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OIG REPORT ON ITS AUDIT OF THE COVID-19 RESPONSE MECHANISM (C19RM)

On 15 April 2021, the Office of the Inspector General (OIG) published its report on its [audit of the COVID-19 Response Mechanism \(C19RM\)](#).

Background

Everyone is aware of the global COVID-19 pandemic and has, in some way, been affected by it. The audit report contains annexes that provide outlines of the pandemic evolution, the global situation, impact on health and Global Fund programs, the Global Fund's COVID-19 response chronology, COVID-19 initiatives, the C19RM's key features, and C19RM governance.

A C19RM sub-group was formed from the Business Continuity Planning Group to develop the mechanism. It included representatives from Grant Management, Finance, Risk, Legal, Sourcing, Information Technology (IT), Human Resources, Community Rights and Gender (CRG), Operational Efficiency and other key departments. It met up to three times a week between 20 March and 20 April 2020 to conclude C19RM's initial design.

A dedicated structure – the C19RM Secretariat – was created, tasked with overall responsibility for C19RM operations, communication, and application screening. An Investment Committee was set up to oversee the entire process, resolve escalated issues and approve funding decisions.

The C19RM was initiated as a six-stage process with the following target timelines:

- Day 1 – The Funding Request (FR) developed by the Country Coordinating Mechanisms (CCMs)

- with the Global Fund Country Team support had to be submitted by 15 April 2020;
- Day 10 – The Notification Letter, which confirms the total funding approved by the Investment Committee, is shared with the country;
- Day 15 – Pre-requisites are determined that identify health products, lists of items, costs and delivery details;
- Day 34 – The detailed budget is revised when the budgets are finalised in parallel, then incorporated into existing regular disease grants with the Principal Recipients (PRs) through Grant Revisions;
- Day 45 – Once the budgets are approved, the revised grant is formalized via an Implementation Letter; and
- Day 50 – Funds become fully available when the grant's Purchase Order (PO) has been approved.

\$759 million was made available under the C19RM comprising \$500 million approved by the Board and \$259 million in additional funding received from Canada, Denmark, Germany, the International Federation of Association Football (Fédération Internationale de Football Association, FIFA), Norway, and Sweden.

The Global Fund intended the funds to be used on the following three objectives:

1. 55% on reinforcing national COVID-19 responses.
2. 34% on mitigating the impact of COVID-19 on HIV, TB and malaria programs.
3. 11% on urgent improvements to health and community systems.

As of 12 March 2021:

- 105 FRs had been received, of which 95 were approved;
- 100 Implementation Letters had been signed and 29 Grant Confirmations had been signed; and
- \$267 million had been paid or committed to the Pooled Procurement Mechanism (PPM) and approximately \$245 million had been disbursed to countries.

As of the end of February 2021, there had been 30.5 million confirmed COVID-19 cases and 640,000 reported deaths in countries where the Global Fund operates. Of those cases, 87% were concentrated in high-impact countries in Asia, Eastern Europe and Central Asia, and Latin America and the Caribbean (LAC).

The OIG audit assessed the C19RM's adequacy in providing emergency support to countries, and reviewed the design and effectiveness of the policies, systems and structures used to develop and operationalize C19RM. During the audit, the OIG: surveyed 83 CCMs with a response rate of 72%; reviewed 100 funding requests and approvals; surveyed 132 PRs with a response rate of 67%; interviewed 16 Global Fund Board/Committee/Management Executive Committee members; and sampled 14 countries and interviewed their respective Country Teams. Given the timeframe, the review could not cover grant flexibilities, or the implementation of C19RM activities at the country level. Due to COVID-19 travel restrictions, all fieldwork was performed remotely.

A two-level approach to OIG's review was adopted:

- Organizational level: review of processes, systems, and structures of the Secretariat, Board and Committees to design and deploy the C19RM; and
- Portfolio level: sample-based review of country applications to assess how the Secretariat adapted its processes to support implementing countries.

Audit Findings

Development and Design of the C19RM

While rigorous, the C19RM development process was time-consuming, especially since the mechanism was entirely new.

Following C19RM's development, a robust, consultative and inclusive mechanism was put in place to ensure timely approval of the FRs. This was formalized by a memo from the Executive Director, and additional guidance was provided to the C19RM Secretariat and Country Teams. While materially adequate for an emergency response, there is room for enhancements in any future use of the mechanism.

C19RM's design took into account Global Fund strategic objectives and aimed to help countries mitigate the pandemic's impact on the three diseases and support national systems in tackling COVID-19. Countries' share or allocation of C19RM funding was determined using Global Fund disease allocation methodology which was approved by the Global Fund Board. The C19RM Secretariat, a small team of six people, was tasked with screening all FRs to ensure they were complete and fulfilled eligibility requirements, followed by an internal review by Global Fund technical teams (Finance, Supply Operations, Legal, CRG, Technical Advice and Partnership (TAP) and CCM). An Investment Committee, comprising heads of all key departments, was tasked to assess the Global Fund's technical teams' recommendations and approve all FRs. The Technical Review Panel (TRP) and Grant Approval Committee (GAC) reviews were not included in the process to ensure rapid decision-making. In line with C19RM policy, the Investment Committee adjusted allocations on a case- by-case basis, to improve alignment with the COVID-19 burden, country needs and other factors.

Adjustments had to be made such that total COVID-19 allocations (both C19RM and Grant flexibilities within disease programs) did not exceed 10% of country allocations for the 2020-2022 replenishment period. In nine exceptional cases, allocations exceeded this 10% cap with Executive Director approval. While fully approved and correctly applied, the model generated huge variations in "per COVID-19 case allocation" between countries, even after adjustments. Given the Global Fund's core mandate for the three diseases, standardized allocations per COVID-19 case cannot be expected. However, going forward, if additional significant funding is available, and if a higher alignment of allocations with COVID-19 incidence, mortality or vulnerability is desired, the model will need to allow higher qualitative adjustments.

Roles and targets were properly defined, with clear requirements on departmental and executive management sign-offs, and escalation thresholds. This enabled a timely response to support countries in fighting the pandemic. Also, policies were revised when needed reflecting experience from implementation or evolving requirements.

CCMs and PRs corroborated the OIG's conclusions on the proper design of the C19RM policy framework, with 88% of CCMs rating the process as 'excellent' or 'good', both for quality and timeliness.

The C19RM has evolved since its initiation in April 2020. Given the exceptional circumstances and emergency need to deliver a funding response to the pandemic, in the early stages of implementation the Board/ Committees relied on the Secretariat's update reports on the mechanism, without specific Key Performance Indicators (KPI) requirements. The Secretariat has provided regular and detailed updates to the Board on amounts approved, commodities ordered, and COVID-19's impact in the countries supported by the Global Fund. In June 2020 the Secretariat set up KPIs to monitor the progress of C19RM grants and report results to the Investment Committee. The initial focus was on speed of FR approval with a KPI to monitor the time taken for FR review. This helped drive a keen focus on application processing and funding approval; 90% of FRs were approved, and Notification Letters were sent to countries within 11 business days of FR review start date. However, timelines for the next stages of

C19RM, such as completing grant budgets and grant signing, were not monitored. OIG noted delays in revising and signing grants, which took on average 51 days to finalize, compared to 38 days in the operational policy. These delays produced operational bottlenecks.

In October 2020, the Secretariat, following an internal joint review by Finance-Risk teams, introduced two additional KPIs for Investment Committee reporting:

- Notification template sent to applicants requesting grant budget details (with a target of 15 business days from the date of the C19RM Notification Letter); and
- Percentage of grants that completed the C19RM budgets and were signed (target of 38 working days from issuance of Notification Letter).

The OIG found the KPIs adequate to measure the grant revision/signing process.

Effectiveness of C19RM roll-out

CCMs and PRs identified competing priorities as the biggest challenge both in FR development and during C19RM implementation. While applications were submitted with some delays, the Secretariat promptly reviewed and approved them. Once submitted, the Secretariat fast-tracked screening and review of C19RM funding requests. 72% of C19RM funds were approved within two months of receiving the first applications on 20 May 2020.

There was a good start to implementing activities at the country level. As of December 2020, 97% of PRs that responded to the OIG survey said they had started implementing C19RM activities. 30% started in July/August, 26% in September/ October and 20% in November/December. Of those that had started, 80% had initiated both procurements and other grant activities. 70% of responding PRs said they had used the flexibility to start using funds upon receiving the notification of approval. This has partly mitigated delays in finalizing C19RM budgeting and grant signing, which took on average 51 calendar days, against a target of 38 days.

It should be noted that C19RM grants constituted a small percentage of total Global Fund funding for most countries. Multiple competing priorities, including for grantmaking for 2020-2022, which constitutes the main Global Fund funding for most countries, has been a key implementation challenge for C19RM activities. Competing priorities at the country level were identified as a key implementation risk by 305 of PRs. The risks will change as significant additional funding becomes available. While entailing a higher workload, this will also enhance prioritization.

With respect to health commodities, PRs were allowed multiple flexibilities to fast-track procurements, including the option of procuring outside Wambo (the Global Fund's online sourcing portal) and the PPM. After a slow start, the Secretariat increased the use of Wambo/PPM and fast-tracked procurements significantly in early 2021. However, challenges and risks exist on the visibility of procurements and timely delivery of commodities, particularly for non-Wambo/PPM items. A key need for countries in responding to COVID-19 are diagnostic test kits and personal protective equipment (PPE), both of which are in short supply globally. To fast-track procurements, PRs were allowed to initiate them as soon as fund approval notifications were shared with countries, without waiting to complete the grant revision process.

Of the total C19RM funding, procurement-related activities (diagnostics and PPE) make up approximately 60% (\$458 million). Timely procurements are critical for C19RM utilization and impact. However, by the end of February 2021, only 58% of total C19RM budgeted procurements had their orders initiated in Wambo. After addressing initial bottlenecks both at the country and the Secretariat level, the Secretariat fast-tracked procurements through Wambo/PPM significantly, especially in early 2021. However, as procurements can have significant lead times, all remaining orders need to be expedited to ensure

completion by 30 June. Going forward, the Secretariat will need to have a view on all requests for commodities, to ensure procurements are not delayed, and any bottlenecks are proactively addressed.

Overall conclusions

Overall, the OIG found the development and design of the C19RM process to be materially adequate and effective for an emergency response. However, going forward, to respond to evolving pandemic and country needs, and if significant additional funding is allocated for a longer implementation period, a more flexible and agile approach will be needed to ensure that the model remains responsive to limitations and changes over time in line with the quality of the data reporting.

Regarding the effectiveness and timeliness of roll-out, Funding Request review and approval was effective and materially compliant with policy requirements. The C19RM Secretariat screened all FRs to ensure policy compliance, and strong controls were applied during the review process by various Secretariat teams. Outstanding issues were adequately tackled within grant budgets or agreements. Some exceptions were noted in compliance of controls to ensure inclusiveness and joint ownership of applications, both at country and Secretariat levels.

Regarding monitoring, the Secretariat has implemented additional KPIs on timelines for grant budgeting and signing but not yet for implementation at the country level. Current reporting tools have a six-month (or twelve-month in some cases) reporting cycle. Acknowledging the implementation risks, monitoring and reporting mechanisms should enhance visibility, proactively tackle operational challenges and better inform strategic responses. While difficult to measure and attribute, there is a growing need to measure the results achieved by C19RM, especially if funding increases over time.

OIG concluded that, overall, the C19RM roll-out has been partially effective in ensuring that funds and commodities are available in-country and are being used in a timely manner.

Agreed Management Actions

The Secretariat will use the outcomes of the OIG audit and its own self-review and lessons learnt to enhance the following areas within the C19RM:

1. The allocation methodology to improve linkage, agility and responsiveness to evolving pandemic, data quality and availability, and country needs.
2. Monitoring and reporting for C19RM activities throughout the C19RM grant cycle, in line with the Board approval. The options will consider workload trade-offs, competing priorities and data limitations.
3. The guidance to CCMs and PRs to improve the implementation of C19RM framework (including use of flexibilities).

Observations

This report provides a comprehensive account of how the Global Fund responded to the COVID-19 epidemic. However, it does not convey the scale of the efforts and changes that occurred to enable the C10RM to evolve and be implemented.

Although termed an audit report, it would have been more accurate to refer to it as a review report. Indeed, under the methodology section, the term 'review' is used. Although it is stated that a two-level approach was adopted for the review, the report structure does not reflect this.

It is evident from the various figures in the report that substantial use was made of slides from presentations made during 2020. That is understandable, although not all the slides are easy to readily comprehend. Moreover, greater care should have been taken in the use of materials from earlier reports and editorial review of this report. For example, under section 3.1.3 (Lessons learned monitoring systems), it states that “the Board/Committees have so far relied on the Secretariat’s update reports on the mechanism, without specific KPI requirements.” Subsequent paragraphs contradict this statement as they explain the KPIs that were developed and introduced.

The OIG review included a sample of 14 countries but the basis for selecting those countries is not explained. Given that, in the background provided, it states that 87% of reported COVID-19 cases were concentrated in high-impact countries in Asia, Eastern Europe and Central Asia, and LAC, it appears strange that 10 of the 14 sampled countries are in Africa and no countries from LAC were included.

The OIG’s finding that the C19RM roll-out was only partially effective may come as a surprise to some who might regard the roll-out as an amazing success given the disruptions, uncertainties and new working modalities that Secretariat staff have had to contend with. For others, however, there were doubtless some weaknesses that will hopefully be addressed in the second iteration of COVID-19 funding requests.

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