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Message from the Executive Director - Democratic Republic of Congo

21 September 2016

The Global Fund pays special attention to safeguarding investments with the goal of making all resources count. The Global Fund has zero tolerance for corruption or fraud. When any misspent funds are identified, the Global Fund pursues recovery, so that no donor money is lost to fraud or ineligible expenses.

The Office of the Inspector General (OIG) is an integral and important part of risk management and controls, conducting independent audits and investigations to complement the active risk management and controls put in place by the Secretariat with oversight by the Board of the Global Fund.

I want to thank the Office of the Inspector General for the insight in this audit report on Global Fund grants to the Democratic Republic of Congo (DRC), which raises concerns that we have already taken steps to address. The audit also cites the strong progress in several areas since the previous OIG audit in 2013.

For HIV, DRC has substantially increased the number of people on antiretroviral treatment, and new data show that the number of deaths from HIV decreased by 59 percent, and HIV incidence decreased by 84 percent, since 2000.

New data also show that deaths from malaria are down 75 percent in DRC since 2000, in part from successive mass distribution campaigns of mosquito nets. DRC is now on track to achieve universal coverage of nets in 2017, up from 9 percent in 2007. For TB, success rates for TB treatment reached 89 percent in 2015. Overall, the mortality rate for children under five decreased from 158/1000 in 2010 to 104/1000 in 2013, the most recent year for which data are available.

To make significant advances in implementation, the Global Fund is working on several groundbreaking partnerships in DRC with local experts and with the U.S. Government, the UK Government, UNICEF, Gavi, the World Bank and others. They include a geographical

rationalization of program coverage, performance-based funding, reforms in the Ministry of Health, supply chain optimization and others.

The Global Fund follows strict standards and has initiated corrective actions to mitigate the risks of loss of goods. Regular audits are critical to ensuring the continued improvement of systems and quality of services provided through Global Fund-supported programs.

Findings

A routine audit by the OIG of Global Fund grants to DRC found that despite a challenging operating environment, significant progress in the effectiveness of implementation arrangements of grants was achieved. The audit identified areas for improvement, and highlighted challenges in DRC faced by all development partners, not just the Global Fund.

The audit report did not identify any potential amounts to be recovered due to ineligible or undocumented transactions, and comes at a time when financial controls in DRC grants are proving strong and effective.

The audit recognized strong progress in enhancing supply chain and data reporting management systems and mitigating financial risks. For instance, the OIG found that 96.7 percent of products are effectively warehoused and transported all the way from port to the health zone level, with 3.3 percent non-traceable, an impressive achievement in a challenging operating environment.

The audit also identified gaps in the design of quality control processes over procurement managed locally, leading to irregular stocking of health facilities and expiries of medicines. The OIG audit on DRC found that 12 percent of the facilities visited did not perform any test before putting patients on treatment, suggesting that 88 percent of facilities did so, surpassing the national target of 80 percent.

The audit acknowledged the strengthening measures introduced by the Global Fund to implement effective data collection mechanisms, but discrepancies in data reporting remain a challenge. However, the audit does not identify any areas of falsified data.

The audit also found persistent challenges in the 'last mile' of delivery, a steep challenge for all health partners, not specific to the Global Fund. The audit rated supply chain arrangements as "ineffective" because 31 percent of products had inadequate tracing on the final leg of delivery, typically meaning a village-level health facility. 'Inadequate tracing' does not refer to losses, but to inadequate documentation.

Actions Taken

The Global Fund has been strengthening its work managing grants to DRC over the past two years, improving the overall quality of supervision and increasing the number of people working on monitoring grants. The Global Fund has established a risk-based

oversight strategy for all local procurement that uses money from Global Fund grants, so that a cohesive and effective approach is in place.

It appointed a Fiscal Agent, with a team of 45 people in DRC, to control and monitor expenses in real-time. At the Global Fund headquarters, the size of the country team working on DRC grants more than doubled, from 6 people to 13.

The Global Fund is working with the Principal Recipients Ministry of Health, SANRU, CORDAID and Caritas to develop an integrated supervision plan for HIV, TB and malaria services supported by the Global Fund. For health products purchased with malaria and HIV grants from the Global Fund, SANRU and Cordaid will submit a Quality Assurance plan with a risk-based receiving, inspection, sampling and laboratory testing approach, in line with WHO guidance.

The Global Fund will present an analysis to the Global Fund's Supply Chain Task Force of ongoing and planned actions and pilot initiatives to strengthen the DRC supply chain arrangements for HIV and malaria health products financed by the Global Fund.

The Global Fund Secretariat will also work with the Principal Recipients to develop a Monitoring and Evaluation capacity strengthening plan for the 3 diseases with a focus on data collection, quality and analysis.

The Global Fund Secretariat will transmit to the 'Cellule d'Appui et de Gestion (CAG)' within the Ministry of Health a set of minimum performance requirements (financial and procurement) to be met by 30 June 2017 in order for the CAG within the Ministry of Health to continue to be considered as Principal Recipient. Progress against these requirements will be monitored by the Secretariat and will represent the basis for further decisions.

Actions taken have not been limited to DRC. A series of reforms at the Global Fund include building a comprehensive risk framework, a new allocation model, more proactive risk management, increased controls and coordinated management measures focused on achieving impact.

Fiduciary risk is not the only risk in countries like DRC. As part of the Global Fund's proactive approach to risk management, we identified and launched several organizational priority projects - Accelerated Integration Management (AIM), Differentiation for Impact and Implementation through Partnership (ITP) - that are having a transformational impact on grant-making and on the effectiveness of our programs. A newly formed project management team has been tasked with tracking progress and ensuring coordination.

In July 2016, the Global Fund submitted a Prioritized Action Plan to the Board that outlined coordinated steps toward effective risk management. Embedding risk management in the culture of the Global Fund partnership includes building the systems and controls to identify, mitigating, evaluating, responding in real time to inevitable changes and regularly

reporting on risks and controls at all levels. The Prioritized Action Plan provided a platform to bring together all efforts into one cohesive whole and an accountability framework for top management and Board oversight to help enable and ensure success is achieved.

Publishing this and other OIG reports demonstrates our strong commitment to transparency and accountability, a key element of driving change in countries for better fiduciary responsibility and health outcomes. The Global Fund is a leader in transparency - the 2016 Aid Transparency Index rated the Global Fund in the top five of all international aid organizations.

Managing risk, identifying problems and addressing them forcefully is core work for the Global Fund, and proactive work in DRC is just one instance. The overarching goal is to resolve systemic problems in order to reduce further risk in the years ahead.

Respectfully,

Mark Dybul
Executive Director