

Uganda – resumption of cash support

Background

Since 2000, Uganda has received GAVI support totalling US\$ 87,517,447:

- US\$ 6,581,000 in Immunisation Services Support (ISS) funds has been disbursed between June 2001 and August 2006.
- US\$ 79,729,148 worth of DTP-HepB+Hib vaccine has been provided as of December 2007 (this support is ongoing)
- US\$ 1,207,299 worth of injection safety support was provided from 2002-2005. This was a time-limited programme which has now been completed.

In August 2006 the GAVI Secretariat learned of allegations of mismanagement of Immunization Services Support (ISS) funds by the Ministry of Health. In response, the GAVI Secretariat informed the Boards and immediately suspended any further cash transfers to Uganda. GAVI Secretariat staff have undertaken three missions to Uganda, in December 2006, August 2007 and April 2008, to investigate the allegations and explore strategies to resolve the issues.

At their joint meeting in Cape Town in November 2007, the GAVI Alliance and Fund Boards insisted that the Government of Uganda reimburse GAVI of the missing funds, estimated to be \$500,000. Furthermore, the Boards requested the Government to establish measures to avoid similar cases in future, before they could approve any possible resumption of cash transfers to Uganda.

It should be noted that Uganda was approved for GAVI Health Systems Strengthening (HSS) support in November 2007, with a budget of US\$ 19,242,000 for the years 2008-2010. However, the provision of this funding has been delayed pending agreement with the Government of Uganda on future cash funding arrangements.

Proposed future arrangements

The purpose of the April 2008 mission was to respond to the directives from the Boards in November 2007. Specifically, the team discussed: i) process and procedures for the reimbursement of the misappropriated GAVI ISS funds; and ii) institutional arrangements for future GAVI Alliance cash transfers. The terms of GAVI's negotiating position are spelled out in an 'Aide Memoire' (attached), and the outcome of the negotiations are summarised below.

Process and procedures for the reimbursement of the misappropriated GAVI ISS funds: Of the US\$ 6.6 million dollars of ISS funding that GAVI has disbursed to the Ministry of Health of Uganda, approximately US\$ 500,000 was misappropriated; the GAVI Secretariat confirmed that the remaining funds have been spent for activities in Uganda's National Immunisation Plan. The Aide Memoire sets out that ISS funds recovered from individuals accused of the misappropriation will be transferred to a specific Ministry of Health account for immunisation services, and used in accordance with agreed rules and regulations. The Government of Uganda

(the Ministry of Health) will make arrangements to fill the remaining gap caused by the misappropriation of GAVI ISS funds by December 2009. The Aide Memoire also states that the immunisation services account will fall under the jurisdiction and supervision of Uganda's Auditor General.

Institutional arrangement for future GAVI Alliance cash transfers: The Global Fund for AIDS, Tuberculosis, and Malaria (GFATM) encountered similar financial management issues in Uganda. In response, the Uganda Ministry of Health proposed that the GFATM use the newly introduced Long Term Institutional Arrangement (LTIA), which would prevent further misuse of its cash transfers. Under this arrangement, which is consistent with the Sector Wide Approach (SWAp) for health, funds are channelled to the Ministry of Finance, Planning and Economic Development (MoFPED), and then disbursed to the Ministry of Health.

The GFATM Secretariat approved the use of the LTIA in June 2007. Thereafter, the health development partners in Uganda endorsed the LTIA as the optimal approach for maximising the use of development assistance to the health sector, including global financing. GAVI Alliance partners in Uganda consider that use of the LTIA would also be the best approach for GAVI to address fiduciary risks. The GAVI Secretariat agrees that harmonising and aligning with the LTIA arrangements is the preferred approach.

However, the LTIA is not yet fully operational. Therefore the GAVI Secretariat and the Government of Uganda have negotiated a time-limited, 'hands-on' approach to meet GAVI's fiscal oversight needs as well as provide support to the government to improve its internal financing mechanism. This approach is comprised of the two following elements:

1. The GAVI Secretariat will contract an independent company to provide technical assistance to the Ministry of Health to strengthen its financial monitoring and reporting procedures. While GAVI will pay for the contract, the company providing the technical assistance would report directly to the Ministry of Health. GAVI would provide this technical assistance for a fixed period of time, to be reviewed annually (it is anticipated to be required for approximately two years).
2. The Government of Uganda will appoint, and GAVI will pay for, an independent, external auditor to audit the use of GAVI cash transfers during this period. Audit arrangements will also be reviewed annually.

The Government of Uganda and the GAVI Secretariat have agreed that the technical assistance and audit arrangements would be phased out when the LTIA has demonstrated that it can provide the necessary fiduciary oversight to prevent misuse of future GAVI Alliance cash funding. This decision will be based on a joint assessment by the Ministry of Health and the GAVI Secretariat.

The GAVI Secretariat and GAVI partners in Uganda believe that the proposed measures to address the fiduciary risk are striking a careful balance between country ownership and responsibilities, need for strengthened fiduciary assurance and capacity building of the fiduciary management in the MoH.

Next steps

Following Board approval of the key points in the Aide Memoire, the Secretariat will engage a company to provide the proposed technical assistance as a prerequisite for resuming cash funding. The aim is to have a technical assistance contract in place in the second half of 2008

The technical assistance and audit arrangements will be phased out when the LTIA has demonstrated that it can provide the needed fiduciary oversight to prevent misuse of the GAVI Alliance cash funding. This decision will be based on a joint assessment by the Ministry of Health and the GAVI Alliance Secretariat.

The Board will receive annual progress reports.

Attachment: Aide Memoire signed by the GAVI Secretariat and the Government of Uganda

Aide Memoire

April 2nd, 2008

THE GAVI ALLIANCE SECRETARIAT & THE GOVERNMENT OF UGANDA

Mission to agree on requirements for lifting the suspension of cash transfers on GAVI Alliance Immunization Strengthening Support (ISS) & Health Systems Strengthening (HSS) support between the Government of Uganda and the GAVI Alliance Secretariat. As of this writing, [April 2nd, 2008], the terms of this Aide Memoire have been agreed by the Government of Uganda (GoU), but are yet to be agreed by the GAVI Alliance and Fund Boards.

Background

1. The GAVI Alliance (GAVI) was launched in 2000 to improve access to immunization for children in developing countries. Governments in industrialized and developing countries, UNICEF, WHO, the World Bank, the Bill & Melinda Gates Foundation, non-governmental organizations, vaccine manufacturers from industrialized and developing countries, and public health and research institutions work together as partners in the Alliance.
2. Since 2000, Uganda has received Immunization System Support (ISS), support for the introduction of pentavalent DTP-HepB+Hib vaccine, and Injection Safety support totaling USD 87,517,447.
3. The GAVI Alliance suspended the Immunization Systems Strengthening (ISS) cash transfers in Mid-2006 following alleged mismanagement of the funds by the Ministry of Health. The Auditor General was requested to conduct an audit of the GAVI accounts however this was superseded by a directive from the President of Uganda to the Inspector General of Government (IGG) to conduct an investigation into the alleged mismanagement.
4. On April 23 2007, the IGG report on the GAVI ISS Inquiry was handed to the President of Uganda. The report was sent to the Minister of Health on 7 May 2007 with instructions to the

Permanent Secretary to write to all persons implicated to refund the money within sixty (60) days of the date of the report.

5. So far, three of the individuals implicated have paid back the money in full; two have requested rescheduled payments; and two submitted satisfactory accountabilities. Five people have denied culpability including the two former Ministers whose matter is in court. In May 2007, three former Ministers of Health and an official from the State House implicated in the GAVI ISS funds mismanagement were arrested for mismanagement and embezzlement of public funds. The court proceedings are ongoing and judgment is yet to be delivered.
6. GAVI Alliance board members stated that the Board will require the reimbursement of the missing funds by the Government of Uganda at the November 2007 Board meeting.
7. Uganda was approved for GAVI Health Systems Strengthening (HSS) support in November 2007 for USD 19,242,000 for three financial years [January 2008 to June 2010]. GAVI Alliance cash transfers to Uganda, including GAVI HSS support, are however conditioned on reaching an agreement on the misappropriated ISS funds.
8. The Global Fund for Aids, Tuberculosis, and Malaria (GFATM) has encountered similar financial management issues in Uganda as has GAVI. In response, the Ministry of Health has renewed its commitment to the LTIA (which is consistent with the Sector Wide Approach) as the optimal overall approach to maximizing the use of development assistance to the health sector including global financing. The LTIA was approved by GFATM Secretariat in June 2007.
9. In its latest correspondence with GAVI, the MoH has indicated that it would prefer to use the recently-negotiated LTIA as the framework under which cash funding will be received in the future.
10. The operationalisation of LTIA is ongoing with technical support from UN Organizations and bilateral agencies in Uganda.
11. The Government of Uganda and the GAVI Alliance Secretariat acknowledge the importance of harmonizing and aligning the GAVI Alliance support with the procedures agreed for the management of future GFATM funding, which are consistent with the joint Health Development Partners funding for the Ugandan Health SWAp. The overall partnership principles to guide donor assistance were agreed on by the GoU and Development Partners in 2003.

Purpose of the Mission

12. A Mission from the GAVI Alliance Secretariat led by the Chief Financial & Investment Officer, Alice P. Albright and Senior Programme Officer, Dr. Jorn Heldrup visited Uganda from 31 March to 2 April 2008. The purpose of mission was to discuss i) the institutional arrangements for future GAVI Alliance cash transfers, and ii) process and procedures for the reimbursement of the misappropriated GAVI ISS funds.
13. The Mission was carried out in a spirit of partnership and trust with the acknowledgement from all sides that the Government of Uganda has acted promptly to rectify the situation. The Mission held consultations with Ministry of Health Officials and representatives of the health development partners.

Key Findings & Recommendations

Institutional arrangements for future GAVI Alliance cash transfers

14. GAVI has agreed with the GoU that harmonizing and aligning its arrangements with the LTIA is the preferred approach for future cash funding.
15. The Government's renewed commitment to the LTIA has been operational since June 2007. The GoU and GAVI have agreed that a Technical Assistance Arrangement would be appropriate to further strengthen the LTIA as it relates to the health sector and to assure GAVI that its funds will be used according to relevant applications. The GoU and GAVI have agreed that the Technical Assistance ("TA") arrangement will be put in place for an interim period of time, but to be reviewed annually. GAVI agrees to fund this Technical Assistance arrangement in addition to the already-approved support.
16. The GoU and GAVI have agreed that the TA will:
 - a. Monitor and support the financial management procedures as agreed in the LTIA. (These procedures are detailed in the section 7 entitled "Financial Management" in the LTIA – and are attached in Appendix 1)
 - b. Monitor and support the procurement of all products (health and non-health products)

- c. Monitor the process of closing the financial gap caused by the misappropriation of previously disbursed GAVI ISS funds
 - d. Monitor the usage of future cash GAVI funding
 - e. Monitor the implementation of the LTIA and the reporting to GAVI
 - f. Support the MoH with Quarterly and Annual Financial Reporting to the PS Health and the GAVI Alliance Secretariat
 - g. Be answerable to the PS and report to the GAVI Secretariat through the PS Ministry of Health.
17. The GoU and GAVI have agreed that during the interim period, an independent external auditor shall be appointed to audit the usage of GAVI funds. Such appointment shall be in accordance with GoU auditing regulations. Together, the period of time during which the TA and audit arrangements will be in place will be called the “Interim Period.” These arrangements will be reviewed annually. From the date of signing this Aide Memoire, it is expected that the Interim Period will be in place for two years.
18. The GoU and GAVI have agreed that a procurement plan will be prepared for the GAVI ISS and HSS supported procurement, which will clearly specify items for 3rd party procurement and items that will be procured by the MoH procurement unit. For construction the TA will include the services of a consulting engineer.
19. The GoU and GAVI have agreed that the TA and audit arrangements will be phased out when the institutional fiduciary arrangements specified in the LTIA have been implemented and demonstrated that they can provide the needed fiduciary oversight to prevent misuse of the GAVI Alliance cash funding. This decision will be based on a joint assessment by the Ministry of Health and the GAVI Alliance Secretariat.
20. The GoU has agreed that the Ministry of Finance, Planning and Economic Development (MoFPED) will be the recipient of GAVI ISS and HSS cash support as is the case of all monies received by the Government of Uganda (GoU) according to Article 153 (1) of the Constitution of The Republic of Uganda of 1995 and the Public Finance and Accountability Act of 2003.

21. The GoU has agreed that GAVI funds will be captured in the National Budget and shall in accordance with the funding requests approved by the GAVI Alliance and Fund Boards and be disbursed by the MoFPED to the Ministry of Health.
22. A dedicated new account for the receipt and disbursement of GAVI ISS and HSS funding has been opened at the Bank of Uganda by the MoFPED.
23. The MoFPED has guaranteed that all money coming into the Government budget for GAVI supported ISS and HSS activities will be additional to the sector ceilings. Under this principle of 'Additionality,' money received for GAVI ISS and HSS supported activities will not displace any other money in the approved National Budget.

Process and procedures for the reimbursement of the misappropriated GAVI ISS funds

24. The GoU has agreed that ISS funds recovered from individuals accused of misappropriating funds will be transferred to the Ministry of Health account holding the GAVI ISS support and used according to the already agreed rules and regulations for GAVI ISS support.
25. The GoU has agreed to make arrangements to fill the disbursement gap caused by the alleged mis-appropriation of GAVI ISS funds by December 2009. Disbursement gap means that activities which had originally been planned will be carried out before December 2009.
26. The TA will monitor the transfer and the use of the funds in accordance with this Aide Memoire.
27. As part of the audit arrangements contemplated for the Interim Period, the appointed independent external auditor will verify that the budget gap referenced above has been closed.

Resumption of GAVI Alliance Cash Funding

28. Based on this Aide Memoire and the efforts of the GoU to address the recommendations of the Inspector General of Government, the GAVI Alliance Secretariat will submit a proposal to the Joint GAVI Boards that the Boards lift the suspension of cash funding at the next Joint Board meeting or sooner if possible.

Kampala, 2 April 2008,

Signed for and on behalf of the GAVI Alliance Secretariat

Signed for and on behalf of the Ministry of Health

Signed for and on behalf of the Ministry of Finance, Planning and Economic Development