FINANCE TRANSFORMATION AT THE FUND: NEW BOTTLE, HOW WAS THE WINE?

In September 2012, as part of the overall transformation of the Global Fund, the incoming new chief financial officer Daniel Camus also took up the challenge of reforming the Fund's financial management. Over the past 18 months, he has led a growing team of financial experts whose work has now touched nearly all aspects of the Global Fund's operations.

Background

Many of the reforms over the past two years originate in recommendations by the High Level Independent Review Panel (HLP) on Fiduciary Controls and Oversight Mechanisms (see GFO article). Amazingly, financial reform was not specifically mentioned in the recommendations, although the transformations underway relate to many of the HLP's recommendations.

Camus' diagnosis of problems and challenges in the Fund's financial management began within days of his arrival. Now described as "shortcomings" these challenges include: limited ownership of financial data; unclear processes at all levels; no corporate planning; a lack of data integrity and reliability; inefficiency and inconsistency due to multiple entry sources under different systems; and no reliable reporting.

So comprehensive is this list that "shortcomings" may be an understatement; it might be more accurate to refer to a situation of "near disaster". The reality was that prior to their reform, financial management systems were unstable, inefficient, under-resourced with potentially disastrous consequences.

What has the Fund done so far?

Each shortcoming has been, or is being, addressed by what has been called the Finance Transformation "Step Up" Project, which aims to produce, as Camus says, "more reliable, automated and accurate financial data, using streamlined modern processes and systems" that are both secure and efficient. The 'Step Up' Project, launched in October 2012, seeks to:

1. Create simplified, clearer and automated processes, requiring a redesign or initiation of end-to-end processes that align with the way the new funding model (NFM) works.
2. Ensure financial data integrity and consistency, requiring standardization in the financial language used, and generating a comprehensive finance manual. A financial accountability framework and financial data model for use in planning and transactional data management were also generated.
3. Improve organizational efficiency by establishing clear roles and responsibilities for financial staff and management, and develop the principle of ownership and associated skills for finance processes for everyone at the Fund.
4. Develop an integrated and automated IT architecture, necessitating the creation of new or reconfigured finance systems throughout the Fund, and developing automated interfaces with structured reporting systems. This is intended to give state-of-the-art web access to information and provide access to the same finance data across the organization, to solve problems at source and speed up all transactions.

According to Adda Faye, the 'Step Up' program's project manager, the team has also "invested substantial efforts in change management to train 80 business and finance users of systems to ensure a migration of more than a thousand grants into the new systems."

"There are now three golden rules for finance," Faye said. "There must be one single point of entry for all financial data. There must be one single version of the truth. And, there must be one set of master data available in all systems."

Her illustration of how long it used to take to change a bank account details in the former system (months) or record newly signed grant agreements (months), and her demonstration of what it will take now – a few days – was impressive.

Figure 1, provided by the Finance Division, shows how the 'Step-Up' project works across the Global

Fund cycle.

Main characteristics of the reforms

The new financial management system implements and integrates five financial software applications called 'platforms'. All grant data are entered through a single portal using the 'Salesforce' platform; this includes databases used to manage grant-making and management information including concept note management, all data generated by the NFM and all grant disbursements and procurement data.

Aidspan understands that grant data are being stored centrally in a data warehouse and will eventually be largely available on the Global Fund website. Procurement data will also be stored there, once price and quality reporting (PQR) data and other systems are integrated. There have been no decisions taken as to how much of this information will then be made public, although the Fund has in the past made PQR data available in spreadsheet format.

Grant data are collated on the 'OBIEE' platform, to enable future use of dashboards for the structured

reporting of key performance indicators (KPIs) and grant performance indicators. These dashboards should be ready for testing after mid-2014, and made public later in the year.

Figure 2, provided by the Fund's Finance Division, describes the interactions and relationships between the various applications.
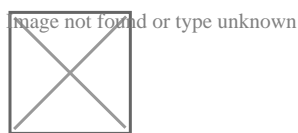
The rest of the finance data are managed across another three platforms. These platforms are necessary for the Fund to manage financial functions such as Treasury — foreign exchange, income and transactions (ie expenditure or payments) — and the operating budget (OPEX).

The platforms are built on an Oracle-designed system, which will coordinate corporate finance including human resources, purchasing and grant finance, and will provide an automated check of expenditure both for grants and operating costs of the Secretariat with an appropriate approval hierarchy.

This system interfaces with a tool for budgeting and planning run on Hyperion, to allow grant managers to maintain historical data and make forecasts of grant commitments and disbursements for up to three years. This system will allow for identification of any data inconsistency much earlier and more accurately than the older systems.

A final financial application called 'Kyriba' brings the Oracle and Hyperion systems together to manage the Treasury's side of the Fund. 'Kyriba' automates disbursement processes using the global banking tool known as Swift, which assigns individual codes to financial and non-financial institutions to expedite financial transactions including transfers. This should allow the Secretariat to disburse funds directly, safely and reliably while maintaining control of financial flows.

The overhaul of the financial management system will eventually see the Fund assume responsibility for the commitment and disbursement processes currently handled by the World Bank. A detailed hand-over for the transfer of these processes via a joint workplan has been agreed and will be implemented through 2014.

The 'Kyriba' application will also underpin the implementation of a foreign exchange policy to mitigate the impact of currency fluctuations across major denominations. This will ultimately safeguard donor funds and serve as insurance on assets held.

Now that the new financial management system is in place, it is left to make sure it is user-friendly and accessible. This has required extensive training through a 'train the trainer' model developed by the Finance Division. As of March, more than 100 trainers, including 40 'change' champions,' were ready to deploy. More than 400 staff members have attended workshops or large meetings on the new system, and some 150 staff were involved in the design and pilot testing of the system.

Not every aspect of the new system is ready for prime time, however. The NFM uses a modular system for its management and the Finance 'Step Up' Project will eventually mirror this to ensure that reporting is consistent, verifiable and standardized. Dashboard-style reporting awaits finalization but is being hailed as transformational for the monitoring and evaluation of grants.

Such an overwhelming and deep financial transformation will need to be tested and retested to ensure both high quality and high functionality. Already it is a vast improvement over the previous financial management systems employed by the Fund. Given the silence concerning finance systems in the HLP's recommendations, we can only hope there will not be a similar silence concerning the new financial management systems.

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