



Global Fund Observer

NEWSLETTER

Issue 313: 31 May 2017

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1. NEWS: OIG sees improvement in the Global Fund’s grant-making processes, but identifies delays in implementing system enhancements

Delays could affect the Secretariat’s ability to sign grants on time

David Garmaise

31 May 2017

The Office of the Inspector General’s second audit in three years of the Global Fund’s grant-making processes has found that many of the risks identified in the original audit have been addressed. However, the OIG said, implementation of systems enhancements has been delayed, which may affect the ability of the Fund to sign grants on time. In addition, the OIG said, “some improvements are needed to implement and operationalize new initiatives ... and to make access to funding and grant-making processes more efficient and effective.”

A [report](#) on the audit was released on 30 May.

The OIG rated the design of grant-making processes, systems and tools as “partially effective.” This is the second highest rating in the OIG’s four-tier rating scheme. The four tiers are effective; partially effective; needs significant improvement; and ineffective.

The OIG conducted this latest audit because there were significant deficiencies identified in the 2015 audit (see [GFO article](#)). Since the original audit, the Secretariat has implemented the following measures:

- The grant application, review and approval processes have been differentiated in line with the country context and funds allocated to the country.
- Documents required for grant-making have been simplified. The number has been reduced from 22 in 2015 to 10 currently.
- Existing tools and templates have been enhanced in light of risks identified in the 2015 audit.
- How risk is managed in grant-making processes has been formally defined in an operational policy note.
- An Integrated Risk Management Tool has been designed to support country teams to assess risk throughout the grant management lifecycle. (The tool is expected to be implemented by September 2017.)
- The governance processes related to grant approvals has been improved. For example, the quality of the documentation prepared for the Grant Approval Committee has been enhanced.

Despite the improved processes and tools, the OIG said, there are still challenges with the underlying systems that support grant-making. The Secretariat identified the need for system enhancements to mitigate the delays in grant-making that were experienced in the 2014-2016 funding cycle. However, the OIG stated, implementation of the enhancements has itself been delayed, which may negatively affect the timeliness of grant-making in the current funding cycle.

The audit identified three areas where improvements were required: (1) systems to support grant-making; (2) processes related to catalytic investments and co-financing; and (3) internal controls.

Systems to support grant-making

In September 2015, the Secretariat launched the Accelerated Integration Management (AIM) project to manage the development and implementation of these underlying systems. The project has achieved some early successes, the OIG said, including the alignment of grant application data to grant-making, migration of key grant data from legacy systems to the integrated system, and creation of reporting templates.

An access-to-funding module was implemented, but not until March 2017, which was later than planned. There have been delays as well in implementing the grant-making module; at the time of the audit, it was still being developed. Most of the grant-making module is expected to be implemented in May 2017, the OIG said, which is when grant-making is scheduled to start for most of the 93 funding requests submitted in Window 1 in March. This is too tight, the OIG said; it doesn't leave sufficient room for additional delays in the project or for the operationalization of the modules. If there are further delays, the OIG added, there is a risk that key functions such as the system-generated performance framework and the health product and detailed budget templates will not be finalized on time to support effective grant-making and approval.

According to the OIG, the Secretariat and the project team have attributed the delays to “challenges experienced around data quality, compatibility for data migration and ongoing changing business requirements.” The OIG said that the Secretariat rightly decided to address these challenges before the modules are implemented.

As a mitigation measure, the OIG stated, the Secretariat has instituted a coordinating group to monitor the development of supporting processes and systems for grant-making. Where necessary, the group will deploy alternative solutions for processes and systems that may not be ready. The OIG explained that this will include the use of new off-line templates or old processes, tools and systems while the Secretariat develops and implements the new ones. The OIG said that it considers the design of this mitigation measure to be adequate. However, the OIG pointed out, its effectiveness can only be assessed after grant-making is complete.

Catalytic investments and co-financing processes

In November 2016, the Global Fund Board approved \$800 million for catalytic investments, which consists of projects that cannot be adequately accommodated through country allocations but that are considered essential to achieve the aims of the Fund's 2017-2022 Strategy. The catalytic investments are made up of three funding streams: matching funds, multi-country grants and strategic initiatives. The OIG said that only some of the operational aspects of the three streams have been defined by the Secretariat. Policies, procedures and guidance for the multi-country grants and the strategic initiatives have yet to be developed. (With respect to the multi-country grants, the Secretariat expects to have the application materials and the guidance notes completed by the end of June.)

In addition, the OIG said, the short timelines between Board approval (17 November) and the first wave of funding requests (20 March) made it difficult for countries to meet the requirements for matching funds which the OIG described as “significantly complex.”

For example, the OIG said, matching fund requires ambitious and innovative programming approaches driven by evidence. These include strategic priorities such as scale-up of evidence-informed HIV programs for key populations, removing human rights barriers to accessing HIV services, and reducing HIV incidence amongst adolescent girls and young women. Such

interventions are complex, the OIG explained, and they require significant time to research, and to develop programmatic approaches to achieve the strategic priorities.

The OIG said that the Secretariat made significant efforts in the short time frame to develop application materials and guidance for countries on the matching funds, but there wasn't enough time to develop what the OIG referred to as "change management interventions" – meaning training and other methods for introducing a new initiative.

In Window 1, 13 countries that submitted funding requests for one or more components were eligible to receive matching funds. The OIG said that only seven of the 13 countries submitted requests for matching funds along with their general funding requests and that this is at least partly explained by the short time frames. According to the OIG, the Secretariat anticipates that the other six countries will submit their requests for matching funds during either grant-making or grant implementation. "This complicates the access-to-funding and grant-making processes," the OIG stated, "as the Technical Review Panel (TRP) will need to additionally and separately review these requests."

Regarding co-financing, the OIG said that although the Board approved a policy on sustainability, transition and co-financing in April 2016, an operational policy note on co-financing was not approved until 31 March 2017, "which means that related change management activities are yet to be performed."

The OIG said that these challenges are complicated by the volume of funding requests received in the first window. On 20 March, the Secretariat received 93 out of the 228 expected funding requests for the current funding cycle, the OIG said, even though not all of the supporting processes and systems were fully ready. The 93 applications represent about \$5 billion, which is almost half of the total allocation for 2017-2019.

The OIG said that countries and the Secretariat could have done a better job of determining the timing of the funding requests. The OIG noted that 13 of the 93 requests received in Window 1 have existing grants that don't expire until 2018 or 2019. On the other hand, the OIG said, there were 55 disease components that have existing grants expiring in 2017 and for which applicants did not submit funding requests in Window 1. *(Editor's note: The Secretariat expected that funding requests for most of these 55 components would be submitted in Window 2, for which the submission deadline was 23 May.)*

According to the OIG, the Secretariat estimates that 66 components will need additional time to prepare their funding requests (51 will need three more months; 15 will need six more months). The OIG said that the Secretariat is considering possible actions, including grant extensions, to avoid treatment disruptions. The OIG noted that the ability to scale up interventions is limited during extensions.

Internal controls

For 2017-2019, the grant application, review and approval processes were differentiated and simplified. The OIG said that this requires that relevant controls be incorporated to prevent misuse and achieve optimal benefits. However, the OIG said, two key controls have yet to be defined: capacity assessment of implementers; and identification of material changes after the TRP review.

Under the differentiated grant-making process, a capacity assessment of implementers is only required when the implementer is new to the Global Fund or there has been a significant change in the activities performed by the implementer. An operational policy note defines the criteria for performing a full or tailored capacity assessment. However, the OIG said, there are limited controls in the grant-making and approval processes to ensure that the scope of the capacity assessment performed on the implementers is consistent with the requirements in the operational policy. “The assessment is a key component of the grant-making processes since it allows the Secretariat to identify, prioritize and institute mitigation measures to ensure effective implementation of the grants after signature,” the OIG stated.

Concerning material changes, the TRP reviews grant applications submitted by countries for technical and strategic focus of the interventions. Any material changes made during grant-making, such as program budget, implementation arrangements and use of health products, are required to be submitted to the TRP for additional reviews before grant approval. However, the OIG said, the related controls to identify material change to funding requests and grants after the TRP reviews have yet to be instituted.

Agreed management actions

The Secretariat has agreed to implement the following actions in response to the audit findings:

- Develop a three-year plan for the implementation of key grant management business process and system improvements. (This is designed to ensure that enhancements are started and completed on time.)
- Liaise with the Board to ensure that policy decisions are aligned to the three-year plan.
- Finalize development of the governance and management processes for the strategic initiatives.
- Develop and implement procedures and guidance for multi-country grants and processes, and controls for the review and approval of strategic investments.
- Continue change management activities and reinforce principles for the new components of grant-making in the 2017-2019 funding cycle (with country teams and implementers in-country).
- Update the grant-making sign-off form to address internal controls issues.

2. NEWS: Zambia prioritizes front-line rural health workers in funding requests to the Global Fund

The country proposes a five-fold increase in investment in nurses, community health assistants and treatment adherence support workers

Gemma Oberth

30 May 2017

On 23 May 2017, Zambia submitted both TB/HIV and malaria funding requests, together worth just over \$400 million. The TB/HIV funding request was for \$306.8 million, of which \$194.4 million constituted a within-allocation request, with a further \$112.4 million as a prioritized above-allocation request (PAAR). A separate funding request for malaria was submitted on the same day for \$86.7 million (\$69.0 million within-allocation and \$17.7 million PAAR). The country also submitted a matching funds request for \$7.0 million, of which \$4 million was targeted at HIV programs for adolescent girls and young women (AGYW), and \$3 million was for integrated service delivery as well as human resources for health. May 2017 is the second window of submission for the 2017-2019 funding cycle.

The country submitted both funding requests for full review, based on the Global Fund's [differentiated application process](#). The full reviews were necessitated, in part, by a wave of new national strategies. Zambia has a new National HIV and AIDS Strategic Framework (NASF); a new National Strategic Plan for Tuberculosis Prevention, Care and Control; a new National Malaria Elimination Strategic Plan; and a new National Health Strategy. All four new strategies are for the 2017-2021 period.

Among the strategic changes reflected in the funding requests is an increased focus on human resources for health, especially in rural areas and at decentralized levels of care. Between the country's allocation and the matching funds, more than \$20 million is requested to recruit and retain rural-based nurses, community health assistants and adherence support workers. Compared to the country's current Global Fund grants, this represents a more than five-fold increase in investment in human resources for health. If the PAAR is considered, it becomes a 20-fold increase.

The proposed Global Fund investment in human resources for health in Zambia is intended to complement the considerable domestic investment in health infrastructure in recent years. Since 2014, the government of Zambia has begun construction of more than 650 new health posts (primary care clinics), decentralizing service delivery and bringing access closer to communities. The Global Fund investment in nurses and community health assistants will go towards ensuring that the new government facilities are adequately staffed.

The funding requests include built-in sustainability mechanisms for the proposed human resources investment. In the TB/HIV application, the country commits to absorbing the nurses onto government payroll in a staged approach over the three years. Zambia has a good track record of absorbing health workers following similar investments from other funding partners, including the Clinton Health Access Initiative (CHAI), and the Swedish International Development Cooperation Agency (SIDA), among others.

In addition to the support for rural nurses, the country requested funding for training, deploying and retaining up to 500 community health assistants each year. In Zambia, community health assistants undergo formal training through a year-long course at one of two schools (Ndola or Mwachisompola). When they are deployed, they receive a monthly salary as well as a bicycle, a uniform and a small stipend for transport. The community health assistants are a relatively new cadre of health worker in Zambia, but they have demonstrated significant impact. The rollout of the community health assistants has resulted in a 53% increase in the number of patients being referred to health centers in rural parts of Zambia between 2011 and 2016. The TB/HIV funding request also touts the community health assistants as a sustainable investment, given that the attrition rates of this cadre are extremely low. Only five community health assistants (0.46%) are no longer working since the program began, three of these due to death.

Along with government health workers and community health assistants, Zambia's funding requests also prioritize significant investment in capacity building for civil society organizations and community groups to deliver services, particularly to key and vulnerable populations. This includes financial management training, as well as trainings in adaptive leadership and governance for youth-focused organizations – particularly those working with AGYW. The need to build the capacity of these groups is linked to an increased emphasis on delivering friendly and competent services to AGYW. In fact, the amount of money requested for AGYW in the country's proposal represents a more than 30% increase compared to the current grant.

In addition to AGYW-focused organizations, the funding requests also prioritize strengthening the capacity of community structures to deliver inclusive and gender-responsive integrated services to meet the specific needs of other key and vulnerable populations (as defined in the country's new national disease strategies). The TB/HIV funding request positions this capacity building of civil society and community groups as a critical action towards expanding community-led service delivery to cover at least 30% of all service delivery by 2030 – a key commitment in the 2016 [U.N. Political Declaration on HIV and AIDS](#), to which Zambia is signatory.

“The focus on human resources for health in the Global Fund applications – both in terms of government and non-government service providers – is driven by the country's new National Health Strategy for 2017-2021,” says Dean Phiri, who is with the Ministry of Health. “Providing quality health care to under-served areas and decentralizing service delivery to communities are key objectives of the strategy,” he said.

Simon Muchiru, the lead consultant for Zambia’s TB/HIV funding request, said that expanding the country’s health workforce is also aligned to the Global Fund’s strategic objective to build resilient and sustainable systems for health. “These investments are a critical backbone to achieving impact against the three diseases,” said Muchiru. “The additional health workers are absolutely vital for full implementation of the NASF, which is expected to avert 80,000 new HIV infections and 34,000 AIDS-related deaths over 2018-2020.”

The Technical Review Panel (TRP) is expected to meet from 19-28 June 2017 to review funding requests submitted in Window 2. The TRP’s response to Zambia’s funding request is anticipated in early July.

Gemma Oberth was part of the writing team for Zambia’s TB/HIV funding request. Her work on the funding request was in her capacity as an independent consultant.

[TOP](#)

3. ANALYSIS: Global Fund and other health financing mechanisms: synergy, duplication and distinction, Part 2

Charlie Baran

30 May 2017

In an [article](#) in GFO 305, we reviewed some of the similarities among the biggest global health financing mechanisms: the Global Fund, the World Bank’s [Global Financing Facility in Support of Every Woman Every Child](#) (GFF), [Gavi, the Vaccine Alliance](#) (Gavi), and [Unitaid](#). The purpose of this top-level review was to take some stock of the global financing landscape, and assess where there may be key values, and where there might be some real or perceived overlap or duplication among the mechanisms. Aidspan was motivated to conduct this review by the new context in which global health financing finds itself; one which is defined by major political shifts among top donors.

In this article, which serves as a sort of rejoinder to Part 1, we look at some points of distinction between the same four mechanisms. But first, a quick review of what was presented in Part 1:

Strategic objectives: There is significant alignment among the topline strategic objectives of the mechanisms, particularly the Fund, Gavi and Unitaid. Three themes stand out: getting more health products and services to more people, strengthening overall health systems, and expanding available resources. Thus it may appear that the mechanisms are working towards much of the same goals, with somewhat similar approaches.

Recipient countries: There is also significant alignment among top recipients of the Fund, Gavi and Unitaid. Six countries (Democratic Republic of Congo, India, Kenya,

Nigeria, Tanzania and Uganda) appear on the top 10 recipients list of all three mechanisms. Of the 15 countries that appear on the three top 10 lists, only six (Bangladesh, Ghana, Pakistan, Sudan, Zambia and Zimbabwe) appear on just one mechanism's list of top recipients.

Donor countries: A small group of countries serve as top donors to all four mechanisms. Seven countries were the most prominent: the U.S., the U.K., France, Norway, Sweden, the Netherlands and Canada.

So there are some significant areas of overlap among the mechanisms. Below we look at some top-level differences.

Approach

At the most basic level, three of the four mechanisms conduct their business in more or less the same way: funds from donors (governments, foundations, businesses) are pooled and then transferred to recipients (usually country-level actors such as governments and NGOs) through grants. But each has its own foci, be they specific diseases, populations, or aspects of the health continuum. The GFF stands out as unique in its overall approach.

The Global Fund makes grants mostly to low and lower-middle-income countries based on pre-determined allocation amounts that are primarily based on disease burden and national income. The Fund makes disease-specific grants (for HIV, TB, and malaria) and for the broader category of “resilient and sustainable systems for health”; sometimes, grants reflect combinations of these components. Global Fund grants are used for a wide range of prevention and treatment initiatives related to the three diseases, or to health system development, from purchase and distribution of antiretrovirals (ARVs) and anti-malaria bed nets, to community health worker training programs and key population size estimations. The Fund does not finance any basic or clinical research, although systems research such as that conducted to improve procurement and supply chain management is sometimes included in grants.

Gavi, of course, focuses on vaccines. Gavi grants generally aim to build demand for vaccines in the marketplace, reduce vaccine development and distribution costs, and expand access to, and delivery of, vaccines in low income settings. Notably, Gavi supports work on both the research and development side, and the delivery and scale-up side, of vaccines.

Unitaid's approach borrows a bit from both Gavi and the Global Fund. Like Gavi, Unitaid funds projects across the health product continuum: from R&D to access issues, to scale-up of effective programs. And like the Global Fund, Unitaid's disease foci are HIV, TB and malaria.

The Global Financing Facility is all about being a different approach. As described on its website, “The GFF is pioneering a financing model that shifts away from a sole focus on official development assistance. Instead, the GFF approach combines domestic financing, external support, and innovative sources for resource mobilization and delivery, including the private

sector.” The GFF is focused on reproductive, maternal, newborn, child and adolescent health (RMNCAH) in a holistic sense, rather than on specific diseases or aspects of the responses (such as vaccines or health products). Rather than getting the money from donors first, and then disbursing it through grants, GFF-eligible countries develop investment cases for RMNCAH, which are then shopped around to donors and “investors.”

Scope

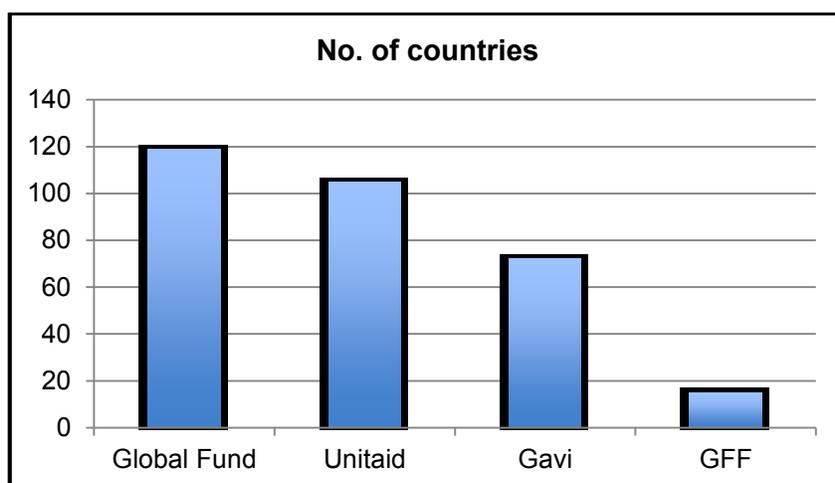
In terms of contributions and disbursements, the Fund is clearly the largest of the four mechanisms; pledges made for 2017-2019 average \$4.3 billion per year. Gavi is in a similar category with projected annual budgets of about \$1.8 billion through 2020. The Fund and Gavi have the most expansive granting programs, and the broadest groups of donors. Unitaid is much smaller from a budget perspective. Over its first ten years (2006-2015), Unitaid raised about \$2.5 billion, or \$250 million per year.

GFF’s numbers are less clear, which might be expected given its approach. At its launch in 2015 GFF claimed that [more than \\$12 billion had already been mobilized](#) towards programs for women and children. But this appears to be mostly money that was raised or managed by other entities such as the Global Fund, national governments, and foundations. The GFF’s own start-up revenue may be closer to \$1 billion, but that also is somewhat unclear, as the GFF does not publish detailed financial information and did not respond to a request for information for this article.

Another aspect of scope is the reach of each mechanism. This can be a complicated variable to measure, given that levels of financing provided to countries can be vastly different, and accounted in various ways. But a look at the number of countries with financing from each mechanism does give some sense of overall reach (see the figure).

The Global Fund again is the largest, having disbursed grants for HIV, TB and malaria in at least 119 countries. Since its inception, Unitaid has funded programs in 105 countries. In 2015, Gavi supported programs in 72 countries. And the GFF is currently active in 15 countries. The Fund’s reach is expected to contract in future as more and more countries transition out of eligibility. This trend might extend to Gavi and Unitaid as well. But given its nascence, GFF’s portfolio will hopefully grow in the near future.

Figure: Number of recipient countries by mechanism



Impact

By budget and reach, the Global Fund is the largest of the mechanisms. But money and number of grants aren't the end goal of any of the mechanisms – people are. It is too tricky for the present article to attempt a valid comparison of impact across the four mechanisms. But the selection of their own top-line results in the table below illustrates their impact and gives a sense of how each mechanism measures impact.

Table: Examples of results (impact) reported by each mechanism

	Impact descriptor 1	Impact descriptor 2
Global Fund	<i>“20 million lives have already been saved by Global Fund-supported programs...”</i> (Source)	<i>“The Global Fund has met and is on track to exceed the Global Fund Strategy 2012-2016 target of averting 140-180 million infections by the end of 2016.”</i> (Source)
Unitaid	<i>“The Medicines Patent Pool has signed 15 licenses with innovator companies and saved the global HIV response \$194 million in the period 2010-2015...”</i> (Source)	<i>“Nearly 83% of the global malaria Rapid Diagnostics Tests market was quality tested in 2015, contributing to greater use of quality RDTs globally, better accuracy in diagnosis and better treatment initiation decisions.”</i> (Source)
Gavi	<i>“Since...2000, we have supported countries in immunizing close to 580 million children.”</i> (Source)	<i>“Since the first human papillomavirus (HPV) vaccine demonstration programme in Kenya in 2013, 1 million girls have been immunised with Gavi support.”</i> (Source)
GFF	GFF hasn't yet reported results or impact. It relies on countries to report progress on indicators contained in their Investment Cases.	

Engagement of civil society and affected communities

All of the mechanisms have lofty missions, with admirable intentions of serving some of the world's most vulnerable people. But the degree to which those vulnerable and marginalized people, and their advocates, are involved in governance, and consulted on program design, varies. To be clear, the governing bodies of all of the mechanisms are dominated by governments (donor and recipient) and multilateral institutions. But each mechanism does have at least one seat on its board (or, in the case of GFF, its "Investors Group") allotted to civil society or non-governmental organizations (NGOs). However, this doesn't necessarily translate into the involvement of affected communities in governance, as eligible "civil society" and "NGO" representatives tend to include those from large and international organizations, which are not necessarily community-based or community-led by design. Below we look at some of the differences in how the mechanisms engage affected communities in governance and planning.

The Global Fund seems to be the leader in this area, having the most robust and multi-faceted approach to engaging civil society and communities. In terms of board membership numbers, it doesn't outshine by much, having three civil society seats: one for "communities," and one each for NGOs in developing countries and in developed countries. However, due to the particular decision-making structure of the Fund's board, the three-member civil society bloc can sometimes wield considerable power. The bloc of three needs only to recruit one additional vote from among the developing country constituencies to block any decision by the board, though this power is rarely invoked.

But the Global Fund's multi-stakeholder approach to planning and overseeing grants at the country level facilitates the involvement of not just civil society, but also people living with or directly affected by the three diseases and other key and vulnerable populations. Country coordinating mechanisms, the Fund's country-level grant planning and oversight bodies, are required to have seats for people living with the diseases, civil society and key populations. Gender balance is also mandated.

In addition, at the Fund's Secretariat in Geneva there is an entire department (and associated initiatives) devoted to outreach, study and engagement of communities: the Community, Rights and Gender (CRG) department. Further, a CRG Strategic Initiative provides \$15 million over three years to support the engagement of communities and civil society in Global Fund processes. The initiative was first implemented during the 2014-2016 allocation period, and was recently extended for the 2017-2019 period.

Gavi also has a robust civil society engagement platform, though it uses a more centralized approach than the Global Fund. The one civil society member of Gavi's board is backed up by a 4,000 member "[Gavi CSO Constituency](#)." The Constituency's global steering committee meets twice per year and pursues an independent advocacy agenda. At the funding level, Gavi touts its investments in CSO capacity strengthening, particularly with regards to engagement in health

systems strengthening, which it says, “allows countries to better define the role of civil society within national health strategies.”

Unitaid has two civil society delegations to its board: one for NGOs – held by Health GAP, a U.S.-based advocacy organization; and one for communities living with the diseases – currently filled by the Bolivian Network of People Living with HIV/AIDS. The board representatives of these delegations use email listserves to communicate regularly with their constituencies, through which information is shared and feedback received before and after board meetings. There has recently been an initiative to develop a strategy to improve Unitaid’s engagement with civil society and communities. This strategy is currently under development.

At the decision-making level of the Global Financing Facility, there are two seats (out of 21 total) allocated to civil society in its “investors group” (the GFF equivalent of a board). However, the GFF is beefing up its civil society engagement in other areas. In April 2017, a Civil Society Engagement Strategy was adopted by the investors group. The strategy has three pillars: meaningful engagement of civil society by the multi-stakeholder platforms at country-level (similar to CCMs in composition); CSO coalitions at global and national levels; and strengthened accountability mechanisms for the GFF itself.

Preceding the Strategy, and in response to calls to strengthen the GFF’s engagement with CSOs and communities, a Civil Society Coordinating Group was formed in 2016. The group includes about 60 members from a range of CSOs. Limited information is currently available to the public about the group’s composition and deliverables. However, the [Partnership for Maternal, Newborn & Child Health](#), which coordinates civil society engagement for the GFF, has indicated that membership is open to all interested parties.

There do appear to be good reasons for the country-level CSO engagement protocol (such as the Global Fund’s CCM requirements), the centralized approach of Gavi, and the emergent mixed approaches of Unitaid and GFF. But the thing with grassroots civil society is that access to resources is usually low, and therefore simply offering opportunities to provide input – such as seats on boards and steering committees – on par with the opportunities given to governments and the private sector – tends to be less impactful, unless there is real investment and support for communities to make the most of those opportunities. The Fund has the most developed support structure for civil society, mostly through its Community, Rights and Gender Strategic Initiative. The other mechanisms might do well to explore similar types of support moving forward.

As with [Part 1](#) of this series, the intention is not depth of analysis, but more to highlight some of the key distinctions among the major multilateral health financing mechanisms. In Part 1, we asked what those outside of global health circles might think when they see four institutions doing what may look like much of the same things for many of the same people. Here, it may be more appropriate to ask: Do the major distinctions adequately respond to critics who would

argue for consolidation of health financing mechanisms? And inside our circles, a question might be: Are relevant best practices being sufficiently shared and applied among the mechanisms?

This article and the previous one are offered to GFO readers as food for thought, and are not intended to be an endorsement or criticism of any of the mechanisms, or to make the case for or against their continued justification or operation. GFO invites comments from readers on these articles.

[TOP](#)

4. NEWS: Global Fund making “distinct progress” in managing risk: OIG

One area that has not been adequately addressed is risk appetite

David Garmaise

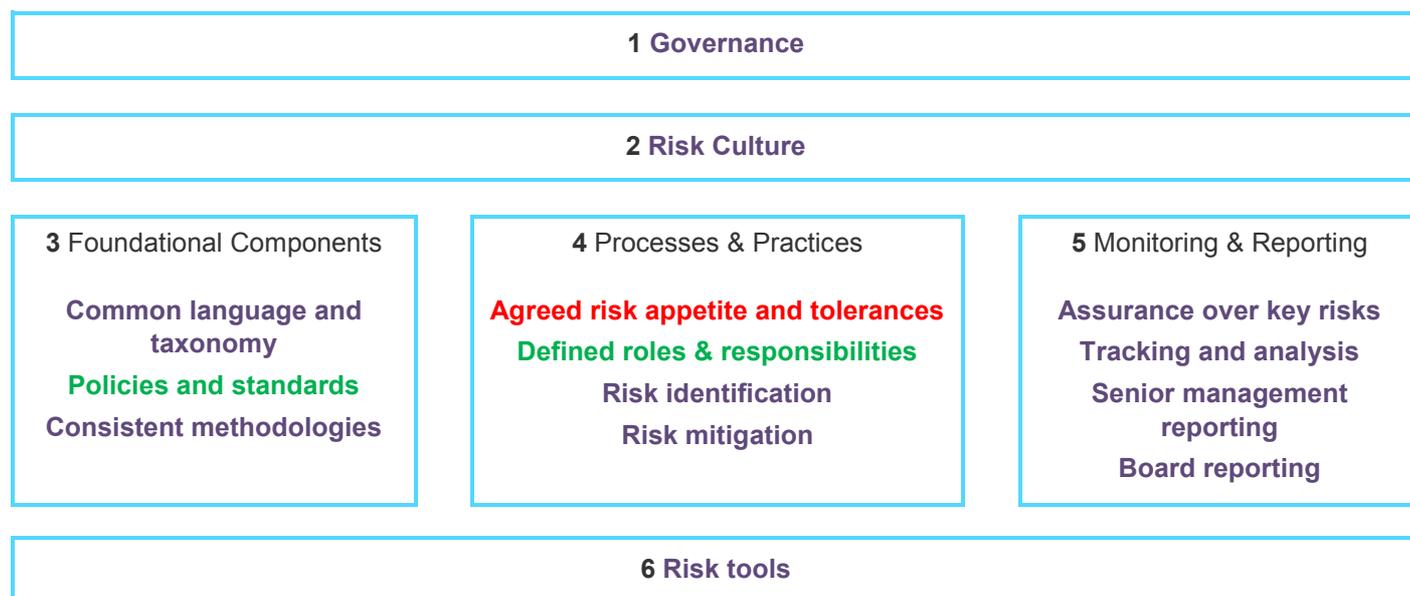
30 May 2017

In its annual report for 2016, the Office of the Inspector General (OIG) said that although significant gaps remain, distinct progress is being made across the six key areas of the risk architecture (see figure below).

We [reported](#) on this briefly in GFO #311 in our article on five significant themes that emerged from the OIG’s work in 2016. In the present article, we take a closer look at what the OIG had to say about how the Global Fund has managed risk.

***Editor’s note:** On 16 May 2017, the OIG published a [report](#) on an audit it has conducted on Global Fund risk management processes. We plan to publish an article on the audit report in the next issue of GFO.*

Figure: How the Global Fund is performing in the six key components of the risk management architecture



Key: **Mostly in place**
Good progress but improvements required
Initial stages

Source: Office of the Inspector General 2016 Annual Report

The balance of this article follows the structure used in the above figure.

1. Governance

According to the OIG, the Global Fund is moving in the right direction with respect to risk governance at both Board and Secretariat levels. The charters of the new standing committees adopted in 2016 articulate their specific areas of risk accountability and the scope of their mandate (i.e. oversight, decision-making or advisory). The discussion of risk is now a standing agenda item at Board and committee meetings. The Chief Risk Officer regularly updates the Board and its committees on key risk areas and provides an annual risk assurance statement to the Board.

Nevertheless, the OIG said, two areas of risk governance still require significant improvement: (a) accountability and processes for oversight of cross-cutting risk areas; and (b) risk appetite and tolerance.

Accountability and processes for oversight

Unlike organizations that have a dedicated risk committee within the Board structure, the OIG said, the Global Fund model allocates specific risk areas to different committees based on their mandate. This approach is appropriate in the context of the Fund’s business model, the OIG added, but it also presents a challenge because many significant risks faced by the organization straddle functional boundaries (e.g. procurement and supply chain, challenging operating environments, low absorption).

Risk appetite and tolerances

The OIG stated that the Board has generally shied away from risk appetite discussions. This is partly because of the lack of common understanding of the concept, the OIG said, and partly because of a concern that articulating specific appetites for risks may send the wrong signal that the organization is willing to accept certain losses or failures. This often leads to inconsistent risk-taking as individual judgment or perceptions replace institutional norms and guidance.

2. Risk culture

Both the Board and executive management are setting the right “tone at the top” by emphasizing the importance of effective risk management to the success of the organization, the OIG stated. There has been a significant increase in resources allocated to the risk management function, as well as meaningful changes in operational procedures “to give presence and voice to the risk function in the operational decision-making process.”

Nevertheless, the OIG said, key elements of building an effective risk culture are still at an early stage. Although the value of risk management is increasingly being acknowledged across the organization, the OIG added, there remains a widespread perception (although a false one) that there is an inherent contradiction between practicing risk management and ensuring compliance, on the one hand, and operational efficiency and speed of business, on the other. “Although this culture is evolving,” the OIG said, “a key to shifting it meaningfully will be through incentive mechanisms and performance management frameworks that reward good risk-taking, effective risk management and sound control compliance, as much as it recognizes excellence in operational delivery.”

“A key to shifting [the culture] meaningfully will be through incentive mechanisms and performance management frameworks that reward good risk-taking.”

3. Foundational components

According to the OIG, over the past two years the Global Fund has made several important improvements in its risk policy framework. The Board has approved a [Risk Management Policy](#) which, among other things, defines responsibilities for risk oversight and provides a high-level framework for risk differentiation. At the Secretariat level, the OIG said, an operational policy note (OPN) was approved in 2016 which outlines the overall objectives of risk management of grants, lays out driving principles to embed risk management in the grant lifecycle, and outlines accountability and key processes for risk identification, mitigation, assurance and reporting.

***Editor’s note:** The full title of this OPN is “Risk Management Across the Grant Lifecycle.” Finding specific OPNs on the Global Fund website can be tricky. First, you need to search for “Operational Policy Manual.” Within the manual, the quickest way to find the OPN on risk management is to search for this phrase: “identification, mitigation” (without the quotes).*

The next step, the OIG explained, is for the Global Fund to articulate a common language for risk and to develop consistent methodologies. Fundamental concepts such as risk categories,

inherent and residual risks, risk tolerances, and ratings scales need to be defined in a consistent manner, and need to be understood relatively clearly by all risk actors across the organization. “Such a common understanding is still lacking in the Global Fund,” the OIG said.

As for methodologies, the OIG stated, risk and assurance workshops have been useful in framing a structured dialogue around risk assessment using a common set of tools and approaches. “However, as the methodology and related practices are new, the Secretariat has not yet formally evaluated lessons learned from these pilots, refined the process and methodologies, and more importantly, embedded the approaches to risk identification and mitigation in a consistent manner.”

4. Processes and practices

The OIG said that the OPN has clarified the roles and responsibilities for risk management in the grant lifecycle: Country teams have primary responsibility for risk identification and management; global risk owners provide technical advice on risk identification and prioritization in their respective functional areas; and the Risk Department provides overall coordination and oversight. “With policies and standards now in place, methodologies are being instituted, roles and responsibilities are being clarified, and overall processes to identify and mitigate risks are increasingly being formalized.”

However, the OIG, said, several improvements are needed. Risk identification remains a relatively static process at specific milestones of the grant cycle, such as during grant-

“This proliferation also led to ... passive resistance on the part of frontline teams frustrated by the significant administrative burden of what is often perceived as low-value-add form filling.”

making, rather than a dynamic ongoing process informed by real time performance feedback throughout the life of the grant. In addition, the OIG believes there is room to significantly improve mitigation measures, the ownership and accountability for their implementation and the monitoring of their progress.

Finally, the OIG said, the lack of clearly articulated risk appetite and tolerance is a limiting factor in the effectiveness of current risk management practices. The

Secretariat has acknowledged this gap, the OIG said. Work has recently been initiated by the Chief Risk Officer to begin articulating a risk appetite framework, starting with key risk areas such as supply chain, challenging operating environments, and sustainability and transition.

5. Monitoring and reporting

Since 2013, formal risk reporting tools have been developed, including a Corporate Risk Register and an Operational Risk Report, the OIG said. Risk presentations are now made at every Board meeting.

However, the OIG added, risk reporting remains relatively fragmented, often without a clear articulation of the linkages among related sources such as the Corporate Risk Register, the operational risk reports, [Prioritized Action Plans](#), OIG risk-related reports, and individual

updates on various initiatives. “As the organization strengthens its risk management, increasing consideration should be given to designing an integrated risk reporting framework that brings together these disparate elements and provides the Board with a holistic view of risk across the organization,” the OIG stated.

Global Fund assurance mechanisms are still largely concentrated on fiduciary risks, in large part as a reaction to low donor tolerance for financial misuse, the OIG said, while assurance over key programmatic risks remains weaker and insufficiently prioritized.

6. Risk tools

Multiple operational risk tools have been developed over time to assess and track risks in the portfolio of grants – for example, the Qualitative Risk Assessment, the Action Planning and Tracking Tool (QUART), the Capacity Assessment Tool, and the Risk Dashboard. Although each of these tools serves a different and valid purpose, the OIG stated, “this proliferation has also led to analytical fragmentation, overlap, sometimes inconsistent assessments, and passive resistance on the part of frontline teams frustrated by the significant administrative burden of what is often perceived as low-value-add form filling.”

An integrated risk tool is being developed as part of the Accelerated Integration Management (AIM) project, and is expected to be rolled out during 2017.

The Office of the Inspector General 2016 Annual Report, Document GF-B37-12, should shortly be available at www.theglobalfund.org/en/board/meetings/37.

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5. NEWS: Communities report reduced support from the Global Fund and other donors

Growing economy does not mean growing domestic support for communities

David Garmaise

30 May 2017

“There is a painful awareness among communities in countries whose economies are growing that donors are pulling out and abandoning them... This [transitioning] process is driven by the criteria donors have laid out for eligibility, and demonstrated by the actual level of disbursements going to some countries. But communities know that growing economies do not equal growing domestic support for communities in the HIV response.”

This was one of many challenges to financing the community response to HIV identified in a [report](#) prepared for the UNAIDS Programme Coordinating Board (PCB) in November 2016 (*Report by the NGO Representative – An unlikely ending: ending AIDS by 2030 without sustainable funding for the community-led response*).

The report is the product of regional consultations and a global web-based survey conducted by members of the PCB's NGO Delegation. The regional consultations consisted of structured interviews with 30 key stakeholders. The survey was completed by 156 respondents from over 60 countries.

Survey respondents indicated a general downturn in available funding from international donors. Among survey respondents, 53% reported losing access to Global Fund support; 26% reported losing funds from the U.N. system; 24% reported losing funds from private donors, 12% reported losing bilateral funding; and 12% reported losing funding from their own governments. According to the report, these trends were most pronounced in regions where donors are "transitioning" away from providing funding to countries moving out of the low-income and lower-middle-income categories into upper-middle-income and high-income categories.

"The Global Fund is leaving the [EECA] region," said Michael Krone from AIDS Action Europe (as quoted in the report). "Most countries in transition, or those that have transitioned, don't develop proper mechanisms to replace Global Fund money with domestic resources when it comes to prevention work, especially [the work] done by communities. Most domestic resources go into treatment provision. The Open Society Foundations and other private funders disappeared from Russia and communities and civil society have difficulties accessing funds from these sources in other countries as well due to the challenging political or legal environment."

In October 2016, the Global Fund produced a [list](#) of 34 components from 25 countries that either had become ineligible since the 2014-2016 allocations, or were projected to become ineligible by 2025. The report for the PCB stated that these components represent about one-fifth to one-quarter of all Global Fund recipient countries. "These are the ... countries where communities and key populations are at high risk of losing funding," the report said.

"This not only means reduced funding for activities, but also the complete disappearance of activities like advocacy and service delivery, and of organizations," Krone said.

Editor's note: Although it is accurate to say that the 25 countries represent about one-fifth to one-quarter of all recipient countries, it should be noted that in terms of actual funding the 34 components received just 2.1% of total allocations for 2014-2016.

"What we see in the country level is that since the budget level has been cut, you have different provinces or districts and in the past they have been providing services in [many] districts. Now they are only delivering in five districts," said Shiba Phurailatpam, regional coordinator of the Asia Pacific Network of People Living with HIV (APN+). "Also, in the past you have 20 outreach workers and now you only have three. The kinds of changes that you see are very visible for PLHIV networks."

"What is the worst about [the Global Fund exiting countries] is that the other donors follow the Global Fund and cut their budgets for that activity as well," said Igor Gordon, who heads

the Community and Membership Strengthening Team for the Eurasian Harm Reduction Network.

The report said that there is not enough coordination among donors or supportive architectures for communities in the HIV response to adequately mitigate the effects of reductions in funding for communities.

“The reality of donors ‘transitioning’ out is that the community response is at risk of transitioning out as well,” the report said. “This is incongruous with the global consensus on the importance of the community response to HIV.... There exists a grave threat to our aspirations to end the AIDS epidemic, by 2030 – or even 2080. The asserted importance of communities to the response must be backed up with increased, not reduced, investments.”

Funding for advocacy work

For funders, advocacy is often a “nice-to-have” rather than a “need to have,” the report said. “But for communities, advocacy is very much a ‘need-to-have,’ as it always has been. This ‘disconnect’ means that much of the advocacy work that communities do – and do better than any other sector – is under-funded or entirely unfunded.”

For countries doing transition planning, the report said, strengthening the advocacy capacity of communities is important, especially where governments may not want to support marginalized populations. “Advocacy should be among the top priorities that international donors support when they are leaving a country.”

The report suggested that large recipients of Global Fund money be required (rather than encouraged, as at present) to set aside a portion of their funding for advocacy programs.

As its own capacity diminishes, the report recommended, UNAIDS should transition the national coordination and policy roles of its own country offices to “capacitated and robust community structures,” and it should ensure that such structures are in place before exiting or downsizing. The report said that in support of such funding streams, donors should invest in comprehensive evaluations of existing advocacy programs so that their impact can be demonstrated more clearly.

The report noted that the HIV funding architecture has changed the power dynamics within communities, by depoliticizing community responses and by conflating service delivery with advocacy: When organizations take on funding for service provision, their ability to be the fierce advocates their communities need is often compromised.

Other challenges

Other challenges identified in the report include the following:

- **Donor expectations and priorities.** Donors tend to have expectations for recipients that are not aligned with the capacity or the realities of community-based organizations. Funding tends to go to organizations that best fit the expectations of donors, and it is often channeled through large NGOs or governments. This can have

the effect of isolating the most grassroots groups or of considerably reducing the amount of funding that reaches the community level. If community organizations want to survive, they must accept donor priorities and measures of success. Community organizations may also have to re-align a significant portion of their work to satisfy heavy donor reporting and monitoring requirements, shifting the organizations away from their core focus.

- **Unfavourable political and legal environments** are perhaps the most significant and intransigent challenges faced by community organizations, particularly those that serve key and vulnerable populations. Further investigation and action by U.N. bodies and Member States is urgently needed to address persistent political, legal and human rights barriers. Environments that present a challenge to community-led AIDS responses are generally marked by poor human rights records, the criminalization of people living with HIV or who are at risk for HIV infection, and low levels of inclusion and engagement of civil society in decision-making processes. The threats and other complications of managing programs for criminalized populations can discourage community organizations from even pursuing funding, while also discouraging larger NGOs from implementing programs for those communities. Furthermore, these conditions can encourage or force international donors to exit countries prematurely.
- **Accessing funding.** Survey respondents from low- and middle-income countries overwhelmingly reported that communities generally have to partner with a large NGO or other non-community institution to access funding. To be eligible to receive funds from most donors, organizations must be formalized and have financial controls in place. While it may seem obvious for a funder to require such protections, the expectation is not aligned with the reality of many actors in the community response. Obtaining registration or having solid financial protocols can be impossible for some key groups, since they are not “organizations” in a traditional sense, but rather networks or informal associations of affected people.
- **Managing risk** is a shared concern for donors and communities. Too frequently, however, donors demand risk-free or minimum-risk scenarios that attempt to ascribe the norms of sophisticated, large and well-funded institutions to small community groups. That approach sets the bar too high, and it does not match the nature and strengths of communities. Communities are set up for failure because donors fail to recognize the actual conditions of risk in which communities operate.

In its [2017-2022 Strategy](#), the Global Fund states that “civil society and communities must play a central role in the design, delivery and oversight of the response, including community-based service delivery.”

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6. ANNOUNCEMENT: New guide on managing community-based SRs

David Garmaise

30 May 2017

The International HIV/AIDS Alliance has released a guide on [Managing community-based sub-recipients](#). The target audience for the guide is Global Fund principal recipients (PRs) who manage local civil society sub-recipients (SRs) that deliver services to their communities, as well as SRs that manage civil society sub-SRs.

In the introduction to the guide, the Alliance states that the guide focuses on actions that PRs and SRs need to take “not just to meet the Global Fund’s standards and requirements, but, more importantly, to sustain civil society’s response to the three diseases after Global Fund financing ends. This is particularly urgent for upper middle-income countries that are being transitioned out of the Global Fund’s support.”

The guide is available in English and French.

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