Aidspan
Independent observer of the Global Fund

THE GLOBAL FUND’S BUSINESS MODEL: EVOLUTION, NOT REVOLUTION

The Global Fund is in the process of reviewing its business model in high-risk countries. It appears likely that the Fund will proceed to strengthen its existing model rather than make any radical changes to that model – changes that might have included establishing a country presence in some form and in at least some countries.

At its meeting in April 2016, the Global Fund Board decided to “review the Global Fund business model in high-risk countries and assess possible alternative options for further discussion during the second Board meeting of 2016.”

The Secretariat undertook extensive consultations, including focus group sessions with country team members; a survey answered by over 800 in-country stakeholders; and interviews with approximately 50 Board members, committee members, and constituency representatives.

The Secretariat then prepared a discussion paper which reported on the results of its consultations and incorporated its own analysis. The paper was discussed at the committee meetings that preceded the Board meeting in November and then at the Board meeting itself. The paper did not include any decision points. However, it did contain a recommendation that a draft plan be developed outlining improvements that will be made to the current model.

This article provides (a) a summary of the paper that was presented to the Board; and (b) feedback which Aidspan has received from four Board constituencies.

Summary of the business model paper

The paper indicated that five options were considered during consultations, as follows:

1. Improve the current model.
2. Place liaisons in a sub-set of countries.
3. Move a sub-set of country teams in-country.
4. Establish regional hubs.
5. Move all country teams in-country.

Under Option 2, the Fund would relocate or recruit one or two staff per country OR identify partners that could act as liaisons. These resources would be responsible for coordinating with partners and supporting principal recipients.

Under Option 4, all country teams working in the region would be located in the hub.

The Secretariat stated that over 70% of stakeholders interviewed preferred Option 1 (improve the current model). At the other end of the spectrum, the Secretariat said no one recommended that the Global Fund move country teams into all countries.

In between, 20% of survey participants favored either Option 2 (place liaisons in a sub-set of countries) or Option 3 (move a sub-set of country teams in country) – or a combination of the two. Only 6% favored Option 4 (establish regional hubs).

The discussion paper devoted a fair amount of space to making the case for why having a country presence is not a good idea.

For example, the paper said that while being in country makes it easier for country teams to actively manage grants, “the limited size of the country teams, whether in country or in Geneva, means that even with country presence, the Global Fund will still need to rely on partners and its local fund agents to follow up on work.” The Secretariat said that one of the key concerns cited by stakeholders was that the Fund would struggle to remain in its role of a funding agency and, if based in country, would stray into being an implementer.

According to the Secretariat, some stakeholders expressed concern that the introduction of Global Fund staff in-country, even if light and tailored (e.g. liaison officer), might open the door in future to greater levels of Global Fund country presence. In addition, questions were raised about how effective a liaison officer could be. “As the country team would retain most of the decision making powers,” the Secretariat said, “the liaison would have limited scope to take action.” The Secretariat said that partners questioned the effectiveness of a liaison that is not empowered to act on behalf of the Global Fund while others, especially country teams, worried that an empowered liaison could cause confusion and tension around the role of the country team compared to the liaison.

Finally, the Secretariat said that, operationally, shifting staff to countries represents significant legal, logistical and management challenges. For instance, it would be critical to obtain privileges and immunities agreements to protect the staff. Other challenges include identifying appropriate office space, managing the consistency of Global Fund messages, and determining how much decision-making autonomy should be granted to teams in countries. The Secretariat said that this does not mean that the business model cannot be changed, if there is a compelling reason to do so, but it said there would need to be further analysis to understand the implications and, potentially, a phased approach to establishing an in-country presence in order to learn and incorporate lessons.

The Secretariat said that a presence in country, if needed, should be tailored to the specific challenges. It added:

"For example, in some instances the Global Fund could benefit from having a team in country that might vary in size based on the need. In other instances, the Global Fund could have a designated representative in country, like a lead partner or hired contractor, who undertakes project management and partner coordination work. Alternatively, the Fund could second one or more country team members from Geneva to work in country for several months at a time."

However, even when discussing the potential advantages of the Fund having an in-country presence, the paper remained skeptical: "Interestingly, many of the proposed alternatives suggested by stakeholders can be accommodated within the existing model, short of having staff permanently based in countries."

Improvements to the existing business model

The discussion paper included a section listing improvements that could be made to the existing business model. The paper emphasized that work had already begun on many of these improvements. The improvement fell into three categories:

- partner engagement and portfolio management;
- risk management; and
- CCM strengthening.

Partner engagement and portfolio management

Stakeholders suggested several changes to the way country teams work with countries and partners. Here is brief overview:

1. Leverage effective partners or hire contractors. This would involve making formal arrangements with partners or hiring contractors to address challenges to grant implementation
2. Mainstream Implementation Through Partnership. This would involve strengthening coordination and engagement of partners at all levels (country, regional, and international).
3. Encourage longer country visits. This could involve having staff visit in-country for one month or longer. This would allow staff to address specific problems within a country over a defined period, such as ensuring the development of adequate financial controls within the principal recipient, or catalyzing government and partner alignment around a project for the national supply chain system transformation.
4. Tailor skill sets to country needs. Some stakeholders believed that the skills of some country teams could be better adapted to the needs of their respective countries.
5. Strengthen performance monitoring and learning. This could involve conducting annual surveys of how country teams are performing, and addressing any deficiencies through training.
6. Strengthen knowledge sharing. This could involve providing opportunities for information-sharing among country teams and, potentially, among implementers.

The paper pointed out that some of these suggestions (i.e. #2 and #4) were already being operationalized through the Priorities Action Plan (PAP).

Risk management

Survey respondents said that there are a number of enhancements the Global Fund can make to strengthen risk assurance assessments and link them more closely to the deployment of mitigating actions. These enhancements included the following:

1. Streamline assurance provision and risk mitigation measures. As described in the PAP, in high-risk portfolios country teams are comprehensively assessing risk and then designed measures to mitigate them.
2. Improve performance of service providers. The Global Fund could develop training for country teams on strengthening the links between reportable findings and management action.
3. Expand in-country assurance to new actors. As part of the PAP, work is underway to expand the types of services the Fund can use to review program and data quality.
4. Streamline risk assessment tools. Work is underway to simplify and integrate both the Capacity Assessment Tool and the QUART Tool and embed their use into what the Secretariat referred to as “the new Grant Operational System” at key points in the grant lifecycle. The new tool will be ready for country team use in the first quarter of 2017.
5. Improve the quality of financial audits. Several initiatives are already underway.
6. Develop and roll-out financial risk and assurance guidelines.
7. Strengthen measures to prevent fraud in portfolios with high fraud risk. Stakeholders suggested that fraud prevention processes such as ethics and compliance training, and due diligence on PR employees and third parties, should be further developed and implemented. In fact, the Global Fund has started a cross-divisional project to strengthen due diligence; it will be fully implemented in 2017.
8. Contract experts to work with high-risk countries. These experts could support implementers in improving the quality of their controls.

CCM strengthening

Several changes were proposed, as follows:

1. Strengthen engagement with CCMs. Some FPMs are more effective than others in promoting reforms on CCMs. Stakeholders suggested identifying good practices and describing them in a guide.
2. Use performance-based funding to encourage reform. This is a work in progress.
3. Clarify knowledge of appropriate behavior of CCM members. This could include ensuring that all CCM members sign a code of conduct; improving new member inductions; conducting regional workshops for CCM members.
4. Identify “champions” amongst the development partners’ groups. These champions could be utilized in the regional workshops.

Recommendations

The Secretariat recommended that the Global Fund focus near-term efforts on implementing the proposed improvements “while maintaining its long-term commitment to continuously assessing and adapting the business model.”

The Secretariat said that in January 2017 it will develop (a) a draft plan that describes the key milestones and timelines to implement the improvements; and (b) draft assessment criteria and a timeline for measuring the level of baseline risk and residual risk after the proposed changes have been put in place. A teleconference will be held with committee members to discuss the draft plan.

The Secretariat also said that by March, it will perform additional analysis of similar organizations with country presence to understand how these organizations manage common in-country risks and what good practices the Global Fund may learn from them. The findings from these analyses will be incorporated into the implementation plan.

At the March-April-May cycle of committee and Board meetings, the Secretariat will report back to the committees with an implementation plan and provide an update on progress on ongoing initiatives related to improving the business model.

Feedback from Board constituencies

Aidspan invited all Board constituencies to comment on the issues raised in the business model paper. Below, we provide the responses we received from four constituencies.

Germany

The Germany constituency said that it welcomed the decision of the Global Fund to take a fresh and frank looks at its business model. Speaking on behalf of the constituency, Heiko Warnken, Strategy Committee member and Alternate Board Member, said that “the flexibility to adjust the model and our processes are elementary to a learning organization.” He added that some of the core principles of the Global Fund, such as country ownership and multi-stakeholder collaboration, are essential factors to successfully achieve the sustainable development goals (SDGs). “Therefore, we believe that these principles should remain at the heart of the Fund’s business model.”

In addition, Mr Warnken said, the lean methodology employed by the Global Fund so far seems to have worked well. “Having said that, however, we realize that in some country contexts adaptations of the overall model might be necessary. In our opinion, these should remain exceptions.”

Mr Warnken said that the Germany constituency fully concurs with the key areas for improvement that were identified by the review – partner engagement and portfolio management, risk management, and CCMs. “Looking at the core of the expectations and tasks behind these three issues,” he said, “improvements on these matters seem to depend on the functioning of the CCMs – specifically:

Partner Engagement. “The CCM should be the platform where partner engagement is planned and portfolio management is overseen at country level. We would expect to see CCMs much better connected to the planning and decision-making of the national health sector overall; they should combine expertise on the three diseases with health and community systems strengthening, human rights, and gender equality. CCM Membership should ideally reflect all priority areas of the Global Fund’s Strategy as well as all relevant players, of course – government, CSOs, communities, development partners, private sector; all need to be actively engaged.”

Risk Management. “CCMs are tasked with grant oversight. They should – according to their mandate and agreed core functions – be an important player in the identification and mitigation of risk related to the Global Fund’s large scale investments. Over the past few years, many CCMs have initiated oversight mechanisms. This is welcome and should be built on. To support oversight in CCMs, it is impossible not to address the issue of conflict of interest in CCMs.”

Mr Warnken said that the effective operationalization of CCMs is one of the game changing factors in the successful implementation of the Global Fund’s strategy and the achievement of its goals – “and, therefore, is also imperative to the Global Fund’s contribution to the SDGs.”

Finally, Mr Warnken said that the Germany constituency is looking forward to further discussion on the business model at the next Board meeting on 3-4 May in Kigali, Rwanda.

Point Seven constituency

On behalf of the Point Seven constituency, Ambassador Carsten Staur, Global Fund Board Member and Permanent Representative of Denmark to the U.N. in Geneva, provided Aidspan with the following comment:

“We welcome the work and analysis presented by the Secretariat so far. Our point of departure is that we cautiously support the recommendation in the Secretariat paper to continue with the present model whilst making improvements where necessary and possible to address the challenges in different settings. There will always be room for improvement and adjustments of the model to ensure the efficient use of our investments and the achievement of our common goals. We continue to ask for greater attention to the necessity of a strengthened linkage between the Fund (e.g. through CCMs) and in-country coordination mechanisms as well as the broader sector dialogue. We therefore appreciate the intentions to improve the partnership model and we believe that better leveraging of technical partners in-country is possible and should be pursued.”

World Health Organization constituency

Speaking on behalf of the WHO constituency, Dr Mubashar Riaz Sheikh, Strategy Committee member, Alternate Board member, and Director, Strategic Partnership & Cross Cutting Coordination, HIV, Tuberculosis, Malaria and Neglected Tropical Diseases Cluster at the WHO, said that two of the most important actions the Global Fund should take to strengthen its existing model are related to the CCMs and to partner engagement.

Dr Skeikh pointed out that although the CCM topic was brought up as a stand-alone agenda item at the last Board meeting in November 2016, the Global Fund Secretariat seemed to want to address CCMs as part of its plan to enhance its business model. He said that the WHO is glad that CCMs will be discussed during the Board retreat at the end of February because it is an important pillar of the Global Fund business model and is particularly important to ensure country ownership for a true sustainable transition. Dr Sheikh added that strengthened CCMs are also crucial to help achieve the objectives of the Global Fund Strategy 2017-2022. For instance, he said, the representation on CCMs of certain groups such as the ministries of finance and the departments for reproductive, maternal, and newborn health, need to be re-thought. In addition, Dr Sheikh said that, as compared to the three diseases, the broader national health system is less adequately represented on CCMs.

In Dr Sheikh’s view, partner engagement, in particular at country level, is fundamental. The Global Fund is about partnership, he said, so this needs to be put in practice in an inclusive and planned manner. During the country dialogue, planning on how to use the Global Fund allocation, mapping on the various elements needed for a strong proposal, and then a smooth implementation – as well as the support needed and who should provide it – should be discussed and agreed. Dr Sheikh said that countries need to have the choice to be accompanied during their entire grant cycle and to get expert and adequate support. He added that South-to-South collaboration needs to be further developed, with more opportunities for peer-reviews, mock-TRP sessions and opportunities for exchanges of experience among countries.

“The Global Fund Business model is strong,” Dr Sheikh said, “It has been able to achieve impressive results during the last decade. It has already gone through a change with putting in place its new funding model instead of the round-based system. Most Global Fund Board members prefer to improve thecurrent model rather than go through a drastic change. There is definitely room for improvement and theGlobal Fund should continue to strive for excellence, work closely and openly with its partners and adaptitself so that countries have stronger programs and achieve their national targets.”

West and Central Africa constituency

The communications focal point for the West and Central Africa constituency, Abdoulaye Ciré Anne, told Aidspan that “while the current business model has obvious strengths, there are nevertheless challenges that need to be addressed in the areas of partner engagement, risk management, and CCM functioning.” Specifically:

Partner engagement. “Unfortunately, some partners are reluctant or, at best, indifferent regarding the need to strengthen the capacities of countries to play a greater role in managing programs.”

Risk management. “We are concerned about what we see as a lack of synergy among the different actors involved in managing risks in-country. However, we remain optimistic that progress is being made in implementing risk management practices. We believe that the Global Fund is approaching a level of ‘institutional maturity’ with respect risk management.”

CCM functioning. “From the perspective of the African constituencies, although the creation of the CCM Hub in the Secretariat in 2012 has resulted in improved policies and monitoring, we know from our own experience and from the report on CCMs by the Office of the Inspector General that the support the Secretariat should be providing to CCMs is still not clearly defined.”

Further feedback?

Other Board constituencies that would like to comment on the business model discussions should contact the author (david.garmaise@aidspan.org). We will endeavor to include such input in an upcoming issue of GFO.

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