



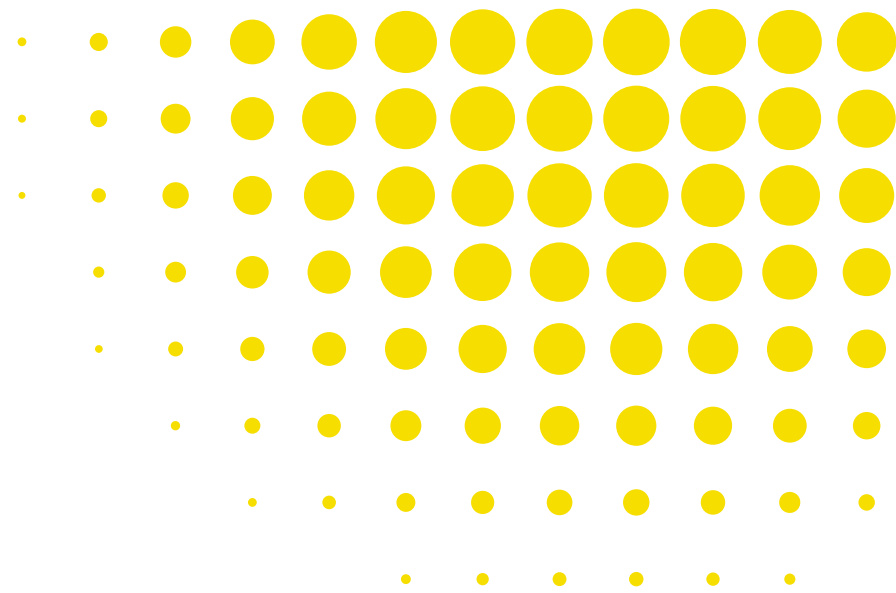
# Strategic Alignment: Public Financial Management Accelerator

51<sup>st</sup> Board Meeting

23 – 24 April 2024, Geneva, Switzerland

For Information

GF/B51/04B



# Executive Summary

## The Global Fund PFM Strategy

- Global health policy makers and constituencies are increasingly seeking a more integrated and strategically aligned approach in operational delivery of grants at country level
- The Global Fund has developed a **Public Financial Management (PFM)** adoption strategy, that envisions a progressive and scalable approach, tailored to country context for sustainability
- Moreover, PFM remains a key enabler to achieving an effective adoption of the “3 ONEs” and facilitate response to the **Lusaka Agenda**

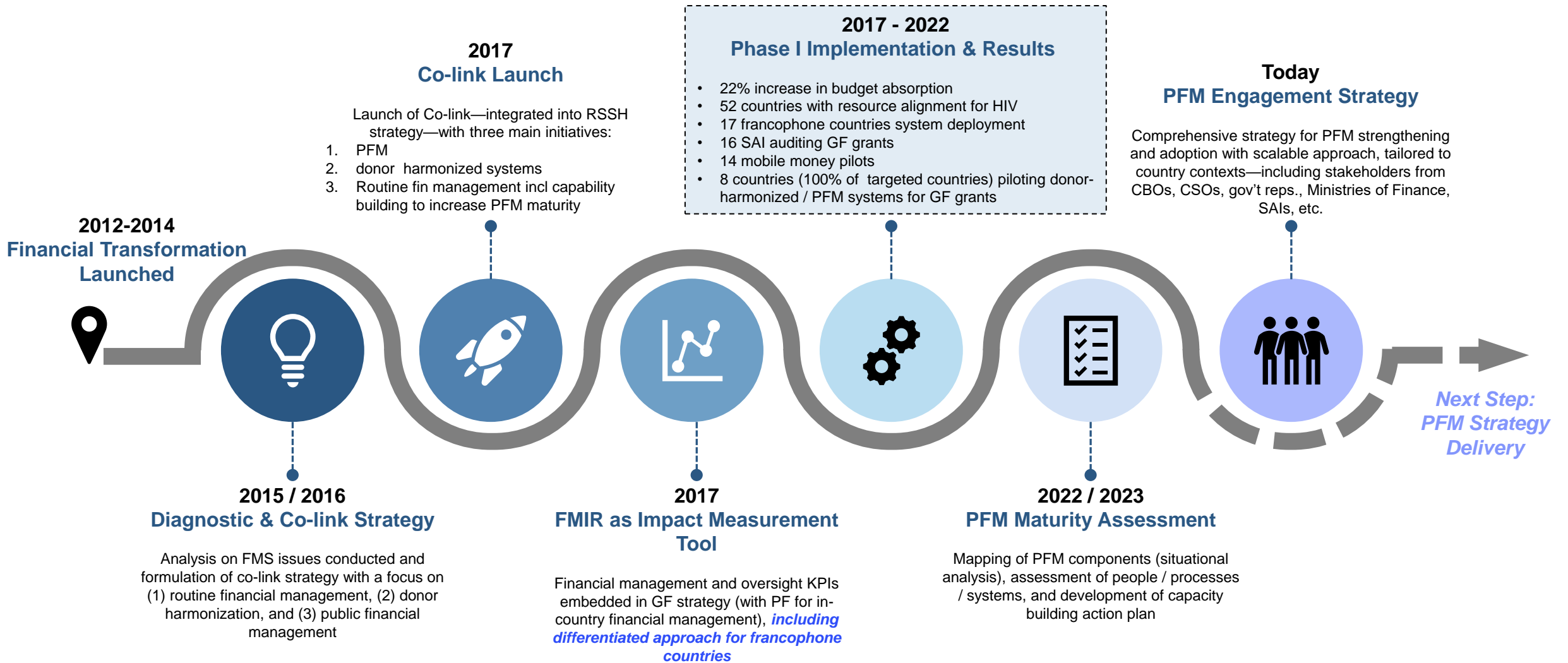
## The Linkage Between PFM and the 3 ONEs

- The "**One Plan, One Budget, One Report**" (**3 ONEs**) concept seeks to unify planning, budgeting, and reporting processes across the health sector for stakeholders like the Global Fund
- The Global Fund must play an active part in driving the 3 ONEs to ensure alignment with the global health community while building local capacity and effective assurance on intended use of funds to achieve the Health Outcomes in an impactful manner

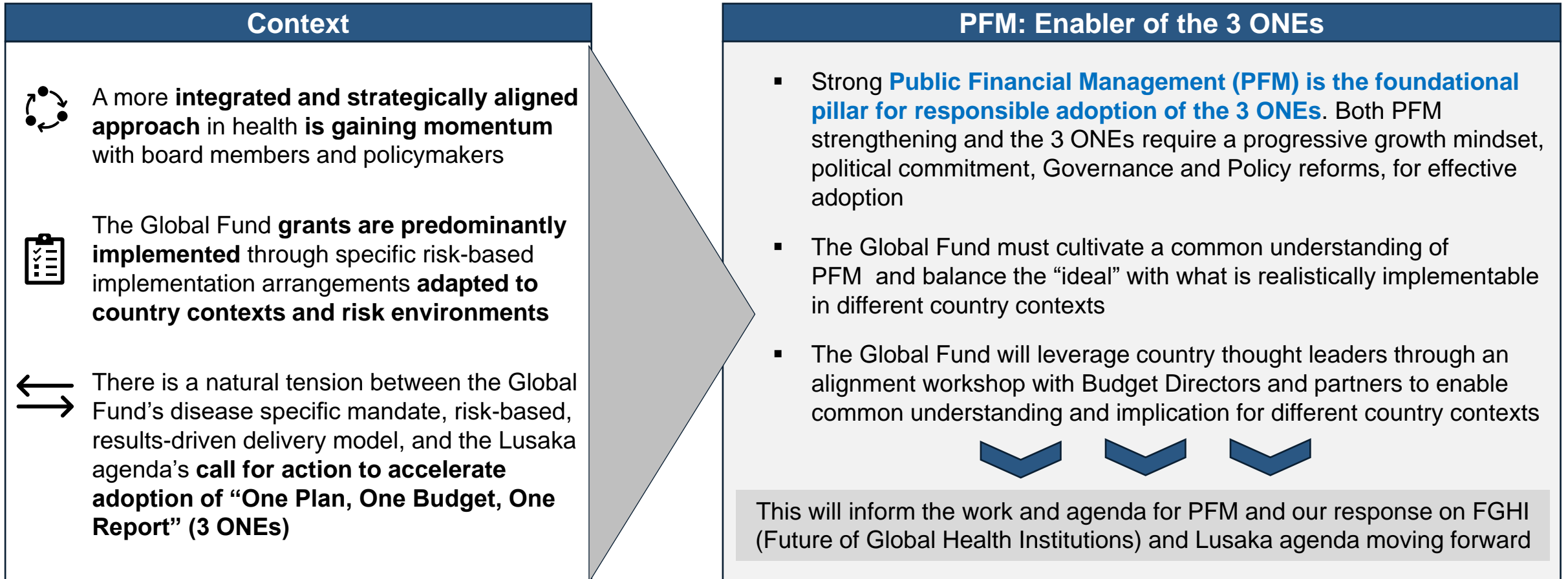
## Leveraging SAIs and Global Fund Partners

- **Supreme Audit Institutions (SAIs)** are a critical pillar of effective PFM and, ultimately, the 3 ONEs. SAIs are progressively being leveraged by the Global Fund to provide assurance and capacity building as an effective assurance provider and target for sustainable capacity building
- Additionally, our cross-sectoral partnerships with other stakeholders are a critical component and competitive advantage for driving PFM adoption

# Co-link is an integral part of the Financial Transformation Journey and created the foundation for PFM acceleration



# Strengthening Public Financial Management (PFM) is a critical enabler to realizing the “One Plan, One Budget, One Report” vision



What is the goal of the “3 ONEs”?

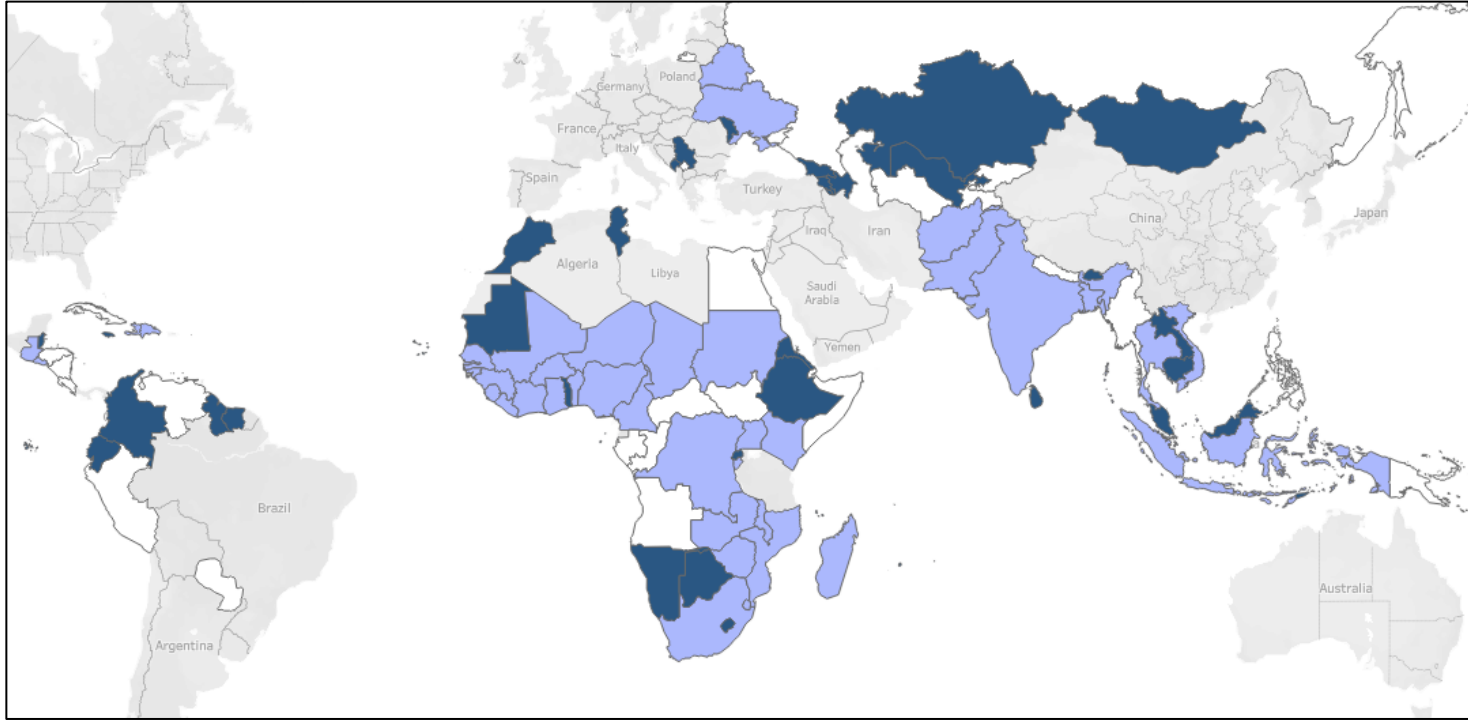
The “One Plan, One Budget, One Report” (3 ONEs) framework seeks to unify planning, budgeting, and reporting processes across the health sector and stakeholders (like the Global Fund).

# For Grant Cycle 6, the Global Fund implemented through Government PRs in 82 countries (representing \$10,601m in budgets)

## Grant Cycle 6 Landscape by Implementer (PR-type) including C19RM:

**122 Countries and \$18,211m in budgets**

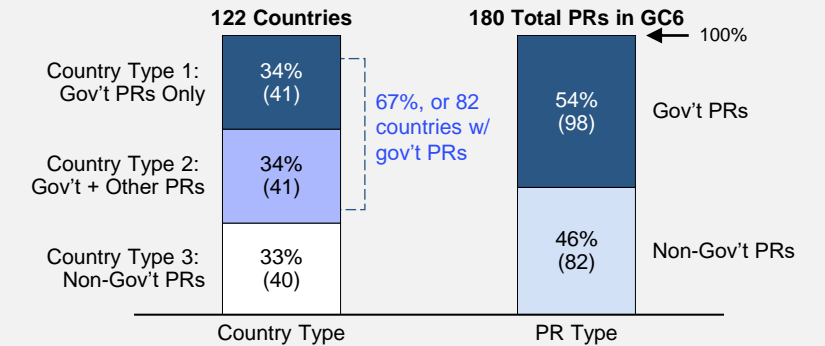
= Only Government PRs
  = Mix: Gov't + Other PR Types
  = Non-Gov't + PRs



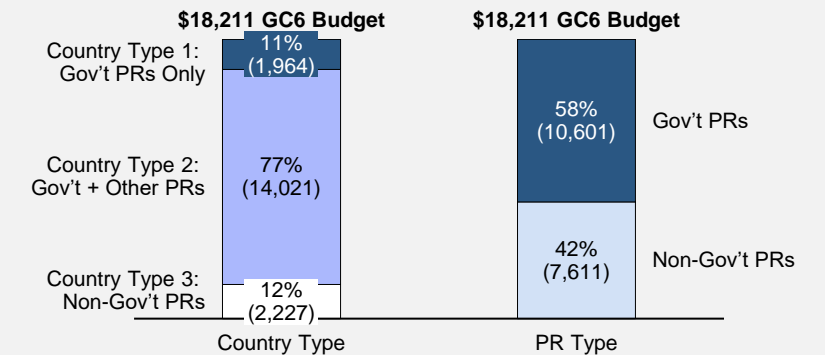
Notes: Budgets include HTM and C19RM funding; country count includes 18 multicountry grants; data as of 5 March 2024

The Global Fund implemented through Government PRs in 82 countries (67% of countries – Type 1 + 2), who represent \$10,601m of GC6 budgets (58% of total budget value)

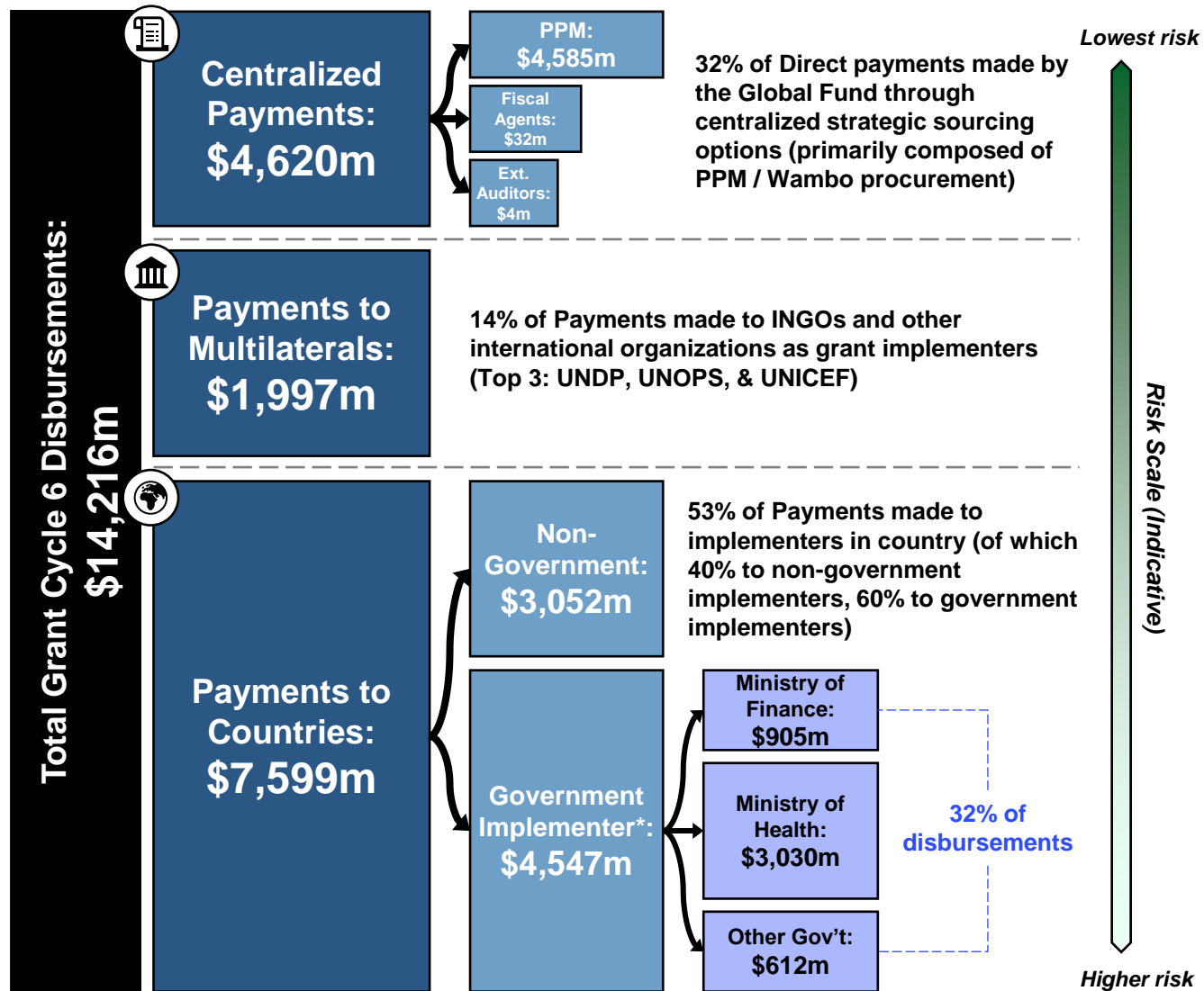
### By count (#):



### By budget value (US\$ m):



# The Global Fund has a pivotal role in promoting PFM in the health sector, as it improves country-level outcomes across multiple areas



## Why is PFM Important?

**Promotes sustainability:** PFM is a cornerstone of health systems strengthening and seeks to build local capacity while harmonizing intra-country systems with national and international stakeholders to enable aid-effectiveness, particularly for health systems.

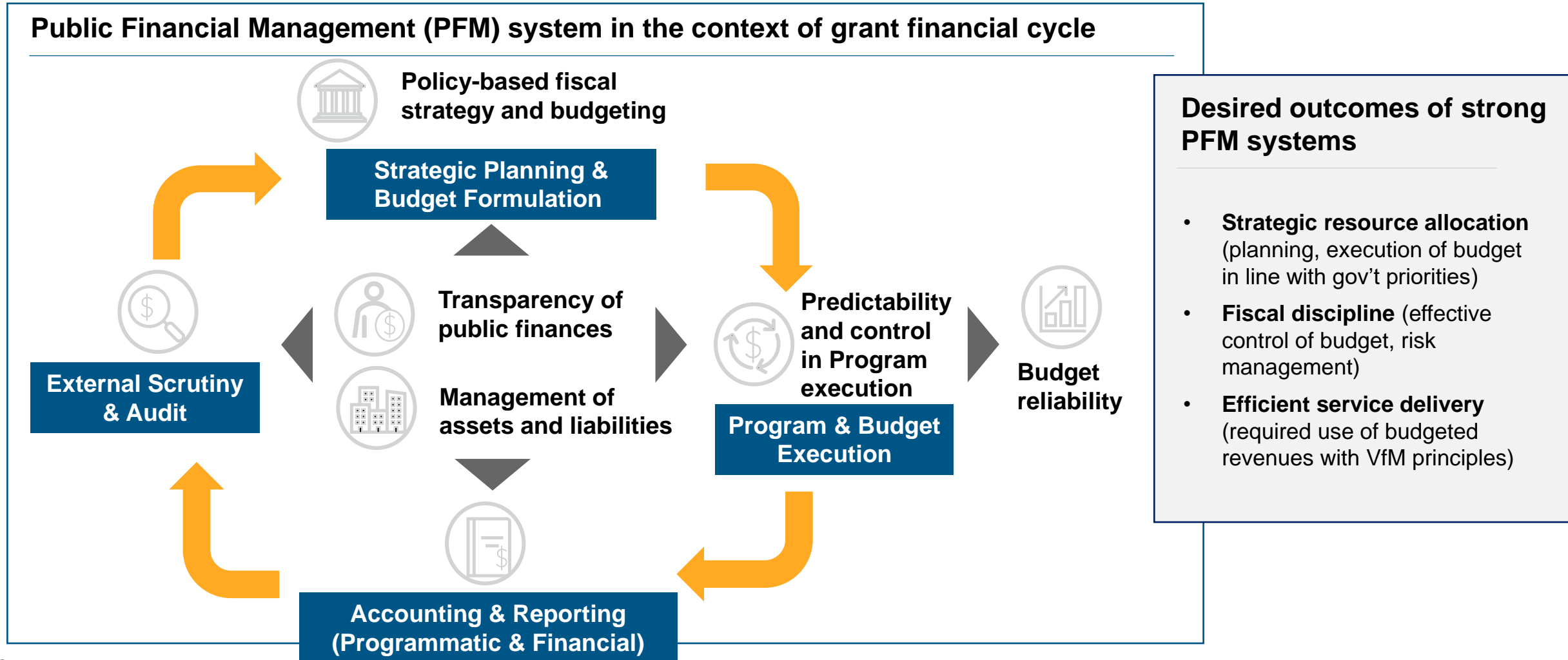
**Enhances accountability and transparency:** Well-designed and transparent systems and processes enhance ownership, accountability, and public trust in government systems. Strong PFM also facilitates information exchange between parliamentarians and executive branch of governments.

**Increases efficiencies:** PFM aims to standardize, centralize, and automate planning and procurement processes—improving health outcomes through pooling of resources and better resource allocation. PFM also embeds enhanced controls during the budget formulation, execution, and monitoring stages—reducing risks of misallocation, increasing value-for-money, and mitigating risks from human error or funds misuse.




**Mitigates risk:** At the appropriate maturity level, a well-designed PFM system reinforces the underlying processes for allocating, executing and monitoring public resources—a crucial role in mitigating and identifying malpractices through Supreme Audit Institutions and anticorruption agencies.

# Public Financial Management (PFM) is the government system for managing resources under the oversight of the Ministry of Finance

External scrutiny and audit are an important assurance pillar of an effective PFM system



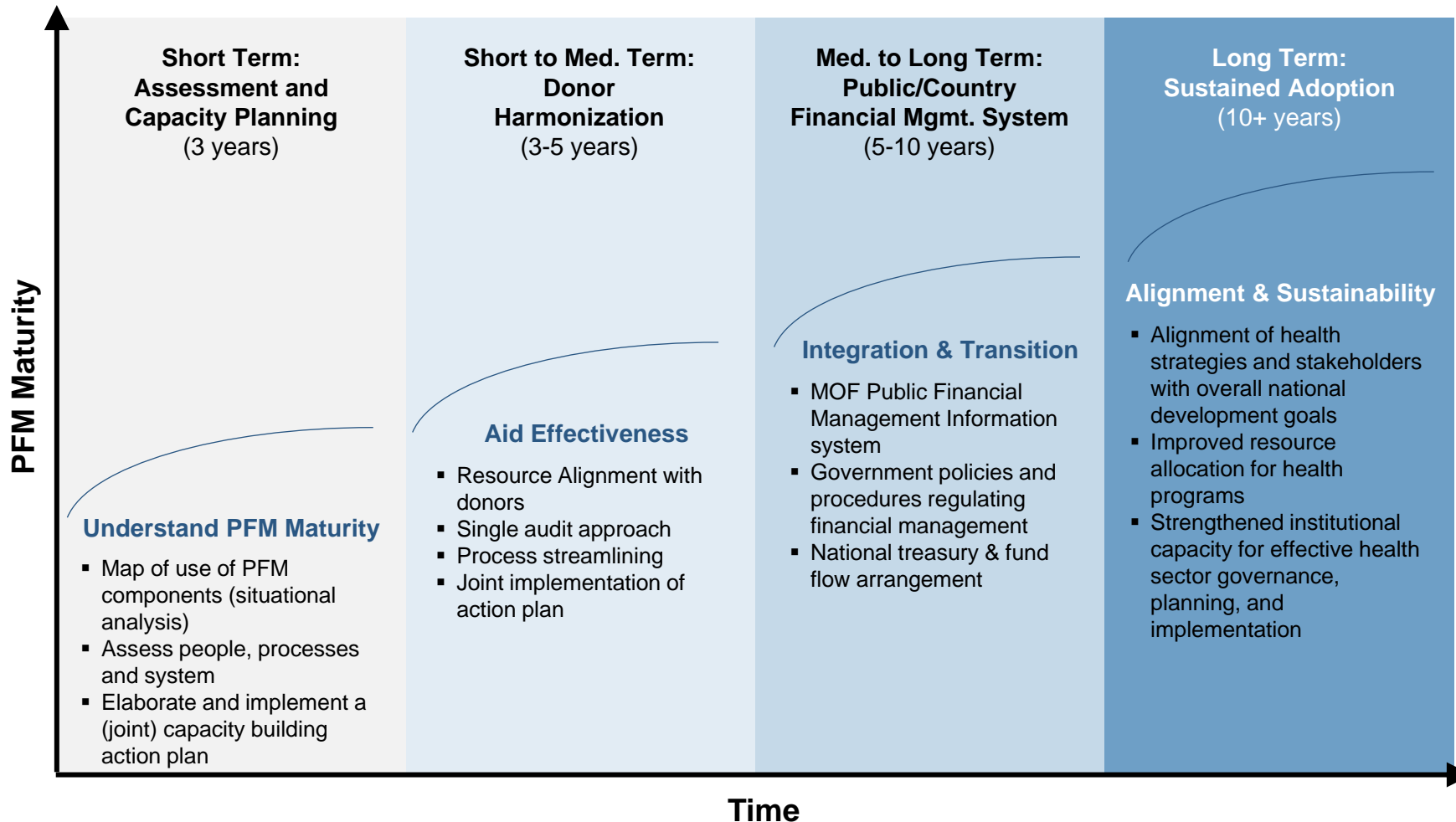
# Co-financing and PFM are interdependent and mutually reinforcing

PFM element	Link to implementation of co-financing
<p><b>Budget formulation</b>  <i>Health funds allocated according to priorities, need, and ability to pay, including subnational planning</i></p> 	<ul style="list-style-type: none"> <li>• <b>Strong budget formulation, underpinned by strong IFMIS and budget codes</b> that differentiate between funding sources and purposes, including diseases, is important for required commitments</li> <li>• <b>Evidence-informed inclusion of good value HTM services in essential packages for NHI integration</b> facilitate straightforward attribution of output-based budgets as HTM commitments</li> <li>• <b>Transparent and accountable budgeting involving parliamentarians and civil society</b> opens an opportunity to advocate for the realisation of legitimate co-financing commitments</li> </ul>
<p><b>Budget execution</b>  <i>Efficient purchasing and procurement systems to track services and commodities to priorities</i></p> 	<ul style="list-style-type: none"> <li>• <b>Credible budget execution allows effective recording of co-financing realization</b>, with the use of IFMIS and budget codes that differentiate between funding sources and purposes, including diseases and beneficiaries.</li> <li>• Where <b>targeted programmatic co-financing commitments for sustainability and risk mitigation</b> are negotiated by the GF, strong budget execution is needed for allocation to translate into impact/risk mitigation.</li> <li>• <b>Verification and audit that are country owned</b> are only possible <b>with strong budget execution systems.</b></li> </ul>
<p><b>Budget monitoring &amp; validation</b>  <i>Internal and external monitoring of what has been purchased</i></p> 	<ul style="list-style-type: none"> <li>• <b>Effective health resource tracing is the basis for co-financing tracking and compliance assessment</b>, which depends on effective expenditure recording, IFMIS and budget codes that align to commitments</li> <li>• <b>Co-financing is improved where budget monitoring includes effective impact assessment</b> linking costs to results; this reinforces national ownership of co-financing commitments and advances efficiency and sustainability.</li> <li>• <b>Budget monitoring and national audit systems manage risk and allow for donor alignment</b>, bringing visibility of all resources for health for effective planning and budget formulation.</li> </ul>



# Effective PFM implementation will require a progressive and scalable approach, tailored to country context for sustainability

High-level modality for countries with a low and moderate maturity score



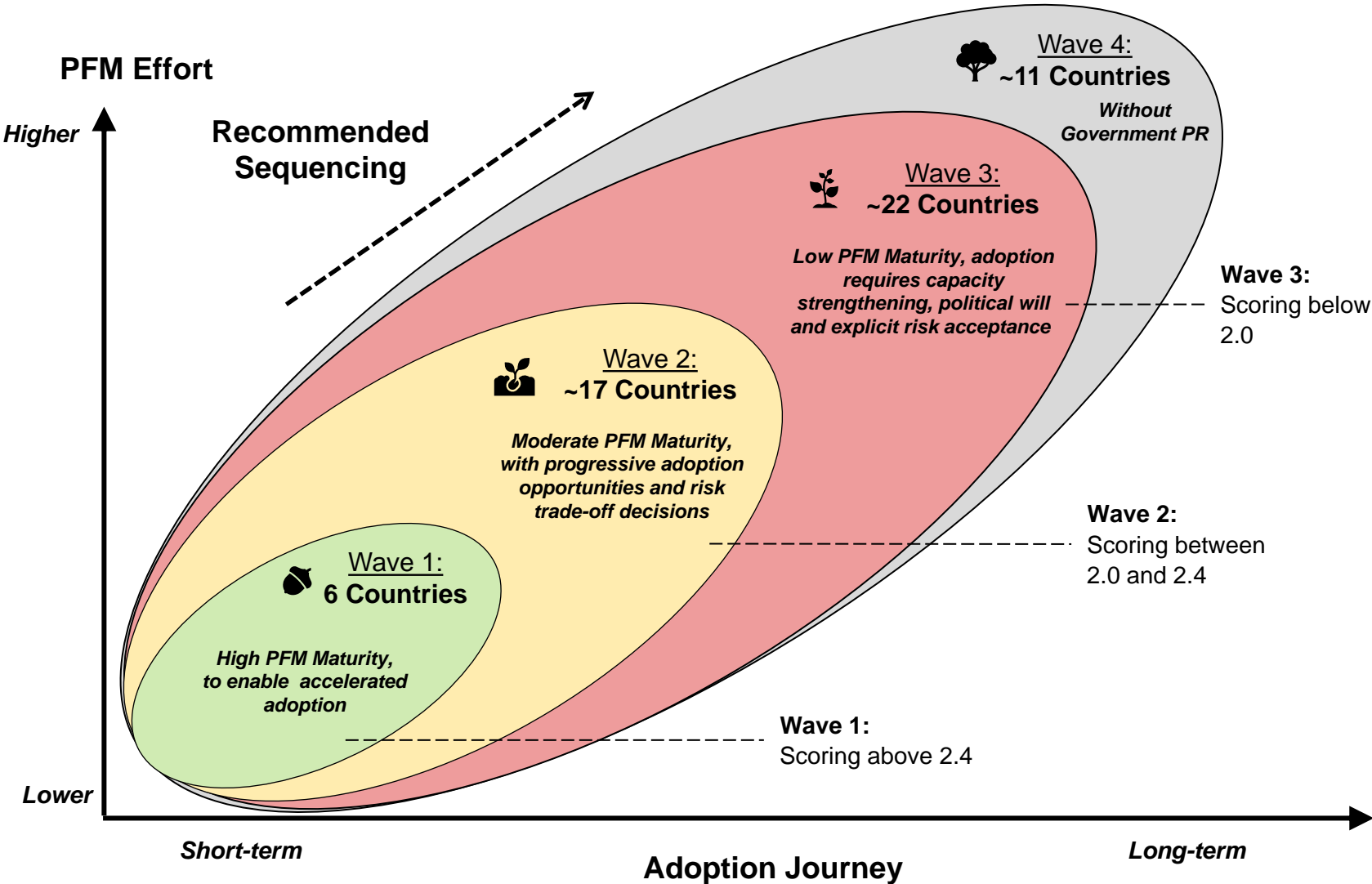
**Implementation Guiding Principles**

**Sustainability & Transition:** Increase integration of Global Fund investments into country or donor harmonized systems

**Financial Risk Management & Absorption:** Enhance internal control mechanisms to reduce fiduciary and financial risk

**Innovation in Financial Management:** Use innovative approaches to optimize financial management (mobile device & cashless payments)

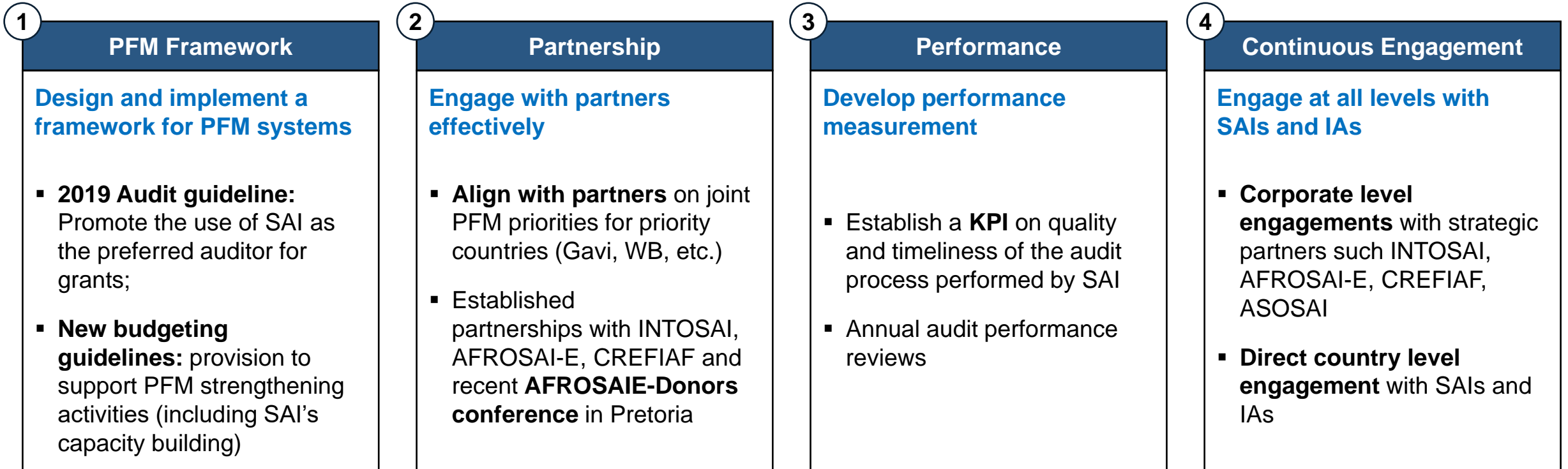
# Our PFM maturity baseline illustrates the adoption journey for Global Fund portfolios is variable



- PFM Maturity is an **enabler for progressive adoption** of the “3 ONEs” within varied country contexts
- **Among countries, 40% (6 and 17 countries)** illustrate **moderate-to-high PFM maturity that can be leveraged** the as a catalyst for adoption of the 3 ONEs based on country readiness
- Assurance modalities would need to be adopted to fit the country context with an explicit assessment of the **trade off and policy exception decisions across key operational areas**
- Currently **~US\$3 million is disbursed directly to non-government entities** (slide 5). Clarity on the impact of the 3 ONEs for these and understanding the **effectiveness of social contracting modalities** by Government will be essential
- For the 40% of countries with a very low PFM maturity score, further analysis will be required to ascertain the right levers for technical assistance support and donor harmonization/alignment efforts

# PFM roadmap integrates active engagement and strengthening of Supreme Audit Institutions (SAIs) – critical assurance providers


## Four Pillars of the Global Fund's SAI Engagement Strategy






Cross Cutting: Use of country accountability institutions (SAI / Cour des comptes, etc.)

# We collaborate with international organizations like the World Bank and regional bodies to align our PFM efforts and avoid duplication

## Performance & Sustainability Partners

Partners	Partnership Type
 <b>The World Bank, WHO, PEFA</b>	PFM engagement and collaboration at HQ and in-country
 <b>Gavi</b>	PFM engagement, Cross-cutting fin. management collaboration: grant management, treasury, financial controlling
 <b>USAID</b>	Cross-cutting financial management incl. HR4finance strengthening
 <b>IFAC, PAFA</b>	Strengthening in-country finance professionals
 <b>AFROSAI-E, INTOSAI, CREFIAF</b>	Uptake/strengthening of SAIs and PFM assessments

## Innovation Partners

Partners	Partnership Type
 <b>Bill &amp; Melinda Gates Foundation</b>	Partnership on payment digitization in the Health sector
 <b>Better Than Cash Alliance</b>	Collaboration with Alliance members e.g., joint pilots with WHO AFRO on cashless payment
 <b>WHO</b>	Collaboration on the 'last mile' payment

*Many of these partnerships have been formalized through operational MOUs with The Global Fund*

# Effective PFM systems enable sustainability and has the potential to accelerate adoption of One Plan, One Budget, One Report (3 ONEs)

## Our Public Financial Management Work

*PFM aims to support the progressive utilization of various components of the country's systems that underpin "One Plan-Budget-Report", delivering on:*

**Stronger core financial management**

- Improved budgeting and financial management
- Improved risk management

**Improved programmatic delivery**

- More sustainable funding outcomes
- Improved tracking of co-financing commitments and domestic resource allocation to health
- More efficient use of funding and better value for money (VfM)

**Stronger governance, oversight, and accountability of fund management**

- Stronger visibility of funding gap
- Better legislative oversight
- Transparency of public funds disbursed

**Building sustainability of systems**

- Increased countries' governance and accountability
- Improved national finance systems
- More purposeful partnership engagement

PFM as an enabler to 3 ONEs

## One Plan, One Budget, One Report

**3 ONEs Framework:**

**One Plan**  
Developing a unified, country-wide strategic plan for the health sector, forged across all stakeholders

**One Budget**  
Consolidating resources across public funding, donor contributions, NGO support, etc. into a singular budget aligned to strategic objectives in "One Plan"

**One Report**  
Reporting a defined set of indicators to evaluate progress towards strategic objectives. Integrated, uniform, standardized reporting processes across all health institutions

This tripartite concept aims to support **more integrated and collaborative health sector governance**. Consolidating plans, budgets, and reports into coherent, unified documents and processes to **enhance efficiency, accountability, and transparency in health sector management**.

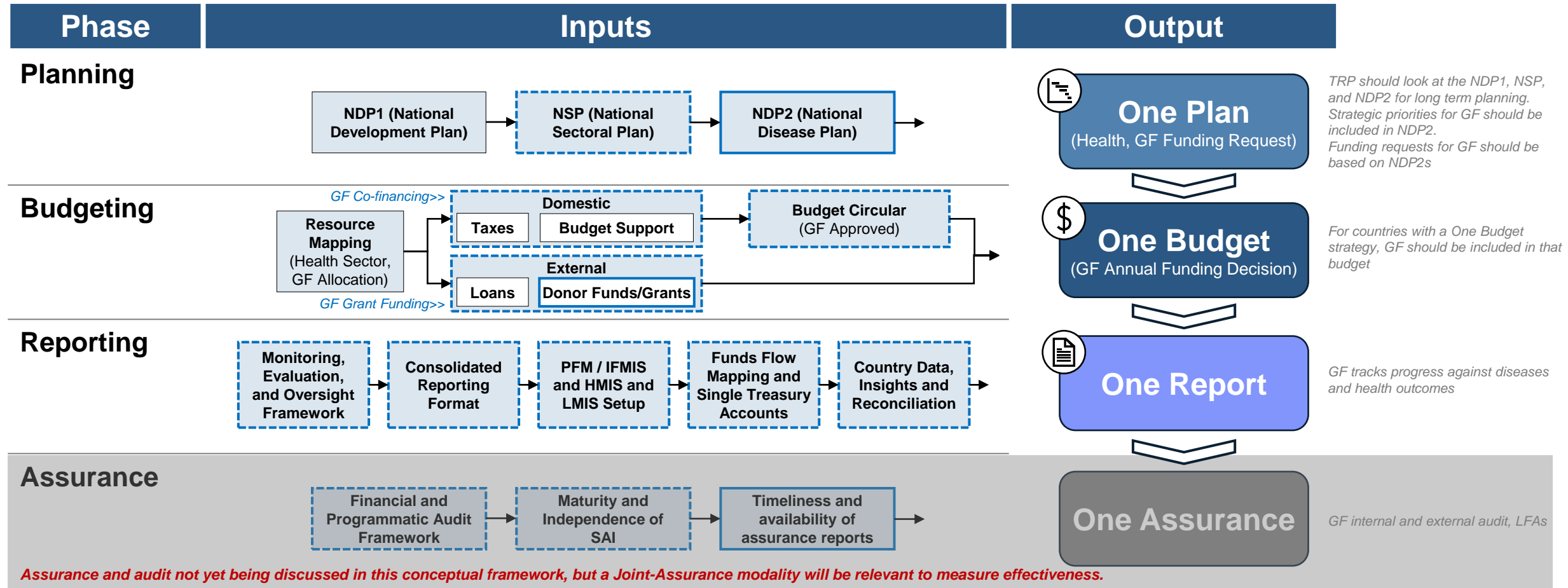
Countries are at different levels of understanding and adopting this framework. Our experience in GC7 shows we have a long way to go:

- While funding requests (FRs) are highly aligned to disease-specific National Strategic Plans (consistently >90%), only one country has used a "country-wide strategic plan for the health sector" as the basis for its FR.
- 13/54 High Impact & Core (HI&C) countries have Global Fund resources "on-budget"

# The 3 ONEs value chain demonstrates a clear linkage with PFM maturity and risk-based model of the grant lifecycle

## 3 ONEs Value Chain

■ = GF Direct Engagement    ■ (dashed) = GF Indirect Engagement



Number of countries submitting NDP2s for funding request: **105 expected (82 submitted to date, or 78% of countries)**  
 Number of countries where GF is included in the national budget: **13 (HI & Core, 24% of countries)**

# Next Steps

1

## Board Endorsement

- Advocate for board members to champion PFM maturity as a strategic enabler for sustainability and aid effectiveness

2

## Technical Alignment with Budget Directors

- Run pilot workshop by June with 10 Countries
- Adapt the approach and baseline assessment based on in-country input
- Organize 4 regional workshops in 2024/2025 to complete the country maturity and readiness

3

## Strategic Opportunities

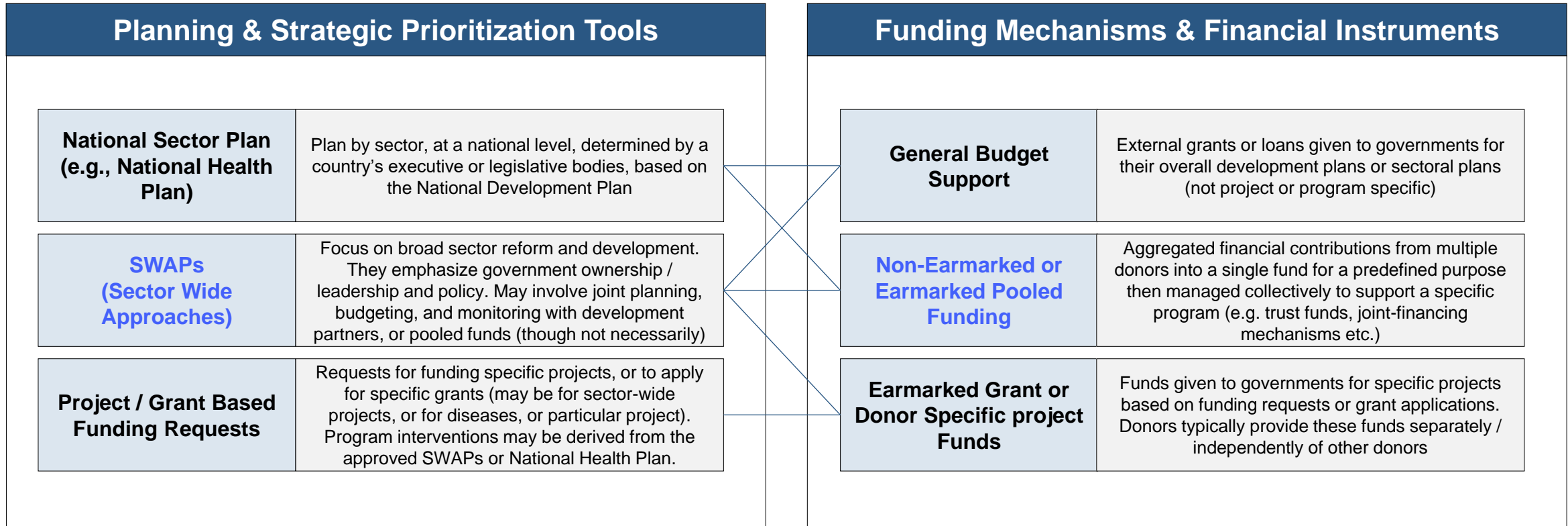
- Explore funding opportunities through grants and other available funds to enable in-country capacity development
- Progressive mainstreaming of PFM pillars in the grant from GC7
- Integrate the implication of the 3-ONEs as part of the next strategy development



# Pre-read



# SWAPs or Pooled Funding with partners are not synonymous with the 3 ONEs, but are important planning tools and funding mechanisms with partners



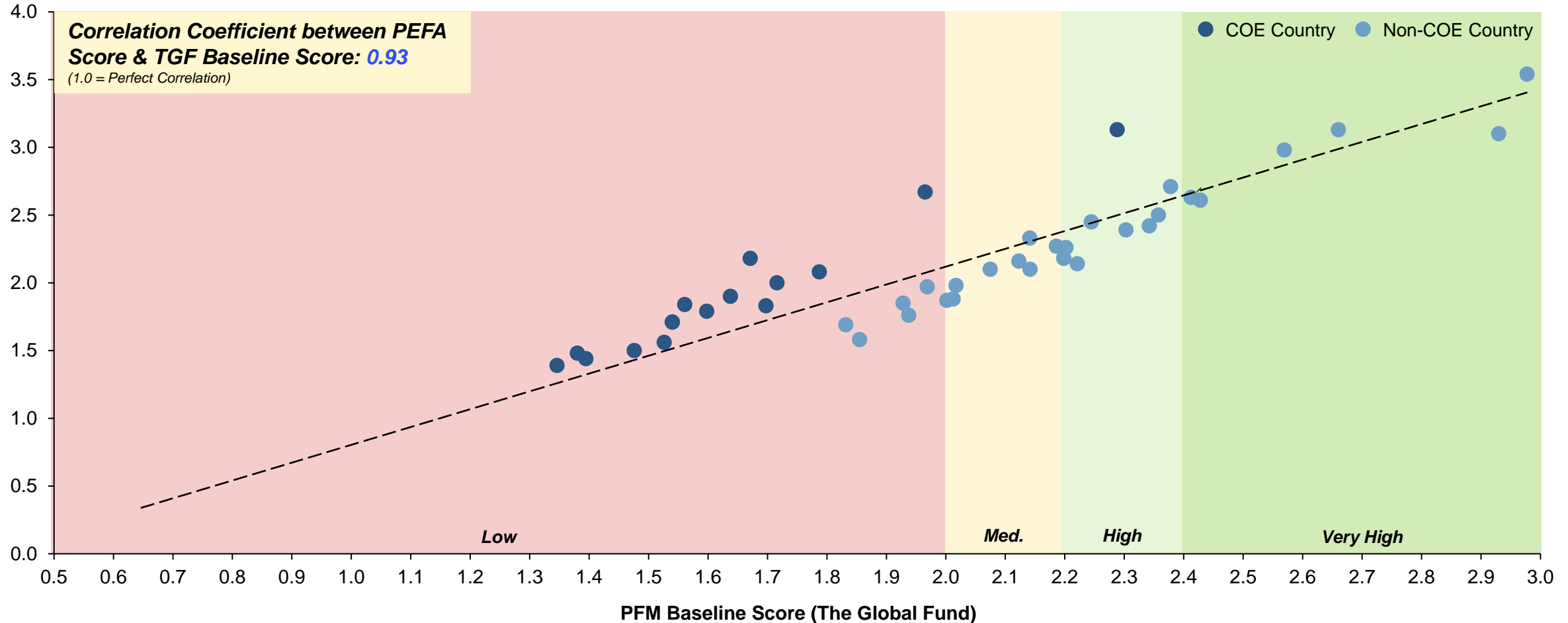
Note: these tools may be used to develop “One Plan” or “One Report”

Note: these mechanisms/instruments may be included in “One Budget”

# Global Fund PFM maturity baseline score is within a 0.93 correlation coefficient with the World Bank PEFA index

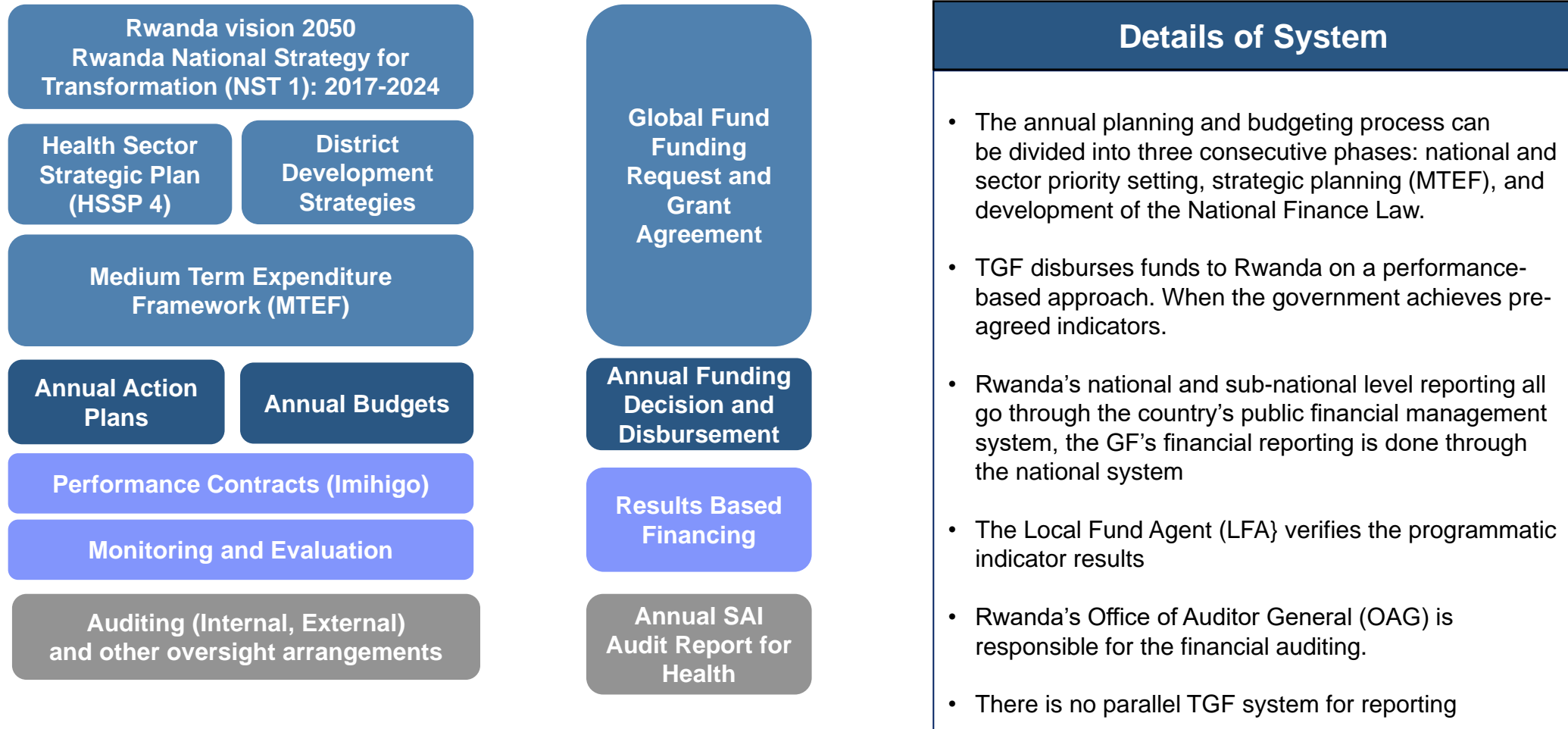
## World Bank PEFA Score v. TGF PFM Baseline Score

PEFA Score (World Bank)



# Country Case: Rwanda

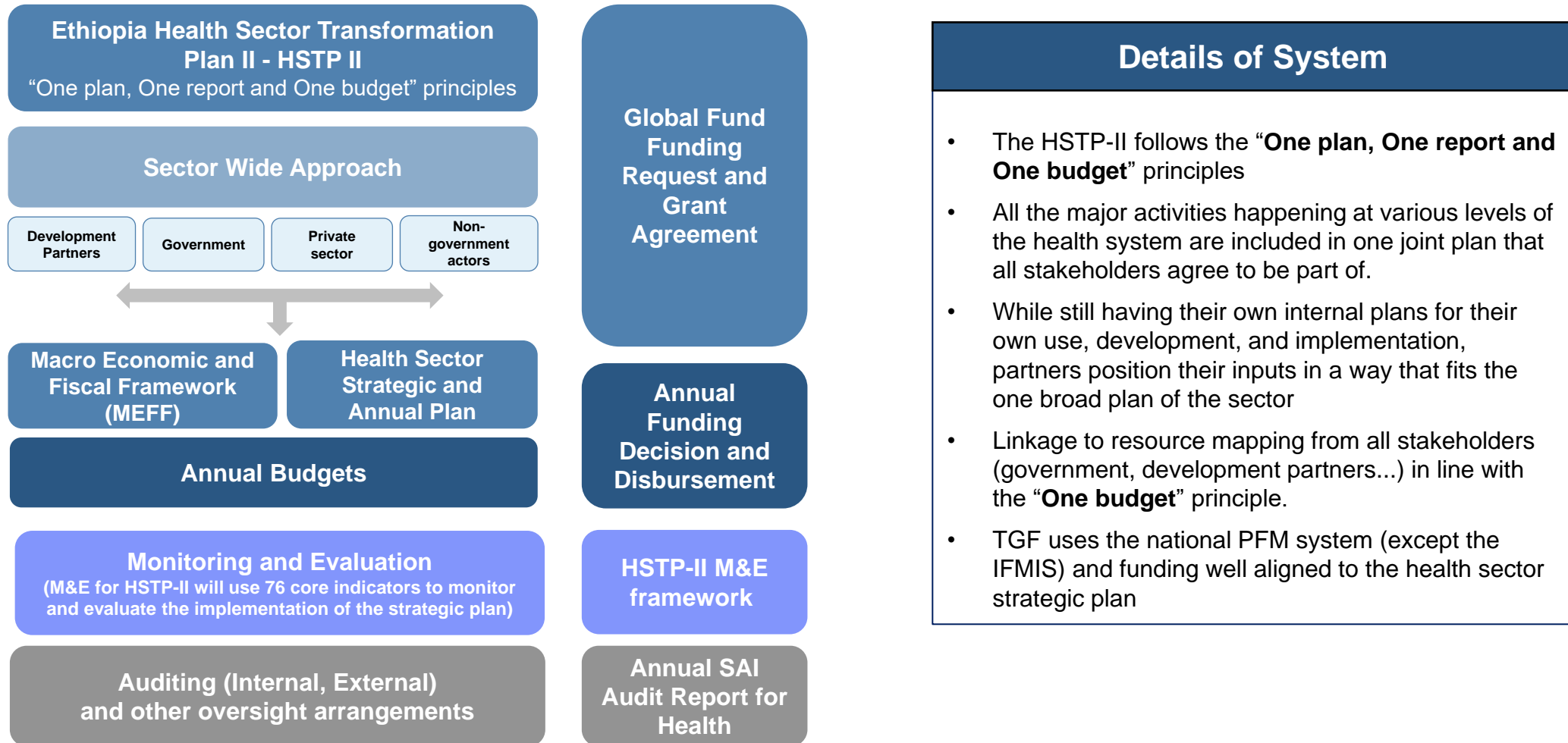
## Mature PFM arrangement leveraging the country system



Source: *Rwanda Manual of Public Financial Management (PFM) Policies and Procedures*

# Country Case: Ethiopia

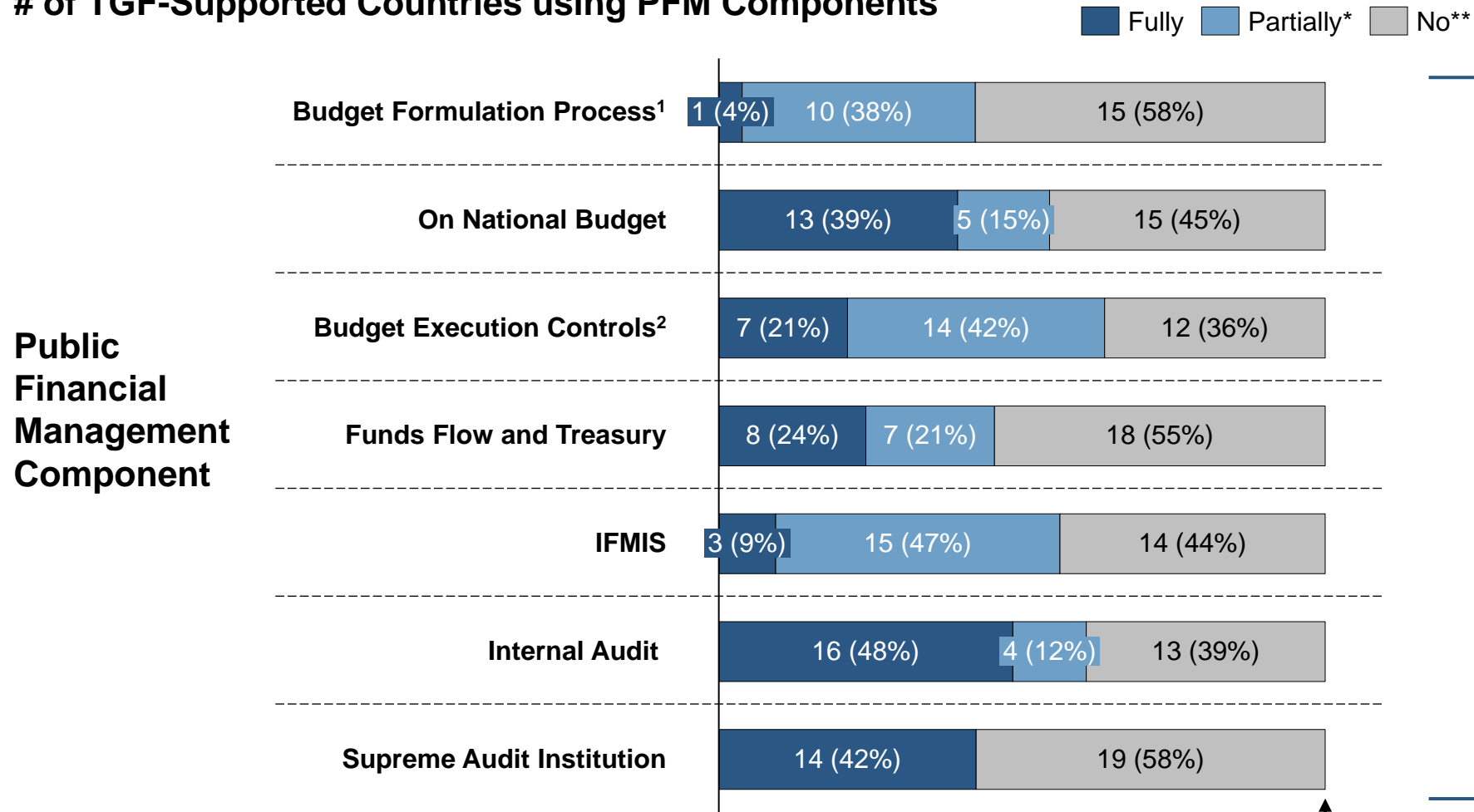
Ethiopia's Health Sector Transformation has multiannual and annual plans



Sources: *Public financial management perspectives on health sector financing and resource allocation in Ethiopia*, and *Health Sector Transformation Plan*.

# Sample snapshot of PFM components in Grant Delivery

## # of TGF-Supported Countries using PFM Components



**Out of 33 countries in study, 26 (79%) were either fully or partially leveraging at least one component of PFM**

*\*Partially refers to situation where "One or More" government specified systems and processes, in relation to the relevant PFM component, is/are used for Global Fund's implementer grant financial management.*

*\*\*No refers to situation where "No" government specified systems and processes, in relation to the relevant PFM component, are used for Global Fund's implementer grant financial management*

<sup>1</sup> Six countries were not part of scope in Phase 1 pilot for "Budget Formulation Process"

<sup>2</sup> "Budget Execution Controls" also includes several sub-processes (e.g., Human Resources, Procurement, Accounting, etc.)

↑  
100%