



Independent observer
of the Global Fund

OIG SAYS NATIONAL STRATEGY FINANCING MODEL PILOT IN ETHIOPIA SHOULD NOT PROCEED AT THIS TIME

Neither the Global Fund Secretariat nor Ethiopia have the necessary systems in place to allow for a national financing strategy model to be implemented at this time. This is the conclusion of a pre-implementation review commissioned by the Secretariat and conducted by the Office of the Inspector General (OIG). The review was conducted between September and November 2014. A report on the review was released on 25 February 2015.

The Secretariat has agreed that more work is required before it can proceed with this project.

The national financing strategy model for grant implementation, previously referred to as a “results-based financing model,” emphasizes outcomes and impacts rather than outputs and services provided. The grants are aligned with national systems, and the implementers have more flexibility in how grant funds are used. (There is a national financing strategy pilot currently underway in Rwanda.)

In a briefing note prepared in July 2014, the Secretariat indicated that it planned to move Ethiopia’s malaria component to a national financing strategy model in 2014, and to do likewise with the HIV and TB components in 2015 and 2016.

The plan was to channel funds through the Millennium Development Goals Performance Fund (MDG-PF), a \$676 million pooled funding mechanism managed by the Ministry of Health. At the time of the OIG assessment, eleven donors funded the MDG-PF, which is based on a “one budget, one plan, one report” principle.

Even before the OIG began its assessment, the Secretariat had already identified (in its briefing note) six

weaknesses in the implementation of Ethiopia's malaria grants, which it labeled "high risk":

- inadequate M&E and poor data quality
- theft or diversion of non-financial products
- poor financial reporting
- treatment disruption
- substandard quality of health products
- inadequate principal recipient reporting and compliance

In its assessment, the OIG concluded that the Secretariat did not do enough to mitigate these risks before deciding to implement the national financing model. The OIG said that internal controls in Ethiopia are still "under construction" and that "the assurances over grant objectives were fragmented and uncoordinated".

The OIG said that the proposed model "neither corrects nor provides incentives to correct" known weaknesses, and does not link disbursements to improvements in systems. Nor does it set minimum standards for reliance on national systems.

With respect to internal controls, the OIG made the following observations:

- Data collection, monitoring and evaluation: Ethiopia's health management information systems lack robust mechanisms to identify and correct known weaknesses and ensure quality and timely data.
- Financial management: All levels of Ethiopia's federal system of government lack controls.
- Procurement and supply chain management: Mechanisms to review stock data quality and reconciliation between stock levels, stock cards, and health data at facility level are inadequate.

The OIG said that the Secretariat has no mechanism to formally develop and approve new models of grant management, a finding that it said applied both to the proposal for Ethiopia and to the national financing strategy model already underway for HIV grants in Rwanda.

The OIG said that for both pilots, there was no examination of the risks inherent to adopting alternative ways of doing business, and no identification of the level of assurance required to ensure that the strategic objectives will be met.

As a result of the OIG's findings, the Secretariat said that it will assess the validity of pursuing national strategy financing on a case-by-case basis. It will provide a justification for any pilot projects that will include as a minimum:

- a full articulation of the rationale used to determine that a particular country is suitable
- a description of the system of internal controls in place, including critical controls, weaknesses and vulnerabilities
- evidence that the system of internal controls has been independently and thoroughly tested and that there is a remedial action plan in place to address key weaknesses.

The Secretariat will also implement a mechanism for developing and approving alternative grant management modalities. Should the Secretariat decide to proceed with national strategy financing or another modality in Ethiopia, it will adopt a phased approach.

Ethiopia is a major recipient of Global Fund money. As of November 2014, it had received more than \$1.4 billion in grants. For the current period, Ethiopia has been allocated \$591 million.

A spokesperson for the Global Fund told Aidspace that the national financing strategy pilot already underway in Rwanda will proceed as planned.

Input from the Technical Review Panel

In a recent [report](#) on Windows 3 and 4 of the NFM, the TRP made some observations that were similar to the OIG's findings. The TRP said that the Global Fund was piloting different models of results-based financing simultaneously without first developing a clear framework to define and explain how each model would work. The TRP recommended that the Secretariat strengthen the evaluation of the models and share the evaluation reports with stakeholders.

The TRP has prepared a paper on results-based financing at the Global Fund. It is included in an annex to the report on Windows 3 and 4.

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