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Aidspan Critique of the Report of the High-Level Independent Review Panel

This critique is divided into two parts, as follows:

PART ONE

COMMENTARY: The Report of the High-Level Panel – Strong and Thought-Provoking, but with Worrying Flaws *(This commentary appeared on 13 October 2011 in Global Fund Observer Issue 160.)*

PART TWO

Item-by-item Analysis of the Recommendations of the High-Level Panel

PART ONE

The following Commentary appeared on 13 October 2011 in *Global Fund Observer* [Issue 160](#).

COMMENTARY: The Report of the High-Level Panel – Strong and Thought-Provoking, but with Worrying Flaws

by Aidsplan

The Report of the High-Level Independent Review Panel that the Global Fund released on 19 September is anything but dull. It is easily the most high-profile and frank review that has ever been conducted of the Global Fund. Indeed, it represents, to the best of our knowledge, the first time that any global-level funding institution has commissioned and published such a candid look at itself.

Many of the observations and recommendations in the report of the High-Level Panel (HLP) are worthy of very serious consideration. However, other observations and recommendations raise as many questions as they answer: Some appear to be based on insufficient analysis, and some suggest an incomplete understanding of how the Fund has to operate in partnership with many other players, or of how the Fund was always intended to be different from traditional funding agencies.

And surprisingly, the HLP Report provides no opinions on how serious or widespread fraud is among Global Fund grant implementers, or whether the Global Fund has a greater or lesser problem in this regard than do other major donors.

WHAT WE LIKE CONCERNING THE PANEL'S OBSERVATIONS

The Panel correctly recognised that the Global Fund is a vital part of health improvement efforts in many countries, and that its failure would bring tragic consequences.

The Panel went on to point out that while “country ownership” is a founding principle highlighted in the Global Fund’s 2002 [Framework Document](#), there does not appear to be a shared perception about what the term means in practice. And it noted that in some countries, the Country Coordinating Mechanism (CCM) has asked for and received more money than the country could use efficiently, thereby creating an incentive for the government to shift its own resources away from the three diseases.

We also agree with the Panel that the group of Global Fund board members representing implementing country governments has little institutional memory and a muted presence; and that the Board should reconsider whether large, quickly growing and powerful economies – such as China, India, Brazil, Russia and Mexico – should be eligible for funding.

The Panel was right to say that there are serious flaws in the LFA system. The Panel pointed out, for example, that the Global Fund has not assigned the greatest amount of LFA effort to the countries with the greatest problems; and that the Fund has generally treated the LFAs as contractors rather than partners. We support the Panel’s conclusion that the Global Fund needs to use the LFAs more effectively.

And we think that the Panel was accurate in its assessment of CCMs – correctly acknowledging the accomplishments of the “CCM model,” while recognising the model’s limitations. Thus, the Panel said that with CCMs, the Global Fund has made ordinary and expected what was unthinkable in dozens of nations ten years ago. On the other hand, it points out that CCMs range from highly functional to completely ineffective; and that in many

countries, the real decision-making over what goes into a Global Fund proposal is restricted to governments and insiders on the CCM.

WHAT WE LIKE CONCERNING THE PANEL'S RECOMMENDATIONS

We like the Panel's recommendations to increase the number and responsibility of fund portfolio managers, to assign the most-experienced of these to work on the most difficult and risky countries, and to reinforce the "country team approach" (although more work is needed on this last point, because the country team approach appears at times to have slowed down, rather than speeded up, decision-making).

Among the other recommendations that we support are that the OIG should continue its vigorous targeting of fraudulent use of grant funds, but that it should produce its reports more quickly and behave with greater sensitivity and diplomacy when conducting audits; that the OIG should primarily focus on grants from Round 6 (2007) onwards; and that the OIG, the Secretariat and the Board need to work together more effectively.

We also like the recommendation that the Global Fund should introduce a more iterative grant application process. The Panel proposed a detailed two-stage process. The concept is good (and is one that the Secretariat had been working on for some time). The details, as suggested by the Panel, require more discussion. Whatever process is implemented should not become overly bureaucratic and cumbersome.

WHAT WORRIES US CONCERNING THE PANEL'S OBSERVATIONS

Perhaps our most serious concern with the general approach of the HLP Report is the fact that different options for reform are not discussed. We would have expected to see, at least for the most important issues discussed, some options presented and explored (i.e., pros and cons for each), and then a considered view on which of these the Panel recommends.

At the outset of the HLP Report, the Panel observed, first, that austerity among the donors makes the Global Fund more vulnerable now than at any time in its history, and second, that "the halcyon days of ever-increasing budgets for global health are over." We agree with the first observation. However, with regard to the second, the fact that donors are not currently increasing how much money they give for aid in general, or for health in particular, does not automatically rule out their increasing their pledges to the Global Fund.

The Panel developed and made extensive use of a matrix that classified every country according to "risk" and "burden." Unfortunately, the Panel made a rather basic error in its formula for computing burden, as a result of which the HLP Report showed that Namibia is the country with the greatest burden in the world and that Lesotho has a lower burden than Malaysia. This error involved mistakenly assuming that as a country's poverty level goes up, its "burden" goes down rather than up.

We question the Panel's view that the Voluntary Pooled Procurement (VPP) process is effective. We have heard reports that the VPP is getting slower and slower; and that small countries with small orders do not get good service and have a very hard time communicating with the VPP.

We also question the Panel's view that an insufficiently rigorous scrutiny of budgets in proposals allows for padding, easily exploited post-approval. This may have been true in the earlier years; but we suspect that now it is rarely, if ever, true.

WHAT WORRIES US CONCERNING THE PANEL'S RECOMMENDATIONS

We have concerns about several of the recommendations in the HLP Report. Below, we describe our major worries. (Note: Aidspan has also prepared a more detailed critique of the recommendations in the HLP Report, available in Part Two of this document.)

The Panel significantly exceeded its mandate and, in the process, spread itself too thin.

Oddly, even though the HLP Report and its 19 annexes cover 154 pages, nowhere does the Report include, even in summary form, the three-page Terms of Reference (TORs) that the Fund's Board specified. Those TORs gave the Panel a relatively constrained mandate, which was to review the Fund's "risk management, financial and fiduciary control and oversight mechanisms." (The TOR's are available in Annex 1 of the Board's [decision](#) to establish the panel.)

But the Panel went considerably further, and ended up making recommendations on everything from how the Board's committees and their work should be completely reconstructed to how mobile phones should be used by grant implementers for data-tracking. The Panel has not made a convincing case that the Global Fund needs to redesign such a broad range of its procedures at the same time as it is fixing problems related to financial controls and oversight. Many of the Fund's grant implementers are getting tired of the constant changes in Global Fund procedures.

As a result of exceeding its mandate, the Panel did not do as good a job as it could have in the core areas specified in its TORs, and it made many recommendations in areas where it appeared to lack expertise. In some areas, it failed to show the evidence on which it based its recommendations.

As a further consequence, some of the Panel's recommendations do not appear to have been fully thought through. For example, the Panel suggested that fund portfolio managers should spend 40% to 50% of their time visiting the countries for which they are responsible. This suggestion appears to have been a last-minute effort by the Panel to come up with a compromise between those who supported the idea of the Global Fund developing a staffing presence at the regional or country level and those who opposed it.

Another example is the recommendation that when national drug procurement, storage and delivery systems do not meet "international standards," the handling of these tasks should always be outsourced to non-national – which almost inevitably means, Western – institutions. This recommendation was much criticised because it would result in establishing parallel systems instead of building the capacity of national systems. (To its credit, the Panel backtracked on this, but only after the report was released.)

Yet another example of something not fully thought through is the recommendation to place a small team of full-time professional employees in the Chair's home-country office, reporting to him or her and serving as the main channel of communication between the Board and the Fund Secretariat. This recommendation means that the professionals in question would change countries every two years with the change of the Board Chair. There would also be a risk of tensions between those professionals and senior staff in the Secretariat.

The Panel was not clear about whether and how risk should influence grant amounts.

The recommendations in the HLP Report are very unclear regarding whether and how risk should be a factor in determining how much funding each country should receive. The

Report said that “based on [risk]..., the Global Fund’s Board [should] establish an allocation of funding according to categories of programs and/or countries and/or interventions.” This is very vague. If it means that high-risk countries not only should be subjected to higher levels of oversight, but also should be eligible for less money than other countries, we have a problem with that – particularly in cases where high risk countries also suffer from a high disease burden and have limited other sources of funding, and thus could achieve a high impact with Global Fund grants.

Some of the Panel’s recommendations could result in the Fund becoming more of a traditional, top-down donor agency.

The Global Fund was set up to promote “country ownership,” in which countries use partnership-based CCMs to determine priorities and to oversee grant implementation. The Fund has always chosen not to base its staff in the countries where the grants are being implemented, in part because of a fear that this would increase costs and negatively impact the spirit of country ownership.

By contrast, traditional donors operate in a relatively directive and top-down manner – deciding how much money they will spend in which countries on what issues, and then, within each country, how the money should be administered and by whom.

The Panel’s primary focus was on how to reduce the risk that grant funds will be mis-used. As a result, and perhaps inevitably, the Panel proposed that the Global Fund become much more assertive. There are certainly times when this could be appropriate in the context of oversight and of enforcing performance-based funding. But the Panel also proposed a more assertive role in other contexts. For instance, the Panel recommended that, for each group of countries, the Global Fund specify a maximum amount of funding even before proposals have been submitted by those countries. (This is essentially how the World Bank divides up allocations from its International Development Association funds.) The Panel also suggested that the Fund set budget ceilings for individual components of individual grants after concept papers have been submitted and before proposals are finalised. These actions would move the Global Fund away from having grants that are country-led and demand-driven, and could cause the Fund to become more of a traditional, top-down donor agency.

Some of the Panel’s recommendations could result in the Fund becoming less effective.

We are concerned that the Global Fund’s new-found obsession with risk, and some of the Panel’s related recommendations, will lead to Global Fund procedures becoming too rigid, and to Secretariat staff becoming micro-managers as they nervously attempt to minimise and even to eliminate risk. This process has already started. For instance, before PRs or their SRs can carry out any Global Fund-financed training sessions, they now have to create, and obtain approval from the Secretariat for, training plans that are sometimes hundreds of pages long. This makes a mockery of the statement in the Fund’s Framework Document that the Fund should use a “simplified, rapid, innovative process with efficient and effective disbursement mechanisms, minimizing transaction costs.”

This year, PR and SR staff have often told us that they find the Global Fund more difficult to deal with than most other funding agencies. They complained that they find themselves devoting more attention to compliance than to implementation and impact. We worry that this will lead to increasing numbers of frustrated PRs, SRs and partner agencies, and their employees, withdrawing from, or declining to offer themselves for, Global Fund-related work. All this will reduce the Global Fund’s effectiveness.

WHAT WE THINK IS MISSING

Even the most careful reader of the HLP Report is unable to conclude how serious or widespread fraud is among Global Fund grant implementers, or whether the Global Fund has a greater or lesser problem in this regard than do other major donors.

The whole sequence of events that ended with publication of the HLP Report started with an *Associated Press* story on 23 January 2011 that, despite being based only on OIG findings in a small number of countries, had the dramatic and unproven headline “Fraud Plagues Global Health Fund.” As a result, when the Panel was established, we assumed that it would be asked to estimate the extent to which fraud does indeed exist among implementers of Global Fund grants.

In fact, the TORs asked for something less ambitious, which was for the Panel to “assess the risk of fraud and misappropriation in the current Global Fund portfolio.” But in our opinion, the Panel did not achieve even this. The Panel limited itself to specifying some factors that might suggest that a country is at risk of fraud, and based on those factors, to ranking countries in a range from “lower risk” to “extreme risk.”

Nor did the Panel assess the extent to which the OIG’s findings represent, on the one hand, intentional fraud, and on the other hand, weak record-keeping which was in violation of grant requirements but from which nobody personally profited.

More significantly, the Panel did not attempt to assess whether the Global Fund suffers any more from fraud on the part of its grant implementers than do other major funders. As a result of this omission, people who have only read the press reports might conclude that, among donors, the Global Fund is especially negligent when it comes to detecting or responding to fraud. Yet, the reality is quite different. In many ways, the Global Fund is an exemplar of transparency and of determination to tackle fraud head-on. The donor countries know this, but they may still be tempted to use the HLP Report as an excuse to cut back on their pledges to the Global Fund.

The Panel paid scant attention to the whole aid effectiveness agenda and the Global Fund’s role within that.

The Global Fund is fully committed to the principles of the [Paris Declaration](#) (as are all donor countries and almost all developing countries), and is a signatory to the [International Health Partnership](#) initiative. Both of these initiatives are designed to maximise aid effectiveness. The agreed principles include that donors should harmonise among themselves their policies and practices, and that donors should align their programmes with those of implementing countries. Yet there was nothing about aid effectiveness, harmonisation or alignment in the HLP Report.

Many of the problems that implementing countries experience regarding data quality, procurement systems, and financial management and oversight can only be reasonably addressed through a systemic approach involving multiple players from inside and outside the country; they cannot be addressed by each donor insisting on the country putting in place systems just to satisfy that particular donor. The lack of reference to the problem of fragmented (often donor-driven) systems is a serious omission by the Panel, and the Panel’s go-it-alone prescriptions will not help the Fund maximise lives saved.

CONCLUSION

The HLP Report was produced at a time when the Board and a rather shell-shocked Secretariat were desperate for a plan that everyone could coalesce around. Furthermore, the Board was under great pressure to act, because some donors were delaying the release of their 2011 contributions until they saw the Report and how the Global Fund reacted to it.

After a few days' thought and one day's discussion on 26 September, the Board agreed that almost every recommendation in the HLP Report represented an appropriate path forward. The simplistic nature of that decision was unfortunate, although it is understandable under the circumstances.

The Board also resolved that by 31 October, the Chair and Vice-Chair, the Secretariat, and the OIG must agree on and send to the Board a draft "Consolidated Transformation Plan" (CTP), with a final draft to follow by 10 November. And the Board said that the CTP must reflect not only that large portion of the HLP Report's recommendations that the Board had just endorsed, but also the Plan for Comprehensive Reform (which the Board [endorsed](#) in May 2011) and the results of some other reform initiatives.

This is an extremely aggressive timeline. Furthermore, the task will be technically daunting, because these various initiatives look at the issues through very different lenses and make recommendations that at times conflict with each other.

For all these reasons, blind adherence to the HLP Report's recommendations would be a mistake. Instead, the CTP should implicitly propose accepting some of the recommendations in these various documents, modifying or fleshing out others, and rejecting or replacing yet others. During the five weeks until the CTP is voted on at the 21-22 November Board meeting, the Global Fund will sorely need firm and insightful leadership from the Chair and the Executive Director.

2011 has not been a happy year for the Global Fund. Nevertheless, the Global Fund should be grateful to the High Level Panel for delivering a report that provided a wake-up call that could not be ignored.

This Commentary was jointly written by Aidspace's Bernard Rivers, David McCoy, and David Garmaise. Comments should be addressed to bernard.rivers@aidspace.org. The Commentary is based, in part, on a detailed critique of the Panel's recommendations, available in Part Two of this document.

The High Level Panel's [report](#), "Turning the Page from Emergency to Sustainability," was described in [GFO Issue 158](#). The Global Fund Board met on 26 September 2011 to decide how to proceed with the report's recommendations (see [GFO Issue 159](#)).

The Panel was led by Festus Mogae, former minister of finance and then head of state of Botswana, and Michael Leavitt, former U.S. Secretary of Health and Human Services. The other five members were two from developing countries (a former senior official in the African Development Bank, and a former senior official with Citibank and Banco Santander Brasil), and three from Western countries (the Chair of the Panel of External Auditors of the U.N., the Chair of Interpol's International Group of Experts on Corruption, and the Inspector General of Finance in a French government ministry). The Panel's support team has eight members from the U.S., one from Canada and one from the U.K.

PART TWO

Item-by-item Analysis by Aidspan of the Recommendations of the High-Level Panel

by Dr David McCoy

13 October 2011

The following tables list the recommendations from the report of the High-Level Independent Review Panel on Fiduciary Controls and Oversight Mechanisms of the Global Fund to Fight AIDS, Tuberculosis and Malaria (HLP Report). For each recommendation, Aidspan provides a comment and a verdict concerning the merit of the recommendation.

Notes:

1. The text of the general recommendations is identical to the text used in the recommendations section of the main body of the HLP Report. The text of the specific recommendations has been paraphrased, based on the text in the recommendations section of the main body of the HLP Report.¹
2. For the most part, the numbering system used in these tables is identical to the numbering system used in the recommendations section of the main body of the HLP Report. Occasionally, we have added some numbers or letters to make it easier to identify recommendations in the tables.

¹ In the HLP Report, the recommendations appear in two places: (1) the recommendations section in the main body of the report; and (2) Annex S (in summary form). There are some differences between the two. The text in this document is based on the text in the recommendations section in the main body of the report.

RECOMMENDATION AREA #1: TURN THE PAGE FROM EMERGENCY TO SUSTAINABLE RESPONSE

General Recommendations	Specific Recommendations	Aidspan Comment	Aidspan Verdict
<p>1.1 No amnesty for fraud, but focus oversight on more-recent rounds of grants²</p>	<p>i. Pursue all “wrongful acts that are significant” regardless of how long ago they occurred “to the greatest extent possible.”</p>	<p>A vague and ambiguous recommendation. How does one define “significant” and “the greatest extent possible”? How much money should be assigned to the pursuit of fraud among Global Fund grant implementers? One might have expected clearer guidance from the HLP.</p>	<p>Poor</p>
	<p>ii. Create clear, simple and practical standards for “fiduciary documentation and ethical behaviour,” followed by a mandatory, web-based (where feasible) training program for PRs, SRs, CCMs, LFAs and Secretariat staff.</p>	<p>A reasonable recommendation, although the effectiveness of mandatory and web-based training modules is limited. Grant implementers also need to have an effective system of accounting and financial management, as well as appropriate attitudes and belief systems.</p>	<p>Okay</p>
<p>1.2 Strengthen the relationship between the Secretariat and the Inspector General</p>	<p>i. The Global Fund Board to respond promptly to, and act appropriately upon, the recommendations of the OIG, as considered and adopted by the Audit Committee.</p>	<p>Obvious and uncontroversial recommendation.</p>	<p>Good</p>
	<p>ii. The Global Fund Board to establish protocols and methods of work between the Secretariat and the OIG.</p>	<p>Obvious and uncontroversial recommendation.</p>	<p>Good</p>
	<p>iii. Focus the OIG 2012 operational plan on more recent transactions and emerging risks, and ensure its resources are commensurate with the work plan.</p>	<p>Obvious and uncontroversial recommendation.</p>	<p>Good</p>

² There might appear to be a contradiction between the wording of General Recommendation 1.1 and Specific Recommendation 1.1 i. In the text of its report, the Panel explains that the Global Fund should vigorously pursue fraud that it knows about from any period, but that it should concentrate its future oversight on Round 6 and beyond.

General Recommendations	Specific Recommendations	Aidspan Comment	Aidspan Verdict
	<p>iv. Adopt policies for the release of OIG reports, as follows:</p> <ul style="list-style-type: none"> a. Audits of internal business practices within the Secretariat should not normally be published. b. Audit reports on its grant portfolio should be published. c. Reports from investigations should be published, but with separate versions for the Board and Secretariat, law-enforcement officials and the general public (especially to prevent undermining efforts to recover assets or monies lost, or to undertake criminal prosecutions). 	<p>The issue of keeping audits of internal business practices secret should be debated. While this may be common practice in other international organisations, implementation of this recommendation provides no obvious benefit and would reduce the transparency of the Global Fund.</p> <p>Although efforts to recover lost assets or monies or to prosecute criminal behaviour should not be prejudiced, neither should the principle of transparency and public accountability. Therefore, the only way in which published versions of reports from investigations should differ from the most complete versions should be in the concealing (if desired by law enforcement officials) of the actual names and titles of parties suspected of criminal action.</p>	<p>Poor</p>

General Recommendations	Specific Recommendations	Aidspan Comment	Aidspan Verdict
	<p>v. Improve the scope of OIG audits and the tone and size of its reports, which should be better differentiated by need and audience, by:</p> <ul style="list-style-type: none"> a. segmenting financial and programmatic audit findings, and prioritising recommendations; b. improving communication between the OIG and PRs and Global Fund Secretariat to flag issues before audits are finished; c. shortening the length of time for completion and publication of an audit; d. expanding the use of Diagnostic Reviews; e. making distinctions between (i) losses that result from theft and fraud and (ii) recoverable amounts due to undocumented or ineligible expenditures; and f. allowing sufficient time for the Global Fund Board to study OIG reports and management responses. 	<p>Most of these recommendations are useful and sensible. However, we don't agree that the Global Fund should <u>always</u> seek to "recover" undocumented or ineligible expenditures. A common-sense and context-specific approach should be taken concerning any incident of undocumented or ineligible expenditure. There may be reasonable explanations for the lack of documentation or for "ineligible" expenditures. Further, the process of recovering every single occurrence of an undocumented or ineligible expenditure could result in excessive transaction costs and lower health impact.</p>	<p>Okay, but with some caveats</p>
	<p>vi. As part of the OIG's reports, disclose all disagreements with management, and incorporate comments from the Global Fund's Board and Secretariat and any audited entities, so that readers may see the discussion, analysis and conclusions.</p>	<p>A good recommendation which will address the damaging perception that the OIG's word is final on all things.</p>	<p>Good</p>
	<p>vii. Present to the Global Fund Board regular updates on follow-up to the OIG's recommendations.</p>	<p>Obvious and uncontroversial recommendation.</p>	<p>Good</p>
	<p>viii. Provide full briefings for the Audit Committee³ and the Global Fund Board on audit and investigation activity of the grants programme by the OIG and external auditors, and on how duplication and overlap are being minimised.</p>	<p>Obvious and uncontroversial recommendation.</p>	<p>Good</p>

³ The Panel is recommending that the Global Fund Board establish an Audit Committee. See Recommendation 3.2.

General Recommendations	Specific Recommendations	Aidspan Comment	Aidspan Verdict
	<p>ix. Redefine the relationship with the UNDP to permit greater accountability to, and access by, the Global Fund, including:</p> <ul style="list-style-type: none"> a. urging the UNDP establishing a secure, electronic portal to allow designated Global Fund staff to review UNDP audit reports from Geneva; b. developing a detailed Memorandum of Agreement on investigations; and c. negotiating an agreement with the UNDP to allow the Global Fund access to documents of UNDP Country Offices for the monitoring of grants, equal in its terms to the agreement between the UNDP and the European Commission. 	<p>The Panel's findings on the UNDP and its relationship to the Global Fund makes for depressing reading. We hope that the problems identified will now be resolved quickly and effectively.</p>	<p>Good</p>
	<p>x. The Global Fund's Legal Counsel to review all requests from the OIG, in the conduct of internal investigations, for e-mails, agendas and other records in the possession of employees of the Global Fund that could also contain personal or other extraneous information, so that OIG investigators have access only to relevant information.</p>	<p>This is a poorly worded recommendation. If it means, as we suspect, that the Legal Counsel should ensure that emails, agendas and other records provided by Fund employees to the OIG in the course of an internal investigation do not contain personal information or information that is extraneous to what the OIG requires – then, we believe this is a sensible recommendation.</p>	<p>Okay, but requires clarification.</p>

RECOMMENDATION AREA #2: DEFINE A DOCTRINE OF RISK AND MANAGE TO IT

General Recommendations	Specific Recommendations	Aidspan Comment	Aidspan Verdict
2.1 Adopt a new Risk-Management Framework	i. Develop a new Risk-Management Framework, on two levels: <ul style="list-style-type: none"> a. corporate risk-management, to cover risks relating to the achievement of the Global Fund’s mission and corporate objectives; and b. operational risk-management, to cover risks related to programme management, programme impact, collection of data, reporting of results, resource allocation, misuse of funds, efficiency and cost-effectiveness. 	Sound and uncontroversial recommendation, as long as it is carried out effectively. As implied by the Panel and many others, there can be a thin line between (a) being effective, efficient and responsible and (b) becoming tied up in red tape and being overly risk-averse.	Good, but with a caveat
	ii. Establish clear definitions of the categories of risk the Global Fund faces – strategic, operational, reputational, compliance and counterparty – and discuss them with donors and implementers in the spirit of pro-active transparency.	Sound and uncontroversial recommendation	Good
2.2 Redefine “country ownership” in the context of the Global Fund’s Risk-Management Framework	<i>No specific recommendations are suggested by the Panel.</i> But the Panel does state that the Global Fund must become “more assertive about its investments”; that National Strategy Applications and plans to improve the effectiveness of CCMs are welcome; and that once the Global Fund has redefined “country ownership,” training must follow to assure the uniform and practical application of the concept throughout the organization, and among recipient countries and partners.	These are mostly vague statements. There certainly needs to be debate about “country ownership.” However, this discussion needs to be placed within the broader framework of aid effectiveness and the principles of the Paris Declaration and Accra Agenda. The Panel’s analysis and recommendations appear to be divorced from the broader challenges of harmonisation and alignment of external aid.	Needs discussion

General Recommendations	Specific Recommendations	Aidspan Comment	Aidspan Verdict
<p>2.3 Apply The Risk-Management Framework to the existing portfolio</p>	<p>i. Categorize recipient countries into groupings by risk, capacity and burden.</p>	<p>Although the Panel suggests that its own methodology be used as an interim matrix, it states (correctly, in our view) that the Global Fund could create a more sophisticated version. This is necessary given (a) certain “odd” looking rankings produced by the HLP (partly because of the mistake made by the Panel in factoring poverty levels into their model) and (b) the need to distinguish between a measure of “the risk of fraud” and a measure of “exposure to risk” (which increases with an increase in the size of financial contributions by the Global Fund).</p>	<p>Good, but with a caveat</p>
	<p>ii. Apply differentiated safeguards to the different categories of countries (including for the management of SRs), and focus inspection and audit resources in the areas of highest risk.</p>	<p>This is a sensible and obvious recommendation. However, care needs to be taken to avoid pushing the Global Fund too far towards becoming a global-level micro-manager of in-country grants.</p>	<p>Okay, but with a caveat</p>
	<p>iii. Focus investigative and audit resources in areas of highest risk.</p>	<p>a. Insist on pooled procurement as the norm, except where the Fund certifies a local institution according to Fund standards.</p>	<p>Pooled procurement to drive down prices makes sense in certain situations. However, this recommendation goes too far. There are many countries where it would be preferable to build the capacity of local institutions to do procurement. SEE FOOTNOTE⁴.</p>

⁴ At its meeting on 26 September 2011, the Global Fund Board decided to defer a decision on the recommendation that pooled procurement (Recommendation 2.3 iii a.) and outsourcing of drug storage and delivery (Recommendation 2.3 iii b.) should be the norm. At the meeting, the Panel’s leadership made it clear that, despite what the Report said, the Panel did not wish to propose that the Fund establish parallel drug storage and distribution systems whenever the Fund found that a country’s own systems were risky. Instead, the Panel’s leadership said that it believed that the Fund should assess capacities in each country and then, when necessary, make investments to strengthen the country’s storage and distribution systems rather than set up parallel systems.

General Recommendations	Specific Recommendations	Aidspan Comment	Aidspan Verdict
	<p>b. Mandate the outsourcing of drug storage and delivery as the norm, except where the Fund certifies a local institution according to international standards.</p>	<p>This is a curious and potentially dangerous recommendation that could reinforce and/or create a whole system of parallel and duplicative drug storage systems – which, in turn, could (paradoxically) weaken the overall integrity of drug distribution and storage systems. It illustrates the Panel’s lack of understanding of broader systems-wide issues and considerations. SEE FOOTNOTE⁴.</p>	<p>Poor</p>
	<p>c. Limit the allowable payment for the purchase of drugs or bed nets to a reference price.</p>	<p>This is sensible as long as the reference price is set correctly.</p>	<p>Good</p>
	<p>d (1). Intensify work on mitigating other identified risks, such as the purchase of capital goods (vehicles, computers, medical equipment), cash payments, salary supplements and training activities.</p>	<p>Reducing risks associated with the purchase of capital goods is a straightforward issue of financial audit. Reducing risks associated with cash payments, salary supplements and training activities is more complicated, so the cost-benefit of any measures proposed to mitigate risks in these areas will need to be examined carefully. The general absence in the HLP Report of any reference to international and country-level efforts to improve harmonisation and alignment is a problem. The need for consistency and harmonisation around salaries and remuneration practices linked to training activities has been much debated by international actors in the past. But many actors who are part of the aid complex have not always acted in the general interest, but rather in their own narrow interest. Therefore, this recommendation needs to be broadened to incorporate other actors.</p>	<p>Poor</p>

General Recommendations	Specific Recommendations		Aidspan Comment	Aidspan Verdict
		d (2). Modify the terms of reference and scope-of-work of LFAs and the external auditors of PRs.	This is a sensible and obvious recommendation, but it needs to go further. There needs to be a further critical evaluation of the competency and value-for-money of individual LFA agencies as well as a review and revision of the entire policy framework concerning LFAs.	Okay, but incomplete
	iv. Global Fund Board to review the Corporate Risk Register annually, and receive quarterly reports on the application of the Register to the Global Fund's day-to-day business.		Sound and uncontroversial recommendation. But having a corporate risk register in one thing; applying it with intelligence and care is another.	Good

RECOMMENDATION AREA #3: STRENGTHEN INTERNAL GOVERNANCE

General Recommendations	Specific Recommendations	Aidspan Comment	Aidspan Verdict
3.1 Focus the Board on management, strategy and risk-management	i. The Board to make more time on its agenda to focus on its core roles of policy-setting, evaluating management, strategy and risk-management and the essential element of improved financial control and fiduciary oversight.	This is a bit of a catch-all recommendation that merely reminds the Board to do what it is there to do.	Okay
3.2 Re-purpose the Board's committees	i. The Global Fund Board to collapse its current Committees into three: an Audit Committee, an Investment Committee, and a Finance Committee. <i>[In its report, the Panel spelled out proposed terms of reference of each committee.]</i>	The proposal to restructure the Board's committees has merit, but should be subject to further discussion. SEE FOOTNOTE ⁵ .	Okay, but needs more discussion
3.3 Create an executive staff to support the Global Fund's Board	i. Establish a small team of full-time professional employees to assume responsibility for Board-relations functions. The team should be located in the Chair's office, reporting to the Chair. The publication of a simple, practical handbook to guide Board members on their role and how they should conduct their business is also recommended.	This recommendation is designed to give the Board its own professional staff, which could create tensions between the Board and Secretariat. There is already a Board Relations unit within the Secretariat. Also, this recommendation would mean that the executive staff would change countries every two years with the change of the Board Chair.	Needs more discussion

⁵ On 26 September 2011, the Global Fund decided to accept this recommendation with modifications. The Board said that effective 1 December 2011, its four existing standing committees will be replaced by the following three standing committees: Strategy, Investment and Impact; Financial and Operational Performance; and Audit and Ethics. The Board did not provide details concerning how responsibilities would be divided among the three committees, except to say that their terms of reference "will include the duties as recommended by the HLP Report and will be further developed under the leadership of the Board Chair and Vice-Chair." The Board also said that ethics-related matters will be included in the terms of reference of the Audit and Ethics Committee. Finally, the Board chose a more balanced approach to membership of the Committees than had been proposed by the Panel.

RECOMMENDATION AREA #4: INSTITUTE A NEW GRANT-APPROVAL PROCESS

General Recommendations	Specific Recommendations		Aidspan Comment	Aidspan Verdict
<p>4.1 Institute a two-stage grant process</p>	<p>4.1.1 Stage I: Grant Concept Paper</p>	<p>i. Allocate funding according to risk-stratification matrix and categories of programs and/or countries and/or interventions (once a year, in the first quarter).</p>	<p>This is unclear and potentially problematic. While a risk stratification matrix is useful for guiding approaches to grant management, funding should primarily be guided by need. It might be better had the Panel rephrased its recommendation such that countries would be stratified by risk <i>and</i> need (in terms of both disease burden and financial resources).</p>	<p>Poor</p>
		<p>ii. Applicant CCMs in each category to prepare a broad-brush Concept Paper which would be simpler to produce than the present application, and should encourage more genuinely home-grown proposals, rather than those drafted by external consultants.</p>	<p>Some of these suggestions appear to be sensible. The idea of having a more iterative applications process is one that we think few people would disagree with. However, exactly what this process should look like requires further discussion. And we have concerns about the suggestion that the TRP should set financial ceilings for individual proposals because of the effect this may have in diluting the country-led, demand driven model of the Global Fund.</p>	<p>Needs more discussion</p>
		<p>iii. TRP to undertake a rapid, but informed, assessment of the technical aspects of the concept paper, and other experts to review the financial aspects, both taking into account past performance, the risk environment, and the prospects for value-for-money. During this stage, the TRP would consult with the relevant LFA, Country Team(s) and the Chief Risk Officer.</p>		
		<p>iv. TRP to recommend the best concept papers to the Executive Management Team of the Global Fund for approval in principle, with a proposed budget-ceiling figure for the eventual grant.</p>		

General Recommendations	Specific Recommendations		Aidspan Comment	Aidspan Verdict
		<p>v. PRs in higher-risk countries with limited capacity to receive smaller tranches of project-preparation funds initially, to build accountability, fiduciary and operations systems. After this, they could receive more money for expanded service delivery. PRs in less-risky countries with adequate institutional infrastructure and systems, as well as a record of strong performance with previous Global Fund grants, could receive more capital up-front.</p>		
	<p>4.1.2 Stage II: Full grant proposal</p>	<p>i. Following approval of a Concept Paper and successful use of project preparation funding, applicant CCMs (with technical assistance as required) to then prepare a fully-fledged grant proposal, including a detailed risk-assessment, and capacity-assessment of proposed PRs and main SRs. The relevant FPM would provide advice and guidance during the preparation.</p>	<p>These recommendations appear sensible. But the level of additional work and assurance required to prepare a fully-fledged grant proposal needs to be proportionate and must avoid turning the process of grant-making into one that is over-bureaucratized, excessively time consuming and rigid.</p>	<p>Needs more discussion</p>

General Recommendations	Specific Recommendations		Aidspan Comment	Aidspan Verdict
		<p>ii. The TRP would review the full grant proposal, in consultation with the relevant LFA, Country Team(s) and the Chief Risk Officer, and then report in writing, drawing attention to any concerns, and recommending the imposition of any conditions deemed appropriate. The TRP would confirm the total amount of the budget for each grant and, within it, ceilings for the main items of expenditure. Independent Budget Analyses would be conducted.</p>		
<p>4.2 Apply risk-differentiated grant processes and requirements</p>	<p>i. Treat the categories of countries in the Fund's risk matrix differently, such that PRs would be eligible for funding under different conditions and in different amounts.</p>		<p>This recommendation is unclear and ambiguous. We are concerned that a narrow determination of risk could become the dominant factor in determining a country's eligibility for funding, with little importance being accorded to the legitimacy and track record of nominated PRs, and to the health needs of the population.</p>	<p>Needs more discussion</p>

RECOMMENDATION AREA #5: EMPOWER MIDDLE-MANAGEMENT'S DECISION-MAKING

General Recommendations	Specific Recommendations	Aidspan Comment	Aidspan Verdict
5.1 Establish a Chief Risk Officer	i. The Chief Risk Officer would report directly to the Executive Director and his/her advisor on risk matters.	The Global Fund needs to be able to assess risk and management. Whether having a Chief Risk Officer (CRO) is the best way to do this is debatable. Much depends on the precise role of the CRO and how this is implemented. It will be important to ensure that a culture of managing risk is implanted throughout the entire organisation, and is not just the responsibility of one person. In addition, it would be vital to ensure that the establishment of such a position does not result in the Global Fund getting the balance wrong between (a) being careful and responsible and (b) being inappropriately risk-averse and over-bureaucratised.	Good, but with a caveat
5.2 Align the staffing pattern to bolster grant-management	i. Increase ratio of country program staff to other units. Specifically, increase the number of FPMs, Program Officers (POs) and Program Assistants (PAs) to enhance in-country grant performance and improved risk-appreciation and mitigation. ⁶	The concept of increasing the number of grant-management staff is fine; but the Fund needs to do a thorough evaluation of what non-grant-management functions in the Secretariat could and should be cut before the decision to proceed can be made. In addition, there is a risk that the Global Fund could become too much of an in-country programme implementer or manager.	Okay, but incomplete and needs further discussion
	ii. Allocate staff resources according to risk-stratification matrix	This is sound.	Good

⁶ Concerning this recommendation, Annex S of the HLP Report adds the following: The EMT should approve a three-month implementation program (skill profiles, level-of effort formula, transfer/appointments/exit processes, etc.) by the end of October 2011, which should incorporate follow-up work to the "Q1 Review" to date. Implementation should be complete by March 2012." In the main text of its report, the Panel says that it " agrees with the Q1 Review's recommendation that the current ratio between priority grant-related and other activities need a radical shift: first to 60:40, and then to 70:30, at least. This would require an initial increase of 45 staff for grant-related activities, followed by a further 60."

General Recommendations	Specific Recommendations	Aidspan Comment	Aidspan Verdict
	<p>iii. Re-engineer human resource processes to provide more rapid and flexible avenues for training, re-training, promotion and assignment.</p>	<p>This is a basic, but sound suggestion that reflects good management practice.</p>	<p>Good</p>
<p>5.3 Empower the fund portfolio managers (FPMs)</p>	<p>i. FPMs, with advice from LFAs, should determine, at the outset of a grant, the priorities for risk-management and grant oversight.</p>	<p>These recommendations would strengthen the Global Fund's approach to countries. But the success of these recommendations will ultimately depend on the quality of the FPMs.</p>	<p>Good</p>
	<p>ii. FPMs should be empowered to make procedural adjustments to reflect the Global Fund's risk and grant management priorities.</p>		
	<p>iii. FPMs should have the authority to make financial adjustments to grants after signature.</p>		
	<p>iv. In the absence of a permanent country presence, the Panel recommends FPMs, POs and PAs should collectively spend 40-50% of their overall time in-country and another 20% of their time interacting from Geneva with key stakeholders in the countries within their portfolios.</p>	<p>This sounds sensible in theory, but, in practice, it will be very difficult to find good quality candidates who would be willing to spend 40-50% of their time abroad.</p>	<p>Poor</p>
	<p>v. The Global Fund Secretariat to consult with LFAs and other in-country players about how to upgrade the skills of FPMs and to develop new promotion procedures for FPMs, POs and PAs, as well as standard operating procedures for FPMs.</p>	<p>These are basic, but sensible suggestions.</p>	<p>Okay</p>
	<p>vi. FPMs should be held accountable for effective communication through Key Performance Indicators (KPIs).</p>		
	<p>vii. A standard term for FPMs, POs and PAs coupled with a well-designed rotation scheme; career pathways; and incentives to prevent rapid turn-over of staff.</p>		

General Recommendations	Specific Recommendations	Aidspan Comment	Aidspan Verdict
	viii. The Global Fund to upgrade its videoconferencing capabilities.		
	ix. The Global Fund Secretariat to re-calibrate the KPIs for the program staff away from rewarding them just for funds disbursed and towards success-and-outcome KPIs based on achievements in a given portfolio.	An important and sensible recommendation.	Good
5.4 Streamline and expand the Country Teams	i. Empower FPMs to be the final decision-maker on the Country Teams. ii. Make the FPMs the single point-of-contact with stakeholders in-country. iii. Align the KPIs of Country-Team members. iv. Systematize the inclusion of LFAs in country-team discussions/interactions. v. Institute regularly scheduled, structured reviews of issues and case studies that arise from the Global Fund's portfolio.	These are sensible and sound suggestions in support of the broader recommendation for the Global Fund to have a firmer grip on in-country grant management and implementation.	Good
5.5 Reinforce the Executive Management Team (EMT)	i. Draw up new Terms of Reference for the EMT. ii. The EMT to have a properly functioning executive staff.	In a large organisation like the Global Fund, the Panel's recommendation to reinforce the EMT appears to be sound. However, there should be more discussion about the role of the EMT vis-à-vis the E.D. and about the EMT's terms of reference.	Good, but needs more discussion.

General Recommendations	Specific Recommendations	Aidspan Comment	Aidspan Verdict
	<p>iii. The EMT to be the body that makes major decisions on grant-making (approval of grant Concept Papers, major modifications to grants, suspensions of grants), delegated to the Secretariat under specific authority from the Investment Committee; and the body that makes recommendations to the Board regarding grant-related decisions which the Board has reserved for itself (e.g., Phase-Two renewals, cancellations).</p>	<p>Suspension of grants is already the prerogative of the Secretariat, as are most modifications. As mentioned above, more discussion is needed on the EMT's terms of reference.</p>	<p>Okay, but needs more discussion</p>
<p>5.6 Leverage the Investment in the LFAs</p>	<p>i. Allocate LFA resources according to the risk-stratification matrix.</p>	<p>These are basic, but sound suggestions. However, based on the findings published by the HLP, there appears to be a need for a more root-and-branch reform of the entire LFA system.</p>	<p>Good, but needs to go further</p>
	<p>ii. Shift the LFA contracts from a task-based to a country-based approach, customized to countries or regions.</p>		
	<p>iii. LFAs to assess the budgets of the grant Concept Papers and participate in the TRP's review.</p>		
	<p>iv. Prioritize paying LFAs to conduct verification work in the field at the level of service delivery, especially of sub-recipients.</p>	<p>This is a sensible recommendation, but one that needs to be costed, assessed in terms of cost benefit, and placed within a wider systems context.</p>	
	<p>v. Tailor the human-resource requirements of LFAs to the country context.</p>	<p>These are basic, but sound suggestions. However, based on the findings published by the HLP, there appears to be a need for a more root-and-branch reform of the entire LFA system.</p>	
	<p>vi. Improve communications between the LFAs and other elements in the Global Fund system.</p>		
	<p>vii. LFAs and external auditors of PRs to meet and share information.</p>		
	<p>viii. Reduce the overlap between external auditors, LFAs and National Audit Institutions.</p>		

General Recommendations	Specific Recommendations	Aidspan Comment	Aidspan Verdict
	ix. Implement systematic sharing of lessons learned and regional experiences across LFAs		
5.7 Define and clarify the role and responsibility of external auditors	i. Audit Committee to approve a set of minimum standards for the scope-of-work for external auditors of PRs.	These are basic, but sound suggestions.	Okay
	ii. Audit Committee to approve a pre-qualified pool of external auditors.		
	iii. Develop protocols to exchange information between the Global Fund and National Audit Institutions.		

RECOMMENDATION AREA #6: GET SERIOUS ABOUT RESULTS

General Recommendations	Specific Recommendations	Aidspan Comment	Aidspan Verdict
<p>6.1 Measure outcomes, not inputs</p>	<p>i. Require and pay for baseline surveys of the incidence and prevalence of the three diseases at the country level.</p>	<p>Having good population-based data on disease incidence and prevalence is clearly important; and this is an area that the Global Fund has already been working hard to make improvements. But the work needs to be financed and implemented through a more coordinated and planned multi-agency approach.</p>	<p>Okay, but needs more discussion</p>
	<p>ii. Mandate and underwrite simple (such as cell phone-based) data-tracking and-management systems in the field.</p>	<p>Promoting the use of mobile phone technology as a way to solve all sorts of health-related problems is fashionable at the moment. The Panel seems have jumped onto the bandwagon. But it is not within the terms and reference of the Panel, nor within its range of competencies, to make such micro-level recommendations about managing data and other logistics in the field. Furthermore, the Global Fund itself should not be micro-managing grant implementers to this degree.</p>	<p>Inappropriate</p>
	<p>iii. Expand data-quality audits and verifications by LFAs and/or technical agencies.</p>	<p>This is already being done by the Global Fund. It is not clear if the Panel considers the existing plans to expand data quality analyses (DQAs) to be inadequate; and, if so, on what basis. DQAs can be expensive and time-consuming. In addition, data quality issues are systemic. Thus, there is a need to ensure a coherent and coordinated multi-agency approach to data quality issues; but the Panel failed to recommend this.</p>	<p>Okay, but incomplete</p>
	<p>iv. Implement more-rigorous pharmacovigilance of drugs purchased with Global Fund resources, at national and international levels.</p>		

General Recommendations	Specific Recommendations	Aidspan Comment	Aidspan Verdict
	<p>v. Coordinate more closely with other donors on data, including the precise attribution of results.</p>	<p>Although coordinating more closely with donors on data is a clearly a good thing, this is a potentially harmful recommendation. The precise attribution of results to financing may sound sensible when looking at it through the narrow lens of the Global Fund only. From a whole systems perspective, however, attributing results to multiple and uncoordinated sources and channels of funding can be a huge logistical and methodological challenge, as well as costly. What is required is a firmer commitment to the principles of aid effectiveness which demand a stronger focus on results but a softer emphasis on donor-driven and donor-specific agendas.</p>	Needs more discussion
	<p>vi. Implement an electronic solution for maintaining, archiving and retrieving records related to grant-management.</p>	<p>Basic, but sound suggestions.</p>	Okay
	<p>vii. Archive communications that contain grant-management decisions</p>		
<p>6.2 Focus on quality and value, rather than quantity</p>	<p>i. Re-write the corporate KPIs to place a premium on impact, not disbursement of funds.</p>	<p>A sound suggestion (as discussed earlier).</p>	Good
	<p>ii. Measure quality, consistency and sustainability of services delivered, not just coverage; hold PRs accountable against measurable results defined within long-term roadmaps; and provide incentives for good performance.</p>	<p>Basic and sound suggestions. However, better measures on the quality, consistency and sustainability require better and stronger generic health information systems. Paradoxically, the insistence of many donors on collecting their own data through stand-alone systems has weakened health information systems; so this is another example where the Panel's recommendations need to be reconsidered.</p>	Good, but incomplete and needs more discussion

General Recommendations	Specific Recommendations	Aidspan Comment	Aidspan Verdict
	<p>iii. Collect and disseminate promising practices in a systematic way.</p>	<p>A basic, but sound suggestion.</p>	<p>Good</p>
<p>6.3 Consolidate the reform agenda</p>	<p>i. Coordinate the work streams from the Comprehensive Working Group, “More Effective and Efficient Global Fund” [plan produced by the Global Fund at the time of the Third Replenishment], the High-Level Panel and strategy-development process into a single, revised Consolidated Reform Plan.</p> <p>ii. Consolidate responsibility for the implementation of all reform efforts into a single entity at the level of the Secretariat, and develop a master plan for all these reforms.</p> <p>iii. Assign clear responsibilities and timelines/deadlines for action.</p> <p>iv. Undertake a thorough external review of the implementation of the reforms in twelve months’ time.</p>	<p>These recommendations make obvious sense, and clearly suggest that the Board should not rush to accept and implement all of the recommendations of the HLP.</p>	<p>Good</p>