Managing Risk in Fragile States: Putting Health First!

Optimising the Efficiency of the Global Fund's Grants

Solthis
THERAPEUTIC SOLIDARITY
& INITIATIVES AGAINST HIV/AIDS

Report avalaible on www.solthis.org

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Acronyms and Abbreviations

FA	Fiduciary or Fiscal Agent
ODA	Official Development Aid
OIG	Office of the Inspector General
CCM	Country Coordinating Mechanism
GF / GFATM	Global Fund / Global Fund to fight Aids, Tuberculosis and Malaria
LFA	Local Fund Agent
WHO	World Health Organization
NGO	Non-Governmental Organisation
UNAIDS	The Joint United Nations Programme on HIV/AIDS
FPM	Fund Portfolio Manager
PPM	Pooled Procurement Mechanism
PR	Primary Recipient
SR	Sub-recipient
SSR	Sub-sub-recipient
SSSR	Sub-sub-sub-recipient
TERG	Technical Evaluation Reference Group
TRP	Technical Review Panel
VPP	Voluntary Pooled Procurement
ZCP	Zero Cash Policy

Foreword

The Global Fund is one of today's major actors in global health. Not only is it an indispensable funder of health programmes in developing countries, it is also helping to reshape national and international governance in public health programmes. It is the best example of the Global Health Initiatives, public-private partnerships created to address new challenges in global health and to fulfill new requirements for the effectiveness of aid according to the Paris Declaration which emerged in the 2000s.

The early years of the Global Fund coincided with the "golden age" of international health and development aid. From 2000 to 2013, both public and private health aid rose from 10 to 30 billion dollars. Results in terms of the Millennium Development Goals for 2015 – Maternal and Child Health, AIDS, tuberculosis and malaria – were spectacular.

Since 2011, the global economic crisis has been compounded by a crisis within the Global Fund. It erupted when multiple cases of misuse of funds within recipient countries was widely publicised - particularly after inquiries by the Office of the Inspector General (which were often inadequate). As a result, the Global Fund was confronted with a crisis of confidence by donor countries who feared for the proper usage of their funds and were further concerned by the departure of the General Manager, Michel Kazatchkine, at the request of part of the Fund's Board.

This crisis led the Fund to engage in serious reforms with regards to its organisation as well as its procedures for implementing grants in recipient countries. In some cases and in urgent situations, disbursment of funds was frozen or was submitted to extremely demanding procedures, causing difficulties in the implementation of activities. Such situations were most flagrant in fragile countries, where the Secretariat of the Global Fund was faced with a dilemma: disbursing the agreed-upon grants to these countries while ensuring that financial risk remained at an acceptable level.

To help finding solutions in this crisis, we wished to gain a deeper understanding of these challenges, making use of our strong base in the field and of the strong partnerships we have established with the Global Fund country teams, the Principal Recipients, the Sub-recipients, and the CCMs.

Our objective is not to conduct an audit of measures taken by the Global Fund. We simply wish to fulfill our role as an intermediary between those who deal with the harsh reality in the field, their glaring needs, and the political decision-makers in the Global North, in particular the administration of the Global Fund, who must protect the sustainability of this funding mechanism without forgetting its essential objective of improving global health.

The four countries included in the study are those in which Solthis provides assistance to programmes funded by the GF. These countries represent a very modest percentage of GF grants. However, we remain convinced that this organism's potential goes far beyond its capacity to raise funds. As a major player in global health, the GF must be able to address the strategic and humanitarian importance of these countries. In producing this report, we hope to provide guidance to the Baord members of the GF so that they may make the clear and courageous choices necessary to remove the many obstacles which a misguided approach to financial risk poses in the field, and put the health of the population first.

Louis Pizarro
Chief Executive Officer of Solthis

Introduction

Solthis is a French INGO founded in 2003 which aims to strengthen health systems in Mali, Niger, Guinea and Sierra Leone in order to facilitate high quality, accessible and sustainable treatment for people living with HIV/AIDS.

Solthis provides technical assistance to its national partners including: training of human resources, procurement and stock management of medical drugs, health information systems and strategic planning and implementation of HIV/AIDS healthcare policies.

Within this technical assistance framework, Solthis has a relationship with the Global Fund on different levels and in several countries of intervention: participation in the CCM (Country Coordination Mechanism), Sub-Recipient for training activities and technical assistance and participation in grant application writing. Solthis also acts as a link between the field and the Global Fund's teams in Geneva.

As an NGO, a partner and an agent for the implementation of Global Fund grants in resource-limited settings, Solthis's expertise is based on a comprehensive approach to the challenges of access to HIV/AIDS treatment and care. Solthis meets with the Global Fund on a regular basis in Paris or in Geneva for information and monitoring meetings. Solthis has also attended several Global Fund Board meetings as a member of the French Delegation.

The countries included in this study

The four countries studied include Guinea, Mali, Niger and Sierra Leone. All are countries in which Solthis provides assistance to programmes funded by the GF.
They present certain points of convergence which reveal the pertinence of a cross-cutting analysis of their situations, which lead to obstacles in the implementation of GF grants :

- **Socio-political instability and weaknesses** (be they structural or temporary) which put them among the weakest states, and all the more since the Ebola crisis in Guinea and Sierra Leone, which has brought to light, as if it were not sufficiently evident already, the weakness of their healthcare systems and lack of means at the disposal of local stakeholders.
- **Systematic difficulties in implementation** and reoccurring obstacles due to difficult contexts (few actors, little or no decentralisation, limited resources, weakened healthcare systems, etc.).
- **Countries with a low GF disbursement rate**, particularly for activities, as procurement issues are, in part, managed through the PPM (formerly the VPP).
- Countries which were under Office of **the Inspector General (OIG) investigation** between 2010 and 2012.

it was important to us to begin this study with the observations formulated by the GF concerning these four countries. The following is a summary of the information we were provided :

In Niger, major irregularities were identified through routine controls and an external audit. These then triggered an OIG investigation which confirmed the irregularities observed (non-transparent calls for tenders, documents which were falsified or unavailable, and payments which did not conform to the designated activities). The portfolio has thus been managed through the additional safeguard policy since 2012. This made it possible to conduct activities beyond the essential activities despite the detection of significant fiduciary problems. In October 2014, active grants total 59.5 million euros, covering the mid-2013 to mid-2016 period.

Guinea is a "high-risk, highly-unstable country, where corruption, a lack of infrastructure and a lack of qualified workers remain major challenges" according to the GF. Until 2012, very few funds had been disbursed to the programme in the preceding years. In August 2012, the OIG launched an investigation on the Round 6 HIV grant and grants signed before Round 10. A report on these findings is expected to be published before the end of 2014.
In 2013, the Secretariat of the GF undertook a significant restructuring of Guinea's portfolio, reducing the number of Sub-recipients and integrating international NGOs as PRs. Risk-mitigation measures were also put in place on a case-by-case basis, such as the Zero Cash Policy, and fiduciary agent. According to the Secretariat, these measures have allowed the GF to double its disbursements to the PR and improve grant performance.

In Mali, two investigations were conducted by the OIG, one on the Malaria and Tuberculosis grants (published in 2011, the report described ineligible expenses totalling 5.2 million dollars), and another in 2012 on the Round 4 HIV grant. Note that between April 2012 and February 2014, the GF teams were not authorised to travel to Mali for security reasons.
Additional safeguard measures were implemented (Zero Cash Policy, suspensive conditions, reduction of grants, etc) and the portfolio was partially restructured (international PRs were put in place). According to the GF, this allowed the programme to avoid interrupting treatments by signing a one-year, no-cost extension on Phase 1 and by signing Phase 2 of the HIV grant with UNDP as Primary Recipient. These measures also enabled the programme to provide a continual supply of antiretrovirals, antimalarial medications, treated mosquito nets and other health products, and ensure that salaries were paid (440 people on payroll under the HIV grant).

Lastly, in Sierra Leone, an OIG investigation published in May 2014 on the Malaria and Tuberculosis Round 7 Grant brought fraudulent activities to light. Risk mitigation measures were thus put in place: outsourcing the purchasing of non-health products (via UNOPS), implementation of the Zero Cash Policy, transferral of nutritional support activities to the World Food Program and direct contracting between the GF and a fiduciary agent (co-signer on the PR's bank accounts and in charge of validating expenses before payments). Although the HIV grant was not the object of the OIG investigation, it was placed under safeguard measures and the number of SRs was reduced.
It is worth noting that, in these four countries which have undergone investigation, only the reports on Sierra Leone (published in May 2014[1]) and on Mali (published in October 2014[2]) have been made public, several years after the investigations.

As we can see, burdensome measures and significant restructuring were imposed by the GF to the countries, as a response to emergency situations. According to the GF, these measures made it possible to maintain a minimum level of funding and activities. They did effectively facilitate GF disbursements for a certain number of PRs, but this did not systematically translate into increased PR disbursements for SRs and their activities. They also had a significant impact on activities and on local stakeholders : less fluidity and coherence in activities, creation of substantial delays and added costs, substitution processes… Three years after the implementation of these various measures, this report seeks to take stock of the consequences that they have had and to explore means for improving and optimising the management of GF grants in these fragile countries, in order to find a more-balanced approach to risk and to put public health first.

1. The Global Fund To Fight AIDS, Tuberculosis and Malaria. Investigation Report of Global Fund Grants to Sierra Leone, Principal Recipient Sierra Leone Ministry of Health and Sanitation GF-OIG-14-005, Geneva: The Global Fund To Fight AIDS, Tuberculosis and Malaria. 2014
2. GFATM "Irregularities under HIV Round 4 Grant" (MAL-405-G02-H) – 172/2009. October 2014

Methodology

In order to stay as close as possible to the reality of current difficulties in the field as possible, this study (which includes the four aforementioned countries) has limited its scope to include only ongoing grants. In each of these countries, we studied grants related to the three diseases (HIV, tuberculosis, and malaria) as well as grants intended for the strengthening of health systems (where such grants exist).

Information was gathered from various sources, in an attempt to make the approach as wide and as comprehensive as possible. This included the following :

- A literature review of the GF : the GF website, official grant management documents[3], monitoring of the Board's activities, etc.
- Interviews with GF employees, such as the Grant Management Division, the Risk Management Division, and the Grant Management Support Division
- Qualitative interviews in the four countries of intervention[2]
- A Literature review and news monitoring on the following themes: development funding, risk management, fragile states, cost-effectiveness and corruption
- Participation in certain GF activities, including the Board meeting in Jakarta in March 2014 and the launching workshop of the New Funding Model in Dakar in April 2014

87 interviews were conducted with 140 people, representing* :

- 13 PRs (notably GF Program Officers and Financial Officers)
- 18 SRs, SSRs and SSSRs
- 14 representatives of national programmes concerning the three diseases
- 14 technical and financing partners (including UNAIDS, UNICEF, WFO, bilateral aid agencies)
- 19 members of the CCM
- 4 Local Fund Agents (LFA)
- 3 Fiduciary Agents (FA)
- 16 members of the GF Secretariat**

* That the sum of the figures given do not add up to 87 is explained by the fact that a single structure can, for example, be a PR and a national program or a technical and financial partner and a member of the CCM at once.
** Besides formal interviews, numerous e-mail and telephone conversations took place with the GF teams, and in particular with the Guinea, Mali, Niger and Sierra Leone country teams.

3. The Global Fund website is not regularly updated and the latest versions of certain grant management documents are not accessible.2.
4.The sample of people interviewed is thus representative of all grants even though, given Solthis's area of expertise and intervention (as well as the number of actors involved in HIV/AIDS work in the field), HIV grants are naturally more heavily represented in the sample (approximately 50% of people interviewed).

This task naturally comes with certain limits :

- Partial access to documents and correspondence between the different stakeholders (confidential documents, e-mail correspondences, etc.)
- The need to synthesise the research, which while unable to recount point by point the specificity of each situation seeks nonetheless to highlight the complexity of a system, representing highly diverse situations according to each country and context. The complexity and the appropriate qualitative approach, by their very nature, limit the possibilities of conducting a statistical study.
- The duration of the study (six months) in comparison to the "lifetime" of GF grants (several years). Recent changes put in place by the GF could not always be observed in the field over the last 6 to 12 months, but could have a notable effect in the months to come.
- Lastly, the transitional period with the GF is currently experiencing, especially with regards to the New Funding Model.

In addition to identifying and documenting the difficulties confronted on the ground through field missions, we felt it necessary to conduct a more theoretical study of the risk management policy of the GF, and of its approach to fragile states. Indeed, without this preliminary step, it is extremely difficult to understand not only the complex architecture which defines the principles of grant management in the field, but also the logic of the inner workings of the GF.

This document is intended as an advocacy but is not intended to stigmatise particular structures or situations. If it were not for the trust of our various interlocutors, often speaking under discretion, the work of gathering of information would not have been possible. For this reason, nearly all of the situations described have been altered to protect anonymity.

Lastly, this document is not intended to be exhaustive, and must be clearly distinguished from an assessment ; it is a snapshot of a given moment, of difficulties in implementation, which should help to find concrete and pragmatic solutions – together – to maximise the efficiency of grants implemented in the countries included in this study.

I-The Global Fund Principles Challenged by Fragile States

1. The Global Fund's principles in the face of crisis

Initially conceived of as an innovative tool for funding international programmes, the GF states from the start that it "operates transparently and accountably and employs a simplified, rapid and innovative grant-making process."[5]

1.1. The foundation of the Model

The three basic principles which constitute the foundation of the GF model are as follows[6] :

1. **Country Ownership** – *"The countries where we support programs to fight AIDS, TB and malaria know how to solve their own problems. The principle of country ownership means that countries determine their own solutions to fighting these three diseases, and take full responsibility for ensuring the implementation of these solutions. In this way, each country can tailor their response to their own political, cultural and epidemiological context."* In practice, this "tailoring" is mainly present during the writing of proposals, but is often difficult to achieve during implementation. This is especially true in the most fragile countries, which have experienced difficulties in management and even accusations of fraud – as is the case in the countries included in this study. This report discusses how this principle may or may not be respected in particular contexts.

2. **Performance-based funding** – *"That means that ongoing financing is dependent upon performance. While initial funding is awarded based on the strength of a proposal, continued funding is dependent upon the demonstration of proven results. In essence, countries must be able to show where the money has been spent and what results have been achieved with that money in order to continue to receive ongoing funding."* This principle remains largely theoretical in certain contexts, particularly when management and risk-mitigation procedures make implementation slower and more difficult, which in turn directly impact performance. In such cases, is it necessary – or even advisable – to continue using the same criteria and the same modes of operation ?

3. **Partnership** – *"The only way to defeat AIDS, TB and malaria is by working together. Under the Global Fund business model, the work is carried out by all stakeholders working together, including government, civil society, communities living with the disease, technical partners, the private sector, faith-based organizations, academics, and other multilateral and bilateral agencies All those involved in the fight should be involved in the decision-making process."* Indeed, in the field at least, it is clear to everyone that the implementation of GF grants is a common project among numerous partners. This is what makes it complex and what gives it its value and pertinence to the system, but it also often lengthens the decision-making process. This also evokes the issue of the GF's coordination with other actors.

5. GFATM - Sustaining Performance, Scaling Up Results: Third Progress Report, 2005
6. http://www.theglobalfund.org/en/about/principles/

There is another principle which plays an important role within the GF, though it does not appear written alongside the other founding principles: transparency. The Global Fund claims a dedication to open and transparent communication, publishes copious amount of information concerning their grants on the website (projects submitted, funds disbursed, contact information of reference-persons), and even with regards to their decision-making processes (Board decisions, meeting minutes of the various committees) and their audit reports (particularly investigation reports by the Office of the Inspector General)[7]. However, it is lamentable how little certain information is updated (especially concerning grants) and how difficult it is to find information amid the accumulation of documents deposited online. The GF occupies the tenth place in the Aid Transparency Index published in 2014[8], down four places since 2013.

Indeed, as an innovative funding tool, the GF has grounded its evolution in these noble and sensible principles, seeking to promote a new approach to development funding. However, as we will see, these principles have been put to the test in the fragile countries included in this study.

1.2. The Reform: reassure donors while reinforcing controls

In the wake of the financial crisis of 2008 and the resulting reduction of funding available for development aid, new strategies for maximising the use and impact of these funds came into play. This is why, for example, the GF put in place fixed aid envelopes defining grant amounts per country within the framework of the New Funding Model.
However, the biggest changes in grant management came with the fallout from the 2010 crisis of confidence among GF donors. Indeed, cases of mismanagement and misuse of funds which were aired in 2009 – 2010 (Mali, Mauritania, CAR, etc.) were widely publicised, due in part to the policy of transparency in GF communications.
In 2010, the Office of the Inspector General (OIG) of the GF published a report describing fraudulent or abusive use of funds in six countries, indicating important risk zones as well. This report cast a dark shadow over the organisation and put its management systems into question. Although GF grants have made progress in combating the three diseases, there has also been widespread denunciation of the poor control of the mechanism and of risk management, as well as a lack of rigour in terms of monitoring of grants. Many grants were frozen, awaiting revision of their control systems.

After 2011, a modification of the GF's risk management policy (begun in 2009) was intensified in order to respond to the crisis situation[9] and in an attempt to reassure donors who were growing increasingly concerned: should they continue to contribute to the GF? Is their money being used properly? To respond to these concerns, the GF enacted reforms based on two key actions:

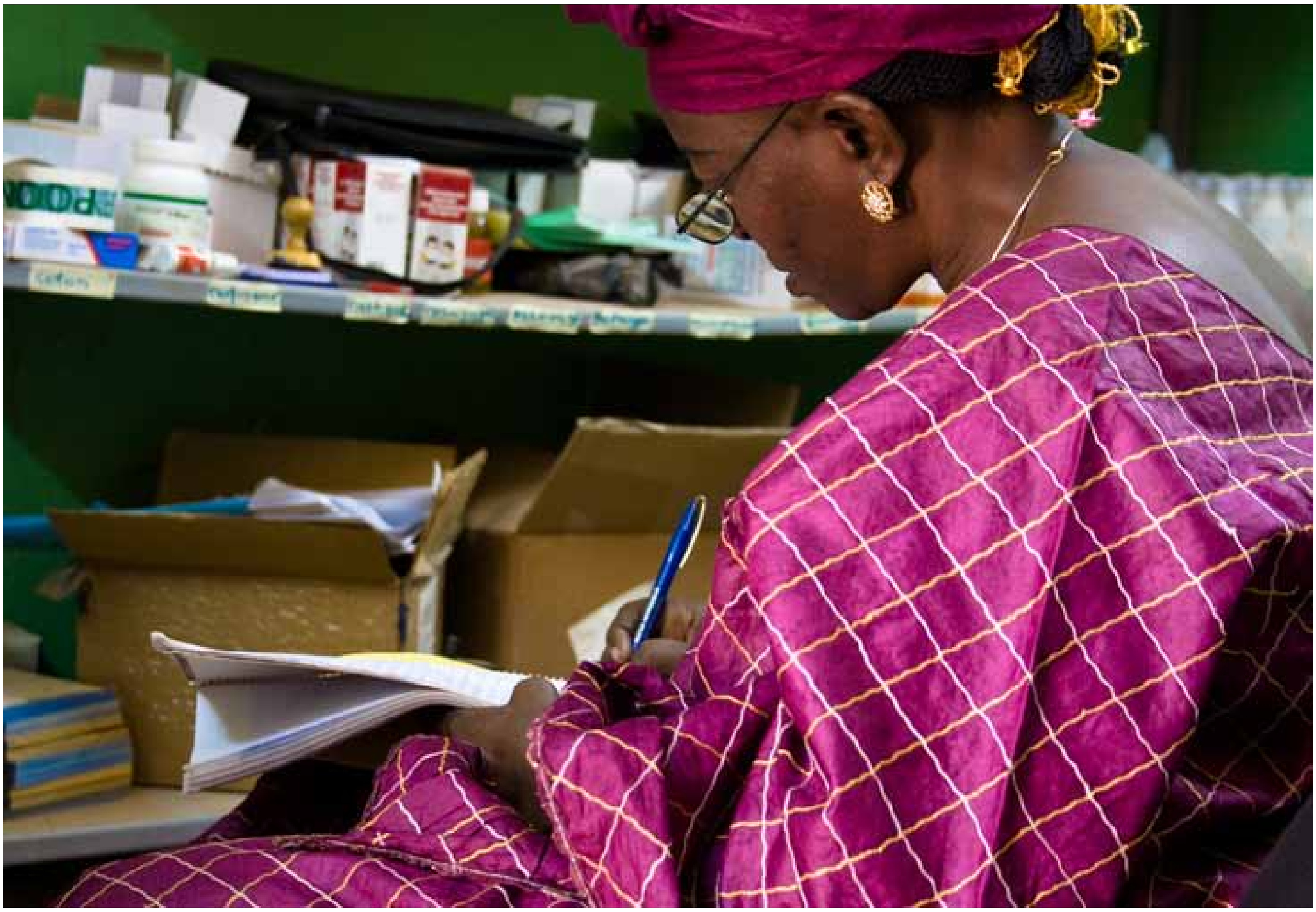
- Internal reform within the organisation: modifications with regards to the internal hierarchy and procedures, but also with regards to human resources, leading to significant changes within teams.
- Revision of the grant management and risk management principles.

> *"Clearly, the countries formed bad habits in the early years of the Global Fund, namely having large amounts of funding without any real control or guidance."*
>
> A programme officer

7. www.theglobalfund.org
8. Aid Transparency Index 2014, Results, http://ati.publishwhatyoufund.org/index-2014/results/, 2014
9. "The Board, in November 2009, approved the Global Fund Risk Management Framework that, among other things, sets out the Global Fund's Risk Management Policy and the Risk Management Process." GFATM, Update on Risk Management, Twenty-Ninth Board Meeting Colombo, Sri Lanka, 18-19th June 2013 GF/B29/06, 2013

Today, the GF keeps on improving its efficiency and to guarantee the proper usage of its funds by affirming the capacities of recipient countries to absorb resources more intensely. To achieve this, several evolutions are underway, including :

1. The Step Up project (internal evolution within the GF Secretariat in order to facilitate management, validation, and funds-transfer procedures) ;
2. Simplification of certain procedures (reduction of the number of conditions precedent or suspensive conditions, attempts to reduce response time, etc.) ;
3. Revision of the risk management policy ;
4. Reflection on fragile states (see below) ;
5. Reflection concerning internal organisation (strengthen teams responsible for monitoring priority / high-impact / high-risk countries.



While it is clear that the Step Up project has facilitated and simplified certain procedures and shortened responses times within the Secretariat, the reforms touching country teams also received positive feedback in the field a visible improvement in communication between the countries and the GF in comparison to the previous period (before 2012), mainly due to greater proximity to country teams and in particular with portfolio managers, was widely observed. This is illustrated by increased field missions, higher reactivity in remote monitoring, and improved receptivity and openness to discussion or to improvements in the implementation of grants, to name a few.

2. "There is no zero risk, only zero tolerance": financial risk at the heart of the system

In all evidence, risk has become an integral factor in the GF's grant management approach, particularly when it comes to contexts which are fragile or considered "high-risk", which consequently lead to the proliferation of monitoring procedures and additional levels of extreme exigency on the part of the GF.

In order to better understand the factors leading to the obstacles identified by Solthis in the field, we must start with a detailed understanding of the approach developed by the GF for managing risk.

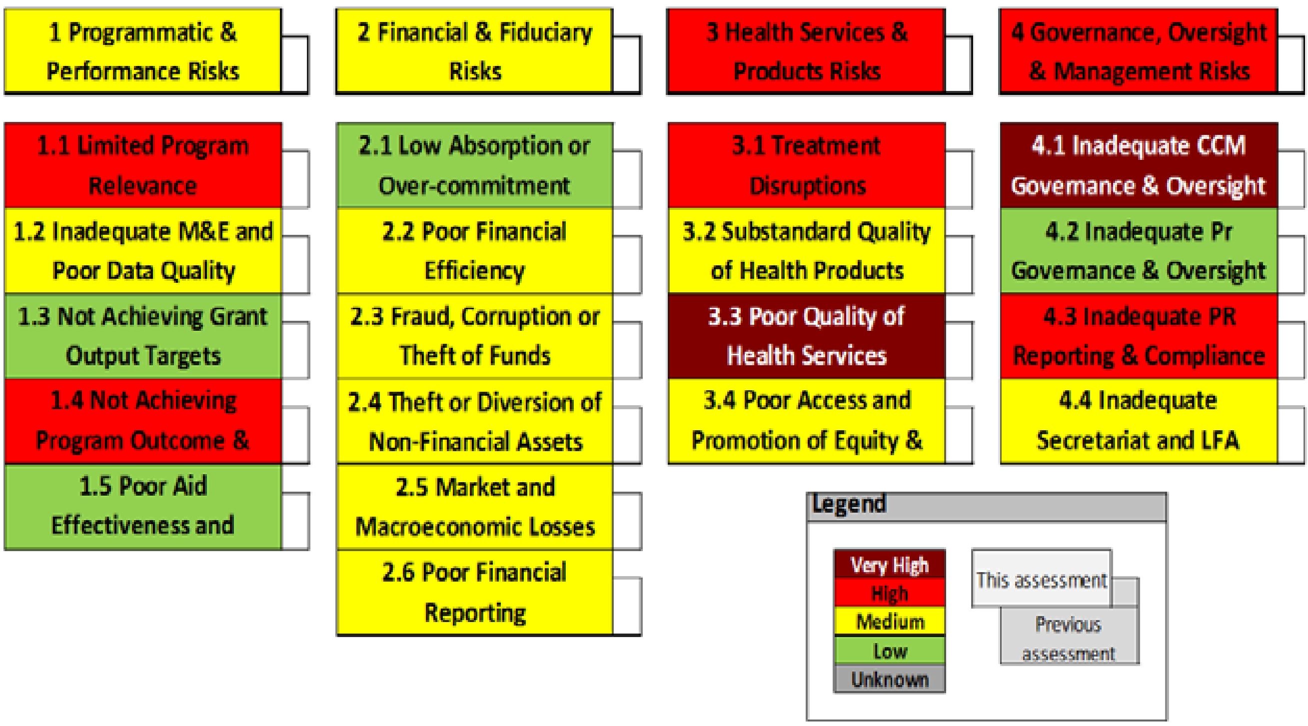
2.1. The fundamental principles of the Global Fund's Risk Management Policy

The GF's Risk Management Framework aims to define its risk management policies and the procedures to be followed. In addition, since 2012, a systematic approach to risk management was developed[10], which consists of regularly recording and evaluating all risks which determine the success of a grant by means of the "Qualitative Risk Assessment, Action Planning and Tracking Tool" (QUART). Currently applied only "sparingly" and reserved to countries of high-risk, high-impact or with high-level funding, it is expected to be progressively extended to all GF recipient countries. It is currently applied to the four countries included in this report.

It consists of a chart which identifies four types of risk: Programmatic and Performance; Financial and Fiduciary; Health Services and Products; and Governance, Oversight, and Management. In total, these four categories cover 19 identified risks, themselves determined by a list of 182 factors analysed during implementation.
The results of this analysis[11] allow for the definition of steps to take in order to limit the identified risks in the various programmes.

10. GFATM, Corporate_ActionsTakenToPreventAndDetectMisuseOfFunds_Report_en, « Preventing and Detecting Possible Misuse of Funds ».
11. The QUART analysis is conducted by the country team and then validated by the Risk Department and the Operational Risks Committee.

Operational Risks[12]



In addition, a risk map is formulated by the country teams for each grant.

Based on these elements, specific risk mitigation measures are defined. For new grants, an evaluation of the PR's capacity to implement the grant is undertaken – the Secretariat having defined a "standard minimum" based on both programmatic and financial criteria. The shortcomings thereby identified must then be rectified before funding can begin. When impossible, mitigation measures are put in place (modification of implementation clauses, sub-contracting or out-sourcing of certain functions such as financial management or procurement).

Indeed, impact is placed at the centre of the GF's discourse: "In making decisions about risk, the effect of those decisions on the ultimate goal, to achieve maximum impact on the three diseases, needs to be carefully balanced. The net effect of each decision to manage risk on that impact must be positive"[13]. Furthermore, the audit reports and investigations are positive and give proof of a very low rate of funds misappropriation, with respect to global averages.

> *"In 40% of monitored GF grants, the average percentage of misused funds is 1.8% - compared with the overall average of 5% of grants from other funders in these same countries. After accounting for recovery, this figure drops to 1.2%"* [14]
>
> The Global Fund

12. GFATM (2014), "Operational Risk Management For effective Grant Management", LFA Training – February 2014.
13. GFATM (2014), "Draft Risk Management Policy" - GF/AEC09/04
14. The GF nevertheless specifies that this figure could potentially increase if all grants were audited, without surpassing the 5% level, due to the efforts made to prevent and detect the misappropriation of funds.

2.2. Risk mitigation measures

Once this process has allowed for identifying the risks, each PR is responsible for preparing a risk management plan to be applied to its grant. In the countries included in the study, the plans are revised and validated by the GF. The GF may develop additional control measures in order to reduce the severity of the risks and the probability that they will threaten the programme in question. This is the case in Guinea, Mali, Niger and Sierra Leone, where the main measures applied are the following :

- Local Fund Agents (LFAs) : Local Fund Agents are often described as the "eyes and ears of the Global Fund" in the field. As the GF does not have offices in the recipient countries, the LFAs fill the role of supervising, verifying and reporting to the GF on the performance of grants. LFAs are selected through a competitive process. In terms of risk management, three complementary activities were added to their responsibilities: (1) examining the categories of high-risk costs such as trainings and expenses related to vehicles and salaries, (2) carrying out targeted judicial verifications, and (3) investigating the conformity of suppliers linked to high-risk markets. The total budget attributed to the LFAs by the GF is around 60 million dollars for the year 2014[15].The LFA plays a key role in making recommendations to the portfolio manager.

- Fiduciary or Fiscal Agents (FA) : FAs work with the PR and give them direct support through a number of financial management services which are intended to ensure the effective implementation of controls, limit the risk of fraud, and contribute to the continuity of programmes in high-risk environments. Although these tasks can vary from one country to another, the FA's basic mission is to accompany the verification of several of the recipients' tasks, including: implementation of a financial management procedural manual, cash management and verification of financial transactions, financial management with SRs, updating of bookkeeping, and preparation of timely financial reports. In most cases, they function as a cosigner on all of the PR's money orders. One of the goals of their job is also to ensure the transition to a new PR. The role of direct technical assistance is thus far from negligible in their mission. Funding for the FA depends on the amount of the country's grant, as their costs are considered part and parcel of the implementation of the grant itself. Therefore, if this funding was not anticipated when the grant was launched, budget lines must be added in order to accommodate (to the detriment of other budget lines).

> *"The portfolio manager really relies on the LFA and on the recommendations he makes."*
>
> A Global Fund portfolio manager

- Zero Cash Policy (ZCP) : This measure aims to limit the transfer of GF funds to SRs and SSRs by making direct payments from the PR to suppliers of goods and services. In certain cases, the ZCP can also apply to the payment of per diems and salaries. This measure, which has come to be emblematic of countries "under investigation", provokes more problems in terms of adaptation to fragile and highly centralised West African contexts than any other (see case study p. 40).

15. $65 million out of the 2013 budget, according to the GF, which is equal to approximately 1.5% of total disbursements in that period.

Fiduciary Agents and the Zero Cash Policy are recent measures, implemented for the first time starting about two years ago. The GF emphasises that not enough time has passed to evaluate these mechanisms and that adjustments are made regularly in order to adapt them as best as possible to the constraints of the field.

- PPM (Pooled Procurement Mechanism – formerly Voluntary Pooled Procurement): When a country passes through the PPM, health and non-medical supplies are purchased directly from the manufacturers. The goals of this procedure are manifold: to ensure timely, effective and reliable deliveries; to guarantee that the GF's quality standards are met; and to strive to obtain competitive prices for essential health supplies. It also serves the purpose of preventing the misuse or theft of medical products.

- Conditions precedent, special conditions and suspensive conditions: The central document for grant management is the Standard Terms and Conditions, defining the roles and responsibilities of the PR with regards to the grant.
  In the name of risk mitigation measures, specific conditions can be tacked on to the grant document to the point of impeding implementation of the programme.Sometimes, albeit exceptionally, the inclusion of certain conditions precedent and special conditions are requested by the PR in order to relinquish some of its responsibilities, especially in situations with poor security.
  According to the GF, considerable efforts were made in 2012 and in 2013 to limit the conditions included in certain grants and to favour including them as part of Management Letters. This, however, may only be visible in the next grants to be signed.

- Non-objection, in purchasing, services and recruitment procedures in particular. This principle is intended to prevent the risk of delays. However, it is particularly difficult to define and not clearly detailed in the Operational Policy Manual.
  Reduced investments in high-risk activities (trainings, communication campaigns, and human resources)[16].

Lastly, other measures have been developed such as auditors (direct contracts with external auditors in order to guarantee the selection of quality auditing agencies and to ensure the precision and the rapidity of the financial information produced), codes of conduct (for suppliers and beneficiaries, legally binding them to ethical behaviour during their contact with the grant), or integrity checks (of people or entities that manage grant funds). In some cases, portfolios may be restructured (reduction of the number of SRs, switching from national PRs to international ones, etc.)

Each of these elements are managed directly by the country teams who make the final decision for the putting in place (or not) of one risk mitigation mechanism or another, sometimes after concerting with the PRs. However, a PR or CCM cannot appeal a decision to apply the additional safeguard policy to a grant and/or country.1

Moreover, beyond their task of evaluating and managing risk, country teams also have the role within the Secretariat to "defend" their grant, and potentially (for example, in emergency or exceptional cases) advocate for the implementation of exceptional measures for the grant they manage in order to ensure the continuity of essential activities. In Mali, for example, 12 internal notes were emitted by the country team in 2012 requesting exceptions in order maintain the implementation of grants while the country was under investigation.

16. GFATM (2013) "Preventing and detecting possible misuse of funds" in Corporate actions taken to prevent and detect possible misuse of funds, http://www.theglobalfund.org/en/mediacenter/announcements/2013-05-17_Global_Fund_Report_on_ Preventing_and_Detecting_Possible_Misuse_of_Funds/
17. GFATM, Global Fund Policies and Guidelines, March 2011

Indeed, in the original GF system, the CCM is supposed to play an important role in the system of assurances by anticipating and supervising risks with the countries. In particular, it is responsible for[18] :

- anticipating the risk-related challenges during proposal development;
- planning for any necessary technical assistance in terms of risk management;
- assuming a supervisory role before the PR;
- revisiting monitoring documents regularly (PUDR, financial reports, annual audit reports, etc.);
- inquiring about the LFA's opinion during debriefings; and
- offering solutions for managing risks.

One must recognise, however, that the CCMs in the countries included in this study are not currently strong enough nor well enough equipped to fill this role entirely, despite the significant efforts which are being undertaken to make their strategic monitoring committees operational.

The Office of the Inspector General (OIG)

The Office of the Inspector General is an "additional line of defence" and a safeguard in the prevention and the detection of the misuse of funds. The main activities which fall under the OIG's responsibility include: internal audit, in-country reviews, assurance validation, inspections, investigations, counter-fraud measures and awareness trainings, and consultation activities.

The OIG functions as a separate entity from the GF, which depends directly upon the Board by way of the Audit and Ethics committee.

The Secretariat is currently working to define what the GF can consider to be a tolerable level of risk, in order to make its usage operational. "The goal is to find a balance between financial risks and risks to the GF's mission – particularly the risk of not fulfilling that mission. Such an undertaking must allow for managing risk in an appropriate manner all while ensuring that resources are used effectively" [19].

18. Kostopoulos M., GFATM LFA & Risk Management Team (2011) - "Risk Management and the CCM", October 2011
19. GFATM (2014) " Defining Risk Tolerance" – GF/FOPC12/15

2.3. Analysing the stakes of the risk mitigation policy

With regards to the LFAs, the pertinence of controls has occasionally been called into question when frauds remained undetected by the LFA before the arrival of the OIG.
Once the role of the LFA is endorsed by international bureaus with foreign experts or consultants, sometimes even located out of the country (as was the case with Sierra Leone's LFA, who was located in Ghana for a certain time, or that that of Guinea, located in Abidjan), the very notion of a "local" Agent is questionable. In such cases, being "local" is little more than a geographical indication of the placement of the LFA's office, and not a guarantee of a good knowledge of the context, the actors, or the practices of the country. Lastly, fields of expertise beyond the financial sector (particularly concerning procurement and public health issues) are not always recognised as LFAs are primarily recruited for their financial expertise.

Feedback concerning the Fiduciary Agents is mixed: while the PRs express a feeling of defiance towards them from the GF originating in the deployment of FAs, there is nevertheless a certain appreciation for the system, which limits financial difficulties, particularly the possibility of ineligible expenses, and which offers technical assistance. Still, challenges due to long validation circuits and incoherencies between the FA and the LFA have also been reported.
On the other hand, within the GF, the country teams appreciate this mechanism which gives them certain guarantees with regards to the PR's financial management and allows them to ensure the continuity of certain grants during complex moments such as post-OIG periods, while waiting for the publication of the resulting report.
What remains questionable is that the authority of this degree of control imposed by the GF is not recognised, and that, in the end, it does not protect the PR from ineligible expenses.

Terms and Conditions Relating to Fiscal Agent – Grant Agreement

The Principal Recipient acknowledges and agrees that the Global Fund reserves the right to classify any expenditure of Grant funds, regardless of pre-verification or endorsement by the Fiscal Agent, as ineligible and in breach of this Agreement, in which case Article 27 of the Standard Terms and Conditions of this Agreement shall apply.

As for the OIG, inquiries were conducted in the four countries included in this study between 2010 and 2012, but only two reports were published: in May 2014 on Sierra Leone (thus more than two years after the investigation was conducted)[20] and in October 2014 on Mali[21],nearly four years after the beginning of the investigation. To date, in October 2014, Niger and Guinea are still awaiting the publication of these investigation reports.

In all four countries, many actors spoke of the kind of "sword of Damocles" that was – or still is – hanging over their heads while waiting for the reports to be published, as the passage of time has done nothing but augment confusion and concerns in the field. Some have even ceded to a sense of paranoia about the GF as they begin to question the true intentions of the Secretariat or postulate that they wish to "save money at the expense of countries' programmes".

20. OIG (2014)"Investigation Report of Global Fund Grants to Sierra Leone – Principal Recipient Sierra Leone Ministry of Health and Sanitation – GF-OIG-14-005"
21. OIG (2014) Investigation Report "Global Fund Grants to Mali – Irregularities under HIV Round 4 Grant – GF-OIG-14-015 6 octobre 2014"

Case Study : The Pooled Procurement Mechanism (PPM), an effective tool but which does little to build national purchasing capacities.

Formerly known as the VPP, the PPM is a GF Strategic Initiative to be used by grant beneficiaries. As is often the case, this mechanism, created in 2008, has evolved over the years. As a part of the 2013 reforms within the GF, it became the PPM, filling an important role in the Sourcing Department. Note that certain observations made in the field may no longer be up-to-date, but are nonetheless worth mentioning in this report.

The main objectives of this mechanism are to: (1) minimise financial risk associated with procurement procedures, (2) allow for health products to be procured when the country does not possess the necessary capacities to do so, and (3) obtain lower prices by negotiating for the supply needs of multiple countries at once.

How it functions :

- **On the countries' side**, in accordance with the GF's strategy, the beneficiary is the central actor: it defines its needs, as well as the specifications and quantities of the products it hopes to obtain and a timeline for delivery. The beneficiary then has only to validate the pro-forma invoice that it receives.

- **On the GF's side :** The sourcing team which covers the PPM selects the procurement agents, who then take responsibility for purchasing from the suppliers.

While the objective of this report is not to evaluate this mechanism, it is worth mentioning that the two first objectives have largely been met: the PPM limits the risk of the misuse of funds and of fraud at the time of purchasing within the countries, and allows for health products to be procured when local capacities are not sufficient to do so. Furthermore, this mechanism makes the auditing work of the LFA or of the country team lighter when it comes to procurement procedures, in turn lightening the PR's work as well. The PPM is also a part of the GF's quality assurance policy and guarantees that the products delivered to the countries are of good quality.

As for the third objective, although ARV prices quickly dropped particularly low (at least for EXW prices), this took longer for other products such as medications for opportunistic infections or reagents and consumables, for which the prices are still not competitive.

However, several constraints to the system must be carefully studied, especially as they have sometimes been the source of confusion for national stakeholders :

- First, this mechanism does not, or **does little to reduce acquisition delays** (which sometimes remain quite lengthy for certain products). It does not, therefore, diminish the need to plan far in advance and anticipate the unexpected.
- Second, although the PPM has been clarified over the years (fewer interlocutors, who are more present, defined procedures), the **order of steps** that must be taken in the overall process – including validations by the LFA, by the country team PSM expert and finally by the PPM – **is not always very clear to national actors**. Furthermore, the time needed for each of these steps is often plagued with delays, forcing the PRs to plan even further ahead, which is often quite complicated given the complex nature of the grants.
- Lastly, the PPM was not created to address stock-outs and emergencies. We would highlight, however, that: (1) the country teams and the PPM regularly do what it takes to accelerate certain purchases as much as possible and to avoid potential stock-outs, and (2) the GF has recognised this and hopes to put in place a rapid procurement mechanism for high-priority products.

However, as with all suppliers, certain issues have come up: besides (often lengthy) delivery delays, it has happened that the cold chain or the minimum shelf life has not been respected for the products begin delivered (sometimes arriving with only a month left before expiration, in the case of reagents).

Beyond these constraints and issues, the adverse effect of this mechanism is that, by externalising the purchasing component, the national authorities are lead to let go of the process, contrary to the principle of country ownership. **As a result, there is no reinforcement of local capacities to be able to carry out their own purchasing for health products**, which risks maintaining a logic of permanent assistance. There is, regretfully, no process to terminate the application of this mechanism if a country wishes to in order to accompany them in gaining these capacities. Although the Capacity-Building Service (CBS), initially associated with the VPP, is proof of the desire to achieve such a goal, this has not translated into actions within the countries when it comes to procurement procedures.

Lastly, certain points ought to be better documented: visibility in the procurement agent selection process, as well as in the selection of suppliers and the procedures for calls for tenders which these agents employ; the prices obtained, including the procurement agents' management fees as well as transport fees; the functioning of complex processes involving multiple actors.

In summary, this risk management policy, which is intended to be highly adaptive and flexible, has four major issues (the consequences of which are illustrated in Part II of this report) :

1. **Too much attention is given to financial risk, at the expense of addressing programmatic risks.** Indeed, the QUART study reveals that, out of the 19 identified risks, 6 fall under the "financial and fiduciary" category, which represents 1/3 of all risks, and 57 of the 182 risk factors are related to this same theme. Furthermore, a more in-depth study of conditions precedent and suspensive conditions for grants in the four countries[22], according to the four principle QUART categories show that nearly two-thirds of the conditions precedent or additional conditions concern category[23] : financial and fiduciary risks. The three other categories combined represent only one-third of risk mitigation measures[24]. Here there is an intrinsic contradiction between the desire to reduce financial risks by implementing increasingly drastic measures and the fact of needing to limit programmatic risks where the implementation of activities (especially disbursements) are extremely complex and time-consuming due to existing safeguards (see below), and are themselves a risk factor for the effective implementation of activities.

2. **The balance between prevention (ante) and detection (post) of risk is not well-calibrated** : multiple levels overlap one another, which does not allow for an optimal repartition of controls.

3. **The point of view of recipients is not taken into account.** Many PRs and SRs assume significant risks when they accept a GF grant, on several levels :
   - On a financial level, as they must often advance funds (at least for human resources) during the time that it takes to sign an agreement and receive the first disbursement, or they are confronted with expenses which are categorised as ineligible and must thus be covered by their own funds – although these rules are not clearly and systematically announced in advance.
   - On a reputational level, as a poor assessment or an investigation which implicates them without publishing the results is guaranteed to give them bad "publicity" and puts them at risk, especially in their relationships with other technical or financial partners.
   - On a human resources level, and in terms of work logistics, as managing GF grants is very time consuming and often goes far beyond the initially estimated timetable. Although the redistribution of budget lines is possible, negotiating such changes is often long and complicated.
   - On a security level, especially in crisis or post-crisis contexts.

4. **There exists no procedure for terminating mechanisms of heightened monitoring or additional measures.** Indeed, these mechanisms, implemented in emergency situations, are expected to remain in place for the entire duration of the grant, and there is no mention of objectives that implementing actors might achieve in order for them to be removed. However, the GF recognises that terminating these mechanisms originates in a decision by the country team, based on its impression that risks have been reduced. Once again, the recipients are not considered as partners, involved in procedures and decisions, but as contractors who must conform to the GF's decisions. This is clearly the case, for example, for the PPM, which was initially intended to address emergency situations and to avoid interruptions in treatment, but has evolved to become today a nearly "standard" means of managing procurement in some countries.

22. According to the grant documents available on the Global Fund website
23. Programmatic and Performance; Financial and Fiduciary; Health Services and Products; and Governance, Oversight, and Management
24. Without considering that the safeguard measures (FA or ZCP) are not systematically a part of the conditions precedent defined within the grant agreements, and can be managed separately. The majority of the remaining 35% concerns: monitoring and evaluation systems, oversight processes, orders or stocking of health supplies, the process for evaluating and selecting Sub-recipients, or the request for non-objection or for validation by the GF before the implementation of certain specific activities. This calculation does not include revisions or additions of conditions found in Management Letters.

Recommendations :

1. **Reach a better balance** in the analysis of different risks by giving more weight to programmatic risks and to overall impact.

2. **Adapt the degree of control of financial risks to reduce programmatic risks.** Increasing financial risk mitigation measures should eventually lead to a revaluation of risks, taking into account the impact that such measures carry for implementation and programme management.

3. **Give more consideration to the risk for implementing structures** and develop common evaluations and analyses which encompass a sharing of responsibilities and of points of view between donors and implementing structures, as is suggested by the OECD[25].For example, when the portfolio manager visits the country, a half day could be systematically dedicated to this. There is a fundamental need for more dialogue and collaboration between the GF and local stakeholders on these issues.

4. **Publish OIG reports within a 6- to 12-month maximum following an investigation** to reduce adverse effects and suspicions caused by waiting for reports

5. **Define indicators or objectives for terminating additional safeguard measures** that are communicated to the recipients and can offer a framework for evolution and appropriation of the principles of risk management

25. Recommendation : "Strengthen the use of joint assessment and analysis" in OECD, (2011), Aid Risks in fragile and transitional contexts : Improving donor behavior"

3. Focus on Fragile States : What Changes Could the Global Fund Make ?

3.1. Fragile states and international aid

States considered to be fragile have an important place in the international community's agenda for development and governance of international health. These states are home to around 1.5 billion people and the large majority of their populations live beneath the poverty line[26]. According to the OECD[27] fragile countries attract about 30% of Official Development Aid from members of the Development Assistance Committee.

Aggregate data show a clear correlation between a state's fragility and poor health services coverage, with fragile states performing more poorly, for example, in terms of access to antiretrovirals and to tuberculosis diagnostic and detection services. Likewise, global malaria morbidity rates are increasingly concentrated in fragile states.
Health funding[28] for fragile states has seen an increase over the last few years, but this aid is highly fragmented among different donors and their various programmes. Although health funding in view of the Millennium Development Goals (MDGs) has made progress, fragile countries are behind on MDGs 4, 5 and 6.

Today, one-size-fits-all approaches to aid are considered to be generally insufficient in fragile contexts, both because the instruments and related processes are too burdensome and too rigid[29],and because of the weak capacity of these states to absorb external funding. The national partners implicated in these projects do not always have the institutional capacity to assume total responsibility for aid programmes and to take charge of transforming them into sustainable projects. A gradual approach is needed, which consists of increasing responsibilities as the state's capacities grow.

26. OECD (2012), Fragiles States 2013: Resource flows and trends in a shifting world, http://www.oecd.org/dac/incaf/FragileStates2013.pdf
27. OECD (2010) , Creditor Reporting System.
28. Bornemisza O., Bridge J., Olszak-Olszewski M., Sakvarelidze G., and Lazarus J.V. (2010). "Health Aid Governance in Fragile States: The Global Fund Experience Global Health Governance" 18 p.
29. OECD (2011) Aid Risks in fragile and transitional contexts : Improving donor behavior, Paris.
30. Bornemisza et al.(2010) "Health Aid Governance in Fragile States: The Global Fund Experience Global Health Governance" 18 p.

3.2. Consideration for a differentiated approach

The Global Fund transferred about 1.1 billion dollars in aid to 47 countries which are considered "fragile" in 2011, according to the OECD. A study conducted by the GF in 2010 highlighted the specificities of grants in fragile states.

The GF does not currently have a formal policy specific to fragile countries. In the first semester of 2014, realising the need to take this issue into consideration, the Technical Evaluation Reference Group (TERG) designated Euro Health Group to conduct an independent study of countries in fragile situations[31]. The report demonstrated the lack of adoption and adaptation of the GF model in fragile states, and underscored certain points which we found particularly pertinent :

- An observed weakness in analysing, understanding and managing evolutions in context due to the limited presence of teams in the field and limited travel
- Burdensome requirements weighing down CCMs, who already have restricted capacities
- Limited ability to adapt ongoing grants to changing situations
- Highly demanding coordination and financial management needs with respect to the limited capacities of implementing structures and of the overall environment.

Global Fund grants in fragile states :

- 40% of the 489 active GF grants in 2010 were implemented in fragile states.
- The overall proportion of grants attributed to fragile states has not changed in any significant way since the GF was founded in 2002.
- Like other beneficiary countries, fragile states have an average of four to five ongoing grants per country.
- They are more likely to have international structures (international NGOs or multilateral agencies) as PR of their grants. In the four countries included in this study, 6 PR out of 16 are national entities – a figure which drops to ¼ (3 out of 12) if we consider only the francophone countries.
- The grants favour budget lines for health supplies, infrastructures, medications and supplies, and focus less on monitoring and evaluation, planning, technical administration, and training.

The study proposed a system for classifying the countries using the following criteria: weak government, poor access to health services and weak health systems, burden of disease, emergency situations (conflict or humanitarian crisis). Lastly, it was proposed that these contexts be referred to as "challenging operating environments" (COE), broken down into the following categories :

1. Chronic instability with weak systems : Afghanistan, CAR, Chad, DRC, Guinea, Guinea Bissau, Haiti, Somalia, South Sudan
2. Chronic instability with stronger systems : Ivory Coast, Iraq, Nigeria, Pakistan, Sudan, Yemen, Zimbabwe
3. Acute instability : Egypt, Mali, Syria

31. Bornemisza et al.(2010) "Health Aid Governance in Fragile States: The Global Fund Experience Global Health Governance" 18 p.

In conclusion, the report emphasised that, experience with these types of contexts on an international level suggests that a uniform model is not appropriate. It also concludes that solutions must be adapted to each case by taking political and economic aspects into consideration, as well as the partnerships, history and capacities which characterise each country.

In addition to this study, an overall reflection on risk tolerance, defining "levels of risk acceptability" is underway within the GF. Certain states considered to be weak and at-risk may thus be given special measures (which are yet to be determined). Furthermore, in theory at least, so-called "fragile" states could be given additional support, according to the Chief Risk Officer, Cees Klumper, as "the basic principle is that the more there's risk, the more money must be given, because in these difficult contexts, you need more money to have the same impact, in order to compensate for greater weaknesses with monitoring systems." [32]

In following this logic, a certain level of flexibility was introduced by the Secretariat, particularly to respond to emergency humanitarian issues (as in the Central African Republic, for example). In the countries included in this study, the country teams have called for an extremely differentiated, case-by-case approach. In using such an approach, based on the shared risk management policy presented above, tailor-made solutions would be identified country by country. For example, certain countries have a Zero Cash Policy which is applied with more or less latitude: in Guinea, it is applied on a case-by-case basis, only to certain targeted recipients. The same applies for the Fiduciary Agent.

Today, we are waiting to see what changes will be proposed and implemented in order to address the challenges posed by these difficult contexts.

Although we are in agreement with many of the recommendations made by Euro Health Group, we believe that there is a need to be wary about certain aspects of a cross-cutting approach to fragile countries that seems to be taking shape :

1. Grouping extremely variable situations and contexts together (crisis, post-crisis, fragility, failed states) is dangerous, even more so when concepts such as levels of instability are indistinct. In the previously cited report, we find it difficult to understand what average amount of time must pass so that instability be considered "chronic" or "acute". Likewise, it seems difficult to put Iraq and Zimbabwe in the same group, for example, as they require very different modes of adaptation and flexibility.
2. Classic means of operating and control used by the GF cannot be used as the reference for these extremely volatile and difficult contexts. Reflection on adapting GF principles to these contexts could constitute a first step to defining new management procedures. The questions which must be asked could be: What factors are limiting country ownership in such fragile contexts where it is extremely difficult to ensure sustainability ? Must the GF's principle of not being present in the field supersede the need to provide care to sick people ? Is funding as a function of results appropriate and applicable in these contexts ?
3. The flexibility which the GF claims is already central to its management is severely curtailed, in the fragile states included in this study, by the additional policy of risk management which strongly limits the potential areas where flexibility could be used.
4. Certain recommendations suggested in the report could have detrimental effects: heightening of monitoring and evaluation requirements; externalising certain monitoring positions – and particularly the recruitment of external "managing agents" or "fund managers" through calls for applicants… These adverse effects must be taken more seriously, and most of all, objectives in terms of impact, country ownership, and capacity building must at least be given the same consideration as restrictions regarding risk management and grant monitoring.

32. Interview with Cees Klumper – Chief Risk Officer of the Global Fund – June 4th 2014, Geneva

Recommendations :

1. **Accept that the final outcome may not be up to the same standards** as less fragile countries, all while defining objectives for progressive improvement leading to the development of a gradual approach to grant management in these contexts. This would allow for increasing responsibilities while capacities grow.

2. **Coordinate more with actors in the field on finding and implementing solutions,** especially with technical and financial partners, who are themselves also confronted with the challenges of assisting implementation in weak states.

3. **Investigate possibilities** to test the impact of the **presence of the GF, for a given time, directly in the country** in a few fragile countries which are faced with major implementation issues. This could take the form of missions by the country teams of several weeks or several months, in order to develop a graduated approach and the identification of targeted solutions due to a better understanding of the context by the GF.

Conclusion :

In the end, the GF finds itself today in between two dynamics which are sometimes contradictory in the countries included in this study: On the one hand, there is a need to reassure donors in order to secure future sustainable contributions by providing gauges of proper usage of funds and by adding on new risk management tools and policies in hopes of reducing, or even preventing, fraud and misappropriation. In this field, the GF is more than capable of imposing the measures which they feel are necessary such as the PPM or the Zero Cash Policy.

On the other hand, the GF principles are challenged by fragile states and are confronted with the need for greater adaptability and flexibility in contexts which are by their very nature risky and complex, and for which standard management principles don't seem adequate. But how are the actors in the field dealing with these principles and risk mitigation policies ?

II - Perspectives from the field,
"excessive controls strangle implementation![33]"

Implementing certain additional safeguard measures or restructuring portfolios had some positive effects in the countries in our study. GF disbursements are on the rise since 2012: In Guinea, for example, a performance rating of A was reached for both semesters of 2013 for the malaria grant (compared to only a single A rating since 2008) and the disbursement rates doubled between the 2009-2012 period and the 2012-2014 period. In Mali, despite the security situation and the OIG investigation, grants were not completely suspended and a no-cost extension of the HIV grant was signed in 2012 to prevent interrupting the treatment of 28,000 patients on ARTs.

These results are encouraging and prove the GF's efforts to move forward. However, once disbursed by the GF to the PR, the money does not always reach the programmes. These are the bottlenecks this report aims to remove.

In the field, the implementation of risk management procedures is both understood and criticised.
Understood because many actors admit and defend the need for controls and transparency, particularly in intervention contexts with major corruption issues[34].

Also, many PRs easily acknowledge that certain bottlenecks or delays are their responsibility and that the GF cannot be systematically blamed as soon as a difficulty arises.

But everyone recognises that GF grant management creates frustrations and difficulties because it is particularly demanding and presents numerous challenges which, all too often, prevent proper implementation of activities.

> "*We agree that procedures are necessary and proper management of funds must be guaranteed ! The Global Fund encourages countries to have a good system in place, but not all countries are alike and they don't all have the same infrastructures.*"
>
> A national programme representative.

1. More levels of control, creating delays

While it should be noted (and has been noted by numerous recipients) that efforts have been made at the GF Secretariat level (especially since the grant management team was reorganised), in that field missions have increased and communication is more frequent and of better quality, grant implementation remains impacted by burdensome bureaucracy and processes that cannot systematically be resolved by the mere willingness of the country teams who manage grants at the Secretariat level. While the specific, individualised approach the GF wishes to develop is a worthwhile initiative, these difficulties and bottlenecks must also be addressed in a systemic way.

33. Excerpt from an interview with a Programme Manager.
34. According to Transparency International's latest report, the perceived corruption index rankings for these four countries are as follows (out of 175 countries): Niger – 106; Sierra Leone – 119; Mali – 127; Guinea – 150. Transparency International, Corruption Perception Index, Overview, http://www.transparency.org/research/cpi/overview

1.1. A burdensome approach

In general, financial and administrative procedures related to aid management are complex, time-consuming and require implementation organisations to have a significant ability to anticipate the unexpected. This is why, for several years now, certain private organisations have developed service offers in grant management assistance, just as we have seen the technical assistance sector, as it relates to the GF and others, develop its management assistance tools (Initiative 5 Pourcent, GMS, GIZ, OMS, etc.).

But this complexity and these procedures are multiplied in the case of fragile contexts subject to additional safeguard measures where increased precautionary principles are applied.

First of all, in the simple management of grants, the processes are already complex enough: completion of PUDRs (Progress Updates - quarterly or bi-annual) is long and time-consuming and often the PRs are not able to submit them on time, especially when they have a high number of SRs or when the reports are quarterly, as this reporting frequency does not even allow them enough time to implement activities.

Recipients are also subject to numerous audits, controls and evaluations which are part of this approach: internal audits (often annual), external audits (also annual, and contractual), the GF field missions (more frequent today, about four per year when security conditions allow), and OIG audits (occasional). This does not even account for the internal control procedures and, for national programmes, public accounts audits (for example, an annual audit of the Health Ministry and Finance Ministry in certain countries), and of course, partial or complete audits of other funders (World Bank, bilateral aid agencies, etc.). In some cases, audits that cannot be performed due to security reasons begin to accumulate and when conditions finally make it possible to conduct the audit, sudden multiple audits and evaluations monopolise recipients' time and energy (as was the case in Mali in 2013 - 2014 with the delays of 2010-2012 Round 8 reports, the Round 4 report (2009), the UNDP audit on Round 8, etc.). In the end, the time that organisations spend reporting and undergoing audit constitutes a real bottleneck, but also generates major costs (between 20,000 and 60,000 Euro per contract)[34]. According to the GF, the Secretariat is currently working on limiting duplication of financial reviews in the framework of the Combine Assurances process which is currently being developed by the GF. The principle would therefore be to have the FAs, LFAs, auditors, etc. all perform different. While awaiting the outcome of this process, this only goes to confirm the fact that the current system is indeed too complex and that it includes duplicate controls.

Calls for tender and contract award procedures also cause major problems for the PRs we met: the procedure is long and complex, many decisions have to be validated by the country team throughout (non-objection principles, especially for procurements), which delays implementation of the grant, notably when the call for tender is to enable purchasing of computers or office equipment necessary for starting activities.
In certain cases, the poor skills of PRs themselves are also an issue when, for example they have trouble managing a call for tenders according to the procedures they themselves defined.

> *"I worked with the Global Fund in two other African countries and I've never had to deal with such complex procedures."*
>
> A Principal Recipient

Finally, in addition to the external measures imposed by the GF, the internal control systems of many recipients (principal and sub-) were also reinforced following evaluations and recommendations to better align with GF requirements. When these reinforcements are too conservative, they also act to further increase the processing time for proposals.

35. According to the GF Secretariat.

The details remain vague, poorly defined and often misunderstood, especially when it comes to implementation procedures since very few official documents exist to explain how to manage certain measures (such as the Zero Cash Policy or non-objection, for example).Some FAs or PRs have produced pedagogical documents on some of the safeguard measures, but unfortunately it is not systematically the case. Many actors, and more specifically SRs and SSRs, describe the difficulties they have understanding the procedures or prerequisites and then applying them, despite the trainings provided to them. When the technical documents are not available in French (as is the case for the Operational Policy Manual, for example), this also makes it much more difficult and complex for Francophone recipients to adopt the procedures.

Multiple validations and micro-management

Another recurring criticism from PRs is the fact that country teams have to obtain GF Secretariat validation for so many things : changes in activities, an unplanned expense, even when insignificant, etc. Some of these validations are required by conditions precedents or in special conditions of certain grants. Thus, at the beginning of a grant, even before the first disbursement can be obtained or the activity can be started, the PR must have the GF validate certain operational documents (procedure manual, risk management plan, procurement and stock management plan, etc.). But in our contexts, this list is exceedingly long. Take for example a case where it was planned in the contract that the GF must validate certain job descriptions for people recruited by the PR.

> “*The level of GF involvement is currently very high, which creates additional constraints.*”
>
> A fiscal agent

e. the delivery by the Principal Recipient to the Global Fund of evidence, in form and substance satisfactory to the Global Fund, of the appointment, under terms of reference acceptable to the Global Fund, of persons, who have been approved by the Global Fund after receipt of each person's qualifications and details regarding the selection process, with the requisite skills and qualifications in respect to the Global Fund's policies and procedures to the key positions necessary for implementation of the program, namely, program coordinator, M&E officer, procurement officer and finance manager.

It was not planned, however, that this take on such unnecessary proportions by requiring the job descriptions and CVs of all people recruited (including concierges and drivers) to be validated by the GF.

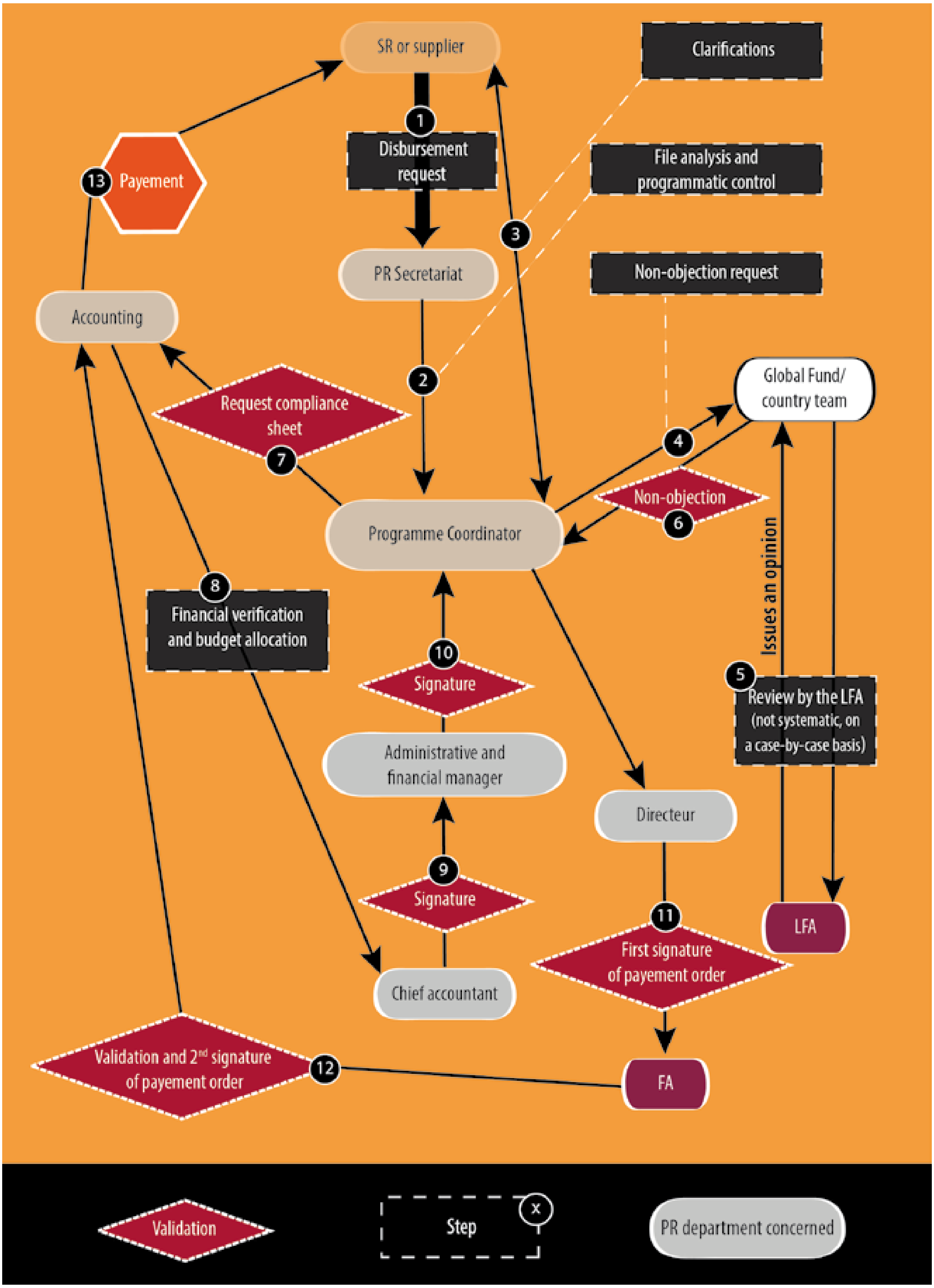
As for the non-objections, this measure adds at least 15 days to each step and can therefore lead to a three-month call for tender being extended to four or five months[36]. This measure is not very well defined, not often included in contractual documents and its scope is unclear, as is the information and validation procedure. At times, portfolio managers themselves are surprised that certain PRs make non-objection requests for small amounts as the framework for using non-objections is not clear for PRs.

36. According to the GF Secretariat.

Emails explaining management procedures according to percentage variations on budget lines were sent to the countries by the GF Secretariat (less than 5%, from 5 to 10% and above 10%). The countries are therefore supposed to know the non-objection rules, but the last sentence of this email may explain the fears of PRs and their systematic need for non-objection as it explains that the GF reserves the right to re-evaluate ineligibility of any reallocation, even if it is less than 5%, depending on whether or not it is «reasonable» :

> It should however be clearly stated to the PRs that it is their responsibility to adhere to these re-budgeting rules and that the GF will be monitoring such adherence notably through the analysis of reports on Enhanced Financial Reporting (EFR). In any event, and even if below the 5% threshold, the PR needs to be aware that the GF (Secretariat and/or OIG) may review and determine the amounts to be ineligible if the reallocation is not reasonable (i.e., not for the benefit of program, in excess of the approved budget, etc.).
>
> «Guidance for Rebudgeting in Mali» email - July 31, 2013

In the end, these multiple validations can make the processes extremely complex and fastidious, as shown by this example of a disbursement request for an activity that does not fall within the provisional budget :



Flow chart of disbursement request for an activity that does not correspond to the allocated budget. Procedure implemented by the PR following evaluations and various recommendations from the GF, LFA and FA.

It is important to note that these cases of activities that do not comply with the budget occur often since budgets are defined upon preparation of the proposal, sometimes several years before implementation of the planned activities. Additionally, annual budget revisions are not systematically subject to unit cost updates (notably for transport and fuel).

This micro-management is not only a cause of delays in funding management, but it also consumes a lot of time for the GF teams themselves who are required to get involved at a totally exaggerated level of detail without any additional human resources to back them up.

When these multiple validations are coupled with very long response times, it creates major difficulties. On several occasions, GF validation times of up to four or five months were reported and certain procedures, notably training validations (activities considered as high risk by the GF) have taken up to one to two years to be completed.

Validation of terms of reference

One of the main obstacles to programme implementation identified by the SRs and SSRs we interviewed was document validation times, especially for documents of a very operational nature. Solthis is an SR in Mali and implements training activities for Round 8 HIV. The terms of reference were written for each training, defining the methodology, the schedule (activities), the resources needed and the monitoring and evaluation requirements during and at the end of training.

Beyond the training plan (general plan for the grant and implementation structure-based plan), the GF requested that all terms of reference for all trainings performed by SRs in Mali be validated as trainings are categorised as «high risk» activities. For an activity planned to last two years which was supposed to start in July 2013, 54 emails were exchanged over a period of 14 months, from the end of March 2013 to the end of May 2014, before the terms of reference were validated. These exchanges involved 26 people from different structures: the GF (country team), the PR, the Solthis Mali team, the Solthis team at the headquarters in Paris and other SRs who were for the most part just Cc'd in the emails. Things like the size of the training room and the number of coffee breaks were brought up in these exchanges. The response time to the emails also had an impact on the budget as price increases occurred in several areas such as the price of the rooms.

Overall, there were nine versions of the Terms of Reference written over 14 months, thus setting back implementation of the training activities by the same amount of time. This process highlights a problem with communication among the various actors (GF, PR and SRs) as well as in the validation process and the issue of micro-management.

The same is true for procurement, and though stock-outs may have been avoided over the past two years in the four relevant countries, major delays (six to eight months) were still an issue.

The PRs also deplore the frequent changes made by the GF to grant management procedures. This is the case, for example when the country teams change (turnover, which was significant in 2011 and 2012) or for example in 2013 when the tax payment policy was modified. These changes require the PRs to adapt each time by adjusting their implementation procedures.

This is also very time-consuming for the GF : the monitoring documents take a long time to be validated and at times the PRs have waited up to nine months to receive a response to their PUDR. The entire process is therefore slowed down because the recommendations and Management Actions listed are not completely current (some were already handled during the previous period) but the PRs still consider it necessary to respond to the GF point by point.
This also create bottlenecks for the PRs, for example when the GF approves changes to the budget lines, but the PR application time is rather long or coordination between the PR and the SRs does not allow immediate application of the validation.

But in certain cases, it seems that the GF is alerted at a later point in the process and cannot react within the desired time period.

Certain PRs and national programmes do report small improvements in terms of micro-management, but this should not overshadow the fact that this practice is still current and leads to discussions of «paternalism» among certain actors where GF management is concerned. It is therefore fundamental to be able to clearly delimit the GF monitoring procedures and restore an atmosphere of trust and delegation to PRs. Otherwise, they remain just basic operators of implementation.

> ***"When a country team changes, the approach changes; even if the procedures remain the same."***
>
> A GF portfolio manager

1.2. Too many actors, not enough harmonisation

For managing its grant, the PR interacts with numerous parties whose added value is not always obvious and who sometimes have methodologies or baselines that are different or poorly coordinated.
This is sometimes the case between the PR and the FA who may have different interpretations and when it comes to SR expenses, the PR may be more demanding and rigid than the FA.

The same is true between the LFA and the FA: more than half of the actors interviewed, and more specifically, the SRs and SSRs say they had trouble understanding the overlap between the FA and the LFA and the exact distribution of their prerogatives, especially since this considerably increases bureaucracy. Since, in any case, the GF checks the information and has the final word when it comes to expense validation or decisions, this system is not always clear. Also, when the FA and the LFA do not agree, the PR is stuck between two approaches and does not understand which option takes precedence: there have been cases where the FA accepts an expense related to travel expenses of institutional representatives (cost of the culturally established welcome ceremony), and that the expense is refused by the LFA, even following explanations from the FA. The final decision lies with the GF country team in any case.

This also happens between the LFA and the GF when it comes to more programmatic aspects: after review by the FA, grant progress reports (Programme Update, Pu or PUDR) are first submitted to and reviewed by the LFA who often replies with questions or requests for details to the PR. Then, the report with LFA recommendations is sent to the GF country team who also reviews the document and asks additional questions, requiring the PR to deal with a second round of questions. Often, the level of information required by the LFA and GF are different.

It is therefore difficult to correctly identify the roles and responsibilities of each actor, making the entire monitoring and validation system rather abstruse for recipients who sometimes have trouble identifying the hierarchical chains of transmission and the blocking points.

> *“The LFA is not always in favour of correct implementation of programmes. The verification and monitoring requirements need to be more closely linked to the aim of reaching the expected programme impact !”*
>
> A fiscal agent

Out-sourcing and sub-contracting

Out-sourcing or sub-contracting of certain functions, specially procurement, add yet another level of actors. This is the case, for example of the UNOPS (United Nations Office for Project Services) which overlap with the current processes and create even longer processing times. They increase contractualisation times as well as complicating the systems by which information is shared.

For example, the time needed to draw up and sign contracts can be long (up to several months, including exchanges with the headquarters in Dakar).

The cost of this measure is significant: not only in terms of financing the structure’s service, which is taken from the amount of the grant (supposing that it will enable savings[37]), but the standards of services proposed by UNOPS are of very high quality and put a strain on the financial envelopes which were not initially calculated.

37. For the GF, the economies of scale are significant, notably on purchasing vehicles, and they at least absorb the costs of the system.

While the concept of paying for quality services is indeed valid, the question of whether or not the programme can afford such quality given its budget, still remains.
Thus, in Sierra Leone, for vehicle maintenance costs, the entire envelope planned for one year was used at once, making it impossible to maintain the vehicles for the rest of the year[38]. The refrigerated truck to be used to supply medication, for example, has not been used in over a year due to maintenance problems.

Inversely, the GF defends the idea that this type of structure better guarantees efficiency of grants, control of risks for procurement (outside of health products) and also ensures economies of scale on certain items, notably vehicles (more attractive prices).
For example, in Guinea, 230 renovations were originally planned for 70 sites, but only 38 sites were retained following UNOPS evaluation work.

In Sierra Leone, when a PR was given a rating of «C» (which should have led to 35% disbursement of what they qualified for), the Secretariat country team got involved so that the GF would also take their part of responsibility for this poor rating and the UNOPS condition made it possible to maintain a disbursement rate of nearly 100%, thus limiting the negative effects on the grant.

However, once all these processes and actors are in place, side by side, and based on the concept of shared responsibility among the different actors, major malfunctions and bottlenecks occur. One example is described below. It occurred in 2014 in one of the countries that was part of our study. At the time this report was written at the end of October, the issue had still not been resolved. It concerns procurement, excluding health products (fuel, vehicles, computers, air conditioning units, etc.) :

- January : start of grant
- May : grant signed
  disbursement request from PR 1
  disbursement request from PR 2. Deemed incomplete by the GF
- June 2014 : The PR, GF and UNOPS begin discussions for a Non Health Procurement Plan (basis of contract with UNOPS)
- July 17 : disbursement of funds to PR 1 by the GF
- May - August: review of PR 2 by LFA
  Work to complete PR 2 disbursement request file
- 12 August 2014 : approval of Non-Health Procurement Plan by the GF
- August 22 : PR 2 disbursement request deemed satisfactory
- August 26 : LFA validation
- September 26 : disbursement of funds to PR 2 by GF, i.e. 9 months after the start of the grant
- October 3 : first draft of UNOPS contract received and GF response October 8
- October 27 : still no signed contract. Impossible to make purchases for activities planned since January 2014*

Delays in non-health procurement

38. This is because UNOPS, in accordance with its procedures, selects certified garages that charge much higher prices than those generally practised locally and especially compared to those used for initial budgeting of the grants. For the GF, this situation is also due to poor budgeting of needs from the start of the grant.

It must therefore be recognised that consequences of these multiple procedures and validations are problematic at several major levels :

1. First and foremost, there are very long response times for all of these processes: it has taken up to two years for certain grants to be signed, or annual budgets remain un-validated at the end of October, as is the case on the HIV grant in Mali for 2014. In some cases, field activities have been stopped for 12 months waiting for validation of the procurement and stock management plan. Activities are therefore delayed and the entire system is at a standstill, which can also impact procurement of medications or treatment (it should be noted that in cases where treatment interruption risks are identified, particular vigilance on the part of the GF Secretariat makes it possible to prevent these situations by accelerating the processes).
   In the best of cases, it is vital that all actors, and notably PRs, plan in detail, the various steps and activities at the start of the grant, but this is often difficult to achieve. According to the GF, the situation has improved compared to previous periods and even if delays still exist, few of them have a direct financial impact. The GF also highlights the fact that many of these difficulties originate in the field, especially since countries are slow to provide the required information, reply to emails, etc. But in this case, could it not be that requests for clarification, information or validation are perhaps disproportionate and require re-evaluation?

> *“For three years there have been numerous delays in disbursements for medications and laboratory supplies. Things have improved a bit lately, but there are still so many exchanges and sometimes we have to wait up to two months for a response. Procurement can be very very complicated.”*
>
> A Principal Recipient

2. There is also the issue of the GF’s high level of control which significantly reduces the sense of responsibility that recipients have in the field, but also that of the CCM as it is totally removed from all supervision and risk control. Many recipients speak of their difficulties in negotiating changes to grants (budget line changes or revision of the activities according to changes to the context), both due to the complexity of procedures and their difficulty in convincing the GF of the legitimacy of these changes. For many actors, these elements are not clear from the start because there is no real basis document that informs them on the procedures and the GF requests. There are Standard Operating Procedures which are prepared by the PRs, but they often do not detail all the steps or all the procedures and the standards to be met.

   This system can quickly have a cascade effect: without much flexibility at its level and required to comply with procedures that do not encourage a sense of responsibility, the PR will also have a tendency to impose numerous controls on SRs to protect itself. It will systematically refuse changes or developments in projects requested by SRs, even if these revisions would allow better adaptation to the context changes.

> *“We are in a very paternalistic system which has very little trust in national partners and implements significant grants to perform actions in substitution of these partners - actions that are not sustainable, such as distributing piles and piles of mosquito nets or ARTs... (...) It is also rather surprising that these systems are managed in Geneva, so inflexible and hard to understand when we see the amount of money involved.”*
>
> A technical and financial partner

3. Certain actors also denounce a one-way flexibility on the part of the GF: while the Secretariat does not hesitate to change the framework or procedures for implementing grants already in progress (changes the PR, adds conditions, requires specific service providers such as UNOPS, reassigns certain budget lines, etc.), this flexibility is not allowed when it comes to the PR and it always takes a lot of time and energy to prove any modification is pertinent.

4. Responsibilities are difficult to identify due to the multitude of actors, difficulties communicating and multiple additional levels. It is therefore often easy to place the blame on one actor or another.

5. Finally, even the notion of the cost-effectiveness of the system is to be reconsidered: the multiple levels of monitoring and the risk measurement tools raise questions on cost (FA and UNOPS for example, are paid using the grant funds and not additional funds), on the time spent by country teams to identify and measure these risks and on the weight (in financial terms and in terms of responsibility) which is given to private companies, auditing agencies and other consulting firms.

To get an idea of what this system implies, here are the different lines that must be taken into consideration, at least, to attempt to calculate the entire cost of the system :

- Total cost of LFA, FA, UNOPS, PPM
- Cost of ZCP (opening of delocalised PR agencies, additional banking fees, mobile banking, travel expenses, etc.)
- Share of time the GF Secretariat teams dedicate to these questions (country teams, LFA management team, Risk Management team, etc.)
- The time spent by PR and SR teams in negotiations (sometimes for small amounts of a few thousand dollars)
- We could also count the cost of the effects caused by these measures: activities not carried out, impact on other recipient funding in progress, impact on reputation, etc.

Recommendations :

1. **Revise the relevancy of the various levels of monitoring, notably the FA and the LFA**, by having an independent organisation perform a cost-effectiveness study of the system. This will enable improved articulation of the different monitoring levels or even make it possible to reduce the number of levels.

2. **Better coordinate the various audits** to limit the cost and amount of time spent. It may be possible to work on this point with other technical and financial partners to try to harmonise and coordinate audit schedules and procedures.

3. **Give PRs more flexibility** to adapt the grant in implementation without having to systematically request validation from the GF country team for every modification. This may be manifested, for example by a clearer definition of ineligibility cases or by flexibility on certain pre-defined activities considered most unpredictable at the start of a grant.

4. **Limit micro-management of GF country teams** by limiting the controls, notably on particularly operational aspects (validation of job descriptions, for example).

5. **Clarify and harmonise practises and criteria, by writing guides on additional safeguard measures**, for example, that detail all procedures, provide the scope, thresholds, validation process, etc. (same for Zero Cash, non-objection, etc.)

6. **Develop a more operational and standardised manual on procedures, calls for tender, etc.**

7. **Define precise management frameworks** including: who is responsible for what and in what timeframe. This would also make a multi-actor approach possible when formalizing the conditions for work.

2. Procedures not suited to intervention contexts

While almost all actors we met with recognise the need to implement risk monitoring procedures and fraud limitation, especially in these intervention contexts where corruption is a major issue, it cannot be denied that the measures proposed are not always compatible with the contexts in which they apply.

2.1. Contextual constraints poorly integrated

A major part of the difficulties encountered by actors in the field for managing grants in these countries under investigation concern expense justification procedures. They are not only time-consuming, but also ill-adapted, especially in rural zones.
For example, in these contexts, transport is often an central problem when it comes to reaching beneficiaries. And the GF only funds a limited number of vehicles for transport (cars or motorbikes) and public transport such as taxis must be paid and invoiced. But most drivers are not able to create invoices and do not know how to write.
Also, the transport conditions are very difficult, especially due to the state of the roads, and more particularly during rainy season, which limits the possibility of using taxis.

Justification documents are sometimes difficult to provide: for example, in Sierra Leone, the identification card required to open a bank account can only be obtained in Freetown and banks do not accept school IDs to open an account. It is rare that people possess an official ID. The same is true for driving licenses: many people don't have them, so it is difficult to provide them as justification for use of a motorbike, for example.
The very low rates of bankarization are also difficult to reconcile with account opening constraints of the Zero Cash Policy (see Case Study).

In rural or decentralised zones, there are few hotels or guest rooms, or the hotels are extremely expensive. People who travel to these areas have difficulties finding lodging during their missions because the amounts defined are often too low and when people they know agree to host them for one or more nights, they are unable to provide their hosts with a small compensation.

Few service providers meet the extremely high quality standards defined by the GF, or if they do, the cost is exorbitant. Therefore, the following blockage often occurs when a call for tender is launched:
The international structures have prices that are often greater than the budgets.
It is considered that national companies do not guarantee a high enough quality of services.
So all call for tender procedures are complex and difficult to complete, causing numerous delays for PRs.

Case Study :
The Zero Cash Policy, an emblematic measure for the countries under investigation

Implemented as part of additional safeguard measures, the Zero Cash Policy is presented as the fact that the Principal Recipient (or Fiscal Agent in some cases) ensures direct payment to goods and services vendors rather than transferring funds to Sub-Recipients.
The Zero Cash Policy is required by the GF for certain grants, but it is not uniformly required: different actors for the same grant may or may not be subject to the Zero Cash Policy. Also, in the same country, all actors are not systematically concerned. No accessible document presents the application criteria of the Zero Cash Policy, but it would seem that several elements come into play in the decision to implement the ZCP :

- The results of the prior evaluation of implementation organisations.
- The GF's QUART study.
- Results from OIG investigations

No general document specifies the management procedures of the Zero Cash Policy: these procedures may be detailed in the grant contracts (Appendix A of the Grant Agreement), but this is not systematically the case.
To answer the many questions that the implementation of this measure implies, certain Fiscal Agents have given presentations or trainings on the Zero Cash Policy to help recipient structures better appropriate this tool.

It is important to underline the fact that several of the actors we met are more or less in favour of this type of safeguard measure, both in the interest of being able to prove the proper use of funds or avoid misappropriation, but also in some, more rare cases, because the implementation structures are thus separated from certain responsibilities and financial reporting procedures, which are often disproportionately complex compared to their capacities.

But in the field, there are many difficulties and they call into question the pertinence of this measure, especially in decentralised zones. The main difficulties brought to our attention are the following :

- **Inadequacy of the context** : outside of the capital and a few large cities, banking services are not sufficiently developed to enable this process to run smoothly. Often, the actors we met with talked about the need to travel a few dozen kilometres to get to a bank, which is even more of an issue during the rainy season.

- **Inadequacy with the structure of certain PRs** which do not have regional branches and therefore have difficulties when they need to go to an activity site for payments. In some cases, opening of decentralised offices is foreseen, but met with other procedural difficulties (purchasing of goods and equipment, especially) which create a time of latency and disorganisation that can last up to several months.

- Several types of **extra costs** related to this measure :
  - o Multitude of **bank fees**, especially when many accounts are opened. These fees are never planned for in the grant budget and therefore require budgetary readjustments, often to the detriment of activities.
  - o **Travel of PR accountants** from the capital to reach training locations, for example, in order to manage financial aspects (including travel with driver and car, per diem allowance for 2 people and potentially a night at a hotel for long journeys). This does not even account for the unavailability of HR who are monopolised during this time. This can be very problematic in the case of accountants or financial managers because their absence from the office can also have an impact on validation of accounting procedures for other procedures in progress.
  - o In this case, field agents can be sent to manage payments outside the capital, but this then creates costs **in terms of human resources**.
  - o The extra cost may also be **at the beneficiary's expense**, when for example, community agents who live several hundreds of kilometres from the capital and receive $10 per month, have to pay return transport to and from the bank to withdraw their small salary once a month and also have to pay the fees to open and manage their bank account. At times it's not even worth it to travel and withdraw the money each month.
  - o The fees related to implementing the Zero Cash Policy are not provided for in the initial grant and **must therefore be taken from the overall grant envelope**.
- **Supplier payment times** are very long, sometimes taking several months, and certain suppliers, even those who are alone on the market to perform the service they provide (therefore invaluable to the proper functioning of programmes) refuse to continue working for GF funding due to the cash flow problems it causes. This is the case, for example for a baby formula supplier in Niger who waited over a year to be paid. The SR is considered responsible for the debt and therefore suffers the legal repercussions which can obviously be injurious to them.
- The use of **fuel coupons** which not only take time to produce (no fuel coupons from January to April 2014 in Mali, for example) but are also **limited to one supplier** : Total in the case of Mali. Whereas Total does not have stations across the entire country and there were cases reported where certain actors had to drive several tens of kilometres to reach a Total station, thus consuming the programme's fuel for no reason.

In some cases, exceptional advances can be approved under certain conditions and for limited amounts.
The mobile banking service is under consideration in several places, but this signifies, once again, service provider costs (about 2%), not to mention the fact that not all sites benefit from mobile network coverage.

This maladaptation to the intervention contexts is a true blockage causing activity delay, which is all the more problematic when the GF is the only funder (as is the case for a fair few tuberculosis and malaria grants).

More often than not, the GF Secretariat, once informed, tries to find solutions to limit the adverse effects of these risk management measures. But the negotiation intervals also take time and slow down implementation as well.
Portfolio managers also lament the fact that PRs take too long to inform them of these issues or that ocal stakeholders are not more proactive in trying to find and propose alternative solutions. In this last case, it is difficult to know what the blocking factors are: a lack of trust or communication? Or is it impossible to find other adequate solutions? The fact remains that it would be easier to define a range of alternative solutions which could be used to resolve these transverse issues rather than using a case-by-case approach for each grant.

> *“12 months after the beginning of the grant, we have spent only 2% of the money that has been transferred to our account by the Global Fund.”*
>
> A Principal Recipient

2.2. ill-adapted performance-based funding

Performance-based funding, a fundamental principle of the GF, «provides a platform enabling grant recipients to demonstrate they can convert funding into results. To promote accountability and transparency and to encourage the recipient to use funds in an efficient and effective way, the GF establishes a link between funding provision and the meeting of objectives proposed by the country (and approved by the GF)»[39]. Therefore, at each reporting period, a rating is assigned by the country team which determines the amount that will then be disbursed (see graph with percentages according to performance)[40].
It should be noted that everything related to lines dedicated to health products and human resources are not taken into consideration for this rating because the amounts dedicated are too high and would skew the evaluation.

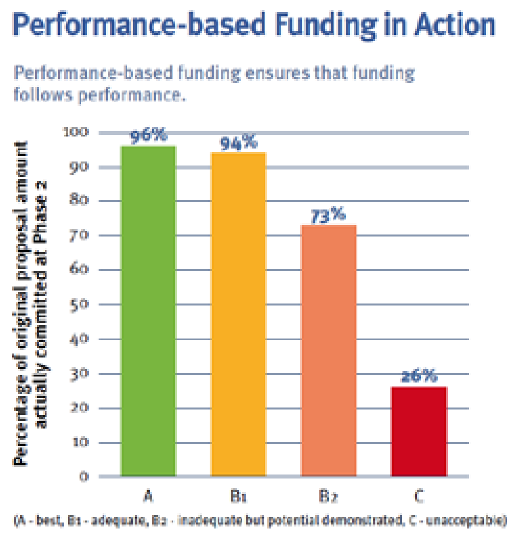


Figure 5: Funding Decisions Based on Performance (at Phase 2)

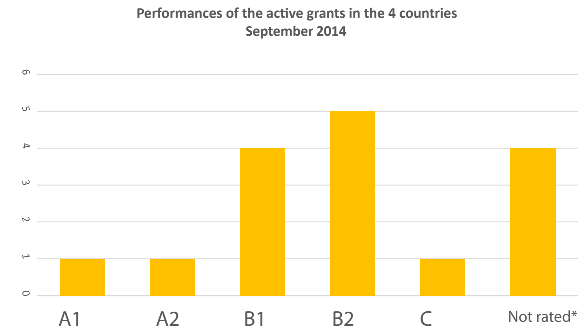
The performance-based funding objectives are defined as follows :

- Link funding to meeting of objectives
- Guarantee money is used to ensure services are provided to the relevant beneficiaries
- Incite recipients to centre their efforts on programmatic results and rapid implementation
- Encourage learning to reinforce skills and improve implementation of programmes
- Invest in measurement systems and promote use of evidence when making decisions
- Provide policies and tools for supervision and monitoring, at a national level and by the GF
- Reassign resources from inefficient grants to programmes producing a better impact.

39. Monitoring and Evaluation Toolkit, HIV, Tuberculosis, Malaria and Health and Community Systems Strengthening, 4th Edition November 2011 - Global Fund http://www.theglobalfund.org/en/me/documents/toolkit.
40. GFATM (November 2009),” Performance-based Funding at the Global Fund”

To enable monitoring of performance-based funding, the GF recommends countries dedicate 5 to 10% of their grants to monitoring and evaluation.

In the countries covered by this report, if we do not consider unrated grants, 50% of grants are rated B2 or C which means funding is well below what was planned to begin with (at least -25%)[41].

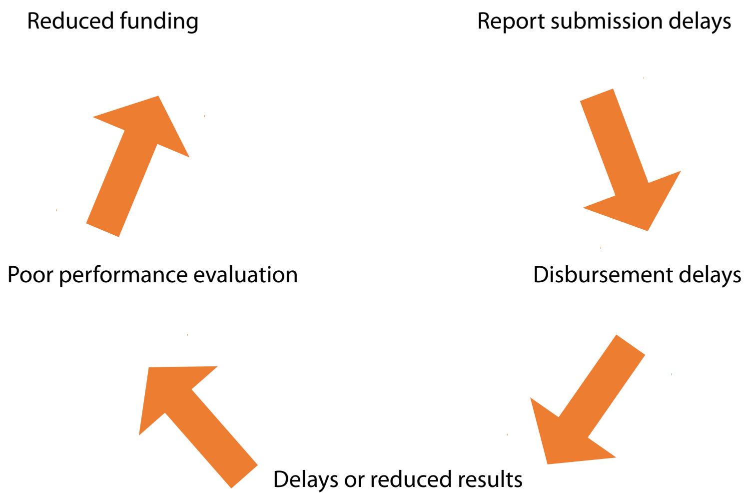


** Unrated grants are generally grants that have just been signed and whose implementation has not yet begun*

After interviewing field partners in Guinea, Niger, Mali and Sierra Leone, we think performance-based funding as it is implemented today, is not suitable to these contexts for the following reasons :

1. The long waiting periods for starting and implementing grants, mainly due to the use of disproportionately drastic risk control measures that were not planned for by the country at grant start up, and which have a major impact on ratings. From the start, programmes are put at a disadvantage in contexts where, on the contrary, additional support should be the norm to help them face the issues present.
   It also happens that the PR cannot implement activities due to lack of GF disbursement, and yet the PR is still given a rating of C. Certain ratings are clearly explained by difficulties PRs encounter in managing numerous activities, conditions or in negotiations on transition grants.

2. Indicators for evaluating the success of programmes by their results communication processes are not appropriate: first, they do not consider sustainability, ownership of the project and empowerment of partners in the field as measures of success. Whereas these factors are essential for a sustaining activities, especially in these fragile contexts. The impact of projects may therefore be under-estimated due to the short period for evaluating results. They are not adapted to the complexity of the countries either or to the unforeseeable character of these contexts. This infringes upon the flexibility and adaptation of implementation for grants in progress, and brings about additional difficulties, creating a vicious circle that was clearly identified by Euro Health Group in its report on fragile states[42] :



42. Flow chart developed based on Pearson N., Euro Health Group (2013) Thematic Review of the Global Fund in Fragile States. Framing Document.Draft, March 2013, p.7

3. The reduction of investments in activities considered «high risk» in these countries, and especially trainings, human resources and certain community activities (more difficult to justify or manage with weaker financial management structures) has a direct impact on reaching performance indicators :

«The retention rate of patients initiated to ARTs in 2012 and monitored into 2013 after 12 months of treatment is 72% across all 17 sites using the ESOPE software. Not reaching this objective, which is set at 80.1%, can be explained by (i) the interruption of funding to retention activities (cooking classes, additional rations for infected and affected persons in difficult situations, school supplies and clothing), (ii) interruption of funding to NGOs and associations who provide support to infected persons» PR-SR Meeting Minutes from 07 August 2014 - Mali

4. In the countries under investigation, the fact that certain national programmes were stripped of their PR status has had adverse effects: these are the programmes that manage the vast majority of activities (especially tuberculosis and malaria programmes where there are often fewer actors. Making these programmes SRs of an international NGO or multi-lateral organisation is like placing them under guardianship, it slows the implementation of activities by creating a higher echelon and it certainly does not help them improve their capacity to manage grants. It may also create tensions between PRs and SRs.

5. This system can lead to a «race to activity» which is totally counter-productive. For example, a nutritional support programme planned to take place over ten months could not be performed for the first nine months due to management difficulties so the totality of the support packages are distributed during the remaining month in order to reach the expected result.

From the GF perspective, performance-based funding is a founding element of the model and is difficult to imagine otherwise. However, certain people recognise the difficulties posed by this system in the countries under investigation :

“Performance rating is a problematic system when the countries are under investigation: we ask them to work even more. When you are late, you push even harder to make up for it and perform the expected activities. When the grant works, you work less than when it doesn’t.”

A member of the GF Secretariat

Recommendations :

1. **Accentuate risk prevention work by training and raising awareness of the different recipients and by increasing management procedure training** (which can be done by providing advances, pre-financing, expense justifications, etc.). Ideally, and when possible, training and development of the CCM supervision role on these aspects should be carried out, taking into consideration that the CCMs of the countries in this study are rather weak and in the process of being reinforced.

As for performance-based funding, it must be adapted specifically to the context of fragile states and even more particularly to the states under investigation. Among other things, this may be achieved by :

2. **Simplifying and rationalising reporting, monitoring and evaluation procedures** and freeing up time for personnel to take into consideration the changing realities of the context and to adapt implementation of programmes.

3. **Consider scenarios and hypotheses** that may hinder development of the project to better adapt success indicators related to performance-based funding.

4. **Integrate indicators that make it possible to evaluate sustainability, project ownership and empowerment of field partners** as measures of success.

3. Weakened structures and human resources

The arrival of the GF in low-income countries had a direct impact on the multiplication of activities and clear improvement in the handling of the three diseases. For many structures, public and private, this change was at the source of a quick growth in their activities and funding.
Paradoxically, we are also witnessing a sort of weakening of these structures, both at a financial level and in terms of human resources or partnerships, whereas the reinforcement of these systems (health, community systems) is at the heart of the GF strategy.

3.1 Compromised technical capabilities

First, we note a weakening in the technical capacity of the different actors, but more particularly, the national actors. Many national structures (national programmes or associations) had never managed such significant international grants before GF arrived, or even managed sub-recipients or the programmatic side of these programmes with a major monitoring and evaluation component. These weaknesses were and remain today a central issue in terms of proper management and ownership.

While the situation has improved with practise, testimonies of technical difficulties encountered in the field are common. As for financial management, the resources are limited: there is little knowledge of management practises, confusion about the documents required (purchase orders, invoices, etc.). Many structures do not really know the principles of personnel management or how to manage the funds received, and GF requirements are more extensive than those of other funders. Certain fiscal agents are surprised by the poor quality of documents they receive and estimate 20 to 50% rejection of files due to incompleteness or non-compliance with procedures. Also, at times, there is little differentiation made between corruption and lack of capabilities (even if some FAs clearly distinguish between rural and isolated areas where there are fewer structures and management capabilities, and the difficulties encountered in capital cities where issues more closely related to actual fraud are more common).

> *“The lack of capabilities significantly slows activities. The procedures are not followed and the level of quality is insufficient. Personnel instability is a serious problem.”*
>
> A fiscal agent

Cases of PR weakness must also be reported: difficulty appropriating procedures, incapacity to monitor the procedures they themselves have defined, weakness of focal points assigned to manage SRs and lacking knowledge when it comes to request drafting procedures, which are however essential elements of management, especially in the case of the Zero Cash Policy. While the GF has a tendency to select international PRs in these contexts (NGOs or multilateral organisations for 3/4 of grants in the French-speaking countries of our study), this does not guarantee their capacity to manage extremely complex, multi-level grants that include numerous administrative procedures and complex validation procedures.

The countries that are covered by this study are fragile to begin with and this is only reinforced by the lack of support in human resources that significantly limits possibilities for developing expertise. The GF also has an ever-growing and ever-stricter policy of limiting or phasing out funding of human resources which is totally unsuitable in the context of these countries. How can qualified, stable human resources be provided in contexts with limited means if the funding isn't there to make it happen? There is also the fact that human resources management policies are often deficient: on the one hand, there are not many qualified national personnel as the attraction of increased salaries often lead them to favour expatriate positions in international NGOs or multilateral organisations, and on the other hand, the governments pay little attention to these issues and do nothing to improve the conditions of their human resources to keep them in the country.

In Guinea, for example, a national field agent earns five to ten times less than an equivalent position for an international PR. This obviously has an impact on motivation, but also on the ability to limit fraud and corruption. Some FAs or LFAs claim to have commented on this issue, but it seems difficult to change the GF's position on human resources. The technical review panel (TRP) for its study on funding requests, regularly issues opinions on the excessive numbers of salaried persons on grants which make them unsustainable.

In certain cases, in response to these difficulties, international consultants or technical support managers (mostly expatriates), are integrated into the system to act as an interface between the GF and the PR and to ensure implementation is as efficient as possible. These technical assistants are most often assigned to procurement, monitoring-evaluation or finance parts of the grant. But this has a high cost and also creates tensions and can be at the root of pressures for higher paid workers to share their salaries with others.

There is then a certain amount of discouragement among national human resources, especially in the face of the task to be accomplished and burdensome procedures.

The implementation of externalised processes does not help national actors take ownership of expertise and develop their skills. This is the case, for example of the PPM: the fact that purchases are managed by an external structure does not enable issues related to the procurement system to be solved, and certainly does not help national experts learn to better manage an order (not to mention the resulting additional delays which force the country to anticipate far in advance). This is true substitution of the national part of the grant and causes a loss of expertise.

> *"People in charge of monitoring and evaluation within the national programme depend on the state and are paid about 400 to 500 Euro per month. The good ones end up leaving the system and are absorbed by international structures. This fragilizes the entire system and the weakest are always the ones that suffer the consequences."*
>
> A program manager

Finally, many people report that the time spent on managing GF grants largely exceeds the salary level financed by the grant: 50% of an NGO financial manager's time for example (as opposed to 20% of his/her monthly salary provided by the GF) or 90% of a national programme manager's time. This is especially true when work time is poorly anticipated, for administrative and procedural tasks, for example. Once the grant is signed and implemented, it is difficult to revise the human resources lines, especially since this would require freeing up funds from other activity lines. In some cases, it has even happened that structures receive complaints from their other technical and financial partners who find it unfortunate that their time is monopolised by the GF to the detriment of their own programmes.

However, all of these activities (HR and funding of trainings) are included in the «high risk activities» category according to the GF typology (see part I) and are therefore extremely limited in the contexts under investigation; whereas in certain countries, like Guinea, more than 30% of the HIV grant in 2009-2010 was attributed to training.

The reinforcement of national entity capabilities must be set as an objective to guarantee maximum sustainability of the programs in these countries.

Information accessibility also raises a question: in these French-speaking countries, the fact that a significant number of basic documents[43] are not translated into French is also a major handicap for proper ownership of expertise and the reinforcement of actors' capabilities.

43. For example: Operational Policy Manual, Guidelines for Grant Budgeting and Annual Financial Reporting, Standard Terms and Conditions for Grants, monitoring and evaluation tools, etc.

In addition, the strict management constraints required by the GF create a vicious circle: the weaker the countries and the actors, the stronger the constraints and the more burdensome the system, often causing qualified human resources to leave.

Rather than denounce the skills of implementation structures, as the GF Secretariat sometimes does (remembering that they cannot be held responsible for all problems related to grant management in these countries), it would be worthwhile to see how GF requirements might be adapted to the actors and constraints. Thus, rather than adding levels of control to the implementation organisations which are already exhausted by tense contexts, it could be useful to prioritise what is essential and adopt a gradual monitoring and control approach, coupled with reinforcement of actors' capabilities. This could mean an increase in the requirement level as actors develop their skills, for example. Such an approach would be more suitable and surely provide for more sustainable systems.

> *"This professor (specialised in treating HIV, ed. note) quitted because the GF was too time-consuming for him. Valuable people are leaving the process."*
>
> A technical partner

Finally, while this human resources issue is much larger than the single case of the GF, it is urgent that innovative and concrete HR management policies be introduced, as a concerted effort among the various technical / financial partners and governments, in order to find sustainable solutions.

3.2 Fragilized structures

Beyond human resources, several factors may endanger structures. First of all, ineligible expenses threaten to put a strain on PR budgets. Though, as we have seen, information on ineligible expenses is vague and it is sometimes difficult for PRs to anticipate potential cases of ineligibility. Also, in certain contexts such as Mali, as audits were unable to be carried out for several years due to the security situation, they were all rescheduled in 2013 and 2014 and identified the ineligible expenses dating back several years which were difficult to justify in terms of accounts.
It's clear that in this case, prohibiting pre-funding could be a solution, but this is not always desirable for programme progress, especially when related to allocating dedicated resources at the start of the grant.

Significant delays in salary payments (sometimes up to one year) are also very difficult to manage. They demotivate teams and create turnover to the detriment of activity quality and structure sustainability[44].
In operating cost, maintenance lines that are not covered pose a problem for equipment management (IT and vehicles, especially) and can therefore endanger teams when vehicles are not well-maintained and circulate on often chaotic routes.

This weakening can also exist at a legal level: For one PR for example, the implementation of the Zero Cash Policy called into question the direct payment of salaries and rents of certain SRs. In case of a problem (redundancy, expropriation, etc.) and according to national legislation, the PR could be considered as responsible and taken to court by the SRs.
When the PR explained this to the GF, a solution was found and implemented, but it would be more pertinent if the GF was concerned with the suitability of its safeguard measures from the start, with current legislation in mind; because again, in these cases, negotiation times and contract revisions, etc. are required before activities can begin.

44. According to the GF, this type of malfunction is almost never a reality anymore, whereas several cases were referenced over the 12 months preceding the missions.

Case Study : endangerment of community activities and local associations

The structures that are most fragilized by these implementation difficulties are generally the local associations which are often not very well structured and have HR with limited resources. However, these structures must be integrated to implement GF grants because they are the ones leading the vast majority of community activities and patient retention activities, especially for HIV programmes. And these activities contribute to reaching the Top Ten Indicators[45], especially when it comes to adherence and patient retention rates. When these activities cannot be carried out, the consequences are seen directly in the field.

A few identified cases of specific difficulties:

- Beneficiaries of community activities are often illiterate. When they sign activity attendance records or proof documents for receiving a package or service, their signatures are not always the same. When signatures do not match, the documents are considered fraudulent and the expenses as ineligible.

- Associations are on the front lines of activities geared toward «key» populations, often touted by the GF. However, certain activity justification requests, made by the LFAs or FAs are irreconcilable with these populations such as the request to photocopy ID cards of homosexuals or prostitutes, for example.

- In the most remote areas, there are no service providers to ensure coffee breaks or meals, and this sometimes provides women in the community the opportunity to earn a little money by organising these services, also helping them become more independent. But these women are often illiterate and do not have official businesses. Therefore, they cannot provide official estimates or invoices. These expenses are thus considered ineligible by the LFAs.

These activities are therefore becoming more and more difficult and problematic. And even if the GF is trying to find solutions, they're doing so on the sidelines and on a case by case basis. It often takes a significant amount of negotiation time, during which no activities can be implemented.
Also, associations (usually SR, SSR or even SSSR) often have little funding to cover management costs for their activities, especially for qualified HR or for integrating activity surplus (programmatic and administrative) generated by receiving funding from the GF. For an associative structure managing a large portion of activities for key populations, the funds are extremely limited: $7.00 per month for communication, no consumables or supplies since 2013, 10 litres of fuel per month for all local activities, supervision and the generator. This does not include use of equipment dedicated to other projects (video projector, vehicles, computers, generators or meeting rooms for the Income Generative Activity) to carry out the GF programme and which the GF refused to cover in their budget.
Finally, the level of complexity and requirements of GF procedures is totally disproportionate to the capacities of many community organisations. They therefore lose their credibility when their management is deemed fraudulent (often due to insufficient knowledge or lack of experience) or must shut down if GF funding stops overnight.

There is of course a wide range of actors in civil society and while some structures don't even have an accountant, others manage budgets of several millions of Euros. Procedures that are differentiated and adapted to each type of structure must therefore be found, according to its organisation and its activities.

45. "Top Ten indicators that measure priority interventions", in GFATM (2011), Monitoring and Evaluation Toolkit, "Part 1: The Global Fund M&E requirements", p.19

When it comes to reinforcing capabilities, these issues are obviously not only caused by the GF. National programmes are equally responsible when it comes to their human resource policies and their teams. Other funders and technical partners are also implicated in managing actor capability reinforcement. We are therefore dealing with a complex, multi-actor system which goes beyond the responsibility of the GF. However, given its national ownership and partnership principles, it falls on the GF to actively participate in finding solutions when it comes to reinforcing national structure capabilities in order to guarantee the sustainability of its programmes. This challenge is all the greater given the fragile contexts where the GF itself recognises that capabilities are more limited and the contextual difficulties much more significant. The same is true for the impact of GF funding when it directly affects activities and therefore calls into question the ability to meet programmatic objectives.

Recommendations :

1. **Revise the definition of high risk activities** and make it possible to fund, especially in fragile contexts, more human resources and training costs.

2. **Help countries define courageous and ambitious human resource management policies on a national level, that the Global Fund can match**, along with the other funders.

3. **Ensure the management / human resources component is adequately handled in proposals**, especially by not underestimating the human resources necessary for realistic implementation. As part of the New Funding Model (NFM) and country dialogues in progress, the country teams of the GF must be made particularly aware of this issue and pay specific attention to it.

4. **Define a policy for capability reinforcement** for fragile countries integrating specific budgets and objectives, including a gradual ownership approach at the national level and a strategy for transfer to national actors over time.

5. **Define differentiated reporting procedures according to the activities and also depending on the structures** in question and their capacity for reporting.

6. **Ensure safeguard measures are in line with national legislation.**

7. **Improve availability of documents in French**, making basic management and technical tool documents the priority.

8. **Define a minimum level for maintaining activities** necessary to guarantee treatment and care of beneficiaries.

Conclusion

Due to the need to communicate and reassure funders and a reinforced risk management policy requested by the Board, the GF Secretariat implemented extremely strict additional safeguard measures in the four countries covered by this study. While these measures make it possible to continue funding in some contexts that are considered very corrupt, it comes at the cost of grant fluidity : delays in implementation, poor performance, lack of consistency, non-adaptation to the situations in these countries, confusion of roles and responsibilities, etc. In these extremely fragile contexts, these measures only reinforce the administrative burdens that weigh on the implementation actors, increase restrictions and programmatic risks. They may also constitute the substitution of national stakeholders, contrary to the GF's country ownership principle. This threatens the impact and sustainability of the programmes.

The GF therefore has an ambiguous position in these weak states: the flexibility and case-by-case management claimed by the Fund, coexist with extremely strong and burdensome control systems which in fact limit these softening measures considerably. Also, «case by case» does not apply to the structural levels of actors in the field and no flexibility in the reporting requirements is provided to aid younger or weaker structures as part of a gradual approach. A more pragmatic approach to managing grants could consist in less demanding requirements in terms of reporting quality, but include more controls on site or in real time, and a true, integrated and gradual structural reinforcement component.

As mentioned in a CDA report, it is indeed «time to listen»[46] to what people receiving aid in the field have to say, in terms of the complexity, the difficulties, the time spent and the exhaustion of energies.
Of course, the responsibility is shared by the various actors, and it would be too simplistic to say that the GF is the only one responsible for all of the difficulties encountered. But as a major funder in these contexts, the GF can and must play a main, innovating role and lead deeper discussions on the effects and methods of its aid, in coordination with other funders and development actors present on site. The founding principle of partnership must be applied in the field.

In these discussions on the differentiated approach and weak states, the GF must be ambitious and accept a portion of the risks inherent to these contexts, concentrating certain aspects of its management on reinforcing capabilities. It must, above all, find solutions so as not to reproduce the blocking situations that have been observed these past few years. Some potential solutions have already been developed, but this is not enough. The GF has the means for such ambitions and for greater innovation, but is it willing to take the leap ?

Today it is necessary for the Board and GF donors to take a position: aware of the difficulties in these weak states, they must clearly define a tolerance threshold up to which activities will not be blocked. They must also make the choice between increased support in these contexts and real reinforcement of capabilities which would make it possible to confront a number of issues, but also sustainability constraints of the GF programmes. Without these reinforcements, the means invested today cannot guarantee results tomorrow.
It is time to choose an audacious, innovative policy and put financial risks at their right place: behind public health risk.

46. Mary B. Anderson, Dayna Brown, Isabella Jean – CDA Collaborative Learning Project (2012). Time to listen, Hearing people on the Receiving End of International Aid.

Appendices

- Summary of recommendations
- Bibliography
- Acknowledgements

We would like to thank all the people who agreed to speak with us, to answer our questions, to share their observations, difficulties and recommendations.
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Summary of Recommendations

Adapt Risk Management and Analysis

- Reach a better balance in the analysis of different risks by giving more weight to programmatic risks and to overall impact.
- Adapt the degree of control of financial risks to reduce programmatic risks.
- Give more consideration to the risk for implementing structures and develop common evaluations and analyses
- Publish OIG reports within a 6- to 12-month maximum following an investigation.
- Define indicators or objectives for terminating additional safeguard measures
- Coordinate more with actors in the field on finding and implementing solutions, especially with technical and financial partners.
- Better coordinate the various audits to limit the cost and amount of time spent.
- Investigate possibilities to test the impact of the presence of the GF, for a given time, directly in the country.
- Revise the relevancy of the various levels of monitoring, notably the FA and the LFA, by having an independent organisation perform a cost-effectiveness study of the system.
- Limit micro-management of GF country teams by limiting the controls, notably on particularly operational aspects.
- Clarify and harmonise practises and criteria, by writing guides on additional safeguard measures, develop a more operational and standardised manual on procedures, calls for tender, etc.
- Define a minimum level for maintaining activities necessary to guarantee treatment and care of beneficiaries.
- Ensure safeguard measures are in line with national legislation.

Adapt Performance Based funding

- Simplify and rationalise reporting, monitoring and evaluation procedures.
- Consider scenarios and hypotheses that may hinder development of the project to better adapt success indicators related to performance-based funding.
- Integrate indicators that make it possible to evaluate sustainability, project ownership and empowerment of field partners as measures of success.

Develop capacity building

- Revise the definition of high risk activities and make it possible to fund, especially in fragile contexts, more human resources and training costs.
- Help countries define courageous and ambitious human resources management policies on a national level, that the Global Fund can match, along with the other funders.
- Ensure the management / human resources component is adequately handled in proposals.
- Define a policy for capability reinforcement for fragile countries integrating specific budgets and objectives, including a gradual ownership approach at the national level and a strategy for transfer to national actors over time.
- Define differentiated reporting procedures according to the activities and also depending on the structures in question and their capacity for reporting.
- Accentuate risk prevention work by training and raising awareness of the different recipients
- Accept that the final outcome may not be up to the same standards as less fragile countries, all while defining objectives for progressive improvement leading to the development of a gradual approach to grant management
- Give PRs more flexibility to adapt the grant in implementation without having to systematically request validation from the GF country team for every modification. This may be manifested, for example by a clearer definition of ineligibility cases or by flexibility on certain pre-defined activities considered most unpredictable at the start of a grant.
- Define precise management frameworks including: who is responsible for what and in what timeframe.
- Improve availability of documents in French, making basic management and technical tool documents the priority.

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Solthis is a French INGO founded in 2003 which aims to strengthen health systems in Mali, Niger, Guinea and Sierra Leone in order to facilitate high quality, accessible and sustainable treatment for people living with HIV/AIDS.

Solthis provides technical assistance to its national partners including: training of human resources, procurement and stock management of medical drugs, health information systems and strategic planning and implementation of HIV/AIDS healthcare policies.

Within this technical assistance framework, Solthis has a relationship with the Global Fund on different levels and in several countries of intervention: participation in the CCM (Country Coordination Mechanism), Sub-Recipient for training activities and technical assistance and participation in grant application writing. Solthis also acts as a link between the field and the Global Fund's teams in Geneva.

As an NGO, a partner and an agent for the implementation of Global Fund grants in resource-limited settings, Solthis's expertise is based on a comprehensive approach to the challenges of access to HIV/AIDS treatment and care. Solthis meets with the Global Fund on a regular basis in Paris or in Geneva for information and monitoring meetings. Solthis has also attended several Global Fund Board meetings as a member of the French Delegation.

The full report is available on www.solthis.org

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