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.

**2012-2014 Financial Transformation Launched**

**2015 / 2016 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 harmonized systems
3. Public financial management

**2017 Co-link Launch**
Launch of Co-link—integrated into RSSH strategy—with three main initiatives:
1. PFM
2. Donor harmonized systems
3. Routine financial management and 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 donor-harmonized / PFM systems for GF grants

**2017 FMIR as Impact Measurement Tool**
Financial management and oversight KPIs embedded in GF strategy (with PFM for in-country financial management), including a differentiated approach for francophone countries

**2022 / 2023 PFM Maturity Assessment**
Mapping of PFM components (situational analysis), assessment of people / processes / systems, and development of capacity building action plan

**Today PFM Engagement Strategy**
Comprehensive strategy for PFM strengthening and adoption with a scalable approach, tailored to country contexts—including stakeholders from CBOs, CSOs, govt reprs., Ministries of Finance, SAs, etc.

**Next Step: PFM Strategy Delivery**
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 (#):

<table>
<thead>
<tr>
<th>Country Type 1: Gov't PRs Only</th>
<th>Country Type 2: Gov't + Other PRs</th>
<th>Country Type 3: Non-Gov't PRs</th>
</tr>
</thead>
<tbody>
<tr>
<td>34% (41)</td>
<td>34% (41)</td>
<td>33% (40)</td>
</tr>
<tr>
<td>54% (98)</td>
<td>46% (82)</td>
<td></td>
</tr>
</tbody>
</table>

By budget value (US$ m):

<table>
<thead>
<tr>
<th>Country Type 1: Gov't PRs Only</th>
<th>Country Type 2: Gov't + Other PRs</th>
<th>Country Type 3: Non-Gov't PRs</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,964 (11%)</td>
<td>$14,021 (77%)</td>
<td>$2,227 (12%)</td>
</tr>
<tr>
<td>$10,601 (58%)</td>
<td>$7,611 (42%)</td>
<td></td>
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</tbody>
</table>

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.

Desired outcomes of strong PFM systems:

- **Strategic resource allocation** (planning, execution of budget in line with gov't priorities)
- **Fiscal discipline** (effective control of budget, risk management)
- **Efficient service delivery** (required use of budgeted revenues with VfM principles)

Co-financing and PFM are interdependent and mutually reinforcing

<table>
<thead>
<tr>
<th>PFM element</th>
<th>Link to implementation of co-financing</th>
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<tbody>
<tr>
<td><strong>Budget formulation</strong></td>
<td>• Strong budget formulation, underpinned by strong IFMIS and budget codes that differentiate between funding sources and purposes, including diseases, is important for required commitments</td>
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<tr>
<td></td>
<td>• Evidence-informed inclusion of good value HTM services in essential packages for NHI integration facilitate straightforward attribution of output-based budgets as HTM commitments</td>
</tr>
<tr>
<td></td>
<td>• Transparent and accountable budgeting involving parliamentarians and civil society opens an opportunity to advocate for the realisation of legitimate co-financing commitments</td>
</tr>
<tr>
<td><strong>Budget execution</strong></td>
<td>• Credible budget execution allows effective recording of co-financing realization, with the use of IFMIS and budget codes that differentiate between funding sources and purposes, including diseases and beneficiaries.</td>
</tr>
<tr>
<td></td>
<td>• Where targeted programmatic co-financing commitments for sustainability and risk mitigation are negotiated by the GF, strong budget execution is needed for allocation to translate into impact/risk mitigation.</td>
</tr>
<tr>
<td></td>
<td>• Verification and audit that are country owned are only possible with strong budget execution systems.</td>
</tr>
<tr>
<td><strong>Budget monitoring &amp; validation</strong></td>
<td>• 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</td>
</tr>
<tr>
<td></td>
<td>• Co-financing is improved where budget monitoring includes effective impact assessment linking costs to results; this reinforces national ownership of co-financing commitments and advances efficiency and sustainability.</td>
</tr>
<tr>
<td></td>
<td>• 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.</td>
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THE GLOBAL FUND
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

<table>
<thead>
<tr>
<th>PFM Maturity</th>
<th>Time</th>
</tr>
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<tbody>
<tr>
<td>Short Term: Assessment and Capacity Planning (3 years)</td>
<td>Short to Med. Term: Donor Harmonization (3-5 years)</td>
</tr>
</tbody>
</table>

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

Aid Effectiveness
- Resource Alignment with donors
- Single audit approach
- Process streamlining
- Joint implementation of action plan

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

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)
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 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

Note: Refer to pre-read for PFM maturity baseline scores
PFM roadmap integrates active engagement and strengthening of Supreme Audit Institutions (SAIs) — critical assurance providers

<table>
<thead>
<tr>
<th>Four Pillars of the Global Fund’s SAI Engagement Strategy</th>
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</thead>
<tbody>
<tr>
<td>Design and implement a framework for PFM systems</td>
</tr>
<tr>
<td>▪ 2019 Audit guideline: Promote the use of SAI as the preferred auditor for grants;</td>
</tr>
<tr>
<td>▪ New budgeting guidelines: provision to support PFM strengthening activities (including SAI's capacity building)</td>
</tr>
</tbody>
</table>

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

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

### Innovation Partners

<table>
<thead>
<tr>
<th>Partners</th>
<th>Partnership Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bill &amp; Melinda Gates Foundation</td>
<td>Partnership on payment digitization in the Health sector</td>
</tr>
<tr>
<td>Better Than Cash Alliance</td>
<td>Collaboration with Alliance members e.g., joint pilots with WHO AFRO on cashless payment</td>
</tr>
<tr>
<td>WHO</td>
<td>Collaboration on the ‘last mile’ payment</td>
</tr>
</tbody>
</table>

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**
  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

**Phase** | **Inputs** | **Output**
---|---|---

**Planning**

- NDP1 (National Development Plan) → NSP (National Sectoral Plan) → NDP2 (National Disease Plan)

- GF Co-financing>>

**Budgeting**

- Resource Mapping (Health Sector, GF Allocation)
- Taxes (Domestic)
- Budget Support
- Loans (External)
- Donor Funds/Grants

- GF Grant Funding>>

**Reporting**

- Monitoring, Evaluation, and Oversight Framework
- Consolidated Reporting Format
- PFM / IFMIS and HMIS and LMIS Setup
- Funds Flow Mapping and Single Treasury Accounts
- Country Data, Insights and Reconciliation

**Assurance**

- Financial and Programmatic Audit Framework
- Maturity and Independence of SAI
- Timeliness and availability of assurance reports

**Output**

- One Plan
  (Health, GF Funding Request)

- One Budget
  (GF Annual Funding Decision)

- One Report
  GF tracks progress against diseases and health outcomes

- One Assurance
  GF internal and external audit, LFAs

**Notes:**

- TRP should look at the NDP1, NSP, and NDP2 for long term planning. Strategic priorities for GF should be included in NDP2. Funding requests for GF should be based on NDP2s.

- For countries with a One Budget strategy, GF should be included in that budget.

- Assurance and audit not yet being discussed in this conceptual framework, but a Joint-Assurance modality will be relevant to measure effectiveness.

**Numbers:**

- 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.

### Planning & Strategic Prioritization Tools

<table>
<thead>
<tr>
<th>National Sector Plan (e.g., National Health Plan)</th>
<th>Plan by sector, at a national level, determined by a country’s executive or legislative bodies, based on the National Development Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>SWAPs (Sector Wide Approaches)</td>
<td>Focus on broad sector reform and development. They emphasize government ownership/leadership and policy. May involve joint planning, budgeting, and monitoring with development partners, or pooled funds (though not necessarily)</td>
</tr>
<tr>
<td>Project / Grant Based Funding Requests</td>
<td>Requests for funding specific projects, or to apply for specific grants (may be for sector-wide projects, or for diseases, or particular project). Program interventions may be derived from the approved SWAPs or National Health Plan.</td>
</tr>
</tbody>
</table>

### Funding Mechanisms & Financial Instruments

<table>
<thead>
<tr>
<th>General Budget Support</th>
<th>External grants or loans given to governments for their overall development plans or sectoral plans (not project or program specific)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Earmarked or Earmarked Pooled Funding</td>
<td>Aggregated financial contributions from multiple donors into a single fund for a predefined purpose then managed collectively to support a specific program (e.g. trust funds, joint-financing mechanisms etc.)</td>
</tr>
<tr>
<td>Earmarked Grant or Donor Specific project Funds</td>
<td>Funds given to governments for specific projects based on funding requests or grant applications. Donors typically provide these funds separately / independently of other donors</td>
</tr>
</tbody>
</table>

**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

Correlation Coefficient between PEFA Score & TGF Baseline Score: **0.93**
(1.0 = Perfect Correlation)
Country Case: Rwanda
Mature PFM arrangement leveraging the country system

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 performance-based approach. When the government achieves pre-agreed 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.

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

# of TGF-Supported Countries using PFM Components

<table>
<thead>
<tr>
<th>Public Financial Management Component</th>
<th>Fully</th>
<th>Partially*</th>
<th>No**</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget Formulation Process</strong>¹</td>
<td>1 (4%)</td>
<td>10 (38%)</td>
<td>15 (58%)</td>
</tr>
<tr>
<td>On National Budget</td>
<td>13 (39%)</td>
<td>5 (15%)</td>
<td>15 (45%)</td>
</tr>
<tr>
<td><strong>Budget Execution Controls</strong>²</td>
<td>7 (21%)</td>
<td>14 (42%)</td>
<td>12 (36%)</td>
</tr>
<tr>
<td>Funds Flow and Treasury</td>
<td>8 (24%)</td>
<td>7 (21%)</td>
<td>18 (55%)</td>
</tr>
<tr>
<td>IFMIS</td>
<td>3 (9%)</td>
<td>15 (47%)</td>
<td>14 (44%)</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>16 (48%)</td>
<td>4 (12%)</td>
<td>13 (39%)</td>
</tr>
<tr>
<td>Supreme Audit Institution</td>
<td>14 (42%)</td>
<td>19 (58%)</td>
<td></td>
</tr>
</tbody>
</table>

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

¹ Six countries were not part of scope in Phase 1 pilot for "Budget Formulation Process"
² "Budget Execution Controls" also includes several sub-processes (e.g., Human Resources, Procurement, Accounting, etc.)

*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.