

Strategic Alignment: Public Financial Management Accelerator

51st 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

2017 Co-link Launch

Launch of Co-link—integrated into RSSH strategy—with three main initiatives:

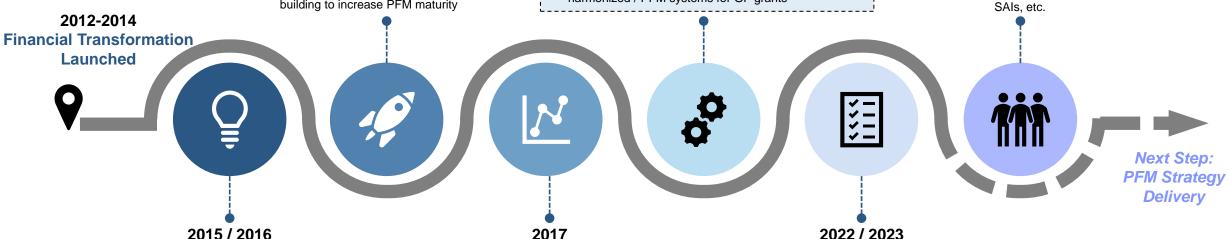
- 1. PFM
- 2. donor harmonized systems
- 3. Routine fin management incl capability building to increase PFM maturity

2017 - 2022 Phase I Implementation & Results

- 22% increase in budget absorption
- 52 countries with resource alignment for HIV
- 17 francophone countries system deployment
- 16 SAI auditing GF grants
- 14 mobile money pilots
- 8 countries (100% of targeted countries) piloting donorharmonized / PFM systems for GF grants

Today PFM Engagement Strategy

Comprehensive strategy for PFM strengthening and adoption with scalable approach, tailored to country contexts—including stakeholders from CBOs, CSOs, gov't reps., Ministries of Finance,



Diagnostic & Co-link Strategy

Analysis on FMS issues conducted and formulation of co-link strategy with a focus on (1) routine financial management, (2) donor harmonization, and (3) public financial management

FMIR as Impact Measurement Tool

Financial management and oversight KPIs embedded in GF strategy (with PF for incountry financial management), including differentiated approach for francophone countries

PFM Maturity Assessment

Mapping of PFM components (situational analysis), assessment of people / processes / systems, and development of capacity building action plan



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

Context



A more integrated and strategically aligned approach in health is gaining momentum with board members and policymakers



The Global Fund grants are predominantly implemented through specific risk-based implementation arrangements adapted to country contexts and risk environments



There is a natural tension between the Global Fund's disease specific mandate, risk-based, results-driven delivery model, and the Lusaka agenda's call for action to accelerate adoption of "One Plan, One Budget, One Report" (3 ONEs)

PFM: Enabler of the 3 ONEs

- Strong Public Financial Management (PFM) is the foundational pillar for responsible adoption of the 3 ONEs. Both PFM strengthening and the 3 ONEs require a progressive growth mindset, political commitment, Governance and Policy reforms, for effective adoption
- The Global Fund must cultivate a common understanding of PFM and balance the "ideal" with what is realistically implementable in different country contexts
- The Global Fund will leverage country thought leaders through an alignment workshop with Budget Directors and partners to enable common understanding and implication for different country contexts







This will inform the work and agenda for PFM and our response on FGHI (Future of Global Health Institutions) and Lusaka agenda moving forward



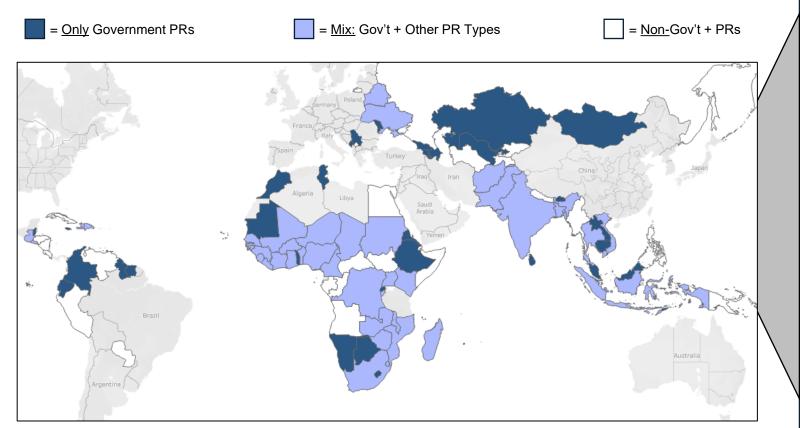
What is the goal of the "3 ONEs"?

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:

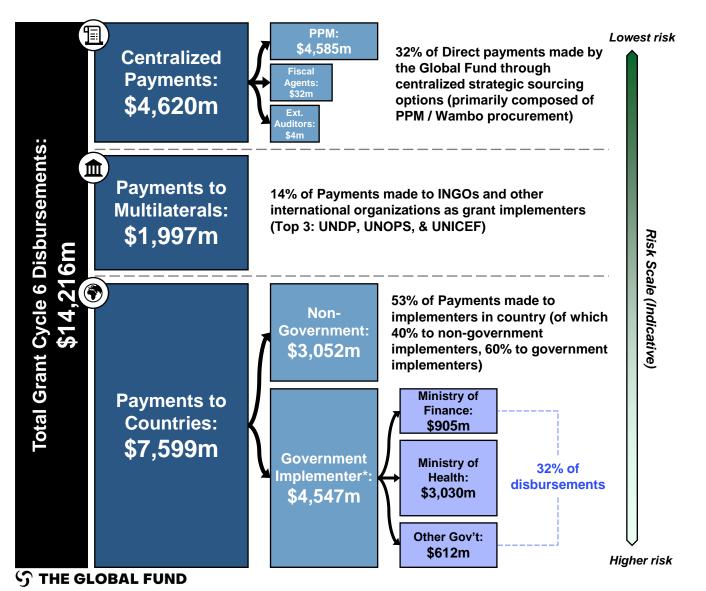
122 Countries and \$18,211m in budgets



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 (#): 180 Total PRs in GC6 122 Countries Country Type 1: 34% Gov't PRs Only (41) 67%, or 82 Gov't PRs countries w gov't PRs Country Type 2: 34% Gov't + Other PRs (41) 46% Non-Gov't PRs Country Type 3: 33% (82)Non-Gov't PRs (40)Country Type PR Type By budget value (US\$ m): \$18,211 GC6 Budget \$18,211 GC6 Budget Country Type 1: Gov't PRs Only 58% Gov't PRs (10.601)Country Type 2: Gov't + Other PRs 77% (14,021)42% Non-Gov't PRs (7,611)Country Type 3: 12% Non-Gov't PRs (2.227)Country Type PR Type

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

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.

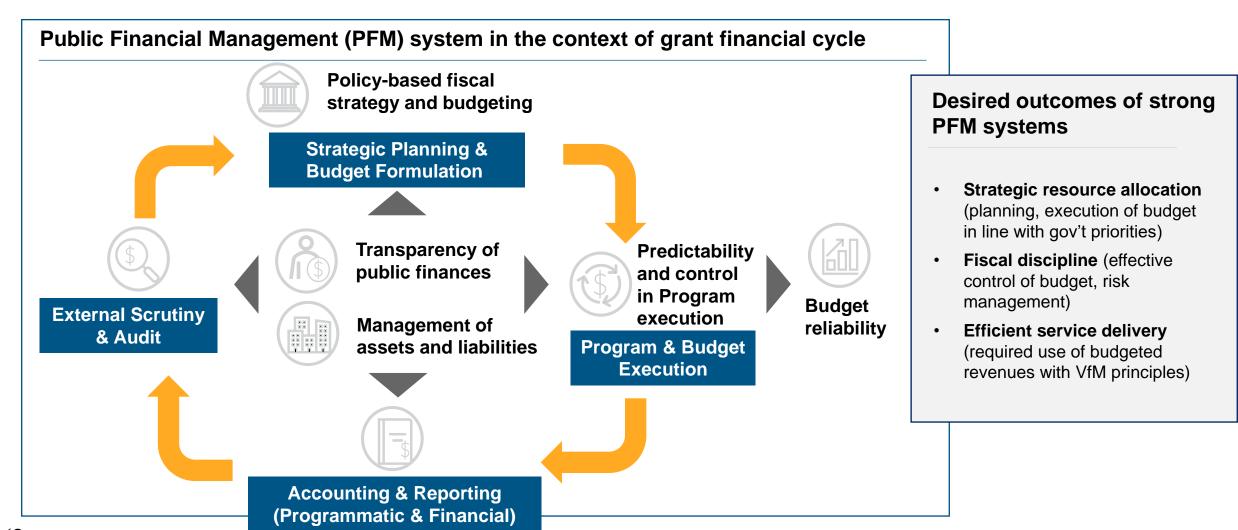
Enhances accountability and transparency: Well-designed and transparent systems and processes enhance ownership, accountability, and public trust in government systems. Strong PFM also facilitates information exchange between parliamentarians and executive branch of governments.

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 Strong budget formulation, underpinned by strong IFMIS and budget codes that differentiate between **Budget formulation** Health funds allocated funding sources and purposes, including diseases, is important for required commitments according to priorities, need, Evidence-informed inclusion of good value HTM services in essential packages for NHI integration and ability to pay, including facilitate straightforward attribution of output-based budgets as HTM commitments subnational planning Transparent and accountable budgeting involving parliamentarians and civil society opens an opportunity to advocate for the realisation of legitimate co-financing commitments **Budget execution** Credible budget execution allows effective recording of co-financing realization, with the use of IFMIS Efficient purchasing and and budget codes that differentiate between funding sources and purposes, including diseases and procurement systems to track beneficiaries. services and commodities to Where targeted programmatic co-financing commitments for sustainability and risk mitigation are priorities negotiated by the GF, strong budget execution is needed for allocation to translate into impact/risk mitigation. Verification and audit that are country owned are only possible with strong budget execution systems. **Budget monitoring &** Effective health resource tracing is the basis for co-financing tracking and compliance assessment, which depends on effective expenditure recording, IFMIS and budget codes that align to commitments validation Internal and external monitoring Co-financing is improved where budget monitoring includes effective impact assessment linking costs of what has been purchased to results; this reinforces national ownership of co-financing commitments and advances efficiency and sustainability. Budget monitoring and national audit systems manage risk and allow for donor alignment, bringing visibility of all resources for health for effective planning and budget formulation.

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

Short Term: Assessment and **Capacity Planning** (3 years) **PFM Maturity Understand PFM Maturity** Map of use of PFM

- Map of use of PFM components (situational analysis)
- Assess people, processes and system
- Elaborate and implement a (joint) capacity building action plan

Short to Med. Term: Donor Harmonization (3-5 years)

Resource Alignment with donors

Aid Effectiveness

- Single audit approach
- Process streamlining
- Joint implementation of action plan

Med. to Long Term:
Public/Country
Financial Mgmt. System
(5-10 years)

Integration & Transition

- MOF Public Financial Management Information system
- Government policies and procedures regulating financial management
- National treasury & fund flow arrangement

Long Term: Sustained Adoption (10+ years)

Alignment & Sustainability

- Alignment of health strategies and stakeholders with overall national development goals
- Improved resource allocation for health programs
- Strengthened institutional capacity for effective health sector governance, planning, and implementation

Implementation Guiding Principles

Sustainability & Transition:

Increase integration of Global Fund investments into country or donor harmonized systems

Financial Risk Management &

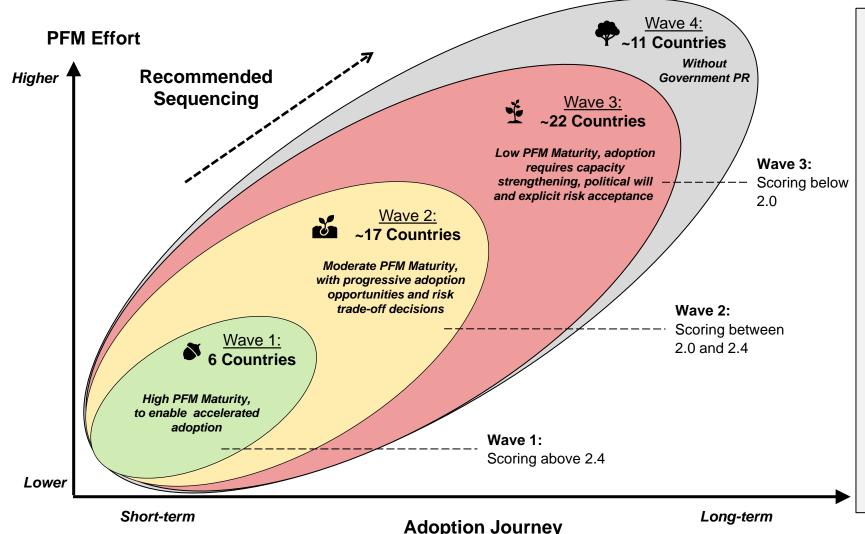
Absorption: Enhance internal control mechanisms to reduce fiduciary and financial risk

Innovation in Financial

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

Time

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

3

PFM Framework

Design and implement a framework for PFM systems

- 2019 Audit guideline:
 Promote the use of SAI as the preferred auditor for grants;
- New budgeting guidelines: provision to support PFM strengthening activities (including SAI's capacity building)

Partnership

Engage with partners effectively

- Align with partners on joint PFM priorities for priority countries (Gavi, WB, etc.)
- Established partnerships with INTOSAI, AFROSAI-E, CREFIAF and recent AFROSAIE-Donors conference in Pretoria

Performance

Develop performance measurement

- Establish a KPI on quality and timeliness of the audit process performed by SAI
- Annual audit performance reviews

Continuous Engagement

Engage at all levels with SAIs and IAs

- Corporate level engagements with strategic partners such INTOSAI, AFROSAI-E, CREFIAF, ASOSAI
- Direct country level engagement with SAIs and IAs

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
THE WORLD BANK World Health Organization	The World Bank, WHO, PEFA	PFM engagement and collaboration at HQ and incountry
Gavi The Vaccine Alliance	Gavi	PFM engagement, Cross-cutting fin. management collaboration: grant management, treasury, financial controlling
USAID AALS	USAID	Cross-cutting financial management incl. HR4finance strengthening
international Federation of Accountants of Accounta	IFAC, PAFA	Strengthening in-country finance professionals
INTOSAI ONE SIDING ON	AFROSAI-E, INTOSAI, CREFIAF	Uptake/strengthening of SAIs and PFM assessments

Partners		Partnership Type
BILL& MELINDA GATES foundation	Bill & Melinda Gates Foundation	Partnership on payment digitization in the Health sector
BETTER THAN CASH ALLIANCE	Better Than Cash Alliance	Collaboration with Alliance members e.g., joint pilots with WHO AFRO on cashless payment
World Health Organization	WHO	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

One Plan, One Budget, One Report 3 ONEs Framework: One Plan indicators to evaluate Developing a unified, **One Budget** progress towards country-wide strategic Consolidating resources strategic objectives. plan for the health sector. across public funding, Integrated, uniform, forged across all donor contributions, NGO standardized reporting stakeholders support, etc. into a processes across all singular budget aligned to health institutions strategic objectives in "One Plan"

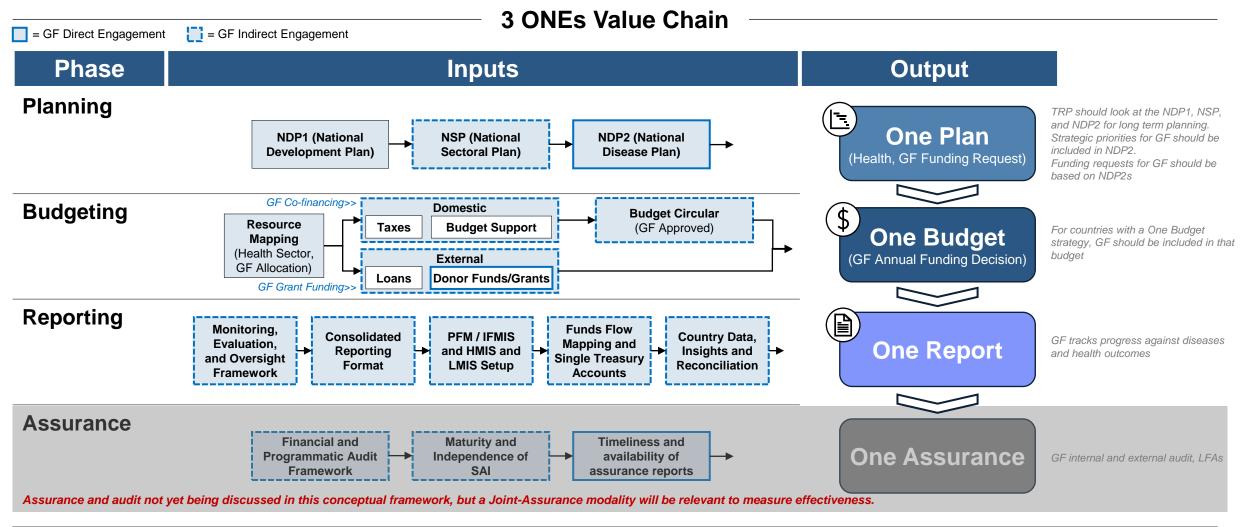
PFM as an enabler to 3 ONEs

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



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 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

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Strategic Opportunities

- Explore funding opportunities through grants and other available funds to enable incountry 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

Planning & Strategic Prioritization Tools Funding Mechanisms & Financial Instruments National Sector Plan Plan by sector, at a national level, determined by a External grants or loans given to governments for **General Budget** (e.g., National Health country's executive or legislative bodies, based on their overall development plans or sectoral plans **Support** the National Development Plan (not project or program specific) Plan) Focus on broad sector reform and development. Aggregated financial contributions from multiple **SWAPs** Non-Earmarked or donors into a single fund for a predefined purpose They emphasize government ownership / (Sector Wide leadership and policy. May involve joint planning, **Earmarked Pooled** then managed collectively to support a specific budgeting, and monitoring with development program (e.g. trust funds, joint-financing Approaches) **Funding** partners, or pooled funds (though not necessarily) mechanisms etc.) Requests for funding specific projects, or to apply Funds given to governments for specific projects **Earmarked Grant or** for specific grants (may be for sector-wide **Project / Grant Based** based on funding requests or grant applications. projects, or for diseases, or particular project). **Donor Specific project** Donors typically provide these funds separately / **Funding Requests** Program interventions may be derived from the **Funds** independently of other donors approved SWAPs or National Health Plan.

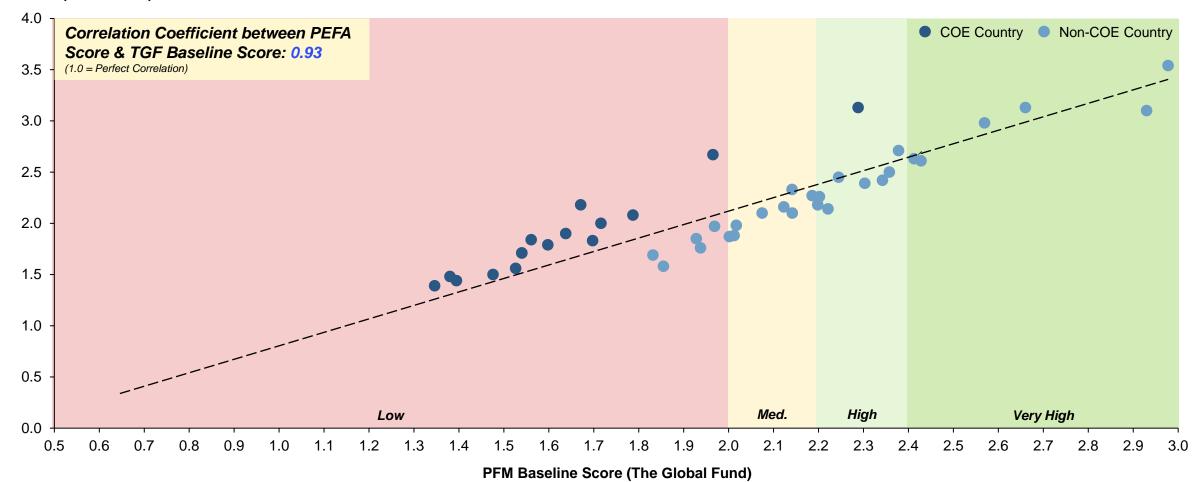
Note: these tools may be used to develop "One Plan" or "One Report"

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



Rwanda vision 2050 Rwanda National Strategy for Transformation (NST 1): 2017-2024

Health Sector Strategic Plan (HSSP 4) District
Development
Strategies

Medium Term Expenditure Framework (MTEF)

Annual Action Plans

Annual Budgets

Performance Contracts (Imihigo)

Monitoring and Evaluation

Auditing (Internal, External) and other oversight arrangements

Global Fund Funding Request and Grant Agreement

Annual Funding Decision and Disbursement

Results Based Financing

Annual SAI Audit Report for Health

Details of System

- The annual planning and budgeting process can be divided into three consecutive phases: national and sector priority setting, strategic planning (MTEF), and development of the National Finance Law.
- TGF disburses funds to Rwanda on a performancebased approach. When the government achieves preagreed indicators.
- Rwanda's national and sub-national level reporting all go through the country's public financial management system, the GF's financial reporting is done through the national system
- The Local Fund Agent (LFA) verifies the programmatic indicator results
- Rwanda's Office of Auditor General (OAG) is responsible for the financial auditing.
- There is no parallel TGF system for reporting

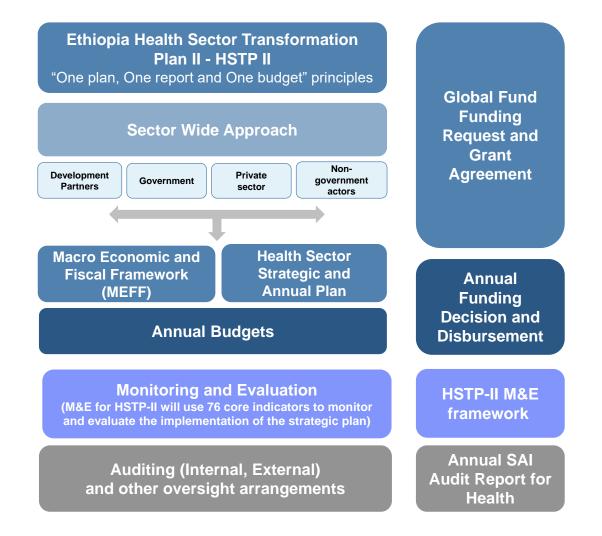
Source: Rwanda Manual of Public Financial Management (PFM) Policies and Procedures



Country Case: Ethiopia



Ethiopia's Health Sector Transformation has multiannual and annual plans

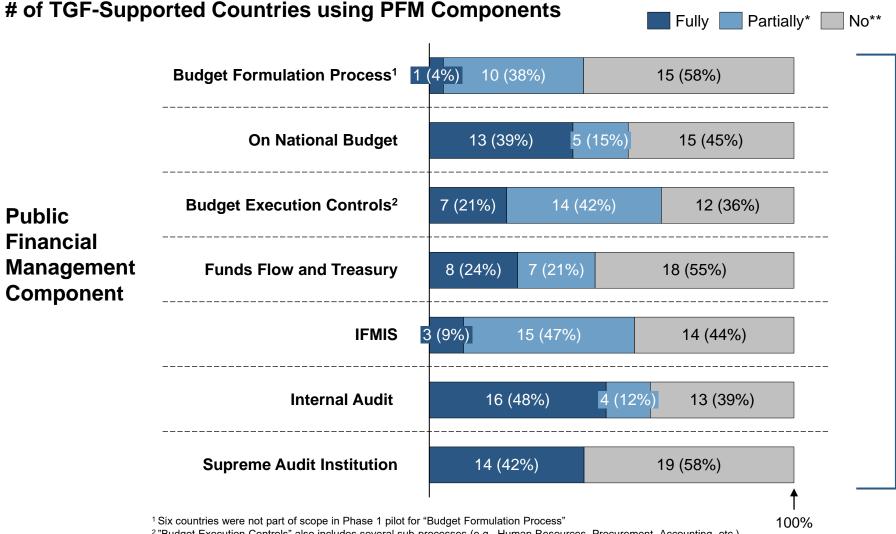


Details of System

- The HSTP-II follows the "One plan, One report and One budget" principles
- All the major activities happening at various levels of the health system are included in one joint plan that all stakeholders agree to be part of.
- While still having their own internal plans for their own use, development, and implementation, partners position their inputs in a way that fits the one broad plan of the sector
- Linkage to resource mapping from all stakeholders (government, development partners...) in line with the "One budget" principle.
- TGF uses the national PFM system (except the IFMIS) and funding well aligned to the health sector strategic plan

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



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

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