.

73. Risk mitigation proposed: The PR should regularly account for and report program income, which will mitigate the risk that program income could be used for non-program purposes.

Risk 16: Need to reinforce controls over training expenditure and per diem payments

74. The OIG review of a sample of 13 training events conducted by the MOH zonal offices at Gash Barka and Debub highlighted insufficient documentation to support the training expenses, including per diem payments:

- The agenda, schedule or related documentation were not available to evidence training events, even though the duration of some of the training events was as long as 10 days;
- For four of the training events sampled, the actual number of days (as per the hall rental paid to the vendor) for which training was conducted was less than the budgeted number of days; however, the per diem was paid for all budgeted days. This resulted in excess payments amounting to USD 5,160;
- For five of the events, the participant attendance sheets were not available to support the total per diem payment of USD 30,125.

[20] Mainly motorcycles, bicycles and office equipment

75. Risk mitigation proposed: In order to mitigate this risk of unsupported and ineligible expenditure, the PR should ensure that all training expenses are fully supported by documentary evidence, and per diems are paid only for the number of days of training attended.

Annex 1: Abbreviations

ACT	Artemisinin-based Combination Therapy
AIDS	Acquired Immune Deficiency Syndrome
ART	Antiretroviral Therapy
ARV	Antiretroviral
CCM	Country Coordinating Mechanism
DBS	Dry Blood Spot (for early infant diagnosis of HIV)
DRS	Department of Regulatory Services
EDHS	Eritrean Demographic Health Survey
EPHS	Eritrean Population Health Survey
ERN	Eritrean Nakfa
ESMG	Eritrea Social Marketing Group
FPP	Finished Pharmaceutical Product
HAMSET	HIV/AIDS, Malaria, STD and Tuberculosis (a World Bank project)
HIV	Human Immunodeficiency Virus
IDA	International Development Association
LFA	Local Fund Agent
LMIS	Logistic Management Information System
M&E	Monitoring and Evaluation
MDR-TB	Multi-Drug Resistant tuberculosis
NMCP	National Malaria Control Program
NTCP	National Tuberculosis Control Program
NUEYS	National Union of Eritrean Youth and Students
OIG	Office of the Inspector General
PMU	Project Management Unit
PR	Principal Recipient
PSI	Population Services International
PSM	Procurement and Supply Management
SDA	Service Delivery Area
SR	Sub-Recipient
TB	Tuberculosis
TRP	Technical Review Panel (of the Global Fund)
THP	Tuberculosis Health Promoters
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
USD	United States Dollar
VCT	Voluntary Counseling and Testing
WHO	World Health Organization

Annex 2: Recommendations and Action Plan

Audit recommendations have been prioritized so as to assist management in deciding on the order in which recommendations should be implemented. The implementation of all audit recommendations is essential in mitigating risk and strengthening the internal control environment in which the programs operate. The categorization of recommendations is as follows:

- Critical: There is a material concern, fundamental control weakness or non-compliance, which if not effectively managed, presents material risk and will be highly detrimental to the organization interests, erode internal controls, or jeopardize the achievement of aims and objectives. It requires immediate attention by senior management.

- Important: There is a control weakness or noncompliance within the system, which presents a significant risk. Management attention is required to remedy the situation within a reasonable period. If this is not managed, it could adversely affect the organization's interests, weaken internal controls, or undermine achievement of aims and objectives.

Risk	Recommendation	Comments and Agreed Actions	Responsible Party	Due Date
General				
1. Grant implementation affected by human resource constraints	Recommendation 1 (Important) The Global Fund Secretariat should ensure that the PR implements an effective cascading system for supervision and quality control of laboratory services. This may require the creation of additional staff positions in charge of quality control at the level of the zonal referral hospital laboratories.	The National Health Laboratory conducted supervision at three Zonal Laboratories on May 2012 and to that effect introduced the cascading system for supervision and Quality Control of laboratory services. Focal person with the department of medical Services has already been assigned to monitor and follow up the Quality Control Services for HIV, TB and Malaria.	NHL/ DMS	Done
	Recommendation 2 (Important) The Global Fund Secretariat should work with the	Current staffing at NHL is being reviewed and additional new technicians will be	NHL/HIV	End of 2012

	PR to ensure that the National Health Laboratory assigns sufficient qualified staff to use new technologies when they become available. At this time the priority is the implementation of a national system for early infant diagnosis of HIV.	assigned as new technologies are available. Besides, skill upgrading training will be given to the existing and new staff. In regarding EID issues the technical assistant from Kenya arrived on the 28th May 2012 and conducted installation and operational training on the PCR machine for two weeks in order to make it functional.		
	Recommendation 3 (Important) The Global Fund Secretariat should ensure that the PR strengthens tuberculosis control in Eritrea by (i) assigning a nurse responsible for tuberculosis control in each TB diagnostic and treatment center; (ii) implementing existing policies for supervising community TB health promoters and for conducting quarterly Zoba-level data verification meetings; (iii) closely working with WHO to avoid any further delays in the mobilization of a technical advisor for tuberculosis.	• TB focal persons are already posted in every facility. • Training was conducted to the existing and newly assigned staff on DOTS Strategy and DOTS PLUS for 60 TB coordinators and TB focal persons • Follow up and supervision will also be conducted on regular basis. • In all six zobas TB coordinators are already in place and review meeting conducted on 15/05/2012. • Discussion on data verification has been conducted during the review and will be strengthened through training. WHO has been contacted several times and funds for hiring the consultant has been transferred to WHO. Discussion is going on with them and deadline for hiring the expert has been set on July 30,2012.	TB	Starting 10/07/2012
	Recommendation 4 (Important) The Global Fund Secretariat should work with the PR to ensure that the new Communicable Disease Division has the staff and the capacity to meet the specific programmatic M&E requirements for	The PR will ensure that the new Communicable Disease Division in the Dept. of Public Health has the staff and the capacity to meet the specific programmatic M&E requirements for malaria,	CDC	Dec 2012

	malaria, tuberculosis and HIV.	tuberculosis and HIV		
2. Program mobility limited by difficulties in obtaining vehicles	Recommendation 5 (Critical) The Global Fund Secretariat should work with the PR to ensure that planned and essential supervision and quality control activities are not impeded by the shortage of vehicles.	The PR will take action to organize adequate transport facilities for scheduled supervision and coordinate at all levels.	CDC/PMU	Immediately
	Recommendation 6 (Important) The Global Fund Secretariat should commission a study to document and analyze the cost and the effect (in terms of missed activities) of the current transport arrangements on the implementation of Global Fund-supported programs. If this analysis confirms that essential activities are not carried out or are carried out at an unreasonably high cost because of the transport policy, then the CCM with support of the Global Fund Secretariat should negotiate alternate transport arrangements with the Government of Eritrea.	Recommendation well taken and the PR will conduct a study to document and analyze the cost and effect of the current transport arrangements.	PMU	1st QRT 2013
HIV				
3. Gap in knowledge about risk groups and risk behaviors	Recommendation 7 (Important) The Global Fund Secretariat should work with the PR, with the technical and policy support of the UNAIDS country office, to ensure a study is conducted of the HIV prevalence among, and the social and behavioral profile of, men who have sex with men in Eritrea with the objective to (i) decide whether or not there is a need for an HIV prevention program for this population in Eritrea and (ii) if needed, how such program could be started. A similar study may be required for	In Eritrea the key populations at higher risk are sex workers, truck drivers, and other mobile populations which have relatively higher HIV prevalence than the national average. The PR is working by targeting these groups in the BCC intervention in order to halt the transmission of HIV. Moreover, the PR will work with UNAIDS country office, to ensure a study is conducted that will provide the necessary data to confirm whether or not any other high-risk groups exist for the purposes of	CDC	Dec 2013

	injection drug users if there is indication that injection drug use is practiced in Eritrea (e.g. from health service and police sources)	targeting HIV prevention.		
4. Need to strengthen the supply chain for socially marketed condoms	Recommendation 8 (Important) Prior to restarting the funding of ESMG under the single stream HIV grant, the Global Fund Secretariat should ensure that the PR conducts an analysis to establish the most effective mechanism that will enable access to low-cost condoms at remote levels in Eritrea. The outcome of this analysis should determine the modalities for condom social marketing.	The PR will establish a technical committee composed of CDC/MOH,DMS/MOH, UNFPA, UNAIDS, PHARMECOR, PMU and ESMG and will conduct an analysis to establish the most effective mechanism that will enable access to low-cost condoms at remote levels in Eritrea.	CDC	Dec 2012
Tuberculosis				
5. Opportunity to better address priorities within the TB program	Recommendation 9 (Important) The Global Fund Secretariat should work with the PR to cancel the planned tuberculosis prevalence survey and encourage a reprogramming request for the savings of USD 600,000 to finance (a) a national drug resistance survey, and (b) other activities to strengthen the monitoring and evaluation of tuberculosis programs. The case notification targets of the grant performance framework may require an adjustment to be based on estimates of annual increments in notification rather than a prevalence estimate.	a) The PR agrees to the recommendation and the fund proposed for the planned TB prevalence survey will be reallocated to conduct a national TB-Drug Resistance survey. In order to initiate the process, a DRS survey protocol is prepared and budgeted. The protocol and the budget needed to conduct the survey will be communicated with the GF secretariat for their approval. However, the conducting of this survey will depend on the functionality of the Culture & Drug Sensitivity Test (C&DRST) and bio-safety maintenance at the NHL. The necessary measures are being under taken to make it functional. b) With the restructuring of the MOH,	TB	Up to 2nd QRT of 2013

		the CDC Division will establish a functional M&E unit for the three GF supported programs. Therefore, the TB M&E will gain from the establishment of the unit. The NTCP will discuss it with the M&E focal persons at the GF secretariat and LFA on how to revise the targets of the performance frame work.		
PSM				
6. Need to define national standards for drug management	Recommendation 10 (Critical) The Global Fund Secretariat should ensure that the MOH (under the coordination of the DRS) builds a harmonized and standardized national system for drug management, which should include: a) Written specifications covering standard coding of products, clients and suppliers; harmonized unit definitions for pharmaceuticals; and batch number management. b) Procedures for the use of the system at each level of the supply chain. The building of this system should be undertaken with the:	The MOH has already established a National Technical Committee (NTC) and started discussion for developing national system standards for the existing drug management system. a) The NTC has the mandate to write specifications covering standard coding of products, clients and suppliers; harmonized unit definitions for pharmaceuticals; and batch number management. b) The NTC will work on harmonizing and integrating PHARMECOR within the LMIS, and updating the SOPs for use of the system at each level of the supply	DMS-Pharmaceutical and Medical Supply Division	Up to 2nd QRT of 2013

	• Oversight by a national technical committee including representatives from Pharmecor, zoba medical stores pharmacists, hospital pharmacists, and end-users from both health centers and health stations. • Support from a technical specialist in drug management at a national level. This technical specialist should be able to orient and advise all actors on how to proceed with the harmonization and standardization.	chain • The NTC will also include representatives from Pharmecor, zoba medical stores pharmacists, hospital pharmacists, and end-users from both health centers and health stations. • The importance of technical specialist to orient and advise all actors on how to proceed with the harmonization and standardization is well understood which will be considered.		
7. <u>Need to prepare technical specifications for new LMIS</u>	<u>Recommendation 11 (Important)</u> Prior to the start of Phase 2 of the implementation of the new LMIS, the Global Fund Secretariat should work with the PR to ensure that the national technical committee in charge of harmonization and standardization of the national system for drug management, conducts the following tasks: a) Write the new Oracle-based LMIS technical specifications, based on defined national standards for drug management. This should be done with the support of appropriate technical assistance.	a) The NTC will prepare a written technical specifications and protocols by defining the LMIS pillars requirements and the support of appropriate technical assistance will be considered. The NTC has already conducted 4 meetings towards the implementation of the task assigned. It has already investigated the background of the existing systems including LMIS and set its work plan for the next phase by phase consideration of the stages of PSM	DMS-Pharmaceutical and Medical Supply Division	Up to 2nd QRT of 2013

	b) Review the terms of reference, timing and work plan for the next stages of the new LMIS implementation.	documentation. Not only this but farther reviewing of the terms of reference, timing and work plan for the next stages of the new LMIS implementation is also additional issue which has taken first priority in the committees action plan.		
8. Opportunity to improve the collection and monitoring of consumption data	Recommendation 12 (Important) Until the new Oracle-based LMIS has been implemented, the Global Fund Secretariat should ensure that the PR implements a simple but sound Excel-based system for capturing and monitoring consumption data at the zoba level. This Excel-based system should be maintained at least for ACTs, RDTs and products classified "A" in the ABC analysis.	The NTC will develop tools (excel-based system) for capturing and monitoring consumption data at the Zoba level. This Excel-based system will be maintained at least for ACTs, RDTs and products classified "A" in the ABC analysis. In fact this is one of the priorities of the NTC. In this regard the report formats which have already been distributed by the PSM coordinator will also provide some help in simplifying the work load for the Zonal ware house managers as source of consumption data for the three programs.	DMS-Pharmaceutical and Medical Supply Division	Oct 2012
9. Measures to strengthen procurement procedures	Recommendation 13 (Important) The Global Fund Secretariat should ensure that training is provided to PMU and Pharmecor staff on Global Fund PSM policies and good procurement practices.	The PR with the collaboration of the GF secretariat will organize training for PMU and PHARMECOR staff on Global Fund PSM policies and good procurement practice. The PR has a plan to provide training on quality assurance for drug procurement through its PSM coordinator	PMU	Up to 1st Quarter of 2013

		to all staff involved in the area and the issue of staff strengthening with procurement procedures will be considered.		
	Recommendation 14 (Important) The Global Fund Secretariat should ensure that the PMU: a) Follows Global Fund procurement requirements, as opposed to the more onerous World Bank procurement requirements that are currently being followed. This should result in a more streamlined procurement process with simplified bid documents, which should enhance supplier participation. b) Revises the standard conditions of contract to strengthen penalty clauses, particularly clauses to protect the PR against short shelf life and partial shipments.	a) The procurement manual will be revised in consultation with the GF to incorporate appropriate conditions of contract in the bidding documents and also to increase thresh holds for different procurement methods. b) In the meanwhile penalty clauses are already incorporated and exercised in the recent procurement documents.	PMU	Dec, 2012
	Recommendation 15 (Important) The Global Fund Secretariat should work with the PR to ensure that Pharmecor implements a formal supplier performance monitoring system to provide an objective assessment of the past performance of suppliers and include this as part of the bid evaluation criteria.	PHARMECOR and PMU will develop an electronic database for recording formal suppliers' performance monitoring system to provide an objective assessment of the past performance of suppliers and it will be included as part of the bid evaluation criteria.	PMU/ PHARMECOR	1st Quarter of 2013

10. Scope to strengthen quality assurance mechanisms	Recommendation 16 (Important) The Global Fund Secretariat should work with the PR to ensure that: a) Drug Registration Unit personnel receive formal training in drug registration, preferably via in-service training by a technically qualified consultant with a Training of Trainers component to ensure sustainability of training efforts. b) PMU staff are trained in prequalification procedures, and that prequalification procedures are implemented and a national list of prequalified suppliers is developed. c) The grant agreement is complied with in relation to the quality control testing of drug samples, which should include random sampling of finished pharmaceutical products obtained at different points in the supply chain.	a) The PR will request WHO country office for technical assistance to build the capacity of the drug registration unit personnel through formal training in drug registration. b) Already the PR has established system of listing prequalified suppliers but is keen to strengthen the existing system. c) The PR will closely follow up in ensuring quality of pharmaceuticals. GF grant funded samples (anti malaria, ARVs and anti TB medicines) will be sent on regular basis to external WHO accredited laboratories. Samples from new shipments and from the market will be collected on regular basis for quality check up at national quality control laboratory.	DMS-Pharmaceutical and Medical Supply Division	a) Up to 1st Quarter of 2013 b) Done c) Continuous
11. Measures to minimize the risk of loss of inventory	Recommendation 17 (Critical) The Global Fund Secretariat should ensure that		DMS-Pharmaceutical and	1st QRT 2013

	the PR: a) Prepares and circulates written safety guidelines and procedures for zoba medical stores and health facilities to minimize the risk of loss/spoilage of inventory. In particular, standard operating procedures should be updated by the DRS to include the need for regular ad hoc fire drills and the posting of written safety precautions and procedures in all storage facilities. b) Ensures that MOH administrative personnel at the zoba level: • Conduct inspection of all storage facilities to audit fire extinguisher availability. • Implement an inspection and servicing schedule for fire extinguishers. • Acquire and install fire extinguishers where none exist. • Train staff in the use of fire extinguishers. c) Ensures that separate storage areas are identified to house flammable substances away from the main medicines inventory.	a) The PR will revise the existing SOPs to include the need for regular ad hoc fire drills and the posting of written safety precautions and procedures in all storage facilities to adhere with good distribution practice. b) The MOH administrative personnel at the zoba level will be given special mandate to practice the safety procedures as recommended c) The PR has already initiated implementing the recommendation to ensure that separate storage areas are identified to house flammable substances away from the main medicines inventory.	Medical Supply Division	

	d) Conducts a cost-benefit analysis to compare the replacement cost of inventory versus the cost of mitigating the loss of inventory via insurance coverage.	d) The PR will consider the importance and to that effect will introduce insurance in phases.		
12. Scope for improvement in systems of supervision	Recommendation 18 (Important) The Global Fund Secretariat should ensure that: a) The DRS designs a supervision system for the zoba-level warehouses and storage areas (medical stores and referral hospitals) in order to monitor compliance with procedures and to take corrective action where necessary. The supervision tools should be based on standard operating procedures for the zoba-level warehouses and storage areas. b) The PR ensures that the supervision of the lower-level heath facilities is increased so that the forecasted two visits annually are carried out without any constraints. c) The zoba medical stores pharmacists, following guidelines developed by the DRS, implement a formal orientation program for newly assigned supplies management personnel at the lower level health facilities.	a) The PR will revise the existing SOPs to improve the stock management system. The PR is working for the design of a well developed supervision system for the zoba-level warehouses and storage areas. b) The PR will strengthen supervision as recommended. c) Recommendation well taken and shall be implemented accordingly.	DMS-Pharmaceutical and Medical Supply Division	a) Oct 2012 b) Continuous c) Continuous

Finance and Administration				
13. Need to strengthen controls over the integrity of financial records	Recommendation 19 (Critical) The Global Fund Secretariat should require the PR to ensure that the controls over the integrity of financial records are strengthened. In particular, this should include: a) Ensuring adequate segregation of duties in the PMU accounting function, which should include assigning conflicting activities such as custody of blank checks and preparation of checks to a person independent of the preparation of payment vouchers, recording of expense transactions and preparation of bank reconciliations. b) With regard to the temporary use of grant funds for non-program purposes, all such cash transfers and expenditures should be discontinued with immediate effect. c) All payments and bank transfers should be promptly recorded in the accounting system. The reviewer of bank reconciliations should pay special attention to unreconciled items pertaining to bank transfers and ensure the necessary entries are duly posted in the	a) Recommendation well taken and this will be solved by hiring new staff b) Recommendation well taken and accordingly action has been taken.	PMU	a) 1st quarter of 2013 b) Already action has been taken

	system. d) Bank reconciliations should be consistently and accurately performed every month and kept on file. These reconciliations should be reviewed and approved at a senior level. e) The following should be restricted in the PMU accounting software: • Editing of posted transactions • Backdating of transactions in the previous month/period • Selection of incorrect SDA or cost category against a particular activity code f) Final transactions posted to the ledger should be reviewed for accuracy and completeness by an independent person. g) All invoices and supporting documents should be stamped as 'Paid' or 'Posted' once payment has been processed.	c) Recommendation noted and accordingly action has been taken d) All bank reconciliation are now being approved monthly and transactions checked and approved by the head of Administration and Finance, e) Foreign IT expert is scheduled to come from Mauritius on November 2012 to review and upgrade the system with provision of training for the staff		c) Immediately d) Already action has been taken e) 1st quarter of 2013

		f) Recommendation well taken and action has been taken g) Although domestic invoices were stamped and foreign invoices also will be stamped		f) Already action taken g) Already action taken
14. Measures to improve controls over accountability for fixed assets	Recommendation 20 (Important) The Global Fund Secretariat should require the PR to ensure that the controls over the accountability for fixed assets are strengthened. In particular: a) The central Property Section should receive regular reports from the zoba-level Property Section stores which give details of the actual distribution of program assets, as well as details of the assets that remain in the stores. b) On a periodic basis, the PMU should obtain from the central Property Section reports of actual distribution of program assets. This should enable the PMU to maintain an up-to-date list of all program assets that shows the final destination of each asset, and enables	a) The PR has assigned a management officer for fixed assets. The PR will also develop and install assets tracking software as recommended. b) The PMU will obtain reports of assets distribution from the central Property Section reports of actual distribution of program assets upon the completion of the installation of the tracking software.	PMU/ Administration of MOH	Dec 2013

	prompt follow up of any assets that remain unutilized in Property Section stores. c) The PR should ensure that the entities that are the beneficiaries of program assets maintain adequate controls over those assets, which should include maintenance of a fixed asset register, the tagging of fixed assets with unique fixed asset numbers, and periodic physical verification of fixed asset.	c) Tagging has already started and is in progress to enable to locate at specific locations		
15. <u>Program income from social marketing activities not reported to the Global Fund</u>	<u>Recommendation 21 (Important)</u> a) The Global Fund Secretariat should require the PR to: • Ensure that all program income is accounted for and reported in the PU/DR, and all program income is used solely for program purposes. • Provide details of the expenses incurred from the program income generated from the sale of condoms by the ESMG, and the sale of bed nets by the zonal offices of the MOH. b) Based on the details provided by the PR of the expenses incurred from the program income, the Global Fund Secretariat should	a) The PR will ensure that all program income is accounted for and reported in the PU/DR, and all program income is used solely for program purposes b) The details of the used expenses and proposal for the utilization of the income generated fund will be shared	PMU/SRS	Process already started and it will be completed by Oct 2012.

	determine whether any recoveries are required.	with LFA and GF		
16. Need to reinforce controls over training expenditure and per diem payments	Recommendation 22 (Critical) The Global Fund Secretariat should ensure that the PR improves the controls over training expenditure and per diem payments by ensuring that: a) All training expenses are fully supported by documentary evidence. b) Per diems are paid only for the number of days of training attended. c) An analysis is undertaken and verified by the LFA of any payments that have been made in excess of what was due. The Global Fund Secretariat should determine whether any recoveries are required.	a) The PR will ensure that all training expenses are fully supported by documentary evidences. b) Recommendation well taken and action will be taken accordingly.	PMU HQ and Zonal	a) Already action has been take b) Already action has been taken