



# The Global Fund

To Fight AIDS, Tuberculosis and Malaria

*Office of the Inspector General*

## **Diagnostic Review of Global Fund Grants to the Republic of Guatemala**

**GF-OIG-13-008**

**13 March 2013**

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### A. EXECUTIVE SUMMARY

|                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
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|                                                     | <u>A1. Introduction</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Four grants audited                                 | 1. The diagnostic review of the Global Fund grants to the Republic of Guatemala sought to identify and share good practices, identify key risks to which the grant program were exposed and make recommendations for risk mitigation where weaknesses and gaps were found. The assessment covered the four grants that were active at the time of the review. These grants had a total budget of USD 63 million, of which USD 40 million had been disbursed.                                                                                                                                                                                                                                               |
| USD 40 million disbursed of USD 63 million approved | 2. The Ministry of Public Health and Social Welfare (MSPAS) was the Principal Recipient for three of the grants (HIV, Tuberculosis and Malaria) and the Humanist Institute for Development Cooperation (HIVOS) was the Principal Recipient for an HIV grant. The field work for this review was carried out between 5 and 23 November 2012.                                                                                                                                                                                                                                                                                                                                                                |
| Good practices noted and risks identified           | 3. Good practices in the national response to HIV, tuberculosis and malaria were observed by the team 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 they are mitigated. In particular, the OIG noted that there were limitations in the MSPAS procedures that have an operational impact on grant implementation. Nine recommendations are offered to mitigate these risks. An action plan in response to the report recommendations has been prepared by the Global Fund Secretariat, the Country Coordinating Mechanism and the Principal Recipients and is included as Annex 2. |
|                                                     | <u>A2. Key Mitigating Actions</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Need for strategy to integrate grants               | 4. With regard to the process of integrating the grants within the National Programs, the MSPAS agreed to adopt measures in response to the OIG's recommendations to develop and implement a strategy for the integration of grants including a timetable for the introduction of changes and definition of new structures, functions, roles and responsibilities. In order to improve the continuity of key MSPAS personnel, the OIG has recommended that the MSPAS recruitment and dismissal processes are strengthened; thereby increasing efficiency and transparency of these processes in the National Programs and other key departments of the MSPAS.                                              |
| MSPAS will continue cooperation with PAHO           | 5. To increase the effectiveness of the programs, the MSPAS will continue its cooperation with the Pan American Health Organization to develop and consolidate the Treatment 2.0 strategy for HIV in Guatemala, and that it also consider establishing a Minimum Package of Prevention Services in populations with a higher risk and mechanisms of coordination with civil society organizations to put it into effect. In the area of programs, the other important recommendations made to the MSPAS were to ensure that all of the health information sub-systems make timely and regular reports to the MSPAS information system.                                                                     |

Need to change requirements for procurement of medicines and health supplies

Optimization of procurement through Procurement Agent

Exemption from tax duties needed

6. With regard to procurement and management of medicines and other health supplies, the key recommendations made to the MSPAS include: (i) Ensuring that the quantification of requirements includes all parties concerned, making clear what products will be purchased by whom and with what resources, and thus mitigating the risk of a shortage of medicines and other health supplies; and (ii) rationalizing and optimizing procurement by means of a procurement agent. With regard to financial management, the OIG recommended registering an exemption from tax duties for the three MSPAS grants.

**B. MESSAGE FROM THE EXECUTIVE DIRECTOR OF THE GLOBAL FUND**



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11 March 2013

Norbert Hauser  
Inspector General  
Office of the Inspector General  
The Global Fund  
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Geneva  
Switzerland

**Subject: Diagnostic Review of the Global Fund Grants to the Republic of Guatemala**

Dear Norbert

I would like to thank the Office of the Inspector General (OIG) for its thorough and insightful work on the diagnostic review of the Global Fund grants to the Republic of Guatemala.

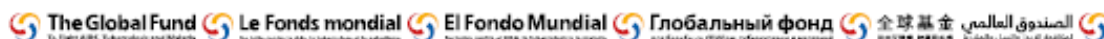
The field work for the review was carried out in November 2012 and covered the four grants that were active at the time, with a total budget of US\$ 63 million, of which US\$ 40 million had been disbursed.

The Ministry of Public Health and Social Welfare is Principal Recipient for three of the grants, covering HIV, tuberculosis and malaria, and the Humanist Institute for Development Cooperation is Principal Recipient for one HIV grant.

The review team observed good practices in the national response to the three diseases. However, a number of risks were nonetheless identified that could impede the successful outcome of grant programs unless they are addressed.

The HIV epidemic in Guatemala is concentrated among key affected populations. While prevalence among adults was 0.79 percent in 2009, it was 18.3 percent among men who have sex with men, 12.9 percent among people with TB, 3.4 percent among prisoners and 1.09 percent among female sex workers.

In 2011, 3,040 new cases of TB were diagnosed, 19 of which were MDR-TB and 255 TB-HIV co-infection; the incidence rate for TB was 50-73 per 100,000 inhabitants. Guatemala was classified in the World Health Organization 2012 report as the country with the second highest number of cases of malaria in Central America. The report noted that 15 percent of the population lives in high risk areas and that there were 6,822 reported cases of malaria in 2011. Both Principal Recipients carry out prevention activities among most-at-risk populations, such as the promotion and protection of human rights, prevention of mother-to-child transmission and integrated care for people living with HIV/AIDS.



The TB grant has extended coverage of DOTS treatment, focusing on sectors of greatest poverty and vulnerability, such as indigenous people. During the past three years the number of TB patients lost to follow-up has fallen from 26.3 percent to 6.7 percent. Since the Global Fund's malaria grants to Guatemala began in 2005, the goal has been to help reduce transmission of plasmodium vivax by 73 percent and to halt transmission of plasmodium falciparum. No deaths from malaria have been reported since 2007.

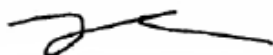
The OIG review noted constraints in procedures followed by the Ministry of Public Health that had an operational impact on grant implementation. Nine recommendations were made in the review to address these constraints. An action plan in response to the review has been prepared by the Global Fund Secretariat, the Country Coordinating Mechanism and the Principal Recipients.

The Ministry of Public Health has agreed to adopt measures to develop and implement a strategy for the integration of grants in the national systems, including a timetable for the introduction of changes and definition of new structures, functions, roles and responsibilities. The Ministry of Public Health will also continue cooperation with the Pan American Health Organization on an HIV treatment strategy for Guatemala. It will also establish a minimum package of prevention measures for most-at-risk populations and coordinate with civil society organizations to put it into effect.

With regard to financial management, the OIG recommended that the exemption from tax duties granted to the three Ministry of Public Health grants is enforced in practice. Tax amounts paid in the past unnecessarily are being recovered.

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,



C. MESSAGE FROM THE COUNTRY COORDINATING MECHANISM



MECANISMO DE COORDINACIÓN DE PAÍS DE  
LA REPÚBLICA DE GUATEMALA

Guatemala, 5 de febrero de 2013

MCP-G 005-02-2013

Dr. Elmar Vinh-Thomas  
Director de Auditoría  
Oficina del Inspector General  
Fondo Mundial de lucha contra el Sida,  
la Tuberculosis y la Malaria  
Ginebra, Suiza

Estimado Dr. Vinh-Thomas:

Tengo el agrado de dirigirme a usted con la finalidad de enviarle la respuesta consensuada entre RP MSPAS, HIVOS y MCP acerca de las recomendaciones que gentilmente nos hicieron llegar el día 16 de enero.

Al respecto me permito hacer de su conocimiento que realizamos un cronograma para abordar las recomendaciones recibidas de parte de esa oficina en el cual se establecieron las fechas para conocer cuál era el riesgo visualizado por el equipo de la OIG y la recomendación correspondiente, lo cual se llevó a cabo tanto por ambos RP y el MCP, como el Lic. Eduardo Samayoa, consultor de GMS que nos ha brindado asistencia técnica para desarrollar este trabajo.

Como parte de estas reuniones de trabajo, el día viernes 1º de febrero se llevó a cabo una reunión presidida por el Señor Ministro de Salud Pública y Asistencia Social, Dr. Jorge Alejandro Villavicencio, para presentarle los avances, quien junto con sus equipos hizo los aportes necesarios para responder, no solo con el borrador del Plan de Acción que nos fuera enviado por ustedes, sino también con un plan de trabajo para cada recomendación donde se establecen fechas y responsables para su cumplimiento.

El MCP como parte de sus funciones, se compromete a realizar un monitoreo del avance en los plazos establecidos.

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MECANISMO DE COORDINACIÓN DE PAIS DE  
LA REPUBLICA DE GUATEMALA

El día de hoy en Asamblea Extraordinaria realizada por la membresía del MCP se sometieron a discusión las respuestas para las 9 recomendaciones, las que fueron aprobadas por unanimidad de las 16 personas con derecho a voto presentes.

En virtud de lo anterior me permito enviarle los siguientes documentos:

1. Matriz recomendaciones OIG
2. Plan de Acción OIG
3. Aprobación del Plan MCP Presentación PP
4. Acta de Asamblea Extraordinaria del 5 de febrero de 2013
5. Firmas del Libro de Actas
6. Listados de Asistencia

Esperamos sus comentarios al respecto, para seguir con este proceso de retroalimentación a nuestro quehacer.

Un cordial saludo,

  
Alvaro Alemán  
Presidente Junta Directiva MCP

cc  
Membresía  
RP MSPAS-HIVOS  
GMS  
Archivo

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## D. INTRODUCTION

The diagnostic review identified risks and good practice

The diagnostic review covered the four grants in current use

Budget allocation to health sector is insufficient at 1.08% of GDP

7. As part of its 2012 plan, the Office of the Inspector General (OIG) undertook a diagnostic review of the Global Fund's grants to the Republic of Guatemala. 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.

8. A diagnostic review is different from a country audit in that no overall opinions are provided and no assurances is provided regarding how grants funds have been spent. The team which carried out the diagnostic review included technical experts in the areas of public health, financial management, and procurement and supply chain management. The field work for the diagnostic review was conducted from 5 and 23 November 2012 in the following locations: Guatemala City and the departments of Quetzaltenango, Escuintla, Alta Verapaz and Izabal. The diagnostic review covered the four grants that were active at the time of the review:

| Component and Round     | Principal Recipient/ Grant | Amount Committed USD | Disbursed to November 2012 USD | % Disbursed |
|-------------------------|----------------------------|----------------------|--------------------------------|-------------|
| Malaria SSF Phase 1     | MSPAS GUA-M-MSPAS          | 18,451,309           | 11,814,822                     | 64%         |
| TB Round 6 Phase 2      | MSPAS GUA-610-G04-T        | 3,386,611            | 2,306,953                      | 68%         |
| HIV Round 3 Phase 1 RCC | MSPAS GUA-311-G06-H        | 15,542,633           | 11,104,239                     | 71%         |
| HIV Round 3 Phase 1 RCC | HIVOS GUA-311-G05-H        | 25,622,511           | 14,953,562                     | 58%         |
| <b>Total</b>            |                            | <b>63,003,064</b>    | <b>40,179,576</b>              |             |

9. The health system in Guatemala shows a high degree of segmentation with respect to the populations which it serves. Higher income sectors of the population use private healthcare establishments and workers in the formal sector are covered by the Guatemalan Institute of Social Security. However, more than half of the country's population depends on the public health system. The budget allocated to the Ministry of Public Health and Social Welfare (MSPAS) for 2012 amounts to 1.08% of Gross Domestic Product (GDP),<sup>1</sup> which is insufficient to cover national priorities in the field of health. This financial weakness of the public health system is reflected in the difficulties faced in extending basic health cover to indigenous people, rural areas and the marginalized and deprived populations that are the most affected by HIV, tuberculosis (TB) and malaria in Guatemala.

<sup>1</sup> National Health Diagnosis, MSPAS, March 2012

The HIV epidemic in Guatemala continues to be concentrated in the higher risk groups

10. The HIV epidemic in Guatemala is concentrated in the higher risk groups: men who have sex with men, and sex workers, their clients and their regular partners. Whilst its prevalence among adults (15 to 49 age group) was 0.79% in 2009, it was 18.3% among men who have sex with men, 12.9% in people with TB, 3.4% among prisoners, 3.3% among young people at risk and 1.09% among female sex workers. 61% of reported cases are in men and 39% in women. Based on the estimates and projections for the epidemic, there were 61,512 people living with HIV/AIDS (PLWHA) in 2009 and there are 6,567 new cases of infection every year.<sup>2</sup>

Guatemala is the country with the second highest number of cases of malaria in the Central American region

11. In 2011, 3,040 new cases of TB were diagnosed (all strains combined), 19 of them were MDR TB and 255 TB-HIV co-infection, and the rate of incidence of TB was 50-73 per 100,000 inhabitants.<sup>3</sup> The 2012 World Malaria Report of the World Health Organization (WHO) places Guatemala as the country with the second highest number of cases of malaria in Central America and notes that 15% of the population live in high risk areas. According to the same report, 6,822 cases of malaria were reported in 2011, of which 99% were caused by the *P. vivax* parasite.

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<sup>2</sup> National Report on Progress made in the Fight against HIV and AIDS, Guatemala, March 2012.

<sup>3</sup> *Global Tuberculosis Report 2012*, WHO.

## E. GRANT IMPLEMENTATION

|                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The MSPAS has been the Principal Recipient of three grants and PR HIVOS, one HIV grant</p>    | <p>12. Since December 2010, the MSPAS has been the Principal Recipient (PR) for three grants; one for each of Malaria, HIV and TB. For each grant the MSPAS created a project management unit with responsibility for implementing the grant. The international non-governmental organization (NGO), HIVOS (PR for an HIV grant) has been heavily involved in the national response, working with a total of 28 Sub-Recipients (SRs) at the time of the diagnostic review. These SRs include the country's three biggest Integrated Healthcare Centers (UAIs), the San Juan de Dios, Roosevelt, and Rodolfo Robles hospitals, which treat 65% of the PLWHA cohort receiving anti-retroviral therapy (ART). In addition, 25 community-based NGOs carry out HIV-prevention activities among the most-at-risk populations (MARPs), including research, home visits, community mobilization and referrals to public services.</p> <p>13. The acquisition of health products for these grants is carried out through the Voluntary Pooled Procurement (VPP) mechanism and centralized storage and distribution is managed by a private logistics operator, RANSA.</p> |
| <p>The management and supervision of the grants was in accordance with the Global Fund model</p> | <p>14. In accordance with the Global Fund model, the Country Coordinating Mechanism (CCM) was responsible for overseeing Global Fund-supported grant programs, the Local Fund Agent provided independent verification of program progress and financial accountability, and the Global Fund Secretariat monitored program effectiveness and managed the grant portfolio.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <p>New system for forecasting medical requirements</p>                                           | <p><u>HIV Program</u></p> <p>15. Both PRs carry out prevention activities among the most at-risk populations, such as the promotion and defense of human rights, the reduction in HIV transmission from mother to child, and integrated care for PLWHA. Some of the successes achieved during the past year have been: the development of a new system of forecasting drug requirements with technical assistance from United States Agency for International Development (USAID); the consolidation of the grant Data Processing Unit, which has enabled better coordination with the MSPAS system; and an improvement in the quality of the data collected.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <p>Reduction in patient drop-out numbers</p>                                                     | <p><u>Tuberculosis Program</u></p> <p>16. The grant continues to extend the coverage of Directly Observed Treatment, Short course, focusing on the sectors of greatest poverty and vulnerability, such as indigenous people, PLWHA and patients with MDR TB. During the past three years the number of patient drop-outs among TB patients (all types combined) has fallen from 26.3% to 6.7%. During this same period the treatment success rate for patients with MDR TB increased from 29% to 59% and the numbers of these same patients testing negative after six months of treatment improved, increasing from 57% to 89%.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

Deaths from malaria  
have fallen by 83%  
since 2005

### Malaria Program

17. Since the Global Fund's malaria grants to Guatemala began in 2005, the goal of the grants has been to help reduce transmission by *P. vivax* by 73% and to succeed in halting transmission by *P. falciparum*, reducing deaths from malaria and preventing transmission in the 27 health areas with the highest incidence of transmission. Since 2005, deaths from malaria have been cut by 83% and no deaths from malaria have been reported since 2007.<sup>4</sup>

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<sup>4</sup> *World Malaria Report 2012*, WHO.

### F. GOOD PRACTICES

|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                           | <p>The OIG observed many examples of good management and program practices by the PRs and SRs during the diagnostic review. The following list is not comprehensive and highlights key findings only:</p>                                                                                                                                                                                                                                                                                                                                                                                     |
| Good practice in retaining human resources in rural areas | <p>(a) <i>Local hiring and training of human resources</i>, which is a good practice recommended by the WHO to improve the retention of human resources in rural areas.<sup>5</sup> During field visits the OIG noted that a high proportion of the staff for the Coatepeque and Quetzaltenango UAIs were from the local area. The fact that there are training institutions for the health professions (for example, Medicine, Nursing, Radiology, Dentistry) in the area also helps to improve the numbers of local professionals, which has a very positive effect on their retention.</p> |
| Implementation of the UNAIDS “Three Ones” principles      | <p>(b) <i>Implementation of the UNAIDS Three Ones principles</i> as part of the national response to HIV.<sup>6</sup> Guatemala has made progress towards establishing a single authority (CONASIDA), a strategic framework,<sup>7</sup> and a National Monitoring and Evaluation Plan.</p>                                                                                                                                                                                                                                                                                                   |
| Collaborative work between civil society and the MSPAS    | <p>(c) <i>Collaborative work between civil society and the MSPAS in the UAIs</i>. Integrated healthcare services to PLWHA in three of the country’s biggest UAIs (Roosevelt Hospital, San Juan de Dios Hospital and Rodolfo Robles Hospital) are provided by means of collaborative work between MSPAS and civil society (HIVOS and IDEI). The provision of services is complemented by psycho-social support, monitoring in the home and the enhancement of support groups and self-support.</p>                                                                                             |
| National Logistic Plan developed                          | <p>(d) <i>The MSPAS has a National Logistic Plan to improve purchasing and storage systems</i>. The MSPAS has developed a National Logistic Plan which covers five strategic areas to enhance the logistics system of the health sector: (i) centralized storage of drugs in accordance with good practice with regard to storage; (ii) efficient distribution channels; (iii) planning to meet needs; (iv) logistics information system for health products; and (v) management of logistics enhanced by means of a Logistics Unit</p>                                                       |
| Good practice regarding storage                           | <p>(e) <i>Some health centers are beginning to implement good storage practices</i>. Although local storage has been identified as an area requiring improvement, the Coatepeque health center has begun to implement good storage practices by means of visual control for the expiry dates of drugs using a traffic lights system.</p>                                                                                                                                                                                                                                                      |
| The Sub-Recipients use a standard accounting system       | <p>(f) <i>Standard accounting system used by the HIVOS SRs</i>. HIVOS equipped all of its SRs with the “Visual Accounting” program, along with training in its use. In many cases it was the first time that the staff of the SRs had benefitted from the use of an automated accounting system. The system includes standard account codes for</p>                                                                                                                                                                                                                                           |

<sup>5</sup> *Increasing access to health workers in remote and rural areas through improved retention: global policy recommendations*, WHO, 2010.

<sup>6</sup> [http://data.unaids.org/una-docs/three-ones\\_keyprinciples\\_es.pdf](http://data.unaids.org/una-docs/three-ones_keyprinciples_es.pdf)

<sup>7</sup> *Plan Estratégico Nacional para la Prevención, Atención y Control de ITS, VIH y SIDA* (National Strategic Plan for the Prevention, Treatment and Monitoring of STDs, HIV and AIDS), Guatemala 2011- 2015, June 2011.

each type of expenditure, as well as the ability to transfer files via the Internet, which has made the regular consolidation of financial data easier.

## G. RISKS

|                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The integration of grants within the National Programs could cause unnecessary disruption</p> | <p><b>Risk 1: The process of integrating the grants within the National Programs may cause unnecessary disruption to grant implementation if it is not managed appropriately</b></p> <p>18. For the implementation of the three grants the MSPAS created three project management units which operate separately from the National Programs. The MSPAS currently plans to enhance the harmonization of the three grants within the National Programs, which would have the potential to improve the health system by increasing the sustainability and effectiveness of the support provided by the Global Fund. However, despite the fact that the MSPAS has said that it intends to start the process of harmonizing grants with the National Programs (beginning with TB in January 2013) there are not yet any clear proposals concerning:</p> <ul style="list-style-type: none"><li>• The structure that the National Programs will have after assimilating the administration of the grants.</li><li>• The roles and responsibilities necessary to ensure the satisfactory implementation of the grants.</li><li>• The adjustment to human resources and wages that will result from the integration.</li><li>• The way to manage the integration process to ensure it is successful.</li></ul> <p>19. Other important considerations in implementing the process of harmonization would be the need to have a change management strategy, and to retain highly qualified staff who are currently working in key areas for the grants.</p> <p>20. <u>Recommendation 1:</u> The MSPAS should develop and implement an integration strategy which includes a timetable for the introduction of the changes and a definition of the new structures, duties, roles and responsibilities.</p> |
| <p>Lack of continuity of key MSPAS staff could negatively affect the grants</p>                  | <p><b>Risk 2: Lack of continuity of key MSPAS staff could have a negative impact on the implementation of the programs supported by the grants</b></p> <p>21. During the past three years, the MSPAS has suffered from high staff turnover in key areas as a result of changes of government and health ministers. This has had a negative impact on the implementation of the grants. For example, there is frequently a lack of continuity in the procurement process due to changes in administrative staff; this happened, for example, with the purchase of fuel for the Malaria grant which began in October 2011 but was not completed until 12 November 2012.</p> <p>22. In this context, there is a need to improve the MSPAS recruitment and dismissal procedures by increasing their efficiency and transparency with regard to the grants, the National Programs and other key MSPAS departments.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

|                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                            | <p>23. <u>Recommendation 2:</u> The MSPAS should ensure that both its recruitment policies and procedures, and its dismissal criteria are properly defined and documented, and strictly enforce their implementation.</p> <p><b>Risk 3: Effectiveness of the HIV program</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| There are many ART schemes                                 | <p>24. <i>Need to optimize and reduce the many different ART (anti-retroviral treatment) schemes which exist in the country.</i> Though there is a standard regulating the ART protocols which has been updated recently and is in the process of undergoing approval,<sup>8</sup> a recent PAHO report notes that Guatemala is one of the countries on the American continent that has the greatest number of second-line schemes.<sup>9</sup></p> <p>25. <u>Recommendation 3:</u> The MSPAS, working in cooperation with PAHO, should officially define and adopt improvements in its national policies and standards in accordance with the Treatment 2.0 strategy aimed at:</p> <ul style="list-style-type: none"><li>• Simplifying and standardizing ART schemes and protocols.</li><li>• Implementing WHO treatment recommendations.</li><li>• Expanding access to appropriate diagnosis.</li><li>• Improving retention in treatment.</li></ul> |
| Lack of coordination between the HIV prevention activities | <p>26. <i>Need to strengthen cooperation between HIV-prevention activities backed by the grants, the National Program and civil society.</i> At an operational level there is little coordination in the prevention activities between MARP and the two PRs. For example, the OIG observed a case in which the goal of prevention activities focusing on female sex workers was to educate them in the sphere of human rights but not to supply them with condoms.</p> <p>27. <u>Recommendation 4:</u> The MSPAS should establish a Minimum Package of Prevention Services in MARP and mechanisms for coordination between the MSPAS and civil society organizations to deliver it.</p> <p><b>Risk 4: Effectiveness of the health information system</b></p>                                                                                                                                                                                          |
| Fragmented national information system                     | <p>28. The national health information system is fragmented due to a lack of coordination between the different levels of the health system, and the different institutions and National Programs. This is the case with the network of malaria volunteer workers; the network of health services whose information is supplied to the Health Management Information System (SIGSA); the epidemiological monitoring system and warning</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

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<sup>8</sup> *Manual de Tratamiento antirretroviral y de infecciones oportunistas en Guatemala* (Manual of anti-retroviral treatment and opportunistic infections in Guatemala), Guatemala, 2012.

<sup>9</sup> *Tratamiento antirretroviral bajo la lupa: un análisis de salud pública en Latinoamérica y el Caribe* (Anti-retroviral treatment under the microscope: an analysis of public health in Latin America and the Caribbean), PAHO, Washington DC, 2012. -

system of the National Epidemiology Center (CNE); and the HIV, TB and malaria sub-systems. These systems are sometimes not adequately integrated within the architecture of the SIGSA national information system, requiring computer interfaces that are still in the process of development.

Recommendation 5: The MPAS should ensure the completion and launch of software platforms permitting the input of information required by SIGSA from the grant information sub-systems and the National Programs for HIV, TB and Malaria, including the community information sub-systems.

### **Risk 5: Shortage of medicines and other health supplies**

Shortage of medicines  
and other health  
supplies

29. The supply chain for medicines and other health supplies is marked by frequent disruption, particularly with regard to diagnostic tests, CD4 and viral load tests and drugs for treating opportunistic and sexually-transmitted diseases. There is also a risk of disruption in the case of anti-retroviral drugs which is often avoided by making emergency purchases. Although participatory processes for quantification have been initiated, actions that still need to be taken include:

- Involving all relevant parties in the national response.
- Improving the procurement planning process, taking into account the lead times in the procurement process.
- Taking into account stocks available at every level in the supply chain or in transit when estimating requirements.
- Specifying which requirements will be covered using national and local resources, and which will be covered by means of Global Fund resources.

30. Recommendation 6: The MSPAS should develop a process for estimating the country's requirements in terms of medicines and other health supplies, taking into account the following aspects:

- (a) All of the parties involved in the supply and/or procurement of medicines and other health supplies should be involved in the estimation of requirements.
- (b) Procurement planning must allow for the lead times in the procurement process.
- (c) It is necessary to establish the stock levels throughout the supply chain and the quantities of products in transit.

It should be clarified which products will be purchased by each of the parties involved in the national response, and thereby determine the financial contribution of each.

### **Risk 6: Effectiveness of the procurement processes for the grants**

The MSPAS  
procurement process  
is slow

Inefficient use of VPP  
(Voluntary Pooled  
Procurement)

31. The MSPAS has experienced great difficulties in undertaking procurement for the grants, which is due to the fact that:

- The MSPAS procurement process takes a long time: procurement takes at least 130 days and includes 52 steps. Local procurement for the grants is conducted via the MSPAS administrative system, which requires an authorization for the purchase basis and specifications before the purchase can be uploaded to Guatecompras.<sup>10</sup> Due to the fact that the administrative system covers 81 projects (the grants are viewed as projects) there is a capacity constraint in being able to promptly process the authorizations for all of the project purchases.
- *The use of VPP is inefficient:* VPP is a short-term strategy aimed at ensuring cost effective and efficient procurement of core health commodities such as anti-retroviral drugs and rapid diagnostic test kits for HIV. VPP can be used in exceptional circumstances to purchase non-core products, but in view of their diversity, the large number of specifications and the low volumes involved, PRs cannot expect to obtain prices and delivery times that are as attractive as for core products. In the case of Guatemala, there is an over-reliance on VPP; in particular, there is a long list of laboratory supplies, including products such as cotton wool, gloves and paper towels. This situation has resulted in relatively high transaction costs coupled with long delivery times, which has had a negative impact on the stocks of products which the SRs receive.

32. Recommendation 7: Whilst its own procurement procedures are being improved, the MSPAS should propose alternative procurement mechanisms which guarantee the capacity to use funds in an appropriate, transparent manner. For example, the MSPAS could assess the feasibility of implementing Article 1 of the State Contracting Law, operating the procurement procedures in accordance with a mechanism agreed by the MSPAS and the Global Fund.

33. Recommendation 8: The MSPAS should rationalize and optimize procurement by means of VPP, or another means of procurement accepted by the Global Fund, and establish which medicines and health supplies will be procured locally using the MSPAS's own resources.

### **Risk 7: Grant funds are used to pay taxes**

Payment of taxes  
using grants funding

34. The Congress of the Republic of Guatemala gave its approval for the MSPAS's three grants to be exempt from taxation (TB in 2010, and HIV and Malaria in 2011). However, at the time of the diagnostic review, none of the project management units responsible for administering the grant funds had obtained an exempt Tax Identification Number (NIT), from the Tax Administration Oversight office (SAT) and were continuing to pay taxes with Global Fund resources. The total amount of value added tax paid from the grant funds to June 2012 was at least USD 272,032. In addition, other taxes would need to be quantified, such as the tourist tax

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<sup>10</sup> The Contracting and Procurement System of the Republic of Guatemala.

added to each hotel bill.

35. Recommendation 9: The MSPAS should complete the process of registering the exemption with the SAT as soon as possible and obtain a NIT providing tax exemption for each of the grants.

### Annex 1: Abbreviations

|          |                                                                |
|----------|----------------------------------------------------------------|
| AIDS     | Acquired Immune Deficiency Syndrome                            |
| ART      | Antiretroviral Therapy                                         |
| CCM      | Country Coordinating Mechanism                                 |
| CONASIDA | National AIDS Commission                                       |
| HIV      | Human Immunodeficiency Virus                                   |
| HIVOS    | Humanist Institute for Development Cooperation                 |
| IDEI     | Association for Research, Development and Integrated Education |
| MARP     | Most-at-Risk Populations                                       |
| MDR-TB   | Multi-drug-resistant tuberculosis                              |
| MSPAS    | Ministry of Public Health and Social Welfare                   |
| NGO      | Non-Governmental Organization                                  |
| PAHO     | Pan American Health Organization                               |
| PLWHA    | People living with HIV/AIDS                                    |
| PR       | Principal Recipient                                            |
| SAT      | Tax Administration Oversight office                            |
| SIGSA    | Health Management Information System                           |
| SR       | Sub-Recipient                                                  |
| TB       | Tuberculosis                                                   |
| NIT      | Tax Identification Number                                      |
| UAI      | Integrated Healthcare Center                                   |
| UNAIDS   | Joint United Nations Programme on HIV/AIDS                     |
| VPP      | Voluntary Pooled Procurement                                   |
| WHO      | World Health Organization                                      |

Annex 2: Recommendations and Management Action Plan

| Risk                                                                                                                                                                               | Recommendation                                                                                                                                                                                                                       | Response and Action Plan                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                      | Responsible Parties                                                                                                                                                                                                             | Due Date                                                                                                                                                                                                                                                                                                  |
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|                                                                                                                                                                                    |                                                                                                                                                                                                                                      | Global Fund Secretariat<br>(responsible for ensuring that the recommendation is implemented)                                                                                                                       | CCM and PRs<br>(responsible for the actual implementation of the recommendation)                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                           |
| <b>General</b>                                                                                                                                                                     |                                                                                                                                                                                                                                      |                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                           |
| 1. <u>Risk that the process of integrating the grants within the National Programs may cause unnecessary disruption to grant implementation if it is not managed appropriately</u> | <u>Recommendation 1</u><br>The MSPAS should develop and implement an integration strategy which includes a timetable for the introduction of the changes and a definition of the new structures, duties, roles and responsibilities. | The Secretariat agrees with the recommendation. In Phase 2, Malaria and HIV, the progress of this recommendation will be monitored, and in particular the structure proposed for the next stage of implementation. | The MSPAS has begun the process of gradually integrating the grants. In 2012 a start was made with the TB program and this will continue in 2013 with the HIV/AIDS program, gradually moving on to the Malaria program from 2014, and concluding in 2016. The schedule for implementation of the process of integration is attached. | <ul style="list-style-type: none"> <li>• <u>HIV</u><br/>Dr. Ernesto Ponce/ Dr. Zonia Pinzón</li> <li>• <u>Malaria</u><br/>Dr. Marco Antonio Mena/ Dr. Zoraida Morales -</li> <li>• <u>TB</u><br/>Dr. Salvador España</li> </ul> | <u>HIV</u><br>Drafting a plan, (profiles, pay review, manuals)<br>March 2013<br><br>Implementation of the plan<br>April-December 2013<br><br><u>Malaria</u><br>Drafting a plan, (profiles, pay review, manuals)<br>September-December 2013<br>Implementation of the plan<br>January 2014<br><br><u>TB</u> |

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| <b>Human Resources</b>                                                                                                                              |                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                       |                                                                             |                                                                  |
| 2. <u>Risk that a lack of continuity of key MSPAS staff could have a negative impact on the implementation of the programs backed by the grants</u> | <u>Recommendation 2</u><br>The MSPAS should ensure that both its recruitment policies and procedures, and its dismissal criteria are properly defined and documented, and strictly enforce their implementation. | The Secretariat agrees with the recommendation. The Secretariat will ask the MSPAS to propagate the current recruitment criteria and will continue to check that recruitment is being carried out in accordance with current policy. Progress in the recruitment process for the grants is being sought in each PU. The Secretariat will check throughout the implementation that the aforementioned policies and processes are being adhered to, including by means of LFA spot checks.<br><br>The Secretariat will also work with the MSPAS to define clear criteria for dismissal, which can easily be monitored, including by means of the Special Conditions established for this purpose in the grant agreements. | The MSPAS HR Department has recruitment procedures in place and will develop processes and methods for evaluating performance using a results-based management approach. The HR Department will complete the recruitment of human resources awaiting the HIV and Malaria programs in May 2013. See attached schedule. | <ul style="list-style-type: none"> <li>• Dr. Lucrecia Monterroso</li> </ul> | <u>HIV and Malaria</u><br>Recruitment for vacant posts May 2013. |
| <b>Program</b>                                                                                                                                      |                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                       |                                                                             |                                                                  |

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| 3. <u>Risks in relation to the effectiveness of the HIV program</u>              | <u>Recommendation 3</u><br>The MSPAS, working in cooperation with PAHO, should officially define and adopt improvements in its national policies and standards in accordance with the Treatment 2.0 strategy aimed at: <ul style="list-style-type: none"> <li>• Simplifying and standardizing ART schemes and protocols.</li> <li>• Implementing WHO treatment recommendations.</li> <li>• Expanding access to appropriate diagnosis.</li> <li>• Improving retention in treatment.</li> </ul> | The Secretariat agrees with the recommendation. The recommendations of the pre-assessment for HIV Phase 2 will include the recommendation noted above, and in the review of Phase 2, the state of progress of this recommendation will be assessed. At the same time, the Secretariat will remain in close communication with the PAHO in order to keep itself informed and facilitate progress in this area. | In November 2012, the POHA/WHO began their advisory work with the MSPAS to promote the development and implementation of Strategy 2.0<br><br>All of the measures taken for the purpose of implementing this recommendation can be seen in the appendix. | PAHO/WHO<br>PNS/MSPAS                          | Process of implementation underway                                                                             |
|                                                                                  | <u>Recommendation 4</u><br>The MSPAS should establish a Minimum Package of Prevention Services in MARP, and mechanisms for coordination between the MSPAS and civil society organizations to deliver it.                                                                                                                                                                                                                                                                                      | The Secretariat agrees with the recommendation. The Secretariat will examine the request for the reprogramming of funds and in Phase 2 will assess the proposal in relation to the approach to be taken to deal with the MARP.                                                                                                                                                                                | The PNS, together with the grant administrators and civil society, has already drawn up a plan to develop the strategy for the MARP. The proposal for the reprogramming of funds will be submitted to the CCM for approval. See appendix.               | PNS<br>HIV/MSPAS /<br>CCM grant                | Process underway. The proposal for the reprogramming of funds will be put to the CCM for approval in February. |
| 4. <u>Risk in relation to the effectiveness of the health information system</u> | <u>Recommendation 5</u><br>The MPAS should ensure the completion and launch of software platforms permitting the input of information                                                                                                                                                                                                                                                                                                                                                         | The Secretariat agrees with the recommendation. The HIV grant agreement includes as a precondition the establishment of a single                                                                                                                                                                                                                                                                              | The HIV, TB and Malaria sub-systems' integration into the SIGSA is currently being implemented. In the first four months of the year                                                                                                                    | PAHO/WHO<br>MSPAS<br>HIV/TB/<br>Malaria grants | Process underway                                                                                               |

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|                                                                   | required by SIGSA from the grant information sub-systems and the National Programs for HIV, TB and Malaria, including the community information sub-systems.                                                                                                                                                                                                                                                                                                                                                                                                                                         | monitoring and evaluation system which is regularly monitored. For the Phase 2 stages, the progress made with this recommendation will be examined in greater detail and the time, action, staffing and budget needed to achieve it will be agreed. | an evaluation of the state of progress will be made, with technical assistance from the PAHO. The Ministry Information System's Strategic Plan will be drawn up based on the outcome. The implementation plan is attached.                                                                                                                                                                         | SIGSA                                                                                                                                       |                                                                                                   |
| <b>PSM</b>                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                             |                                                                                                   |
| 5. <u>Risk of shortage of medicines and other health supplies</u> | <p><u>Recommendation 6</u></p> <p>The MSPAS should develop a process for estimating the country's requirements in terms of medicines and other health supplies, taking into account the following aspects:</p> <p>(a) All of the parties involved in the supply and/or procurement of medicines and other health supplies should be involved in the estimation of requirements.</p> <p>(b) Procurement planning must allow for the lead times in the procurement process.</p> <p>(c) It is necessary to establish the stock levels throughout the supply chain and the quantities of products in</p> | <p>The Secretariat agrees with the recommendation. In Phase 2, Malaria and HIV, the progress of this recommendation will be monitored, ensuring that the PSM plan proposed is the outcome of a nationwide forecasting exercise.</p>                 | <p>The MSPAS will plan and/or update, validate, formalize, publicize, implement and provide training in the estimation of medicine quantities.</p> <p>Plans are under review for a national commission to guarantee stocks of drugs, equipment, reagents and HIV tests, which will be made up of representatives of all of the parties involved in the national response. The plan is attached</p> | <p>MSPAS<br/>PAHO/WHO<br/>Grants</p> <p>MSPAS/<br/>Cooperation<br/>bodies/ Civil<br/>Society/ Key<br/>players in the<br/>health sector.</p> | <p>Process<br/>underway</p> <p>Representative<br/>appointed by<br/>the Ministry of<br/>Health</p> |

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|                                                                                              | transit.<br><br>(d) It should be clarified which products will be purchased by each of the parties involved in the national response, and thereby determine the financial contribution of each.                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                               |                                                   |                                                                                                                                                 |
| 6. <u>Risks in relation to the effectiveness of the procurement processes for the grants</u> | <u>Recommendation 7</u><br>Whilst its own procurement processes are being improved, the MSPAS should propose alternative procurement mechanisms which guarantee the capacity to use funds in an appropriate, transparent manner. For example, the MSPAS could assess the feasibility of implementing Article 1 of the State Contracting Law, operating the procurement procedures in accordance with a mechanism agreed by the MSPAS and the Global Fund. | The Secretariat agrees with the recommendation. The Secretariat will ask the MSPAS to provide options and recommendations with regard to alternative procurement mechanisms for Phase 2 in relation to HIV and Malaria    | The Health Minister has given instructions for the MSPAS Legal Department to give a ruling within a period of one month concerning the possibility of implementing Article 1 of the State Procurement and Contracting Law which includes a specific mechanism for the grants. | MSPAS/<br>HIVOS<br><br>MSPAS/ Legal<br>Department | The procurement process for Year 3, Phase1, has been approved with HIVOS.<br><br>Response in February following legal analysis by the Ministry. |
|                                                                                              | <u>Recommendation 8</u><br>The MSPAS should rationalize and optimize procurement by means of VPP, or another means of procurement accepted by the Global Fund, and establish which medicines and health supplies will be procured locally                                                                                                                                                                                                                 | The Secretariat agrees with the recommendation. For Year 3, this recommendation is already considered to have been achieved by approval of the relevant procurement plan. For Phase 2, the Secretariat will work with the | For Year 3 of HIV Phase 1, the one-off purchase of non-strategic products via HIVOS was approved.                                                                                                                                                                             | MSPAS/<br>HIVOS                                   | Process underway                                                                                                                                |

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|                                                           | using the MSPAS's own resources.                                                                                                                                                                | PR to assess which strategic purchases should continue to be financed by the Global Fund and purchased by an external party, and which should be paid for by the MSPAS. Similarly, the PR will be asked to present alternatives to the VPP as the purchasing agent, if so desired, for approval by the Global Fund in Phase 2.                                                                                                                                                                     |                                                                                                                                                                       |                                      |                  |
| <b>Financial Management</b>                               |                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                       |                                      |                  |
| 7. <u>Risk that the grant funds are used to pay taxes</u> | <u>Recommendation 9</u><br>The MSPAS should complete the process of registering the exemption with the SAT as soon as possible and obtain a NIT providing tax exemption for each of the grants. | The Secretariat agrees with the recommendation. The Secretariat asks the OIG to provide information concerning the estimated amounts paid in terms of VAT out of the different grants by the time of the diagnostic review [OIG: Data provided to Fund Portfolio Manager on 07 February 2013.] and will subtract this sum from the incremental sum for Phase 2. The Secretariat will inform the PR what future spending paid out in VAT will be viewed as ineligible and will have to be refunded. | The Minister of Health has already presented the handling of the exemption to the President. It is hoped that there will be a response during the course of February. | MSPAS/<br>Presidency of the Republic | Process underway |