



AUDIT REPORT

# Global Fund Grants in Ukraine

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GF-OIG-22-002  
7 March 2022  
Geneva, Switzerland

 **THE GLOBAL FUND**  
Office of the Inspector General

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# 1. Executive Summary

## 1.1 Opinion

Ukraine has made good progress on HIV, both in terms of linkage to treatment and viral suppression, as well as in significantly reducing infections and deaths. Domestic financing for HIV prevention services for key and vulnerable populations has increased. The Global Fund has adapted implementation arrangements to ensure continued support for patients, and has provided funding to reinforce Ukraine's national COVID-19 response. However, programmatic gaps are limiting the impact of investments. In terms of HIV, the positivity yield among key populations is low, despite the high number of clients reached and tested. For TB, missing cases increased from 26% in 2019 to 45% in 2020, and drug-resistant TB cases show low treatment success rates and high loss to follow-up. Programmatic interventions are rated as **partially effective**: urgent attention should be given to undetected TB cases, as well as treatment failure and loss to follow-up of MDR and XDR-TB patients.

The Global Fund has improved coordination with in-country stakeholders, however the Ministry of Health's limited procurement and supply chain management capacity and coordination, particularly of its Central Procurement Agency, has resulted in multiple shortages and stock-outs of state-financed health commodities, necessitating emergency procurements. The continuity and quality of TB and HIV programs risk being hampered if this issue is not addressed. Procurement and supply chain interventions are rated as **partially effective**.

Principal Recipients have implemented measures to enhance sub-recipient monitoring and oversight, including adopting online monitoring tools. However, issues with the management of sub-recipients is shortening implementation timelines. Sub-recipient monitoring, in terms of documented coverage and follow-up on recommendations, is only **partially effective**.

Note: in late-February 2022, shortly before this report was due for publication, a major conflict arose in Ukraine that will have profound negative repercussions for the country as a whole and for Global Fund programs. This report, including the Agreed Management Actions that follow our findings, was written before the conflict erupted. In all likelihood, the overall risk profile of Global Fund grants will now rise. The OIG will work with the Global Fund Secretariat on an ongoing basis to adapt the implementation of the Agreed Management Actions to reflect the changing risk profile.

## 1.2 Key Achievements and Good Practices

### Good progress achieved in the fight against HIV and TB

Ukraine has made good progress towards achieving the UNAIDS 90-90-90 targets,<sup>1</sup> especially for linkage to treatment and viral suppression. In 2020, 69% of people living with HIV knew their status (65% in 2015), 83% of those diagnosed were on anti-retroviral therapy (ART) treatment (44% in 2015), and 94% were virally suppressed (88% in 2015). There was a 15% reduction in new HIV infections and a 58% reduction in AIDS-related deaths between 2015 and 2020. According to WHO data, the TB incidence rate in Ukraine steadily decreased from 2015 to 2020, from 91 to 73 cases per 100,000 population. ART coverage among reported TB /HIV co-infected cases increased from 65% in 2015 to 91% in 2020.

### Strong Global Fund support for Ukraine in response to COVID-19

In response to the COVID-19 pandemic, the Secretariat provided funding of US\$12.7 million through grant flexibilities (US\$1.9 million) and the COVID-19 Response Mechanism – C19RM (US\$10.8 million) during 2020. This was used mainly to support procurements of PCR reagents, COVID tests, disinfectant, centralized oxygen concentrators and supply stations, and personal protective equipment. 78% of the funds were absorbed by the Principal Recipients, and unspent amounts as of 30 June 2021 were reallocated to C19RM 2021.

<sup>1</sup> 90% of all people living with HIV will know their HIV status, 90% of all people with diagnosed HIV infection will receive sustained antiretroviral therapy, 90% of all people receiving antiretroviral therapy will have viral suppression

### **Successful transition of HIV prevention services to domestic financing**

The Government of Ukraine transitioned HIV prevention care and support activities from donor funding (mainly the Global Fund) to domestic financing as per the 20%-50%-80% formula<sup>2</sup> by end of 2020. Ukraine has largely met or exceeded the 80% target for provision of HIV prevention services for key and vulnerable populations in government-controlled areas. Increased domestic financing enhances country ownership and ensures sustainability of HIV prevention and care support services.

### **Continued support for TB and HIV patients and key populations in non-government-controlled areas and Crimea**

The Global Fund Secretariat has adapted its implementation arrangements to ensure continued support for TB and HIV patients and key populations in non-government controlled areas of Lugansk and Donetsk (NGCA) and Crimea. US\$37.5 million has been allocated to NGCA and Crimea through NFM2 and NFM3<sup>3</sup> grants. Approximately 17%<sup>4</sup> of the total estimated people living with HIV live in NGCA and Crimea.

The Global Fund finances 100% of ART treatment and first- and second-line TB drugs in NGCA, technical support and training on diagnostic use, maintenance and HIV and TB diagnostics and prevention services in Donetsk. Health commodities are delivered through a special cooperation with the International Committee of the Red Cross. In Crimea, the Global Fund makes direct disbursements to implementers and hires reviewers from Kazakhstan and Uzbekistan to undertake spot checks.

## **1.3 Key Issues and Risks**

### **Gaps in TB case notification and treatment and HIV testing for key populations**

TB notification targets were not on track during the 2018-2020 grant cycle, and have further deteriorated during the pandemic. Based on Ministry of Health data, there was a 32% decrease in TB case notification in 2020 compared with 2019. COVID-19 disruptions, such as health facility closures, movement and outreach work restrictions have significantly impacted TB case finding. Structural challenges due to ongoing health sector reforms are also affecting the availability, accessibility, acceptability and quality of TB diagnostic and treatment services.

On average, only 2% of the total tested key populations<sup>5</sup> were positive for HIV between January 2019 and June 2021, far below the expected prevalence rates. For example, the estimated prevalence for people who inject drugs is 21%, while the testing yield was 2.4%; prevalence for men who have sex with men is 7.5% against a testing yield of 0.9%.<sup>6</sup> This low testing yield is mainly due to a higher rate of repeat testing and limited ability to reach clients.

### **Weaknesses in domestic-financed procurements could impact program continuity and quality**

The Ministry of Health's limited procurement and supply chain management capacity and coordination, particularly of its Central Procurement Agency (CPA), is affecting its ability to ensure timely procurement of quality-assured health products. Due to associated risks, lack of experience and CPA's inability to procure the required products, the Secretariat redirected the remaining 95% (US\$19 million) of procurements to two NGO Principal Recipients. In addition, the CPA was unable to fully conduct planned state procurements (e.g. only 45% of the domestic financed allocation for anti-retrovirals was utilized in 2020). This has resulted in multiple instances of shortages and stock-outs which have necessitated emergency procurements by the Global Fund and other donors. Emergency procurements using Global Fund grant savings amounted to US\$8.7 million in 2019 and 2020.

### **Need for enhanced management of sub-recipients**

Most grant activities are implemented through sub-recipients (SRs). Current grants are implemented by a considerable number of SRs (135 in total). All Principal Recipients (PRs) select and/or renew SR agreements on an annual basis. While this helps increase accountability, it also creates an administrative burden on PRs which results in inefficiencies, reducing SR implementation timelines. There have been multiple instances of delayed disbursements to, and late refunds from, sub-recipients. Monitoring procedures (onsite visits and online reviews)

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<sup>2</sup> The Government plans a gradual transition from donor funding to funding from state and local budgets for priority TB and HIV/AIDS activities. The plan was for state financing to reach 20% in 2018, 50% in 2019 and 80% in 2020.

<sup>3</sup> NFM2 (short for New Funding Model) relates to the January 2018 to December 2020 grant cycle; NFM3 relates to January 2021 to December 2023.

<sup>4</sup> Ukraine Country Operational Plan (COP) 2020.

<sup>5</sup> Includes, prisoners, people who inject drugs, men who have sex with men, transgender people and sex workers.

<sup>6</sup> Key population prevalence estimates based on UNAIDS Data 2021 (published 29 November 2021)

do not cover all SRs. In some instances, monitoring visits are not documented. Where they are documented, there is limited evidence of follow-up on recommendations.

## 1.4 Objectives, Ratings, and Scope

The audit's overall objective was to provide reasonable assurance on the adequacy, effectiveness, and efficiency of Global Fund Grants to Ukraine. Specifically, the audit assessed:

Objective	Rating	Scope
Grant implementation to ensure efficient and sustainable achievement of grant impact, including strategies to address COVID-19 challenges, focusing on: <ul style="list-style-type: none"> <li>HIV key population interventions and TB/MDR-TB case findings and treatment</li> <li>Grant flexibilities and C19RM funds utilization, to maintain or scale up disease program achievements in the face of COVID-19 challenges</li> </ul>	Partially Effective	<b>Audit period</b> July 2019 to June 2021  <b>Grants and implementers</b> NFM2 and NFM3 grants were implemented by: <ul style="list-style-type: none"> <li>Public Health Center of the Ministry of Health of Ukraine</li> <li>Alliance for Public Health</li> <li>All-Ukrainian Network of People Living with HIV/AIDS (100% Life)</li> </ul>
Efficiency and effectiveness of procurement and supply chain structures, processes, and systems to ensure the timely availability of quality assured health products.	Partially Effective	All PRs implement combined TB/HIV grants.
Adequacy of program governance and financial management systems and policies, and sub-recipient oversight and monitoring.	Partially Effective	Remote auditing methodology and techniques were deployed where necessary to perform the audit.

Details about the general audit rating classification can be found in [Annex A](#) of this report.

## 2. Background and Context

### 2.1 Overall Context

Classed as a lower middle-income country, Ukraine is administratively divided into 27 regions (25 oblasts and two city regions), then into 490 districts (rayons) and 187 towns. The country has been politically unstable since its independence in 1991. It has the ninth largest Internal Displaced People population globally (approximately 1.5 million people, as per UNHCR).

In 2015, Ukraine launched significant health reforms, and in 2017-2018 four new Ministry of Health agencies were created: (i) the National Health Service of Ukraine; (ii) Public Health Center, managing public health programs including TB and HIV; (iii) eHealth; and (iv) Central Procurement Agency.

► Population	41 million
► GDP per capita	US\$3,727 (2020)
► Transparency International Corruption Perception Index	117 of 180 (2020)
► UNDP Human Development Index	74 of 189 (2020)
► Government spending allocated to health	9.2% (2020)



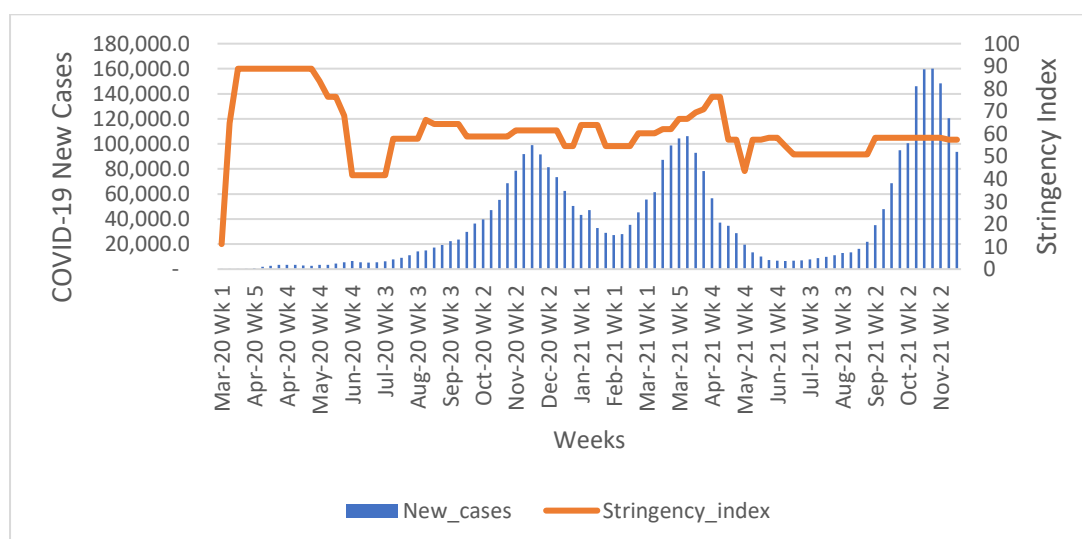
### 2.2 COVID-19 situation

The first case of COVID-19 in the country was reported on 4 March 2020. By early December 2021, 3.5<sup>7</sup> million cases had been recorded. The country has taken several measures to contain the spread of the COVID-19 virus, including a total lockdown in March 2020 which eased to an 'adaptive quarantine' in May 2020. Several containment measures were still in effect at the time of the audit.

3,490,855	3,041,385
Confirmed cases	Recovered
88,002	16,051,772
Total deaths	Total Tests
13,206	436
New cases per day	Deaths per day

COVID-19 statistics as of 4 December 2021  
(<https://covid19.gov.ua/en>)

Figure 1: COVID-19 cases and stringency index in Ukraine (March 2020 – November 2021)<sup>8</sup>



<sup>7</sup> Ministry of Health of Ukraine, COVID-19 Dashboard (<https://covid19.gov.ua/en>) – accessed 4 December 2021

<sup>8</sup> University of Oxford Our world in data (Accessed on 15 December 2021)

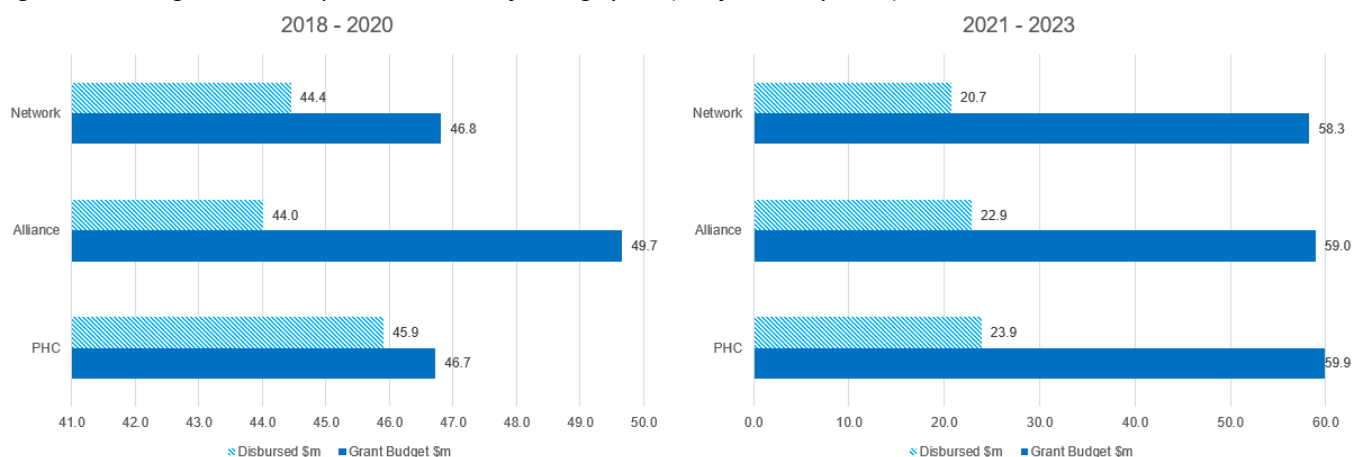


## 2.3 Global Fund Grants in Ukraine

Since 2002, the Global Fund has signed over US\$836 million and disbursed over US\$748 million in grants to Ukraine. Active grants total US\$177 million for the 2020-2022 Funding Allocation (January 2021 to December 2023 implementation period). Full details on the grants can be found at [the Global Fund's Data Explorer website](#).

Alliance for Public Health (Alliance), All Ukrainian Network of People Living with HIV/AIDS (Network) and the Public Health Center of the Ministry of Health of Ukraine (PHC) are the grants' Principal Recipients (PRs). Alliance and Network are also PRs for implementation of grant activities in non government controlled areas (NGCA) and Crimea.

Figure 2: Funding allocations, prior and current funding cycles (as of February 2022)<sup>9</sup>



All PRs implement TB/HIV combined grants.

## 2.4 The Two Diseases

### HIV/AIDS



**Approximately 260k people are living with HIV**, of whom 69% know their status, 57% were on treatment and 53% had viral load suppressed in 2020.

**Annual new infections decreased by 15%** from 11,000 in 2015 to 9,300 in 2020.

**AIDS-related deaths decreased by 58%** from 7,400 in 2015 to 3,100 in 2020.

**The epidemic is concentrated in key populations**, with prevalence of 20.9% among people who inject drugs, 5.2% among sex workers, and 7.5% among men who have sex with men

Source: UNAIDS Data (<https://aidsinfo.unaids.org/>) – accessed 12 December 2021

### TUBERCULOSIS



Ukraine is one of the **30 high burden countries for MDR-TB**.

**Treatment coverage was 55% in 2020.**

**While TB incidence has reduced by 34% since 2010**, from 110 to 73 per 100,000 people in 2020, **Ukraine still has the 4<sup>th</sup> highest TB incidence rate** among the 53 countries of the WHO European Region.

**19,521 new TB cases notified in 2020**

**Among TB patients with known-HIV status, 22% are HIV positive**, the second highest co-incidence in WHO Europe Region.

**TB treatment success rate** for HIV-positive TB cases was 71% (2019 cohort), with 73% of HIV-positive people being enrolled in preventive treatment.

Sources: WHO Global TB Report 2021 and WHO TB data - ([https://worldhealthorg.shinyapps.io/tb\\_profiles/?inputs\\_entity\\_type=%22country%22&lan=%22EN%22&iso2=%22UA%22](https://worldhealthorg.shinyapps.io/tb_profiles/?inputs_entity_type=%22country%22&lan=%22EN%22&iso2=%22UA%22))

<sup>9</sup> Data from Global Fund Grant Operating System

## 3. Portfolio risk and performance snapshot

### 3.1 Portfolio Performance

Historically, grants in Ukraine have performed well against targets, as shown below:

GLOBAL FUND GRANTS IN UKRAINE							GRANT RATING						
Component	Grant	Implementers	Total Budget NFM2 (2018-2020) USD	Total Budget NFM3 (2021-2023) USD	Absorption Dec 2020 %	Absorption June 2021 %	Jun-18	Dec-18	Jun-19	Dec-19	Jun-20	Dec-20	Jun-21*
TB/HIV	UKR-C-AUA	Alliance for Public Health (Alliance)	49,659,770	49,976,323	90.7%	52.8%	A2	A1	A2	A1	A2	A1	A2
TB/HIV	UKR-C-AUN	All Ukrainian Network of People Living with HIV/AIDS (Network) - 100% Life	46,811,341	58,309,504	87.9%	59.5%	A2	B1	A2	A1	A2	B1	A1
TB/HIV	UKR-C-PHC	Public Health Center of the Ministry of Health of Ukraine (PHC)	46,723,410	40,315,155	93.3%	51.4%	B1	A2	B1	A2	B1	B1	B1
<b>TOTAL</b>			<b>143,194,521</b>	<b>148,600,982</b>	<b>90.6%</b>	<b>49.8%</b>							

\*June 2021 is the quantitative indicator rating. Overall grant rating was not available at the time of the audit.

### 3.2 Risk Appetite

The OIG compared the Secretariat's aggregated assessed risk levels of the key risk categories covered in the audit objectives for the Ukraine portfolio with the residual risk that exists based on OIG's assessment, mapping risks to specific audit findings. The full risk appetite methodology and explanation of differences are detailed in [Annex B](#) of this report.

Audit areas	Risk category	Secretariat aggregated assessed risk level (March 2020)	Assessed residual risk, based on audit results	Relevant audit issues
Grant implementation to ensure efficient and sustainable achievement of grant impact	Program Quality (PQ)	Moderate	Moderate	Finding 4.1
Procurement and supply chain structures, processes, and systems	Procurement	Moderate	Moderate	Finding 4.2
	In-country supply chain	Moderate	Moderate	
Program governance, financial management systems & policies, and SR oversight and monitoring	National Program Governance and Grant Oversight	Low	Moderate	Finding 4.3

Note: in late-February 2022, shortly before this report was due for publication, a major conflict arose in Ukraine that will have profound negative repercussions for the country as a whole and for Global Fund programs. This report, including the Agreed Management Actions that follow our findings, was written before the conflict erupted. In all likelihood, the overall risk profile of Global Fund grants will now rise. The OIG will work with the Global Fund Secretariat on an ongoing basis to adapt the implementation of the Agreed Management Actions to reflect the changing risk profile.



## 4. Findings

### 4.1 Considerable progress made against HIV and TB, but testing and treatment issues are limiting grant impact

Ukraine has performed well against HIV and TB targets and increased domestic funding of programs. Gaps remain around HIV testing yield for key populations, TB case notifications and DR-TB treatment.

Ukraine has made good progress in achieving the 90-90-90 HIV cascade targets, with an increase from 65-44-88 (2015) to 69-83-94 (2020).<sup>10</sup> There was a 15% reduction in new HIV infections and a 58% reduction in AIDS-related deaths between 2015 and 2020.<sup>11</sup> Domestic financing for HIV prevention services for key and vulnerable populations has increased, with the government taking over provision of basic services countrywide.<sup>12</sup> Ukraine participates in the Global Fund's *Breaking Down Barriers* Initiative to reduce human rights-related barriers to services, and has made good progress in expanding the scale of programs for both HIV and TB.<sup>13</sup>

The Global Fund finances HIV and TB services in non government controlled areas of Lugansk and Donetsk (NGCA) and Crimea through grant allocations. The funding covers 100% of Antiretroviral therapy (ART) treatment and 100% of first- and second-line TB drugs in NGCA, as well as HIV and TB diagnostics and prevention services in Donetsk. The TB incidence rate has steadily decreased from 91 cases per 100,000 population in 2015 to 73 cases in 2020.<sup>14</sup> During the same period, ART coverage among TB/HIV co-infected patients increased from 65% to 90%, and co-trimoxazole preventive treatment from 69% to 95%.<sup>15</sup>

In response to the COVID-19 pandemic, the Secretariat provided funding of US\$12.7 million through grant flexibilities (US\$1.9 million) and the COVID-19 Response Mechanism – C19RM (US\$10.8 million) during 2020. COVID-19 funding was mainly used to support procurements of PCR reagents, COVID tests, disinfectant, centralized oxygen concentrators and supply stations, and personal protective equipment (PPE). 78% of the funds were absorbed by the PRs and unspent amounts as of 30 June 2021 reallocated to C19RM 2021.

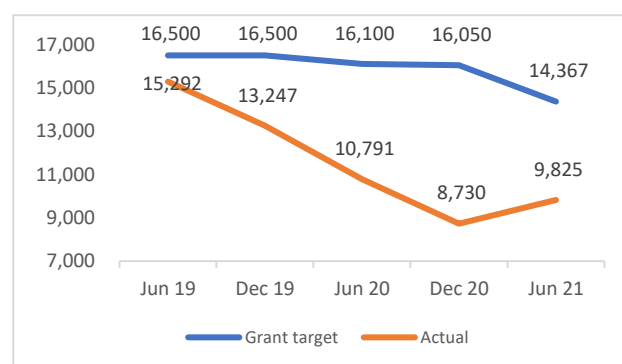
Despite the above, some key issues could hinder programmatic sustainability and achievements if not mitigated; in particular, gaps remain in TB case notification and in HIV testing intervention to diagnose new positive cases.

#### Increase in undetected TB cases exacerbated by COVID-19

Prior to the pandemic, the TB program had faced challenges in achieving case notification targets. COVID-19 worsened the situation, as case notifications fell by 32% between 2019 and 2020. The drop in 2020 and 2021 was mainly due to pandemic disruptions such as health facility closures and movement and outreach work restrictions. Global Fund C19RM funding in 2020 did not include specific activities to enhance or adapt TB case finding.

Another reason for low TB case notification is the underutilization of GeneXpert technology (8%).<sup>16</sup> The country has no targets for GeneXpert utilization, and there were multiple reported stock-outs<sup>17</sup> of State financed GeneXpert cartridges in 2019 and 2020. Ten out of 18 activities in the scale up plan were completed as of October 2021, with six activities stalled, including optimizing laboratories and

Figure 3: All forms TB case notifications (Target vs Actual)



<sup>10</sup> UNAIDS AIDS (<https://aidsinfo.unaids.org/>)

<sup>11</sup> UNAIDS AIDS info data (<https://aidsinfo.unaids.org/>)

<sup>12</sup> Except 4 regions where Government could not contract service providers - 1 for Sex workers (Chernihiv) and 3 for MSM (Sumy, Donetsk, Kirovograd)

<sup>13</sup> Ukraine Mid-term Assessment, Global Fund Breaking Down Barriers Initiative (September 2020)

<sup>14</sup> Ministry of Health's Public Health Center (PHC) operational data

<sup>15</sup> Idem

<sup>16</sup> Computed based on WHO guidance (Total number of tests done/ total capacity)

<sup>17</sup> 17 out of 25 regions reported shortages (less than 1 month of stock) or stock outs of GeneXpert cartridges during 2019 (8 regions in 2020).

connecting all machines to the GX Alert Aspect system. While a comprehensive laboratory assessment plan was completed in April 2021, the country has not updated its scale up plan as per the review's findings.

While the number of individuals selected for TB rapid molecular diagnostics is steadily increasing, it remains significantly lower than the estimated number of presumptive TB cases. In 2021, 40.5% of TB suspected cases were diagnosed, compared to 8.7% and 20.9% in 2019 and 2020 respectively.<sup>18</sup> One main contributing factor is the insufficient transportation of diagnostic material to/from laboratories: coverage is less than 50% in five regions out of 25. There is also low frequency of delivery and pick up of samples (once every two weeks in some regions).

Structural challenges due to health sector reforms are also affecting the availability, accessibility, and quality of TB services. Under the new administrative division, people with presumptive TB often need to travel 100-200km for treatment and there is only one TB treatment center per region. Only 21%<sup>19</sup> of primary health care providers offer TB care services.

### **Suboptimal management of Drug-Resistant TB is hampering treatment success**

According to WHO data, the treatment success rate for patients who started treatment in 2018 for drug resistant TB (DR-TB) is low, at 51% for multi-drug resistant (MDR-TB) and 34% for extensively drug-resistant tuberculosis (XDR-TB). There is also high treatment failure and loss to follow up (LTFU) at 33% for MDR-TB and 53% for XDR-TB.<sup>20</sup> Diagnostic and treatment delays, where patients seek medical attention on average 18 days after the first symptoms appear and begin TB treatment at 25-26 days (starting treatment with second-line drugs at 34 days) is a main contributing factor. Government funded second-line drug shortages in 2020/2021 have also contributed. 39% of people with TB reported experiencing stigma in health care settings and communities as being a barrier to accessing TB diagnostic, entering care and receiving support.<sup>21</sup> The suboptimal management of DR-TB has contributed to increasing prevalence of DR-TB among new TB cases. Rifampicin resistant (RR)/MDR-TB prevalence among new patients remains high at 27% (2019).<sup>22</sup> To improve treatment adherence and outcomes, Ukraine is transitioning towards shorter all-oral treatment regimens for MDR-TB.

### **Low HIV positivity yield among key populations, due to inadequate program design**

According to program data, 1.4 times the estimated size of the total key affected populations (KAPs) have been tested since 2019, however this revealed only 36% of the estimated KAP missing cases in the country. On average, only 2% of total tested KAPs were positive for HIV between January 2019 and June 2021, far below estimated prevalence rates. For example, the estimated prevalence rates for People Who Inject Drugs is 20.9% while the testing yield was 2.4%; for Sex Workers it is 5.2% against 1.7%; for men who have sex with men 7.5% against 0.9%, and for transgender 1.7% against 0.4%<sup>23</sup>. This is mainly due to high rates of repeat testing, programs' limited ability to reach new clients, and the inability of testing strategies to fully reach hard-to-reach clients. The proportion of key populations repeat tested during 2020 and 2021 ranges between 50% - 83%<sup>24</sup> across the different populations. Only 21% of KAP clients who received basic HIV prevention packages in 2019 and 2020 were new to the program (9% in 6 months to June 2021).

89% of Global Fund financed tests were performed through outreach activities, finding 56% of diagnosed cases, whereas the Optimized Case Finding approach (OCF) adopted by the Principal Recipient (Alliance for Public Health) in 2019 accounted for only 11% of tests but was able to diagnose 44% of positive cases. Scaling up the OCF approach has been hindered by low acceptability and capacity of providers to lead to partner testing, as well as high testing costs of OCF and structural barriers (e.g. legal responsibility for HIV transmission or exposure to partners).<sup>25 26</sup>

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<sup>18</sup> Ministry of Health Public Health Center operational data

<sup>19</sup> Based on National Health Service of Ukraine data for 2,123 healthcare providers

<sup>20</sup> MDR-TB – treatment failure was 17% and LTFU was 16%; XDR-TB - treatment failure was 42% and LTFU was 11% (2018 Cohort)

<sup>21</sup> TB Stigma Assessment in Ukraine, 2021.

<sup>22</sup> WHO Global tuberculosis report 2020 (page 56, Table 4.9)

<sup>23</sup> Key population prevalence estimates based on UNAIDS Data 2021

<sup>24</sup> PWID 56% in 2020 and 64% in 2021; MSM 50% in 2020 and 2021; SW 52% in 2020 and 59% in 2021; and TG 83% in 2020 and 79% in 2021

<sup>25</sup> Funding Request Form Allocation Period 2020-2022

<sup>26</sup> Article 130 of the Criminal Code of Ukraine provides criminal penalties for infecting or risk of infecting another person (or persons) with HIV.

Agreed Management Action 1:

The Secretariat will work with the Principal Recipients and other partners to:

- a. Develop a strategy and approaches for patient-centered support to ensure timely treatment initiation.
- b. Ensure that all patients have access to treatment under Directly Observed Treatment (DOT) or Video Observed Treatment (VOT).
- c. Ensure that the molecular diagnostics scale-up plan is fully implemented.

OWNER: Head of Grant Management Division

DUE DATE: 31 March 2023

Agreed Management Action 2:

The Secretariat will work with the Principal Recipients and other partners to update and initiate implementation of the plan to further strengthen and scale up HIV testing approaches with high testing yield among key populations, specifying Global Fund and Government funding, and timelines for implementation of the Plan.

OWNER: Head of Grant Management Division

DUE DATE: 31 December 2022

## 4.2 Weakness in domestic procurements and supply chain management and coordination

The Ministry of Health's limited procurement and supply chain management capacity and coordination, particularly of its Central Procurement Agency, affect its ability to ensure the timely procurement of quality assured health products.

The Central Procurement Agency (CPA) was created under the Ministry of Health (MOH) to ultimately take over MOH procurements, including for TB and HIV, through a phased approach. Several partners have supported CPA capacity development. The Global Fund supports the procurement of TB, HIV and COVID-19 related health products, procuring 100% of ARVs and anti-TB medicines in non-government controlled areas, and complementing domestic and other partner-financed procurements elsewhere.

There is no detailed national supply plan for TB and HIV commodities to enable coordination, monitoring, procurement, and supply risk management. Neither is there a national level buffer for State procurements, which leads to large differences of availability across regions. To enhance in-country coordination among stakeholders and build the CPA's capacity, the Global Fund strengthened the operations of the procurement and supply chain working group for HIV and TB (PSM WG) in Q4 2020 by enhancing terms of reference and financing, and providing reporting and monitoring tools. The PSM WG brings together a wide range of in-country stakeholders.

One objective of the WG is to coordinate procurement and supply chain activities for health commodities procured with State or donor funds. While the WG has improved visibility on in-country stock levels, there is room for better implementation of a detailed national HIV and TB procurement plan, which would improve coordination among the various stakeholders:

- Delays in registering and obtaining approval for medicines are one of the main challenges to domestic financed procurements, and impact the treatment available to grant beneficiaries.<sup>27</sup> Registration delays are continuously highlighted in WG minutes as challenges to timely importation of medicines, yet the WG's composition does not include representation from the State Service of Ukraine on Medicines and Drugs Control, or officials responsible for budgeting and approval of State-financed health products at the Ministry of Health and Ministry of Finance. Including the national drug regulatory authority, as well as legal and financial experts, at WG meetings could help mitigate delays and shorten the time required to procure and deliver essential medical commodities.
- The Procurement Agency is a relatively new body and has capacity constraints which affect its ability to ensure timely procurements of health products. The CPA was only able to procure 5% of the allocated procurements under NFM2 grants. Due to associated risks, lack of experience and CPA's inability to procure quality assured health products, the Secretariat redirected the remaining 95% (US\$19 million) to two NGO Principal Recipients. No procurements are planned through CPA in the current active grants. In addition, the CPA was not able to fully conduct state procurements as planned. For example, only 45% of the domestic financed allocation for ARVs was utilized in 2020. This has resulted in multiple instances of shortages and stock-outs of domestic financed procurements, which have necessitated emergency procurements by the Global Fund and other donors. The Global Fund funded emergency procurements amounting to US\$8.7 million in 2019 and 2020, ensuring services to patients were not interrupted.

Since Global Fund activities rely heavily on domestic financing procurements (which represent 80% of ART, opportunistic infections and TB national needs), grant activities risk being hampered if domestic procurement and supply chain management capacity and coordination issues, including CPA capacity, are not addressed.

<sup>27</sup> E.g. in June 2021, 2,980,200 units (99,340 packs) of Tenofovir/Lamivudine/Efavirenz (300 mg/300 mg/400 mg) could not be delivered by a third party procurement agency due to their lack of registration in Ukraine – they were in the process of applying for the same registration for the third time.

Agreed Management Action 3:

The Secretariat will work with the PRs and other partners to:

- a. Expands PSM WG composition to include other relevant stakeholders including the State Service of Ukraine on Medicines and Drugs Control, and officials responsible for budgeting and approval of State-financed health products at the Ministry of Health and Ministry of Finance.
- b. Ensure that the TB and HIV PSM WG establishes detailed national supply plans for TB and HIV commodities, that are timely revisited and updated if needed.

OWNER: Head of Grant Management Division

DUE DATE: 31 December 2022

### 4.3 The efficiency and effectiveness of program oversight and sub-recipient management could be improved

Grant Principal Recipients have implemented measures to enhance sub-recipient monitoring and oversight, but selection and monitoring processes require improvement.

A significant proportion<sup>28</sup> of grant activities for the two NGO Principal Recipients (PRs) are implemented through 135 sub-recipients (SRs), of which 20% are contracted by both NGO PRs. The Government PR uses two SRs and 20 regional (oblast) Public Health Centers to implement activities. SR funding is based on geographic coverage, target group, and the nature of the activities to be implemented. Grant activities are allocated among PRs which coordinate the SR selection process, to avoid duplications and facilitate complementarity. During 2020, all PRs implemented both programmatic and financial monitoring online, which enabled continued SR monitoring and oversight in spite of pandemic disruptions.

Given that Global Fund programs in Ukraine are implemented using a wide range of sub-recipients, it is important for Principal Recipients to provide adequate monitoring and oversight. The following issues were identified:

#### Delays in disbursements and refunds

Internal SR management policies for all PRs require selection and/or renewal or extension of SR agreements on an annual basis. The annual cycle helps to increase accountability for reporting and verification of expenses and SR closing balances by the PRs. However, it also creates a sizeable administrative burden which results in inefficiencies and reduces SR implementation timelines.

There were instances of delays in disbursement after signing SR agreements. For example, 75% (2019) and 100% (2020) of SRs for Network received initial disbursements more than 31 days<sup>29</sup> after signing the agreement. Improvement is also needed in the follow-up of reimbursement of balances; 50% of the sampled SRs refunded Network with a delay of 5-6 months after the agreement end date.

#### Lack of risk-based monitoring plans

The PRs did not have risk-based programmatic and financial monitoring plans for 2019-2021 (except for PHC programmatic monitoring in 2019), pre-approved by PR management. Given the high number of SRs, the PRs may not be able to adequately prioritize and focus their monitoring activities without risk-based monitoring plans.

All PRs undertake regular financial control reviews (e.g. to assess SR absorption), but these reviews are often internal and do not involve feedback or direct engagement with SRs. For Alliance and PHC, we noted that a low number of SRs are formally monitored (onsite visits and/or online reviews):

	PHC	Network	Alliance
<b>2019 SR monitoring coverage* (onsite visits or online reviews)</b>			
Financial monitoring	20%	76%	2.3%
Programmatic monitoring	80%	85%	86%
<b>2020 SR monitoring coverage* (onsite visits or online reviews)</b>			
Financial monitoring	0%	100%	1.3%
Programmatic monitoring	81%	83%	62%

\*Monitoring coverage computed as percentage of SRs monitored/Total SRs

Where SRs are monitored, there is limited evidence of follow-up on recommendations. Based on the audit sample, there was no evidence of follow-up for PHC and only 11% of SRs with recommendations from financial monitoring were followed up, and 25% followed up for programmatic monitoring by Network.

<sup>28</sup> 47% of the total expenditure during NFM2 and 48% of the allocation for NFM3 incurred at SR level for the 2 NGO SRs.

<sup>29</sup> Disbursement delays after agreement: 2019- 19% between 32-50 days, 50% between 51-70 days and 6% over 70 days; 2020- 47% between 32-50 days, 44% between 51-70 days and 9% over 70 days.



#### Other program governance and financial management gaps:

- **All 3 Principal Recipients continue to incur taxes on grant expenditure, due to non-respect of the Framework agreement signed with the Global Fund.** During the NFM2 funding cycle, the PRs incurred total taxes of \$173,956<sup>30</sup> using grant funds. Global Fund grants only have partial VAT exemption, which does not cover the procurement of utility services, fuel and lubricants, or logistics services. One constraint to full tax exemption is the lack of signed and ratified Privileges and Immunities of the Global Fund by the Ukraine government, in line with article 12.2 of Global Fund Grant Regulations, 2014.
- **Country Coordinating Mechanism: need for better documentation of conflict-of-interest declarations.** The National Council on TB and HIV acts as the Country Coordination Mechanism (CCM) which oversees the implementation of Global Fund grants in Ukraine. The CCM has an independent and transparent oversight function, implemented through the Oversight Commission. Members of the CCM Oversight Commission are separate from CCM voting members. Annual oversight plans and reports are public and published on the Ministry of Health's official website.

Some CCM voting members are implementers of Global Fund grants (either PRs or SRs). While the CCM has a Conflict of Interest (Col) policy, and all members are required to sign a Col declaration, there is no consistent documented evidence of PR and SR staff recusing themselves from CCM decisions directly affecting their organizations. Col declarations need to be documented to ensure decisions made by the CCM are objective and credible.

Agreed Management Action 4:
The Secretariat will work with all Principal Recipients to develop risk-based programmatic and financing monitoring plans for their sub-recipients and ensure that systemic feedback and follow up mechanisms are put in place.
OWNER: Head of Grant Management Division
DUE DATE: 31 March 2023

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<sup>30</sup> The Global Fund Secretariat issued demand letters to all 3 PRs for VAT totalling US\$116,951 in December 2020.

## Annex A: Audit rating classification and methodology

<b>Effective</b>	<b>No issues or few minor issues noted.</b> Internal controls, governance and risk management processes are adequately designed, consistently well implemented, and effective to provide reasonable assurance that the objectives will be met.
<b>Partially Effective</b>	<b>Moderate issues noted.</b> Internal controls, governance and risk management practices are adequately designed, generally well implemented, but one or a limited number of issues were identified that may present a moderate risk to the achievement of the objectives.
<b>Needs significant improvement</b>	<b>One or few significant issues noted.</b> Internal controls, governance and risk management practices have some weaknesses in design or operating effectiveness such that, until they are addressed, there is not yet reasonable assurance that the objectives are likely to be met.
<b>Ineffective</b>	<b>Multiple significant and/or (a) material issue(s) noted.</b> Internal controls, governance and risk management processes are not adequately designed and/or are not generally effective. The nature of these issues is such that the achievement of objectives is seriously compromised.

The OIG audits in accordance with the Global Institute of Internal Auditors' definition of internal auditing, international standards for the professional practice of internal auditing and code of ethics. These standards help ensure the quality and professionalism of the OIG's work. The principles and details of the OIG's audit approach are described in its Charter, Audit Manual, Code of Conduct and specific terms of reference for each engagement. These documents help safeguard the independence of the OIG's auditors and the integrity of its work.

The scope of OIG audits may be specific or broad, depending on the context, and covers risk management, governance and internal controls. Audits test and evaluate supervisory and control systems to determine whether risk is managed appropriately. Detailed testing is used to provide specific assessments of these different areas. Other sources of evidence, such as the work of other auditors/assurance providers, are also used to support the conclusions.

OIG audits typically involve an examination of programs, operations, management systems and procedures of bodies and institutions that manage Global Fund funds, to assess whether they are achieving economy, efficiency and effectiveness in the use of those resources. They may include a review of inputs (financial, human, material, organizational or regulatory means needed for the implementation of the program), outputs (deliverables of the program), results (immediate effects of the program on beneficiaries) and impacts (long-term changes in society that are attributable to Global Fund support).

Audits cover a wide range of topics with a particular focus on issues related to the Impact of Global Fund investments, procurement and supply chain management, change management, and key financial and fiduciary controls.

## Annex B: Risk appetite and risk ratings

In 2018, the Global Fund operationalized a Risk Appetite Framework, setting recommended risk appetite levels for eight key risks affecting Global Fund grants, formed by aggregating 20 sub-risks. Each sub-risk is rated for each grant in a country, using a standardized set of root causes and combining likelihood and severity scores to rate the risk as Very High, High, Moderate, or Low. Individual grant risk ratings are weighted by the grant signed amounts to yield an aggregate Current Risk Level for a country portfolio. A cut-off methodology on high risks is applied (the riskiest 50% of grants are selected) to arrive at a country risk rating.

OIG incorporates risk appetite considerations into its assurance model. Key audit objectives are generally calibrated at broad grant or program levels but OIG ratings also consider the extent to which individual risks are being effectively assessed and mitigated.

OIG's assessed residual risks are compared against the Secretariat's assessed risk levels at an aggregated level for those of the eight key risks which fall within the Audit's scope. In addition, a narrative explanation is provided every Time the OIG and the Secretariat's sub-risk ratings differ. For risk categories where the organization has not set formal risk appetite or levels, OIG opines on the design and effectiveness of the Secretariat's overall processes for assessing and managing those risks.

### Global Fund grants in Ukraine: Comparison of OIG and Secretariat risk levels

OIG and Secretariat risk levels were aligned, except for those related to "National Program Governance and Grant Oversight". This risk is a composite of five sub-risks:

- Health sector governance
- National program governance
- PR Governance
- Implementation effectiveness
- CCM Governance.

The Secretariat rated this risk category 'low' including the sub-risk of program coordination and SR oversight (currently incorporated under PR Governance sub-risk).<sup>31</sup> The OIG risk rating is driven by implementation inefficiencies in relation to SR management such as delayed disbursements and refunds from SRs, low monitoring coverage and lack of evidence of follow up of implementation of recommendations. Despite 47% of the total expenditure during NFM2 and 48% of the allocation for NFM3 incurred at SR level for the 2 NGO PRs, the PRs do not prepare annual pre-approved, risk-based programmatic and financial monitoring plans.

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<sup>31</sup> Secretariat has not updated Ukraine risk ratings using the revised grant facing corporate risk definitions (September 2020). The current Ukraine country risks are based on the Ukraine Country Risk Management Memorandum dated March 2020 (pre-covid).