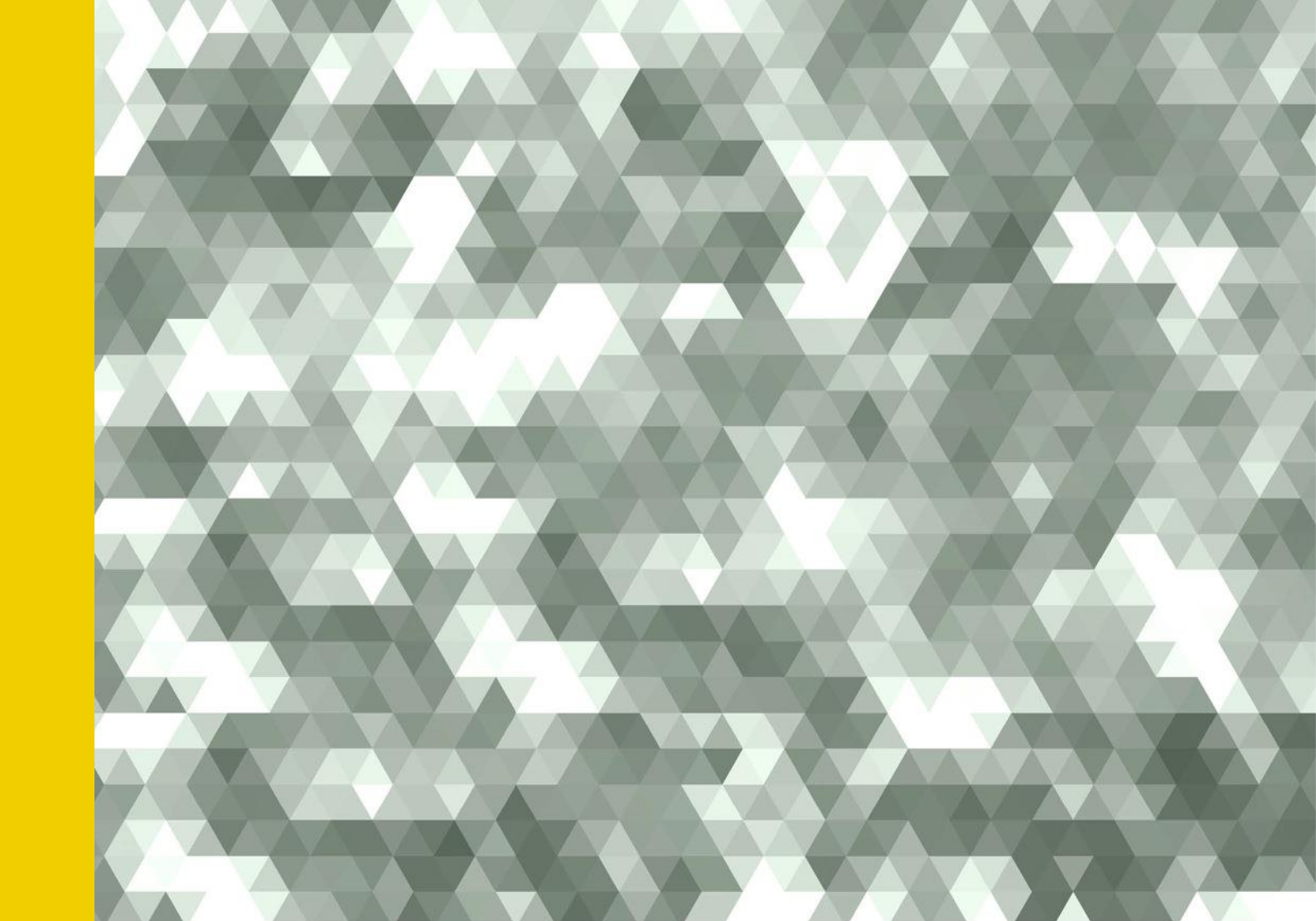




## Audit Report

# Global Fund Multicountry Grants

GF-OIG-19-003  
14 February 2019  
Geneva, Switzerland

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# 1. Executive Summary

## 1.1. Opinion

Multicountry grants are designed to accelerate the end of the HIV, TB and malaria epidemics and to strengthen health systems by tackling regional bottlenecks and cross-border issues. They have the potential to achieve impact in particular settings, especially where bottlenecks cannot be resolved by a single country application. Multicountry grants have, however, faced challenges in their implementation; 71% of the multicountry/regional grants selected for review by the OIG performed below expectation (i.e. rated below “A2”) at the last progress update (December 2017).<sup>1</sup>

The Global Fund Board adopted a refined allocation methodology for the 2017-2019 funding cycle to increase the impact, simplicity, flexibility and predictability of multicountry investments. The Board approved funding to be directed towards multicountry approaches targeting priorities deemed critical to fulfilling the aims of the Global Fund strategy. The Secretariat has also streamlined processes, including grant applications for multicountry grants. Despite the progress made in streamlining multicountry grants to ensure their effectiveness, there are opportunities to optimize their implementation and oversight, as well as to address issues relating to risk management and grant monitoring. Processes, systems and resource allocation have not yet been adequately tailored to cater for their specificities and complexities. The design and effectiveness of Secretariat processes and systems for multicountry grants are **partially effective**.

Lack of effective governance for one of the two main multicountry governance arrangements (Regional Organizations) has resulted in ad-hoc management of important processes. The design and effectiveness of the governance, coordination and assurance arrangements at the regional level for multicountry grants are **partially effective**.

## 1.2. Key Achievements and Good Practices

### **Multicountry grants have been strategically repositioned to achieve greater impact:**

In April 2016, the Global Fund Board adopted a refined allocation methodology to increase the impact of its investments, with funds set aside for catalytic investments. The Grants Approval Committee has approved 14 multicountry priorities for the 2017-2019 allocation period. As part of Catalytic Investments<sup>2</sup>, multicountry grants target a limited number of key, strategically important priorities affecting multiple countries and which cannot be tackled through country allocations alone. This process has reduced the number of grants by half, from 34 grants under the 2014-2016 funding cycle to 17 grants under the current allocation cycle.

**Regionally-coordinated response to the three diseases:** The Global Fund’s multicountry grants<sup>3</sup> have facilitated regional coordination and an integrated approach in addressing regional issues such as malaria elimination; tuberculosis in miners and ex-miners; access to services for refugees, migrants and mobile populations; human rights and gender barriers to accessing HIV services. The multicountry grants have encouraged systematic interaction and collaboration between relevant stakeholders in the regions, as well as holistic monitoring of the epidemics and interventions.

**Increased political commitment of national leaders and key stakeholders in addressing cross border issues:** Multicountry grants have helped to strengthen the

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<sup>1</sup> CVC COIN-B2; ECUO-B2; OCAL-A2; MSA-A2; EB – B1; TIMS-B2; RAI-B1

<sup>2</sup> Catalytic investments are a portion of funding for Global Fund-supported programs, activities and strategic investments that are not adequately accommodated through country allocations but that are essential to achieve the aims of the Global Fund Strategy 2017-2022 and global partner plans.

<sup>3</sup> During the 2014-2016 funding cycle the Global Fund made a distinction between multi-country grants (typically groups of Small Island economies funded through country allocations) and regional grants (which brought together a number of countries and were funded through a separate pool of funds). For the 2017-2019 cycle, multi-country is now used to refer to both types of grants

commitment of governments and partners in addressing cross border issues. For example in December 2017, the Ministers of Health in the Greater Mekong Sub-region called for action to accelerate efforts to eliminate malaria in the region by 2030. Although there is no requirement for counterpart financing for multicountry grants, development partners including the Bill and Melinda Gates Foundation have established a Regional Malaria Elimination Initiative (RMEI), which is expected to raise US\$89.7 million towards the fight against malaria for the 2018-2022 period in seven Central American countries<sup>4</sup> and the Dominican Republic. The Global Fund contributed US\$6 million to the RMEI.<sup>5</sup> The Mozambique, South Africa and Swaziland malaria grant was able to mobilize private resources amounting to US\$4 million to support the regional program, and received US\$17.2 million in additional commitments from the Bill and Melinda Gates Foundation.

**Creation of multilateral platforms:** Multicountry grants have facilitated the creation of multilateral platforms, which include governments, partners, civil society and people living with the diseases, to oversee grant implementation. These multilateral platforms enhance intercountry collaboration and coordination, and further the momentum to end the epidemics in these regions. They provide countries with a regional forum to share knowledge and information across countries.

**Competitive grant application process:** Request for Proposals (RFPs) are published on the Global Fund website for multicountry priorities that are not classified as pre-shaped or continuation.<sup>6</sup> These include specific Terms of Reference that the applicant needs to address and are published four to six months prior to the expected submission window to allow for robust regional dialogue. The Global Fund Technical Review Panel (TRP) assesses all funding proposals that meet minimum application and eligibility criteria, and identifies the strongest proposal(s) for each priority area.<sup>7</sup> For transparency, the expected number of grants for each priority area is defined, and there are clear standards and requirements for grant applications, including who can be an implementer. The TRP observed in their 2017-2019 funding application review that the RFP approach for multicountry applications has generated new ideas and innovations.

### 1.3. Key Issues and Risks

**Multicountry grant implementation arrangements need improvement in terms of operational efficiency and resource optimization:** Multicountry grants have contributed to achieving impact in particular settings, especially where bottlenecks cannot be resolved by a single country grant. There are however opportunities to improve the financial and programmatic efficiency of these grants. In the period under review, multicountry grants were implemented in many countries in addition to national grants. Eleven countries had six or more multicountry grants active in the country, and multicountry grants are implemented by many implementers. The multitude of grants with different structures creates governance, coordination and oversight challenges both at the Global Fund Secretariat level and in countries. This results in inefficiencies in management and complexities in planning. Inadequate coordination between these grants has resulted, in some cases, in duplication of interventions.

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<sup>4</sup> Countries that will benefit from this initiative are Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama

<sup>5</sup> The amount includes contributions from the Bill & Melinda Gates Foundation (US\$ 31.5 million), the Carlos Slim Foundation (US\$ 15.1 million), additional domestic investments (US\$ 37.1 million).

<sup>6</sup> PRE-SHAPING: New grants within the scope of catalytic investments are to be pro-actively shaped. Secretariat actively engage with partners to define the most effective way to achieve the strategic priority. A proposal from an identified applicant is then submitted for TRP review.

CONTINUATION: Secretariat invites an existing Regional Coordinating Mechanism or Regional Organization with active grants matching the technical criteria to submit a new application for TRP Review.

<sup>7</sup> Guidance Note on Multi-country Approach in the Global Fund's 2017-2019 Funding Cycle

**Secretariat resource allocation, processes and systems need to be better tailored for multicountry grants:** Multicountry grants are supposed to be catalytic in nature, meaning they are essential to achieve the aims of the Global Fund strategy and have the potential to unlock impact beyond the grant itself. However, processes, systems and resource allocation have not been tailored to cater for their specificities and complexities. Resources for providing risk and assurance services for multicountry grants are limited, although the complexities in the implementation of these grants are greater than for national grants. The allocation of Secretariat human resources to manage and oversee multicountry grants mainly falls to the team managing the country grant of the nation in which the multicountry grant is based.

The Capacity Assessment Tool (CAT), which was historically the only risk identification tool completed for multicountry grants, was not adapted for the specificities of multicountry grants. Low utilization of the CAT by the grants, which can result in risks not being identified and addressed, was noted. In 2018, the CAT started to be phased out and replaced with the Integrated Risk Module (IRM) to better integrate and simplify risk processes. However, the limitations identified in the CAT regarding the specific nature of multicountry grants continue to exist in the IRM.

A lack of governance requirements (e.g. around monitoring and oversight, management of conflict of interest and representation of people living with the diseases) for one of the two main multicountry governance arrangements (Regional Organizations) has resulted in cases of ad-hoc management of important processes. For example, oversight activities are not regularly conducted throughout the multicountry grants, affecting their effective implementation.

**Despite the progress made in the fight against malaria in the Greater Mekong Sub-region, the malaria program continues to face challenges:** The Regional Artemisinin-resistance Initiative (RAI) grant has contributed to a sharp decline in malaria transmission in the region, and prompted the creation of a regional elimination strategy as well as a holistic monitoring of drug resistance progression through therapeutic efficacy studies and gene mutation across the region. The grant has encouraged systematic interaction and collaboration between relevant malaria stakeholders in the five countries, and strengthened the political commitment of national leaders, resulting in the Nay Pyi Taw declaration for malaria elimination in December 2017.<sup>8</sup>

Despite these and other achievements, the malaria program faces challenges. Countries in a malaria elimination phase are expected to investigate and classify all confirmed malaria cases and foci in malaria elimination areas<sup>9</sup>. Monitoring the status of foci, with precise identification of their functional status (active or non-active, new or residual), is a cornerstone for success in interrupting malaria transmission and preventing the reintroduction of malaria where potential foci (foci with imported cases, but without proof of a local transmission) may be present.<sup>10</sup> However, not all confirmed malaria cases and foci<sup>11</sup> in the malaria elimination areas are being investigated and classified, although these are key interventions in the current malaria elimination strategy for the region.<sup>12,13</sup> Not all confirmed malaria cases in Myanmar and Thailand are reported to receive antimalarial treatment as per the national guidelines. Artemisinin monotherapies, a malaria medicine, are in stock and available for sale in Myanmar, despite the drug having been prohibited since 2012. The spread of antimalarial multi-drug resistance is threatening the gains made. The region risks not achieving the Greater Mekong Sub-region Regional Elimination Strategy if these issues are not addressed.<sup>14</sup>

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<sup>8</sup> The Ministers of Health called for action to eliminate malaria in the Greater Mekong Sub-region before 2030.

<sup>9</sup> Foci is a defined, circumscribed locality situated in a currently or former malarious area containing the continuous or intermittent epidemiological factors necessary for malaria transmission. Foci can be classified as endemic, residual active, residual non-active, cleared up, new potential, new active or pseudo. (Source: WHO-Disease-Surveillance-Malaria-Elimination-2012.pdf)

<sup>10</sup> WHO Guidelines on the elimination of residual foci of malaria transmission, 2007

<sup>11</sup> Elimination of the residual foci of malaria transmission is a dynamic process, taking place mainly during the late stage of the attack and consolidation phases of malaria elimination.

<sup>12</sup> QSE-M-UNOPS PUDR, December 2017

<sup>13</sup> Percentage of confirmed cases investigated (Cambodia - 0%; Viet Nam - 85%; Laos - 89%; Myanmar - 84% and Thailand - 84%)

<sup>14</sup> Notably the targets of reducing malaria in all high-transmission areas to less than 1 case per 1,000 population at risk and of initiating elimination activities by 2020

## 1.4. Rating

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p><b>Objective 1: Design and effectiveness of Secretariat processes, procedures and systems to ensure effective program implementation and performance to achieve grant objectives.</b></p> <p>OIG rating: <b>Partially effective.</b> Multicountry grants have been strategically repositioned to achieve greater impact as well as to streamline related processes. There are however issues relating to risk management and monitoring of the grants as well as opportunities to optimize resources to achieve efficiency. Processes, systems and resource allocation have not been adequately tailored to cater for the specificities and complexities of multicountry grants.</p> |
|  | <p><b>Objective 2: Design and effectiveness of governance, coordination and assurance arrangements to ensure multicountry grant funds are used as intended.</b></p> <p>OIG rating: <b>Partially effective.</b> Adequate policies and guidance for Regional Coordination Mechanisms are in place to ensure effective governance, coordination and oversight of multicountry grants. There are however no such guidelines for the Regional Organization model, which is used by many multicountry grants. Oversight activities are also not being conducted regularly for multicountry grants.</p>                                                                                        |

## 1.5. Summary of Agreed Management Actions

The Secretariat will review the guidance and policies for multicountry grants and identify changes that need to be made, based on materiality, risk, and efficiency considerations. Modifications of relevant guidance and policies will be implemented through the operational launch for the next funding cycle. Lessons learnt from the pilot governance approach in the Latin American and Caribbean region will also be considered in updating the policies for multicountry grants.

Concerning the RAI grant, the Secretariat will work with key stakeholders in the Greater Mekong Sub-region to build the surveillance capacities of the malaria programs.

## 2. Background and Context

### 2.1. Overall Context

Multicountry<sup>15</sup> programs are an essential and unique part of the Global Fund's portfolio. They are designed to have catalytic potential to contribute to accelerating the end of the HIV, TB and malaria epidemics and to strengthen health systems through resolving regional bottlenecks and cross-border issues.<sup>16</sup> The Global Fund Strategic Review 2015 identified that multicountry grants exhibit complexities that require special attention in terms of program implementation, monitoring and evaluation, governance and oversight. The review also indicated that the process of funding access and grant making has high transaction costs.<sup>17</sup>

In April 2016, the Global Fund Board adopted a refined allocation methodology for the 2017-2019 funding cycle to increase the impact, simplicity, flexibility and predictability of its investments. The Board approved funding to be directed towards multicountry approaches targeting a limited number of key, multicountry priorities deemed critical to fulfilling the aims of the Global Fund strategy and which could not be addressed through country allocations alone.<sup>18</sup> There are 17 separate strategic priority areas within the Board-approved multicountry priorities. For some priority areas applicants were pre-identified, while for other priority areas there was a competitive application process. These priorities are being translated into grants, with the Global Fund Technical Review Panel approving 17 multicountry applications for grant making under the 2017-2019 allocation period. With the 2017-2019 allocation period, the terminology of the grants changed from the previous "regional grants" to the current "multicountry grants".

### 2.2. Current Global Fund Multicountry Grants

There were 34 regional grants during the 2014-2016 allocation period with total grants of US\$358 million; 26 grants for HIV, four for tuberculosis and four for malaria.

For the 2017-2019 allocation period, the Global Fund has adopted a refined methodology that allocates up to US\$800 million for catalytic investments.<sup>19</sup> Within this envelope, multicountry strategic priorities are one of three modalities set out by the Global Fund's Board to operationalize the catalytic investments.<sup>20</sup> The grant funds under the new allocation cycle have been reduced and streamlined to concentrate on multicountry priorities that cannot be addressed through country allocations alone. The following multicountry strategic priorities were approved by the Board (as part of the broader US\$800 million catalytic investment envelope):

| Component | Multicountry strategic priorities              | Available envelope<br>US\$ million |
|-----------|------------------------------------------------|------------------------------------|
| Malaria   | Malaria elimination in low burden countries    | 145                                |
| TB        | Finding missing cases of TB                    | 65                                 |
| HIV       | Sustainability of services for key populations | 50                                 |

<sup>15</sup> For the sake of clarity and consistency, this report uses the terminology "multicountry grants" throughout the report, also for grants under the 2014-2016 allocation cycle, which were created under the previous "regional grant" modality.

<sup>16</sup> TRP Regional applications lessons learnt, 2015

<sup>17</sup> This refers to process for the 2014-2016 allocation under NFM1, as highlighted in the TERG Thematic Review of the Global Fund's Regional grants, June 2016

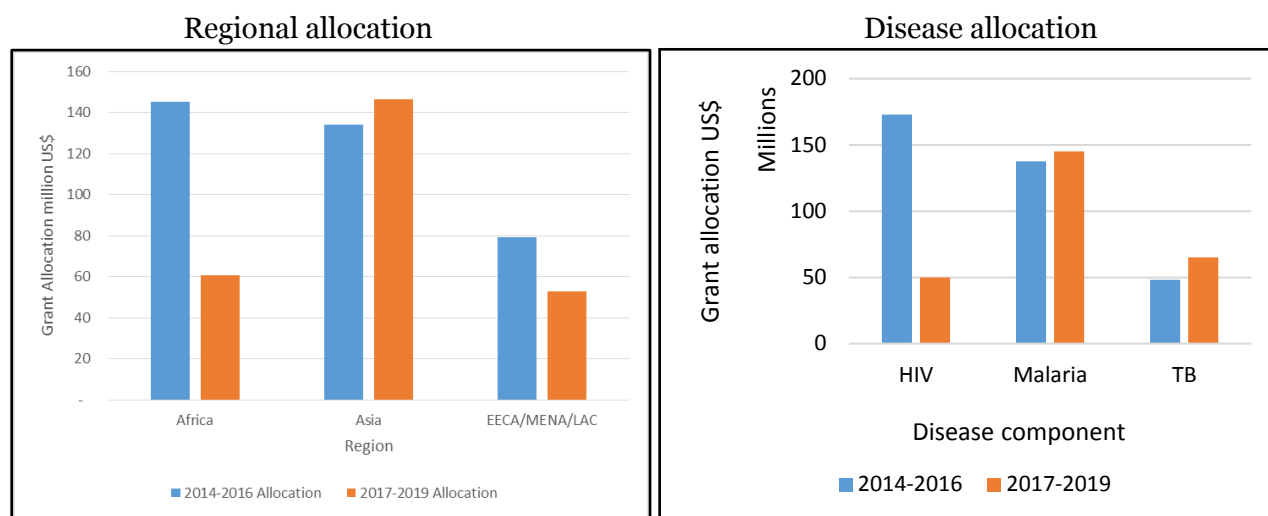
<sup>18</sup> GF/B36/04

<sup>19</sup> Catalytic investments are a portion of funding for Global Fund-supported programs, activities and strategic investments that are not adequately accommodated through country allocations but are essential to achieve the aims of the Global Fund strategy 2017-2022.

<sup>20</sup> The other two modalities are "matching funds" and "strategic initiatives"

Figure 1

*Multicountry grants per region and disease*



Multicountry grants can be governed through either a Regional Coordinating Mechanism or a Regional Organization structure that provides governance and oversight of the grant. A Regional Coordinating Mechanism is a multicountry, regional-level, public-private partnership whose role is, among others, to coordinate the development of funding proposal(s) to the Global Fund for relevant program(s) based on priority needs at the regional level, and oversee the implementation of program activities. Regional Organizations, in contrast, are organizations that have regional stakeholder consultation and involvement, and which have broad experience of working in the region on the issues targeted by the multicountry priority. and of working with people living with and/or affected by the diseases.

Depending on the nature of the grant and its implementers, as well as the context in which the grant operates, a Regional Coordinating Mechanism or a Regional Organization may be the more suitable structure. Grant applicants can choose to apply for multicountry grants funding through either structure. Unlike national grants, there is no requirement for counterpart financing from governments for multicountry grants, and allocation is for multiple countries and governments to address cross border issues.

An important challenge faced by regional grants is the inability of current regional data systems to provide quality and timely programmatic data on the three diseases. Various grants have funded the set-up of regional databases but the development of these systems is often delayed as the alignment between different countries, and the decision making process, take longer than expected. The Secretariat is working to strengthen the governance mechanisms around regional grants as a means of better aligning different countries' agendas on data systems. Another challenge relates to the alignment of various country reporting standards to ensure regional data is available.

## 3. The Audit at a Glance

### 3.1. Objectives

The overall objective of an OIG audit is to improve the effectiveness of the Global Fund to ensure the greatest impact in the programs it finances. This audit assessed the design and effectiveness of multicountry processes and policies in achieving grant objectives. Specifically, the OIG assessed the design and effectiveness of the:

- Secretariat's processes, procedures and systems to ensure effective program implementation and performance to achieve grant objectives;
- Governance, coordination and assurance arrangements to ensure that multicountry grant funds are used as intended.

### 3.2. Scope

The audit covered a sample of multicountry grants including:

- A deep dive of the Regional Artemisinin Initiative (RAI) grants, carried out through desk review and in-country fieldwork in Cambodia, Myanmar and Viet Nam.
- Six other multicountry grants, evaluated through desk review.

Multicountry grants amounting to US\$206 million out of a total of US\$358 million were sampled for review. The grants are shown in the table below. The audit covered the period January 2016 to December 2017. The audit also considered the design of future arrangements for the implementation of multicountry grants. The audit only covered multicountry grants that were previously referred to as regional grants.

| <b>Grant name</b>                                                                                      | <b>Region</b>                   | <b>Budget (US\$)</b> | <b>Grant period</b>       |
|--------------------------------------------------------------------------------------------------------|---------------------------------|----------------------|---------------------------|
| Caribbean Vulnerable Communities Coalition (CVC) and El Centro de Orientación e Investigación Integral | Latin America and the Caribbean | 8,000,000            | 1 Oct 2016 – 30 Sep 2019  |
| East Europe and Central Asia Union of PLHIV (ECUO)                                                     | Eastern Europe and Central Asia | 5,600,000            | 1 Nov 2015 – 31 Oct 2018  |
| Abidjan-Lagos Corridor Organization (OCAL)                                                             | Western Africa                  | 11,700,000           | 1 Jan 2016 – 31 Dec 2018  |
| Multicountry South Asia (MSA)                                                                          | Southern & Eastern Asia         | 16,800,000           | 1 Jul 2013 – 31 Dec 2018  |
| Elimination 8 (E8)                                                                                     | Southern Africa                 | 17,800,000           | 1 Oct 2015 – 30 Sept 2018 |
| Regional Steering Committee for the Regional Artemisinin Initiative (RAI)                              | Southern & Eastern Asia         | 116,000,000          | 1 Jan 2014 – 31 Dec 2017  |
| Southern Africa Regional Coordinating Mechanism (SARCM) now TIMS                                       | Eastern and Southern Africa     | 30,000,000           | 1 Jan 2016 – 31 Dec 2017  |
| <b>Total grants sampled</b>                                                                            |                                 | <b>205,900,000</b>   |                           |

### 3.3. Progress on Previously Identified Issues

This is the first audit of regional/multicountry grants by the OIG.

## 4. Findings

### 4.1. Multicountry grant implementation arrangements need improvement in terms of operational efficiency and resource optimization

A multicountry approach can generate better efficiency and has the potential to achieve impact in particular settings, especially where bottlenecks cannot be resolved by a single country application.<sup>21</sup> It also helps in addressing cross border issues holistically. There are, however, opportunities to optimize multicountry grant implementation and resource allocation at the country level to ensure financial and programmatic efficiency.

Many countries supported by the Global Fund implement both national grants and multicountry grants. In the period under review, 55 countries had three or more active multicountry grants in addition to their national Global Fund grants; eleven countries had six or more multicountry grants active. This multitude of grants with different structures creates governance, coordination and oversight challenges both at the Global Fund Secretariat level and in countries.

Most grants are overseen by different Global Fund Secretariat teams, meaning that the country has no single focal point at the Secretariat. These multiple interactions can cause coordination difficulties and frustrations at the country level and may result in inefficiencies in management and complexities in planning. Not all grants have formalized processes in place to coordinate different multicountry grants in the same country, either at the country level or at the Global Fund Secretariat level. Some Secretariat teams managing multicountry grants conduct ad-hoc activities to inform relevant stakeholders about grant progress and to coordinate activities, but there are no standards or guidelines for Secretariat-level coordination, either between different multicountry grants in a region or between multicountry and national grants.

The large number of grants and a lack of coordination between them have resulted, in some cases, in duplication of interventions. For example, both the Global Fund HIV multicountry grant in the Southern Africa region and the Mozambique country grants have the same planned activities for the same target groups and areas.<sup>22</sup> Duplication of activities and indicators were also noted in the Multicountry South Asia HIV grant in Afghanistan, Nepal, Bangladesh, Bhutan and Sri Lanka. In order to address the risk of proposed interventions and collaborative activities duplicating with national grants, the Technical Review Panel recommended in its 2014-2016 allocation period 'lessons learnt' report that applicants should provide evidence of good knowledge of existing Global Fund supported programs within the countries or the region, to ensure synergies and linkages. This was not, however, clearly and consistently demonstrated in seven multicountry applications submitted to the Secretariat during Window 5 of the 2017-2019 allocation cycle.

The multicountry priorities for the 2017-2019 allocation period approved by the Board is expected to help address this challenge. Multicountry grants will target a limited number of key, strategically important priorities affecting multiple countries and which cannot be tackled through country allocations alone. This will help to streamline multicountry grants to mitigate the risk of duplication of interventions between multicountry grants and national grants.

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### Agreed Management Action

Please refer to Agreed Management Action 2 on page 15.

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<sup>21</sup> Summary of TRP Window 5 recommendation to the Grants Approval Committee, June 2018

<sup>22</sup> Audit of Global Fund grants to the republic of Mozambique, March 2017 (GF-OIG-17-006)

## 4.2. Secretariat resource allocation, processes and systems need to be better tailored for multicountry grants

The overall design of multicountry grants is aligned with Global Fund policies and procedures, and the Multicountry approach developed for the 2017-2019 allocation period has helped to focus on key strategic priorities. The competitive application process has brought enhanced transparency in the selection of Principal Recipients. The catalytic nature of multicountry grants means that they are crucial for the Global Fund to achieve its strategy, however, the processes, systems and resource allocation for these grants have not been tailored to cater for their specificities and complexities.

**Complexities of multicountry grants not considered in providing resources for risk and assurance:** The complexities of providing risk and assurance services for multicountry grants are greater than for national grants; for example:

- Principal Recipients and Local Fund Agents deal with multiple political and legislative jurisdictions.
- Principal Recipients face administrative issues in budgeting and contracting in multiple currencies.
- Grants focus on interventions with high inherent risk due to their cash-intensive nature, such as advocacy, community mobilization and training. For example, the average travel related cost of the Window 5 multicountry applications represents 34% of budget (51% in one case).

These complexities contributed to one multicountry grant taking two years to sign a Memorandum of Understanding with eight different governments. A Principal Recipient of another multicountry grant could not legally operate in one of the countries in its remit, and one Principal Recipient had challenges registering sub-recipients in one country and thus could not transfer funds to the country to start the program. These risks are not being taken into consideration when dedicating resources for assurance provision.

**Limited human resources dedicated to multicountry grants:** The complexities of managing multiple stakeholders across different countries, and the resulting increase in workload, are not being taken into consideration when allocating Secretariat human resources to manage and oversee multicountry grants. Responsibility for managing and overseeing multicountry grants mainly falls to the team managing the country grant of the nation in which the Principal Recipient of the multicountry grant is based. While this might be a valid factor to consider, the Secretariat does not review the additional burden imposed by the multicountry grant on the teams and does not adapt team structures accordingly. For example, the resources allocated to a Country Team responsible for a High Impact country grant amounting to US\$227 million were not adjusted when given additional responsibility for a strategic multicountry high impact grant of US\$242 million, implemented in five countries.

**Risk identification and associated tools not adequately tailored for multicountry grants:** Global Fund grant assurance and oversight arrangements are driven by the risks that have been identified for the grant. As most multicountry grants are classified as focused grants, they are expected to complete the capacity assessment tool as their main risk identification mechanism for new Principal Recipients. They are exempted from other continuous risk identification tools including the previously used QUART<sup>23</sup>. The capacity assessment tool, however, has not been adapted for the specificities of multicountry grants. It does not include governance and oversight components that are unique to the nature of multicountry grants and which can heavily impact program implementation, such as the Principal Recipient's capacity to effectively manage a grant across multiple jurisdictions.

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<sup>23</sup> Qualitative Risk Assessment, Action Planning and Tracking (QUART) is a tool previously used at the Global Fund to provide a comprehensive and structured framework for assessing risk in grants.

For example, the fact that some Principal Recipients of multicountry grants are not allowed to operate in some of the jurisdictions covered by a grant is a significant risk that is not always identified during the grant making process. This was noted for the Multicountry South Asia and East Europe and Central Asia Union of PLHIV<sup>24</sup> regional grants, and resulted in significant delays in the grants' implementation. In addition, there is low utilization of existing tools. Although the completion of the Capacity Assessment Tool is compulsory for all multicountry grants, in 42% of the grants reviewed it had not been completed. This can result in risks going unidentified and unaddressed. During the audit period, the Integrated Risk Module had not been fully rolled out, meaning that Country Teams were using the offline Capacity Assessment Tool. Completion of the tool is expected to improve with the roll out of the Integrated Risk Module.

**Limited requirements and guidance for governance arrangements for multicountry grants:** Multicountry grants can be governed through a Regional Coordinating Mechanism or a Regional Organization, as detailed under section 2.2. The following issues were noted with regards to the governance requirements that the Global Fund places on multicountry grants:

*Lack of Global Fund governance requirements for Regional Organizations:* While Regional Coordination Mechanisms must adhere to the Global Fund "Guidelines and Requirements for CCMs"<sup>25 26</sup>, Regional Organizations are only required to comply with two of the six requirements, relating to the funding application process and Principal Recipient selection. The Global Fund imposes no requirements on Regional Organizations to have a governance structure in place with functioning oversight arrangements and a policy to prevent conflicts of interest. As a consequence, there is a risk that not all multicountry grants have adequate and efficient governance mechanisms to ensure effective grant implementation and coordination with relevant stakeholders.

The lack of requirements and guidance has resulted in ad-hoc management of important processes. Two multicountry grants have changed, or are planning to change, Principal Recipient. These grants operate under Regional Organizations and do not have a Regional Coordination Mechanism/CCM type structure that would normally manage the process of Principal Recipient transition. In the absence of more robust Global Fund guidance, the Country Teams had to proactively engage various departments at the Secretariat to guide the governance processes around the selection and safeguard against conflicts of interest. Although the process was managed, it was protracted, intensive and ad-hoc.

Given that up to half of all multicountry grants operate under the Regional Organization model, there is a need for the Global Fund to provide more systematic guidance for Regional Organizations around oversight as well as Principal Recipient transition.

*Oversight structures lack maturity:* Regional Coordination Mechanism requirements stipulate that grants must have a functioning oversight body in place. Three of the four sampled grants managed through a Regional Coordination Mechanism have an oversight plan in place, and two of them have started to conduct oversight visits to implementers. However, only one of the four sampled grants managed through the Regional Coordinating Mechanisms model had an oversight body in place when the grant was signed. The remaining grants have now (after grant implementation has started and up to mid-way during grant implementation) either established the body or are in the process of establishing it.

There are no similar requirements for multicountry grants managed through a Regional Organization to have a functioning oversight body in place. As a consequence, oversight activities are

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<sup>24</sup> PLHIV: People living with HIV

<sup>25</sup> Country Coordinating Mechanism (CCMs) are national committees involved in coordination, governance and oversight of national grants.

<sup>26</sup> The Global Fund "Guidelines and Requirements for CCMs relates to the funding application process; oversight plan and activities; representation of people affected by the diseases; selection of non-government constituencies; and the adoption and implementation of a conflict of interest policy.

not being regularly conducted throughout the grants. Oversight could help to monitor and course correct if the grants are not performing as expected.

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**Agreed Management Action 1**

The Secretariat has been conducting a pilot governance approach in the Latin American and Caribbean region to address challenges inherent in oversight of multicountry grants. The Secretariat will conduct an evaluation of this pilot and incorporate lessons learned into the next funding cycle.

Owner: Head, Grant Management Division

Due date: 31 July 2019

**Agreed Management Action 2**

The Secretariat will review the guidance and policies for multicountry grants and identify changes that need to be made, based on materiality, risk, and efficiency considerations. Modifications of relevant guidance and policies will be implemented through the appropriate operational launch for the next funding cycle (including governance arrangements, which will be addressed through the CCM Evolution Initiative pending ongoing Board support).

Owners: Heads of Grant Management Division and Strategy Investment and Impact Division

Due date: 31 December 2019

#### 4.3. Despite the progress made in the fight against malaria in the Greater Mekong Sub-region, the malaria program in the region continues to face challenges

The Regional Artemisinin-resistance Initiative (RAI) is a response by the Global Fund to tackling the increasing artemisinin (and now multi-drug) resistance that threatens efforts to fight malaria, not only in the Greater Mekong Sub-region but globally. The RAI grant was implemented in five countries<sup>27</sup> alongside each country's malaria grant from 2013 to 2017. The mid-term independent RAI evaluation and the Global Fund's Technical Review Panel recommended Global Fund malaria funding to the Greater Mekong Sub-region to be pooled in order to streamline management and reporting as well as to obtain efficiencies. As a result, under the 2017-2019 allocation period, all Global Fund malaria funding in the region has been consolidated under a single funding stream, RAI to Eliminate (RAI2E). The Global Fund Board approved an allocation of US\$100 million to RAI for the period 2013-2016 and an increment of US\$16 million for 2017 extension. RAI2E's grant is US\$242 million for the 2018-2020 implementation period<sup>28</sup>.

The OIG performed a detailed review of the RAI grant due to its unique design and structure, which is different from other regional grants. The review included assessing the effectiveness of program implementation and performance of the RAI grant, as well as the effectiveness of governance, coordination and assurance arrangements to ensure that RAI grant funds are used as intended.

##### **Significant achievements have been delivered through the RAI grant**

The grant has contributed to a sharp decline in malaria transmission in the region: malaria incidence decreased by more than 50% and mortality by 99% between 2012 and 2017. The grant prompted the creation of a regional elimination strategy, and supported a holistic monitoring of drug resistance progression through therapeutic efficacy studies and gene mutation across the region. The grant's Regional Steering Committee, which includes key malaria partners and stakeholders, is the only multilateral platform in the region for malaria. The grant has encouraged systematic interaction and collaboration between relevant malaria stakeholders in the five countries, and the alignment of malaria elimination interventions and indicators across countries. It has strengthened the political commitment of national leaders, resulting in the Nay Pyi Taw declaration for malaria elimination in December 2017.<sup>29</sup>

The grant continues to generate significant opportunities to eliminate malaria in the region. The Regional Steering Committee and the national programs are working to harmonize relevant policies and align operational research across the countries. The grant is utilizing community health workers for malaria case management as part of its elimination strategy. Thanks to the RAI grant, there has been increased focus on migrant and mobile populations, including mapping the movement of people across the region. The grant implementers have engaged well with the private sector in the fight against malaria, and have helped to strengthen how community systems respond to malaria. The grant has developed a regional database to help monitor malaria cases across the region. The Regional Steering Committee has created an independent monitoring panel that will monitor implementation and provide technical recommendations to malaria programs across the region.

**Despite the achievements, the malaria program faces challenges in treatment, investigating and classifying malaria cases, and from artemisinin monotherapies being available in the region.**

*Investigation and classification of confirmed malaria cases not performed universally in targeted areas:* Countries in a malaria elimination phase are expected to investigate and classify all confirmed malaria cases in elimination areas. However, not all confirmed malaria cases and foci in the elimination areas are investigated and classified, although these are key interventions in the current

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<sup>27</sup> These are Cambodia, Lao People's Democratic Republic, Myanmar, Thailand and Viet Nam

<sup>28</sup> This includes a multi-country component and country-allocation components

<sup>29</sup> The Ministers of Health called for action to eliminate malaria in the Greater Mekong Sub-region before 2030.

malaria elimination strategy for the region. The levels of confirmed cases investigated varies considerably between countries: Cambodia 0%, Viet Nam 85%, Laos 89%, Myanmar 84% and Thailand 84%<sup>30</sup>. The implementation of guidelines for the investigation and classification of cases was delayed for six months, resulting in delays in training Vector Borne Disease Control staff in Myanmar, which in turn led to a number of confirmed cases not being investigated or classified due to limited knowledge of untrained staff. In targeted provinces in Cambodia, surveillance training for health centres and Village Malaria Workers was delayed for about one year, only being completed in late 2017. Paper based reporting, which results in delays in availability of data for real time monitoring, and competing priorities among staff responsible for investigation and classification at the commune level, are contributing to a number of malaria cases not being investigated and classified in Viet Nam. Staff turnover in key provincial hospitals in Lao People Democratic Republic is a contributing factor.

*Not all confirmed malaria cases are reported as treated:* In order to eliminate malaria, it is important that all confirmed cases (i.e. 100%) are treated. The last Progress Update reports however showed that only 69% of confirmed malaria cases in Thailand and 87% of cases in Myanmar are receiving antimalarial treatment as per the 2017 national guidelines.<sup>31</sup> In Myanmar, causes for this include challenges in the existing reporting systems for non-provision of primaquine to pregnant women and children under five, and health workers not complying with guidelines related to the treatment of confirmed malaria cases requiring primaquine in the absence of G6PD deficiency testing<sup>32</sup>. Thailand's low results are mainly due to data issues: the majority of treatment data from hospitals is not yet linked with the Malaria Information System.

*Availability of artemisinin monotherapies in the region:* 19.7% and 16.2% of informal sector outlets in 2016 and 2017 respectively had artemisinin monotherapies, a malaria medicine, in stock and available for sale in Myanmar, despite the drug having been prohibited in 2012.<sup>33</sup> Myanmar's Federal Drug Agency lacks the human and financial resources to effectively enforce the drug ban and to provide the necessary training and supervision at local level. Inadequate cross-sector collaboration on enforcement at township level (i.e. between legal and police services) has further contributed to the availability of the medicine in the country.

The spread of antimalarial multi-drug resistance is threatening the gains made. The resistance of malaria parasites to both artemisinin and partner drugs is a significant issue, and resistance to artemisinin-based combination therapy including piperazine and mefloquine means recommended treatments in use in the region are declining in efficacy. Treatment failure to dihydroartemisinin/piperazine in Cambodia has reached 25%.<sup>34</sup> Due to antimalarial drug resistance in particular, the region risks not achieving the Greater Mekong Sub-region Regional Elimination Strategy (notably the targets of reducing malaria in all high-transmission areas to less than 1 case per 1,000 population at risk and of initiating elimination activities by 2020) if these issues are not addressed.

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### **Agreed Management Action 3**

The Global Fund Secretariat will work with the Principal Recipient, the National Malaria Control Programs and partners to build the surveillance capacities of the malaria programs by ensuring that Malaria Surveillance SOPs are in place and training is conducted for health workers in elimination areas.

Owner: Head, Grant Management Division

Due date: 31 December 2019

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<sup>30</sup> QSE-M-UNOPS PUDR, December 2017

<sup>31</sup> QSE-M-UNOPS PUDR, December 2017

<sup>32</sup> G6PD test measures the levels of glucose-6-phosphate dehydrogenase (G6PD), an enzyme in your blood.

<sup>33</sup> QSE-M-UNOPS PUDR, December 2017; ACT Watch Survey

<sup>34</sup> WHO, Global Malaria Program 2016

## 5. Table of Agreed Actions

| Agreed Management Action                                                                                                                                                                                                                                                                                                                                                                                                                                        | Target date      | Owner                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------------------------------------------------------------------------|
| The Secretariat has been conducting a pilot governance approach in the Latin American and Caribbean region to address challenges inherent in oversight of multicountry grants. The Secretariat will conduct an evaluation of this pilot and incorporate lessons learned into the next funding cycle.                                                                                                                                                            | 31 July 2019     | Head, Grant Management Division                                                |
| The Secretariat will review the guidance and policies for multi-country grants and identify changes that need to be made, based on materiality, risk, and efficiency considerations. Modifications of relevant guidance and policies will be implemented through the appropriate operational launch for the next funding cycle (including governance arrangements, which will be addressed through the CCM Evolution Initiative pending ongoing Board support). | 31 December 2019 | Heads of Grant Management Division and Strategy Investment and Impact Division |
| The Global Fund Secretariat will work with the Principal Recipient, the National Malaria Control Programs and partners to build the surveillance capacities of the malaria programs by ensuring that Malaria Surveillance SOPs are in place and trainings are conducted for health workers in elimination areas.                                                                                                                                                | 31 December 2019 | Head, Grant Management Division                                                |

## Annex A: General Audit Rating Classification

|                                      |                                                                                                                                                                                                                                                                                             |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <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. |

## Annex B: Methodology

The OIG audits in accordance with the global Institute of Internal Auditors' (IIA) definition of internal auditing, international standards for the professional practice of internal auditing (Standards) 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 our auditors to provide high quality professional work, and to operate efficiently and effectively. They help safeguard the independence of the OIG's auditors and the integrity of their work. The OIG's Audit Manual contains detailed instructions for carrying out its audits, in line with the appropriate standards and expected quality.

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 takes place at the Global Fund as well as in country, and is used to provide specific assessments of the different areas of the organization's activities. Other sources of evidence, such as the work of other auditors/assurance providers, are 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.