



Audit Report

Audit of the COVID-19 Response Mechanism 2021

GF-OIG-22-007
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Geneva, Switzerland

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Audit of C19RM 2021

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1. Executive Summary

1.1 Audit Opinion

The Global Fund's COVID-19 Response Mechanism 2021 (C19RM 2021) represents a significant step up in the scale and ambition of the organization's response to the pandemic. It has allowed countries to access significant amounts of financial support in a relatively short period of time, at a time when countries face critical funding gaps. C19RM 2021's design reflects the higher level of ambition and risks inherent with the significant increase in funding. Key enhancements were noted in the allocation methodology, external review process, two-tiered funding requests and broader monitoring & oversight framework.

The design and effectiveness of the approval process has been clearly strengthened compared to C19RM 2020. While the Global Fund needs to balance speed and robustness, some issues were noted around the implementation of the external review process and the handling of specific risk areas, such as oxygen support. The design and effectiveness of the C19RM 2021 approval process and related reporting to the Global Fund Board is **partially effective**.

Monitoring and oversight in a pandemic setting requires a significant shift from the routine mechanisms used for core grants. Monitoring and oversight of C19RM 2021 has improved considerably compared to 2020. A robust framework has been designed and is being implemented. The benefits of the framework are clear and allow for more visibility on the mechanism by both the Secretariat and the Board. However, issues were noted in its roll-out, linked to weak controls and the use of manual processes, resulting in data inaccuracies. The design and implementation of monitoring and oversight mechanisms is **partially effective**.

Based on 30 June 2021 reported information, 47%¹ of C19RM 2020 funds had been utilized at country level. However, there are significant limitations in the accuracy of this number. Critical issues in Procurement and Supply Chain Management at both global and country level have impacted the timely use of C19RM 2020 funds, and highlight risks for C19RM 2021 investments. The timely utilization of C19RM 2020 funds at country level **needs significant improvement**.

1.2 Key achievements and good practices

C19RM 2021 maintained a rapid pace in approving requests.

C19RM 2020 had the highest and fastest rate of converting funding to approved grants when compared to peer mechanisms launched in 2020.² C19RM 2021 has managed to process and approve funding at an even quicker rate in terms of absolute US\$ investments approved. Within three months of its launch, it had awarded more funds than the entire 2020 allocation. The approval rates of both C19RM 2020 and 2021 are similar, a significant achievement given C19RM 2021 has had to process and approve four times the US\$ amount of funding requests than C19RM 2020.

Improved inclusiveness.

The Global Fund Secretariat has made significant efforts to enhance the inclusiveness of the C19RM 2021 process through (i) increasing Country Coordinating Mechanism (CCM) budgets in 2021 to support improved engagement of Civil Society Organization (CSO) and Key and Vulnerable Populations (KVP) (ii) improvements to application material and guidelines, including mandatory lists of communities' priorities in funding requests and (iii) increasing funding from Centrally Managed Limited Investment funds, which were used to strengthen CSO and KVP engagement. Community and civil society partners were strongly engaged in the process. Board requirements around CCM and national COVID-19 response endorsements were materially complied with, and CCMs (including KVP/CSOs) recognized the efforts to protect inclusiveness. 88% of CCM respondents to OIG's survey said they had been sufficiently engaged in the funding request and approval process.

Well-designed Monitoring & Oversight (M&O) framework.

There has been a clear positive evolution in terms of the monitoring and oversight of C19RM 2021 when comparing with C19RM 2020. The previous mechanism did not have an adapted framework to support the effective monitoring and oversight of its investments outside of the routine Secretariat mechanisms that support core disease grants. For C19RM 2021, the Secretariat developed a broad framework for M&O to address Board requirements and support internal decision making. Its main pillars are the Risk & Control Matrix, a Monitoring & Evaluation framework and Local Fund Agent assurance. The Secretariat also put significant effort into developing data processes that feed into the framework. The framework goes beyond what was in place for core disease grants and aims to strengthen oversight of the entire portfolio.

1 COVID-19 module (Grant flex & C19RM 2020) expenditure vs budget on 30 June 2021 (the reporting period end date) in latest validated PU/DRs received as at December 2021 (time of the OIG Audit fieldwork). This is for a cohort of countries and with outstanding information from Financial Closure reports. As at February 2022, the Secretariat has determined 54% of C19RM 2020 funds have been utilized at country level. This has not been validated by the OIG. This number will be updated as additional financial reporting from countries are received.

2 [Audit of C19RM 2020](#)

1. Executive Summary

1.3 Key issues

Fast implementation has exposed challenges with external review processes.

External review by Grant Approval Committee (GAC) and COVID-19 Technical Advisory Group (CTAG) partners was established for C19RM 2021, in line with a Board Decision,³ and met all requirements set in the Board Paper. GAC-CTAG review allows partners to check whether upfront guidance has been followed and to provide comments on alignment with other partner investments. This occurs in parallel to Secretariat internal review. However, its application has led to tensions in implementation: two-thirds (67%) of all GAC-CTAG respondents to the OIG survey said that insufficient time was given to robustly review funding requests, and 25% of respondents were not able to review and submit comments on time.⁴

There are no minimum requirements for GAC-CTAG review. While all requests are subject to a review, with comments considered in line with the Board Decision, the quality of review varies. There are no formal criteria around the number of reviewers needed, or matching reviewers' technical expertise to funding requests. These issues should however be viewed in the context of COVID-19, the acute pressure on partners, Secretariat & country stakeholders, and the overall efforts taken by partners to support the review process.

Data quality issues in procurement reporting, due to reliance on manual tools & processes.

Procurements represent 66% of total C19RM 2021 investments. As such, monitoring over Pooled Procurement Mechanism (PPM) and local procurement is critical. New reporting processes and requirements have been put in place, including country-level processes/tools and new Secretariat KPIs. Data quality issues are however hindering effective oversight. For local procurement reporting across 10 sampled countries,⁵ the amount reported as locally procured was ten times higher than actual. For PPM, reporting issues were noted in the calculation of Key Performance Indicators that are reported to the Secretariat. These issues are linked to reporting being heavily dependent on excel templates and labor-intensive manual processes to collate and analyze data.

Sub-optimal utilization of C19RM 2020 funding, due to in-country Procurement & Supply Chain Management issues.

Grant utilization is a blunt measure of implementation progress, and underlying drivers are complex to analyze. Slow utilization, especially in the first year, is not an uncommon challenge in core grants. As of 30 June 2021, utilization of COVID-19 2020 awards across all portfolios was 47% based on the latest information available, with significant variations across portfolios on how quickly funds have been used. OIG country audits⁶ in 2021 identified Procurement and Supply Chain Management (PSM) challenges as a key driver for low utilization, with the pandemic exacerbating pre-existing issues: countries with stronger PSM systems tended to fare better than countries with existing or perennial challenges. Although the issues identified varied, the OIG found three common problem areas: global production & supply challenges; poor in-country procurement capacity and processes; and regulatory and administrative bottlenecks.

Lessons learned since 2020 can inform and strengthen C19RM and wider global processes beyond 2021.

The main emphasis in 2021 was on approving funding requests. With the mechanism now transitioning to focus more on implementation, and with the benefit of hindsight, lessons learned can be applied to strengthen and improve the Global Fund going forward.

Processes to support effective cross-portfolio optimization of funds are needed; these would help to maximize future savings and to respond to significant changes in initial assumptions or changes in the external environment.

Structural limitations impact C19RM's agility and speed in acute emergency situations. Should the Global Fund need to sustain C19RM in the longer term or respond to acute emergencies in the future, adapting the current operating model would need significant and careful assessment.

³ [Second Extension of C19RM Timeline and Operational Flexibility for COVID-19](#)

⁴ Within a 3-day (72 hours) cut off period, plus an additional 7-hours buffer

⁵ Sampled as a part of the OIG "deep dives" analysis

⁶ [Covered by OIG Country audits conducted in 2021](#)

2. Background

2.1 COVID-19 Pandemic in 2021 and beyond

Two years after being declared a pandemic, COVID-19 continues to have a devastating global impact. As of December, 2021, there had been 287 million confirmed cases and 5.4 million confirmed deaths globally.⁷ There were more than twice the number of cases and deaths in 2021 compared to 2020.

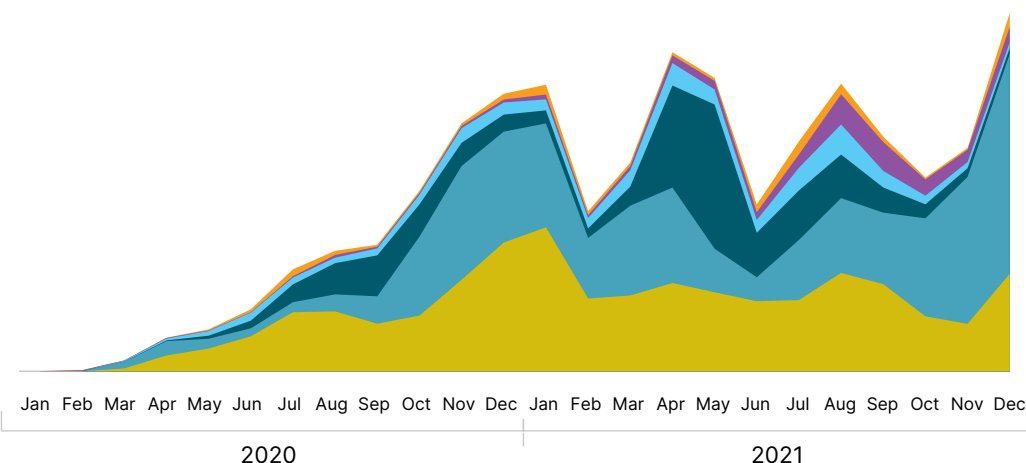
FIGURE 1: NUMBER OF COVID CASES 2020-2021

	Global cases (m)	Global deaths (m)
2020 ⁸	82.9	1.9
2021	204.0	3.5

In 2021, multiple variants of concern (VOCs) of the virus led to significant waves of COVID-19 cases and deaths globally, affecting all regions, with the biggest spikes recorded in Asia and the Americas, linked to the Delta and Gamma variants respectively.

FIGURE 2: WHO EPIDEMIOLOGICAL UPDATES⁸

Americas	96,386,499 confirmed	Eastern Mediterranean	16,712,820 confirmed
Europe	84,950,766 confirmed	Western Pacific	10,076,697 confirmed
South-East Asia	44,746,092 confirmed	Africa	6,226,800 confirmed



Source: World Health Organization.
Data may be incomplete for the current day or week

In 2021, mass vaccination campaigns were launched globally, with 10.1 billion⁹ vaccination doses administered by February 2022. While efforts to ensure equitable access to vaccines are ongoing, as of December 2021, only 5.6% of people in low-income countries had received at least one dose. Given new variants of concern continue to evolve (e.g. Omicron¹⁰) and low vaccination rates, COVID-19 is expected to continue to have a global impact in 2022 and beyond in the countries the Global Fund supports, which are predominantly middle/low-income countries.

⁷ WHO COVID-19 Weekly Epidemiological Update, December 2021

⁸ Idem 7

⁹ WHO COVID-19 Dashboard - February 2021

¹⁰ Omicron: SARS-CoV-2 Variant of Concern 26 November 2021

2. Background

2.2 Impact on the fight against three diseases

COVID-19 negatively impacted progress against the three diseases¹¹ in 2019-2020:



COVID-19 Impact on fight against TB between 2019 and 2020

- Number of people newly diagnosed with TB **declined by 18%**
- Number of people treated for drug-resistant TB **declined by 19%**
- Number of people on treatment for XDR TB **declined by 37%**
- Circa 1 million **fewer** people with TB were treated in 2020 vs 2019



COVID-19 Impact on fight against HIV between 2019 and 2020

- Number of people reached with HIV prevention programs and services **declined by 11%**
- The number of HIV tests taken **declined by 22%**
- The number of medical male circumcisions **declined by 27%**



COVID-19 Impact on fight against Malaria between 2019 and 2020

- Number of suspected cases of malaria tested **declined by 4.3%**
- Progress **stalled** overall and no year-on-year growth in services

The pandemic has also had a major impact on the capacity of health systems,¹² with significant strains noted for service delivery, human resources for health and global supply chains. Country-level stakeholders including implementing partners, government stakeholders, private sector, and civil society & community groups have all been negatively affected by COVID-19.

2.3 C19RM – the Global Fund response to COVID-19

In April 2020, the Global Fund Board approved the creation of the COVID-19 Response Mechanism (C19RM 2020) with initial funding of US\$500m to finance interventions responding to the pandemic's impact.¹³ Additional Grant Flexibilities of up to US\$500m were also made available.

The mechanism complements the broader framework of the ACT Accelerator,¹⁴ a partnership bringing together skills, expertise and funding across multiple technical partners and donors against multiple key pillars, to combat the impact of COVID-19.

Throughout 2020, C19RM was incrementally extended and expanded in terms of funding¹⁵ and award timelines. Given the need for a much more substantial and longer-term response, the Board approved a second extension of C19RM and additional funding on 30 March 2021, shortly after the US government's pledge of circa US\$3.5 billion through the "The Heroes Act".¹⁶

C19RM 2021 has retained the same strategic objectives as C19RM 2020, i.e. funding interventions at country level that focus on:

1. COVID-19 control and containment interventions (e.g. personal protective equipment, diagnostics, treatment, and communication - as per WHO guidance)
2. COVID-19-related risk mitigation measures for programs to fight the three diseases (HIV, Tuberculosis and Malaria)
3. Expanded reinforcement of key aspects of health systems, such as laboratory networks, supply chains, and community-led systems

In tackling these objectives, many different activities and interventions are funded. Overall, the mechanism focuses on investments in commodities at country level, with a strong reliance on the Global Fund's existing procurement mechanisms (e.g. PPM), see section 2.9 for further details.

¹¹ [2021 The Global Fund Results report](#) – Letter from the ED

¹² [Maintaining essential health services during the COVID-19 outbreak](#) – June 2020

¹³ [Global Fund Board decision B42-EDP11](#)

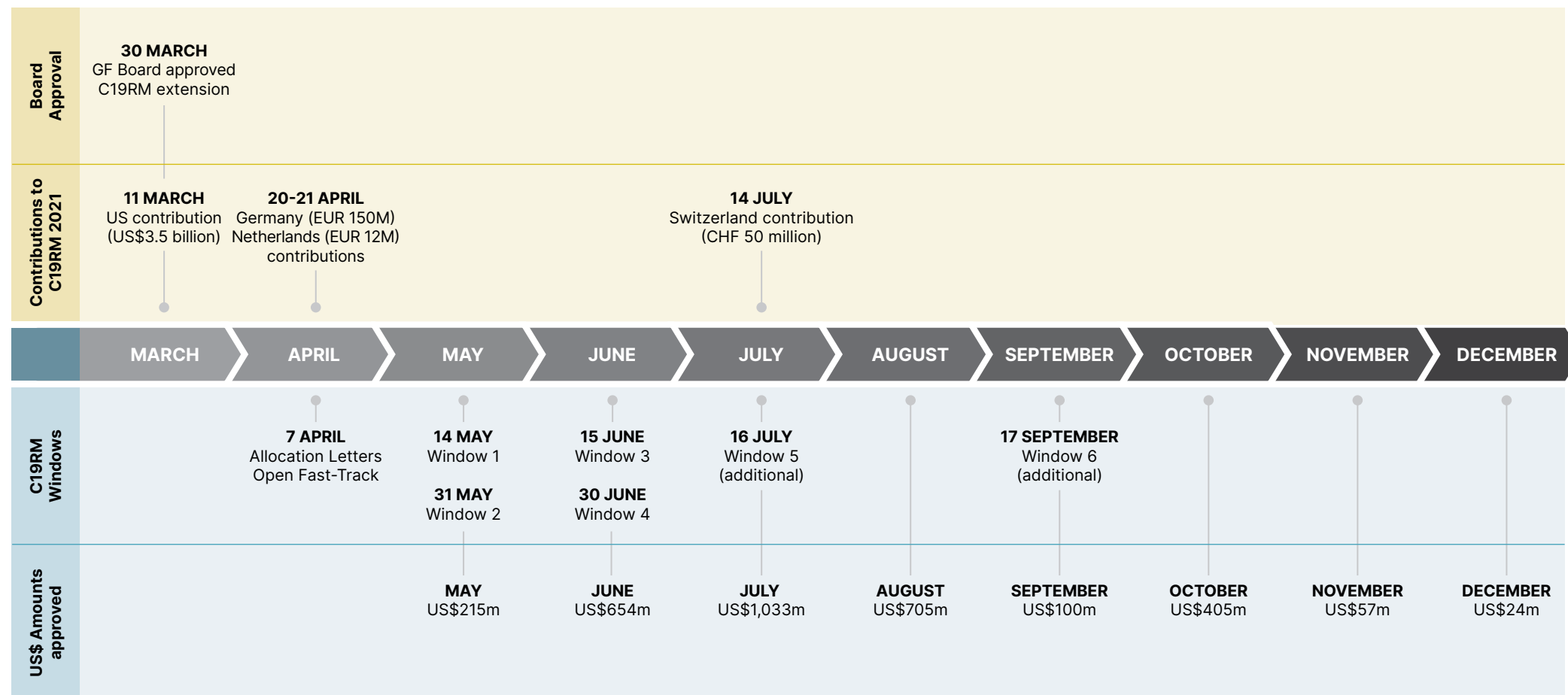
¹⁴ [The Access to COVID-19 Tools \(ACT\) Accelerator overview](#)

¹⁵ US\$259m additional funding received from Germany, Canada, Denmark, Norway, Sweden, FIFA

¹⁶ [Heroes act overview, September 2020](#)

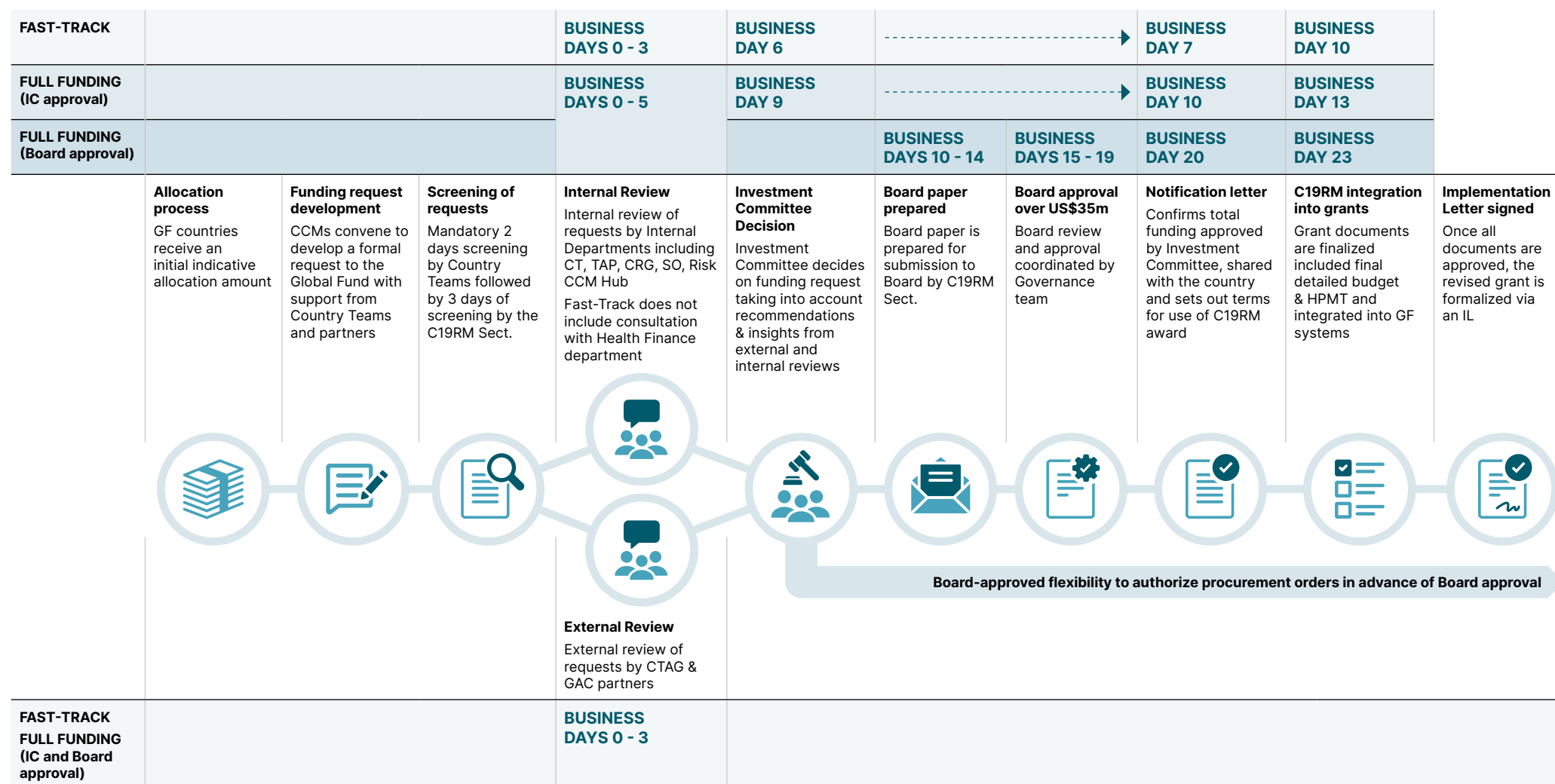
2. Background

FIGURE 3: OPERATING TIMELINE FOR C19RM 2021



2. Background

2.4 The C19RM 2021 process¹⁷



■ For all requests: One key implementation flexibility is that C19RM funds can be utilized by the PRs for approved activities and PPM/ in-country procurements (if cash balance OR sufficient uncommitted funds are available in-country), as soon as the NL is approved and sent to country, without waiting for signing of ILs and revision of grant budgets.

2. Background

2.5 Key changes between C19RM 2020 and C19RM 2021

While created with the same overall goal in mind – supporting countries in their fight against COVID-19 and to preserve HIV/AIDS, TB and malaria gains – there are key differences in the nature and context of C19RM 2020 and C19RM 2021.

C19RM 2020 was designed and rolled out in the immediate aftermath of the announcement of the pandemic. It considered the Global Fund's past experience/existing guidelines related to the emergency funding and was adapted for speed, with a clear focus on a rapid response. In comparison, C19RM 2021 is a much more significant investment, with a longer implementation timeframe. It was designed in part through leveraging lessons learnt from its predecessor.

Given that C19RM 2021 investments are four times greater than C19RM 2020, the Board emphasized the need to balance speed with robustness, to match the level of investment, risk, and ambition.

The key changes include:

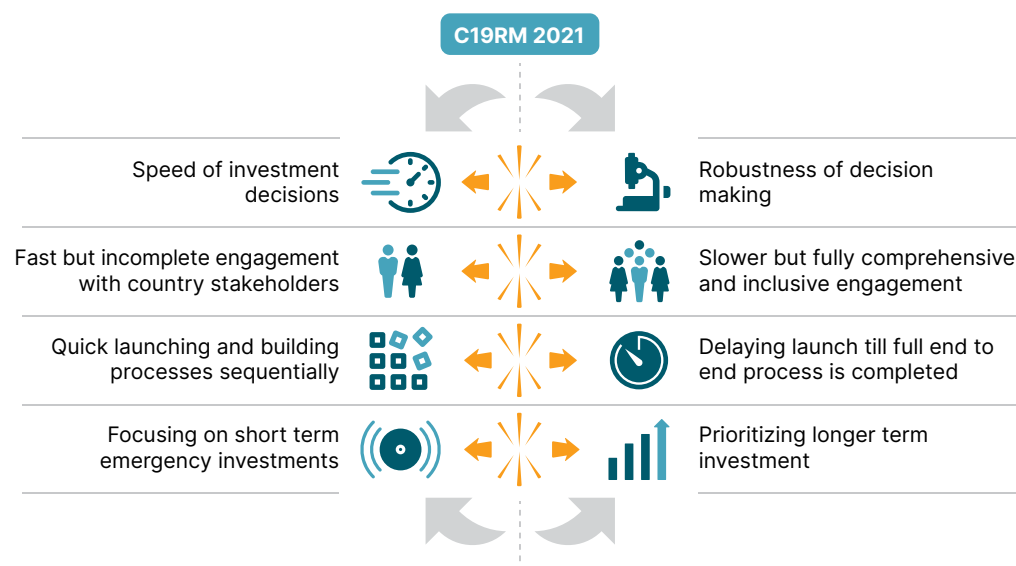
	Timelines for implementation: A longer time horizon in which requests could be approved, with implementation to be completed by end of December 2023
	Allocation: The establishment of a more comprehensive allocation model (including qualitative adjustment considerations)
	Tailoring: A tiered review process to support urgent needs for COVID-19 health products (Fast Track) and more comprehensive requests for additional interventions (Full Funding and Supplementary Funding)
	Inclusiveness: Creation of more processes and support mechanisms to increase CCM, CSO and key population engagement, to require engagement with the national COVID-19 response coordinator, and to align National Strategic Preparedness and Response Plans for COVID-19
	Technical input: An additional technical review process with key partners (known as GAC-CTAG)

2.6 Key considerations impacting the mechanism

C19RM 2021 was designed considering a number of inherent tensions in terms of how it will be implemented and how it will be monitored.

Design decisions were often made under pressure and with incomplete information. In responding to countries' urgent needs, the Global Fund had to balance considerations of speed, robustness,¹⁸ equity and inclusiveness in its investment decisions. There is no absolute "correct" balance between these considerations.

FIGURE 4: EXAMPLES OF TRADE-OFFS REQUIRED IN DEPLOYING SIGNIFICANT RESOURCES AT PACE

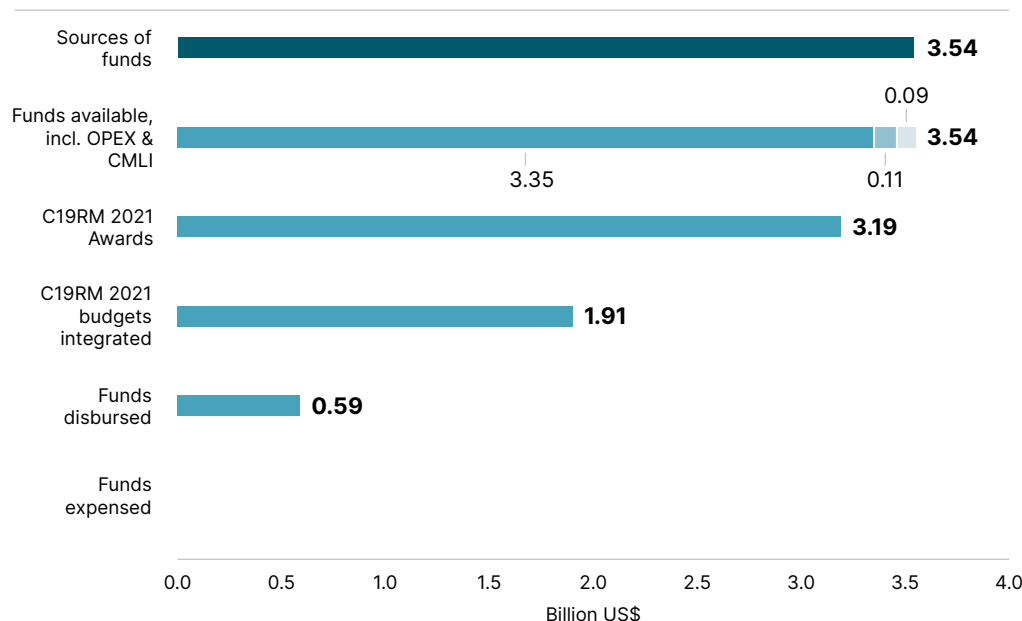


18 Robustness for C19RM 2021 in the review and approval process relates to the quality and comprehensiveness of the stages of review and final approval that are undertaken.

2. Background

2.7 C19RM 2021 funding status

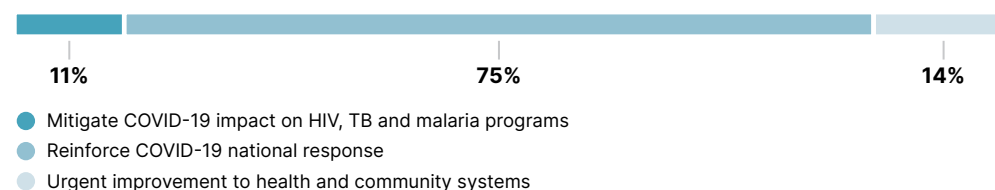
FIGURE 5: C19RM 2021 CASCADE AS OF DECEMBER 2021



2.8 C19RM 2021 awards analysis

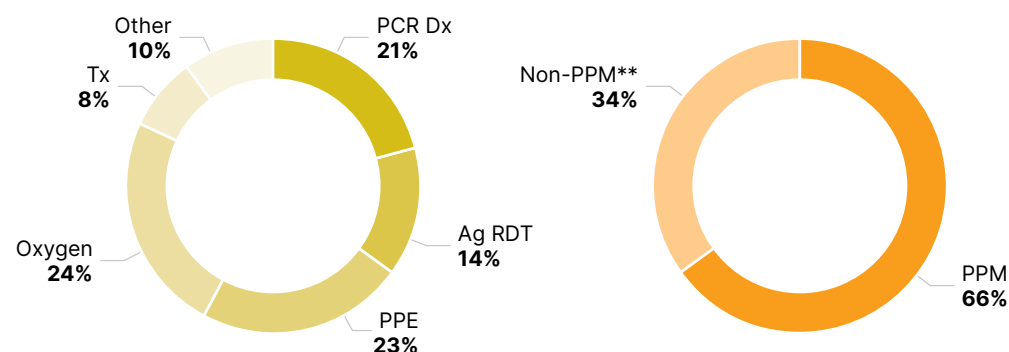
FIGURE 6: TOTAL INVESTMENT COMMITTEE APPROVED AMOUNTS, SPLIT BY OBJECTIVE

Of the total Investment Committee (IC) approved amounts (US\$3.194 billion), the split¹⁹ across key objectives is as follows:



Most approved amounts have gone towards Health Products, with US\$2.12 billion being approved for health products for C19RM 2021.²⁰ The biggest health product cost categories are Oxygen related costs (24%), PPE (23%) and diagnostic products (21%).

FIGURE 7: BREAKDOWN OF PROCUREMENT FOR C19RM 2021²¹



The provision of oxygen related commodities and equipment is a new area for the Global Fund and did not feature as prominently in C19RM 2020. A key commonality with C19RM 2020 is the reliance on PPM. As of November 2021, 66%²² of C19RM 2021 approved health product and PSM costs are being channeled through the Global Fund PPM.

¹⁹ Global Fund tracker as of December 2021

²⁰ Idem

²¹ [C19RM Monthly Update to the Board](#) - December 2021. Diagnostics (Dx), Antigen Rapid Diagnostic Tests (Ag. RDT), Therapeutics (Tx)

²² Idem

3. Objectives, scope, methodology & ratings

Audit of C19RM 2021

3.1 Objectives

This audit of the COVID-19 Response Mechanism 2021 forms part of the Office of the Inspector General's (OIG) 2021 revised workplan.

This audit assessed the adequacy of C19RM in providing support to countries through C19RM funding approved by the Global Fund Board. More specifically, the audit assessed:

1. The design and effectiveness of the C19RM 2021 approval process and related reporting to the Global Fund Board; this includes the governance, processes, systems, tools, and people in place to ensure that funding requests are processed in a robust manner, that funds are made available at country level and that the Global Fund Board is continuously informed of progress.
2. The design, and where possible implementation, of monitoring and oversight mechanisms to ensure effective and proper utilization of additional funds at the country level.
3. The timely utilization of C19RM 2020 funds made available at country level, where possible; this includes identifying challenges and root causes preventing the effective utilization of these funds.

3.2 Scope and exclusions

The audit focused on the design and effectiveness of components that support the forward-looking implementation phase. Where possible, the audit assessed C19RM 2020 funds utilization and in-country challenges by leveraging OIG country audits.

The audit scope excluded the following processes:

1. C19RM 2021 allocation methodology,²³ except for qualitative adjustments made as part of the funding request review and approval
2. the recording of contingent liabilities
3. the in-country supply chains processes that relate to C19RM investments

It was not possible to fully review the implementation and utilization of C19RM 2021, or the effectiveness of the M&O framework whose implementation was not complete at the time of the audit.

3.3 Methodology

A two-tier approach to reviewing C19RM 2021 was taken:

Secretariat level: review of Secretariat processes, systems, and structures to design, implement and monitor C19RM

Country level: review of a sample of country portfolios to assess the effectiveness of the approval process for C19RM 2021 as well as review of utilization of C19RM 2020 approved funds

The audit leveraged the following approaches:



Deep dive walkthroughs of the request and approval process for C19RM 2021 across 10 countries (see below for full list)



Surveys to country stakeholders (Principal Recipients and CCMs - including Civil Society and KVP representatives), Technical Partners and Board/Committee members



Interviews with key management staff and technical teams within the Global Fund Secretariat, external partners, CCMs, Principal Recipients and Board stakeholders



Review of internal and externally available documents on C19RM policies, processes, systems, people and tools & funding request, disbursement, procurement, and monitoring & oversight data sets



Leveraging work performed in OIG 2021 country audits where possible (see below for full list)

Countries selected for deep dive: Kenya, Mozambique, Nigeria, Philippines, South Africa, Ukraine (leveraging OIG 2021 country audits), Guinea, India, Malawi, Tanzania.

23 C19RM funding awards has used the 2020-2022 country allocations as a starting basis

3. Objectives, scope, methodology & ratings

3.4 Ratings of objectives

Objective	Rating
1. The design and effectiveness of C19RM 2021 approval process and related reporting to the Global Fund Board	Partially Effective
2. The design, and where possible implementation, of monitoring and oversight mechanisms	Partially Effective
3. The timely utilization of C19RM 2020 funds made available at country level, where possible	Needs significant improvement

- Challenges encountered by in-country stakeholders in navigating the C19RM process efficiently and effectively were noted in the prior audit report. The Secretariat aimed to support more active engagement to ensure the process was inclusive and understood by stakeholders. Extensive efforts were made to ensure more appropriate engagement of CCMs, CSOs and KVPs for C19RM 2021. Minor issues around Principal Recipient capacity to engage with the mechanism were noted - details in finding 4.1.

3.5 Progress on Previously Identified Issues

The OIG's first audit of the C19RM Mechanism was published in April 2021 and assessed the adequacy of C19RM 2020 in providing emergency support to countries.

Prior relevant OIG audit work

[Audit of COVID-19 Response Mechanism \(C19RM\) 2020 \(GF-OIG-21-008\)](#)

The audit highlighted challenges around the allocation model used, the monitoring and oversight framework in place, and engagement with country stakeholders (CCM and Principal Recipients).

- Gaps in reporting, monitoring and oversight were highlighted for C19RM 2020. The Secretariat responded by creating a more comprehensive Monitoring and Oversight framework. Residual issues in the robustness for parts of the framework, and in its roll-out, were noted – see finding 4.2.
- Regarding the challenges noted around the Allocation methodology used for C19RM 2020, there was a need to allow for higher qualitative adjustments in the allocation approach and consideration for additional inputs. This current audit highlights that the process followed for allocation and qualitative adjustments was strengthened and made more comprehensive. The new process considers more COVID-19 specific factors like service disruption, COVID-19 funding landscape and C19RM absorption risk. However, further challenges were noted in the qualitative adjustments process itself and with the information available to inform these adjustments – details in finding 4.1.

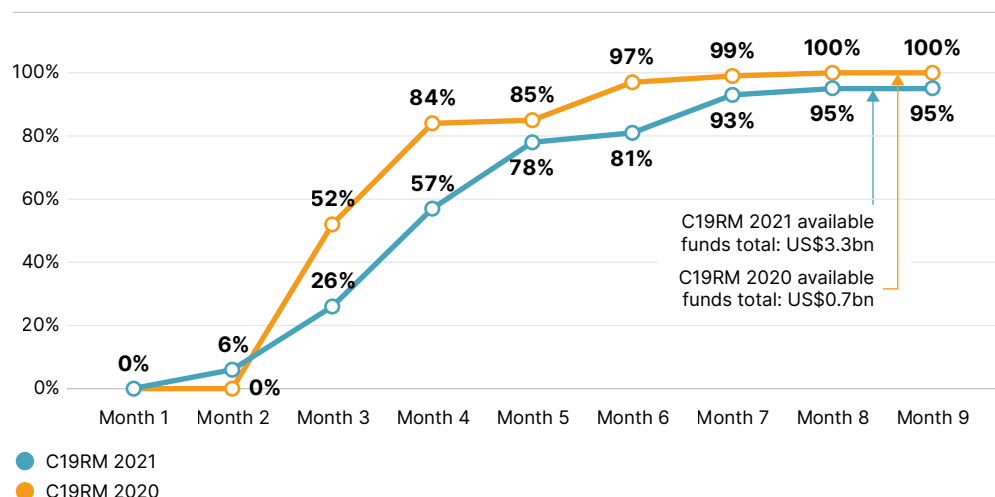
4. Key Findings

4.1 COVID-related funding has been reviewed and approved quickly, but at the expense of robustness in some key areas

4.1.1 C19RM 2021 maintained a rapid pace in approving requests

The OIG found that C19RM 2020 had the fastest and highest funding-to-awarded conversion rate, when compared to six peer mechanisms²⁴ launched in 2020. Building on the experience of the previous mechanism, C19RM 2021 has processed and awarded more funds in US\$ terms, at the same overall award approval rate. After its first three months, C19RM 2021 had awarded more funds than the entire C19RM 2020.

FIGURE 8: AWARD RATES OF C19RM 2020 VS C19RM 2021 (DECEMBER 2021)²⁵



This early success was determined by leveraging the existing processes, controls, frameworks from C19RM 2020 and by embedding the Secretariat's lessons learned from the previous mechanism.

4.1.2 Key improvements compared to C19RM 2020

As well as the difference in value of awards, C19RM 2021's design reflects the higher level of ambition and risk inherent with its significantly increased funding. The mechanism has been strengthened when compared to C19RM 2020 in key areas, including:

- **Internal Finance Review:** a two-tiered Finance Quality Assessment process (QA forms, QA briefs) was established with clear roles and responsibilities, processes and tools to support implementation. It aimed to ensure a robust review of financial components and risks for each funding request.
- **Investment Committee approvals:** the approval process has continuously matured and progressed, with lessons learnt informing subsequent approval sessions
- **Board reporting:** the frequency and amount of information provided to the Board has improved for C19RM 2021.
- **C19RM integration into grants:** A Grant Operations Team was set up to handle process activities on behalf of Country Teams to ensure integration of C19RM 2021 funding into existing grants.
- **Procurement:** tracking was strengthened, as C19RM purchase orders can be identified in Wambo, the Health Product Management Tool was adapted for C19RM products, and a non-PPM reporting template was introduced.
- **Disbursements:** tracking was strengthened, as these can now be easily identified in Global Fund systems.
- **Guidance and tools:** End to end guidance was developed, together with technical partners, to support effective access to the mechanism.
- **Alignment of investment categories:** The "WHO Strategic Preparedness and Response Plan (SPRP) COVID-19 response" operational Pillar framework was leveraged for C19RM 2021. It formed a basis for defining investment gaps, needs and priorities that enables technical and financial alignment when supporting national COVID-19 responses.

These factors have contributed to enhancing the robustness of the review and approval process, while maintaining a fast pace of approval.

²⁴ [Audit of C19RM 2020](#) - page 15

²⁵ Information as of December 2021

4. Key Findings

4.1.3 The process to allocate funds across portfolios has been strengthened, however limitations in its design and data are impacting effectiveness

Overview of allocation and qualitative adjustments process

As per the Board's decision, the C19RM 2021 allocation was based on 2020-2022 countries' allocations and then qualitatively adjusted by four factors.²⁶ The OIG assessed the process to be more structured and robust than for C19RM 2020. It produced an initial ceiling set for each country, split between a base amount and an above base amount.²⁷ The above base was further informed by the qualitative adjustment (QA) process. This process was repeated for each submission window and led to an upper allocation ceiling. Ceilings were revisited/reconfirmed with each individual funding request, and countries were allowed to access an increased percentage of their above base allocation over the initial 15%.

FIGURE 9: DESIGN OF QUALITATIVE ADJUSTMENT FACTORS FOR C19RM 2021²⁸

	1. Initial Ceiling	2. Prioritization Ceiling	3. Holistic Decision	
i. COVID-19 considerations	✓	✓	✓	 C19RM Funding Awards
ii. Level of disruption		Full review ✓	Full review ✓	
iii. Availability of funding from other sources			Full review ✓	
iv. Utilization of funds already awarded		Preliminary Assessment ✓	Full review ✓	

An Advisory Group²⁹ was mandated to assess and recommend to the Investment Committee an upper allocation ceiling percentage, based on the Secretariat's QA factors analysis. The Investment Committee (IC) reviewed and approved the final allocation ceiling, informing the maximum potential award for a country.

Overall, 47% of portfolio allocation percentages remained the same, 30% increased and 23% decreased. This is a step change compared to C19RM 2020 allocation, which did not consider any adjusting factors (COVID-19 new cases, country needs, fund utilization, data availability, etc.) It has the benefit of ensuring greater alignment of allocation to evolving COVID-19 circumstances.

At the time of the audit, the "Allocation and Qualitative Adjustment guidelines" were not yet approved by the Investment Committee. These guidelines were agreed to be completed as part of an Agreed Management Action from the Audit of C19RM 2020, with a deadline of 31 December 2021 – see progress on previously identified issues in section 3.5.

Limitations in the qualitative adjustment process

Despite a more structured and robust process for C19RM 2021 allocations, there are some limitations in the design of the process and in the data used to inform the qualitative adjustment process:

- **Availability of other sources of funding³⁰** Understanding what other sources of funding are available is a key step in informing the allocation upper ceiling and the maximum funding that can be awarded to each country. There is limited evidence that this qualitative factor was consistently considered when approving final amounts, as this information was usually made available just before the IC meetings. In the OIG's ten deep dive countries, for three out of the ten Funding Requests presented to the IC there was no evidence of detailed discussions on the qualitative adjustment factors, including the availability of other sources of funding. In addition, 60% of GAC-CTAG responders to the OIG survey on C19RM 2021 highlighted having either no, poor or very poor information on the funding landscape.
- **Utilization of funds already awarded** For this qualitative adjustment factor, there are significant limitations in the data available for decision making. Financial information available at the date of the funding request review/IC meeting on C19RM 2020 absorption was out of date³¹ or based on provisional numbers. The Secretariat leveraged a blended absorption score of both regular disease and C19RM funds, as C19RM 2020 specific data (absorption, roll-overs) was not yet final. As a result, some countries were awarded funds under C19RM 2021, despite lower absorption of C19RM 2020 funds – see Finding 4.3 on Absorption.

26 COVID-19 burden (QA1), disruption of health systems & HTM services (QA2), availability of other funding sources (QA3) and utilization of funds already awarded (QA4)

27 15% (base allocation) and at least 15% (above base allocation) from country's 2020-2022 HIV/AIDS, TB and Malaria allocation

28 Internal Global Fund Investment Committee slides ref. Qualitative Adjustment

29 An internal Global Fund Secretariat body that advises and reporting to the C19RM Investment Committee and is comprised of technical specialists and managers in the organization across multiple teams

30 The funding landscape contains multiple sources of funding from donors and domestic funds

31 The process undertaken from May-September 2021 routinely had to leverage validated data points from December 2020 linked to the routine cycle of reporting

4. Key Findings

While overall the methodology was applied consistently, these limitations have impacted the effectiveness of final allocation decisions. The impact of this will only become clear later in the life cycle. However, there are opportunities to correct and adjust in the implementation phase if processes to optimize funds across portfolios are developed – see Finding 4.4 on agility beyond 2021.

4.1.4 C19RM's inclusiveness has been enhanced

Strong perception of inclusion in the C19RM 2021 request and approval process

The C19RM 2021 funding request and approval process was designed to balance speed and inclusiveness. To ensure a rapid response, the lengthy country dialogue process that normally precedes a core grant funding request was extensively shortened for C19RM 2021. This risked reducing the inclusiveness of the process and blocking the effective participation of key stakeholders in the funding request and approval process.

To mitigate this risk, the Global Fund took steps to increase the engagement of CCM members/non-members and the inclusiveness of Civil Society Organizations (CSOs) and Key and Vulnerable Populations (KVPs). Application and guideline materials were updated and the “CSO suggestion annex” became a mandatory document for full-funding requests. CCM budgets were topped up in 2021 to support an improved engagement of CSOs and KVPs. Also, Centrally Managed Limited Investment (CMLI) funds were used to strengthen engagement, leveraging implementers of the Community Rights and Gender (CRG) Strategic Initiative, supporting KVP groups to participate in the C19RM 2021 funding request process.

The positive impact of these efforts was noted in the OIG survey to CCM stakeholders. 88% of all CCM respondents and 81% of CCM, CSO & KVP representatives said they had been sufficiently consulted/engaged in the C19RM 2021 process (see figures 10 & 11). In addition, 82% of all CCM respondents highlighted that the final funding request adequately represented the needs of their constituency (see figure 10).

FIGURE 10: CCM STAKEHOLDERS' ENGAGEMENT FOR C19RM 2021



These are good results compared to C19RM 2020, when only 56% of CSO & KVP respondents to a CRG-administered survey said there had been sufficient consultation. The results compare closely with CSO and KVP perspectives on core grants, despite C19RM 2021 having a much shorter funding request process.

FIGURE 11: CSO AND KVP ENGAGEMENT COMPARISON C19RM 2021 VS. C19RM 2020



Funding request endorsement by CCM and National COVID-19 response

Per the Global Fund Board Decision, eligibility requirements around CCM endorsement were preserved for C19RM 2021. The need for endorsement of National COVID-19 response bodies was an important addition. As per Global Fund policies, CCMs are required to include all CCM members/non-members and engage CSOs and KVPs when preparing funding requests.³² Overall, the OIG noted that the requirements for CCM endorsement, KVP/CSO inclusion and National COVID-19 response endorsement were materially fulfilled across 47 funding requests reviewed. However, there were minor documentation challenges around how these endorsements were recorded, filed, and tracked by the Secretariat.

CSO suggestions for inclusion in C19RM Funding Requests

The “List of CSO suggestions for inclusion in the C19RM Funding Request”, a mandatory document³³ attached to full funding requests, was a new addition to C19RM 2021. The annex includes the list of CSOs’ suggestions and recommendations to be considered as a part of the funding request. It was designed to be submitted with the other mandatory documents before the start of the C19RM 2021 funding request review process. If it is not available, the funding request should be considered incomplete for assessment until it is provided.

The OIG noted that the CSO annex was missing from the mandatory annexes in 7 out of 31 (23%) full funding requests reviewed. The review processes had started but the final IC approval was contingent on CSO annex availability. It was not possible to determine whether all annexes were reviewed, as most of the missing annexes were obtained by CRG through bilateral discussions with in-country partners but were not integrated back into funding request documentation. It is therefore unclear how beneficial this annex was, compared to other mandatory documents. Not integrating it into the main funding request documentation weakens the relevance of the document in the overall review process.

³² Eligibility requirement 1 is further detailed in GF/B39/DP09

³³ As per the Global Fund guidelines and screening checklist, C19RM Funding Requests need to be screened by CTs for completeness and mandatory documents attached. In case of major quality issues, the Funding Request can be sent back, and the applicant requested to provide clarifications/missing documents. Incomplete funding requests will not be reviewed.

4. Key Findings

4.1.5 The External Review process is established and well-executed, but fast implementation has exposed challenges

Overview of external review process

As per the C19RM 2021 Board decision,³⁴ funding requests were to be developed together with in-country partners; engaging partners early in the process was deemed critical and essential. Technical partners were also involved in the development of upfront technical guidance to support the development of requests. Requests would then be shared with and reviewed by the Global Fund Secretariat, and simultaneously reviewed by external partners.

The external review allows for input from the GAC and a COVID-19 Technical Advisory Group, known as CTAG. This gives GAC-CTAG partners an opportunity to check that upfront guidance has been followed and to provide comments on alignment with other partners' funding. These comments should be considered before the Secretariat recommends a C19RM award, and before Investment Committee or Board approval.

The Secretariat has invested significant and coordinated effort into the internal review process, during a time when their workload had increased significantly and was impacted by pandemic disruptions. Internal collaboration and coordination on procurement challenges, and reporting in particular, will have future benefits for core grants.

The GAC-CTAG review process represents a key addition compared to C19RM 2020. A comprehensive review mechanism was designed to engage GAC-CTAG partners in the review process, using multiple channels and online tools, including a standard survey, partner discussion boards, and monthly GAC-CTAG meetings with the Secretariat. Overall, the external review process was established in line with the Board Decision and met requirements set in the Board Paper.

However, limitations in implementation have emerged as a result of the trade-off between speed and robustness. The full implications of this limitations were not fully known when the Board decision was approved, although the potential effects were discussed.



GAC-CTAG role during C19RM 2021³⁵

External review is conducted by GAC and CTAG partners (inc. WHO, GAVI, Stop TB and UNICEF) in parallel with the internal review performed by Global Fund Secretariat teams.

The external review assesses:

- The technical robustness of an application
- Alignment/coordination of investments across donors/national stakeholders
- Alignment with WHO technical guidance and national preparedness plans

Overall approach:

- External Reviewers are notified of new Funding Request ready for review and are requested to provide input within 3 working days
- Funding Request documents are shared via an online platform
- External Review inputs are collected using online tools and consolidated into a Summary, and shared with Country Teams
- External Reviewers' inputs and Country Team responses are synthesized and shared with IC to inform the award decision

Lack of minimum requirements around GAC-CTAG review

GAC-CTAG partners had the opportunity to review funding requests and provide comments, but there were no minimum requirements as to what constitutes an external review. While all requests were reviewed by GAC-CTAG and comments were considered (in line with the Board Decision), the quality of review differs greatly.

The number of external reviewers varies widely per request, ranging from one to 14, with no relation to the risk or complexity of the request. We noted significant variances across high-impact portfolios: the India fast track request (US\$75m)³⁶ was reviewed by 13 external reviewers, Kenya full funding by 7 reviewers (US\$120m) and Malawi full funding by 5 reviewers (US\$124m).

34 [Second Extension of C19RM Timeline and Operational Flexibility for COVID-19](#)

35 GAC Partner Update and Lessons Learned, Technical Advisory Group Orientation Deck

36 Amount of request in US\$ - this differs from the final approved amount

4. Key Findings

In addition, there was no requirement to ensure reviewers had appropriate technical expertise: only 17 of 47 (36%) funding requests³⁷ that included oxygen plants were reviewed by an oxygen expert.

FIGURE 12: FUNDING REQUESTS REVIEWED BY OXYGEN EXPERTS



36% of Funding Requests (with PSA plants) reviewed by an external oxygen expert

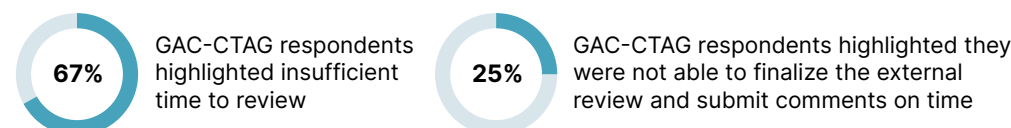
Finally, in the OIG deep dive countries, the approach with which comments from the GAC-CTAG were dealt with by the Secretariat varied. Some Country Teams responded to all comments and clearly documented their responses, while other Teams only responded to selected comments with no explanations for any omitted responses.

Limited time window has impacted the ability of partners to review effectively

The technical review process was designed with a 72-hour window, as per the approved Board Decision, emphasizing the speed of review. In implementation, however, this has impacted the robustness of the review, something which may not have been envisioned when initially designed.

67% of all GAC-CTAG respondents to the OIG survey on C19RM 2021 highlighted that there was insufficient time to review funding requests. This has implications on the quality of their inputs and of the funding request review process. In addition, 25% of external reviewers were not able to finalize their review and submit comments on time.³⁸

FIGURE 13: EXTERNAL REVIEWERS SURVEY RESULTS/ANALYSIS OF FR COMMENT



Lack of capacity was one of the primary reasons given for partners' inability to review on time.³⁹ The GAC-CTAG role represents additional work for partners on top of their existing responsibilities (61% of GAC-CTAG survey respondents highlighted organizational issues impacting the quality of review). This capacity limitation was especially apparent when the number of requests was highest, and partners had limited capacity to absorb extra work.

For the 10 countries selected for deep dive analysis, the OIG reviewed how late comments were treated. While most were incorporated into the subsequent review stages for consideration (in the external review summary), occasionally this did not happen. In these cases, the root cause was that the process for dealing with comments was inconsistent, and dependent on the staff consolidating them. Improvements are therefore needed in this respect.

4.1.6 For Oxygen investments, prioritizing speed and the lack of in-house technical capacity impacted the anticipation of downstream risks

Overview of investment in Oxygen commodities, equipment, and infrastructure

Oxygen is a key life-saving intervention for severe and critical COVID-19 cases. Oxygen and oxygen-related commodities, equipment and infrastructure are a new investment area for the Global Fund. These types of investments were not routinely funded under core grants and are typically a neglected sub-component of health systems.⁴⁰ Under C19RM 2020, only a very small fraction was awarded for oxygen-related investments. The Global Fund has historically faced challenges in supporting and monitoring large infrastructure investments.⁴¹

With C19RM 2021, the organization was faced with significant demand from countries to support direct oxygen equipment/supplies or longer-term oxygen production. Under C19RM 2021, oxygen-related requests have significantly increased: 12% (US\$393 million) of funding was awarded for these investments.

More than half (US\$201 million) was awarded towards pressure swing adsorption (PSA) oxygen plants, and the rest for liquid oxygen (US\$71 million) and oxygen-delivery equipment (US\$121 million). At the time of the audit, the approved investment in PSA plants covers 44 countries and 3 multi-country portfolios, totaling more than 700 plants.

³⁷ These requests come from 44 countries and 3 multi-country portfolios

³⁸ Within a 3-day (72 hours) cut off period plus an additional 7-hours buffer

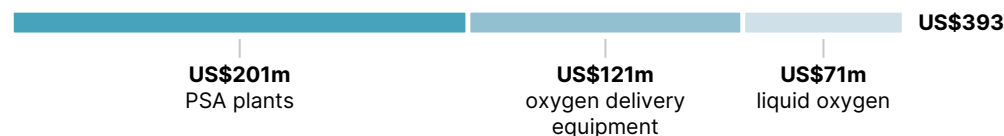
³⁹ External reviewers work was not funded or otherwise compensated and came on top of the existing workload

⁴⁰ This results in a highly immature technical, programmatic, and operational landscape at country and global level

⁴¹ [Audit of Managing of investments in Resilient and Sustainable Systems for Health](#)

4. Key Findings

FIGURE 14: PSA PLANTS IN TOTAL OXYGEN-RELATED AWARDS



Lack of in-house technical capacity to support material investments in oxygen resulted in increased risk

Appreciating that technical expertise in oxygen was scarce, and that decisions needed to be made quickly and often with incomplete information, the emphasis on rapid approvals adversely affected the anticipation of downstream risks.

For PSA plants, the Secretariat allowed significant components to be funded through fast-track applications. Almost half of the investment in Oxygen PSA plants (US\$93m) and more than two thirds⁴² of the plants (511 of 729) have been included in Fast Track requests. In doing so, the Global Fund opted for speed over robustness by awarding funds through the fastest approach possible (via Fast-Track), reducing the technical review time and comprehensiveness of the review process. This was done even though PSA plants are infrastructural mid-term investments that require multi-year maintenance beyond C19RM implementation timelines (Dec-2023) to ensure their sustainability over time.

Linked to these trade-offs between speed and robustness, we noted limitations in how PSA plants are reviewed and approved:

■ External review process:

Issues already highlighted in finding 4.1.5 - only 17 of 47 funding requests (36%) containing investments in oxygen plants (194 of 729 plants) were reviewed by at least one external oxygen expert.

■ Internal review process:

There was limited evidence of sustainability being considered to ensure requests were appropriate to meet longer term needs. Health Finance department involvement in supporting sustainability assessments was limited by design to Full Funding requests and did not cover Fast Track requests.⁴³ In addition, a PSA assessment tool to inform the Investment Committee was introduced only after PSA investments in 7 countries⁴⁴ had been approved, meaning those investment decisions did not benefit from technical framing and probing.

■ Investment committee approval:

There was an evolution in how assurance through management actions/legal requirements for PSA plants was included and defined in Notification Letters to countries. Initially, no conditions were included in Letters for 16 of 44 countries (36%) with PSA plants. However, when the Oxygen working group was established and began supporting funding request review, PSA-specific actions/ requirements were added, blocking disbursement until more information and detail on PSA investments was provided. There were also variances in the approval of maintenance plans, with some countries awarded funding to support 5-year maintenance support plans and others not, without clear justification.

Based on the Secretariat review process, all C19RM 2021 investments in PSA plants were initially approved as local procurements, as no centralized options were available via PPM. During the grant implementation phase, risks around procurement were identified that were not flagged through the initial review/approval process. At the end of October 2021, local procurement of PSA plants had not begun in 25 of the 38 countries monitored by the O2 working group, 100+ days after approval notification. These delays impact countries' ability to respond to critical respiratory care needs.

Efforts made to strengthen oxygen investment processes concurrent to implementation, including tackling country level challenges

Despite initial gaps in technical knowledge and understanding, the Secretariat has made significant efforts and investments in improving its internal technical understanding of oxygen provision, to enhance support to countries. This has included active efforts to engage external stakeholders to deepen in-house technical knowledge.

The Secretariat self-identified its knowledge gaps around oxygen and proceeded to strengthen its internal review tools and consolidate its technical expertise, to support decision making. In addition, in response to implementation challenges, it has now established centralized procurement solutions and will roll-out centralized technical assistance programs to support countries where necessary. Key activities include rolling out internal review forms for oxygen in June 2021, endorsing an internal oxygen working group in September 2021, and launching a centralized PPM solution to local procurement challenges in October 2021.

This highlights a strong continuous learning approach and proactive efforts to strengthen robustness during implementation.

42 Excluding India this would be US\$27m of PSA investments, with 35% (115 out of 333) included in fast track for 11 countries

43 Health Finance had limited resources in light of the department going through a reorganization in 2021 at the same time as support being needed for C19RM

44 These 7 countries represented a total investment of US\$ 78 million and 506 plants; the biggest country investment is included in the group, India, at US\$ 67 million and 396 plants

4. Key Findings

4.1.7 Need to continue to strengthen people, tools, and systems to support C19RM 2021 across its life cycle

Overview of people, tools and systems supporting C19RM 2021

At the core of C19RM 2021 are the people, tools and processes enabling rapid review and approval. The establishment and roll-out of C19RM 2021 was heavily dependent on the capacity of staff both at the Global Fund, and at country and partner levels. It required creating new tools and processes to support the request and approval process as well as the broader monitoring and oversight framework.

Proactive efforts to increase staffing in view of the added workload of C19RM

Considering the significant undertaking which C19RM 2021 represents to the Global Fund Secretariat, 3% of C19RM funds can be used to cover related additional management and operating costs.⁴⁵ As a result, the Secretariat headcount was planned to be increased based on needs and in line with the agreed budgets.

The Secretariat initiated processes to define its 'surge' human resources needs and fill the new positions. By March 2021, most of the positions (83 positions) were approved for recruitment. Additional positions were approved in April-May (24 positions), August-October (16 positions) and in later months.

By early December 2021, 8 months after the approval of C19RM 2021, 80% (106 of 132) of C19RM positions had been filled, with the biggest gaps in the Grant Management Division and Finance. One third of positions were filled by external consultants. Due to the time needed to recruit, appoint, and onboard staff, most new joiners took up their positions at the tail end of the C19RM 2021 funds approval phase, which increased the workload of the existing Global Fund workforce.

Over-reliance on manual tools and processes to support key C19RM 2021 activities

The Global Fund deliberately launched C19RM 2021 at the same time as developing the required internal systems, tools, and structures to support its implementation. This was a strategic decision to focus on quickly providing support, considering critical country needs in the face of continual waves of the pandemic in early 2021. However, this focus on speed impacted the types and quality of processes and tools developed.

While the C19RM 2020 framework provided a solid base for the Secretariat, C19RM 2021's internal structures, processes, systems, and tools are less mature than those used for core grants:

- Most of the tools used to track the upstream C19RM 2021 process, a multi-billion-dollar investment mechanism, rely on spreadsheets⁴⁶ which are managed by individual staff members in a fragmented manner. This has resulted in numerous excel trackers, databases and analysis documents being utilized and maintained by different parts of the Secretariat. Several versions of primary records are stored in multiple SharePoint folders managed by different teams, with no single data repository held centrally in a robust data management system. This has contributed to various data errors and challenges in determining a single, definitive record on key components of the C19RM 2021 mechanism. These issues are detailed in Finding 4.3 on Monitoring and Oversight.
- The Secretariat acknowledges the challenges around data fragmentation and the lack of a single, definitive record. A phased C19RM 2021 data integration plan in the Corporate Data Warehouse (for existing data, new data) was started in August 2021 and was planned to be completed by the end of 2021. This was still in progress at the time of our audit, and as such we cannot opine on its effectiveness.

AGREED MANAGEMENT ACTION 1

Acknowledging the primary role played by in-country partners, the current implementation stage and the feedback from the OIG review, the Secretariat will review the external review process in order to further optimize and mature the role played by GAC/CTAG; consideration should be given to:

- (1) Refining the criteria or parameters for further differentiating between reviews, for example in terms of investment value, complexity and risk;
- (2) reviewing the recommended time provided for the differentiated types of review, in conjunction with feedback from CTAG/GAC members.

Owner: Investment Committee (Chief Risk Officer)

Due date: 31 December 2022

⁴⁵ These costs may include (i) additional Secretariat resources and expertise, (ii) additional assurance costs, (iii) additional costs relating to enhanced reporting and monitoring and evaluation of C19RM investments, and (iv) additional costs to support CCMs

⁴⁶ Upstream (funding request tracker, review recommendation form, IC decision/ post-decision trackers, approved detailed budgets, health products management tool) and downstream (Conditions tracker, Grant Integration tracker, Health products upload tracker, Purchase Order conversion tracker, non-PPM reporting tool)

4. Key Findings

4.2 The design of the Monitoring and Oversight (M&O) framework is comprehensive, with some initial challenges in roll-out and implementation

There has been a significant strengthening of M&O when comparing C19RM 2021 to its previous version. C19RM 2020 did not have a framework to support the effective monitoring and oversight of its investments and the Secretariat could only leverage the routine mechanisms supporting regular disease grants.

For C19RM 2021, the Global Fund emphasized the need for enhanced transparency on operationalization and implementation. The Secretariat developed a broad structure of M&O to help meet Board requirements and support their decision making and processes.

4.2.1 Overview of M&O framework

Monitoring and oversight of funding designed to be used in an emergency or pandemic setting has different requirements compared to a longer-term investment designed to address relatively stable epidemics.

A broad framework of complementary monitoring and assurance processes aims to provide a comprehensive view of C19RM 2021. The main pillars of M&O (see Figure 15) as set out by the Secretariat include (i) Risk and Control Matrices (RCMs), (ii) the Monitoring & Evaluation Framework, which is supported by upstream reporting processes, routine reporting through standard core processes and country level pulse checks & spot checks, (iii) tailored C19RM-related Local Fund Agent assurance.

This framework is further anchored by ambitious Key Performance Indicators, new data collection, aggregation and analysis processes, and new internal structures to analyze and leverage the outputs for decision making. The Secretariat has also expanded the existing framework for regular disease grants to ensure robust oversight over the new risks associated with C19RM 2021. Several new processes had to be developed (for example non-PPM reporting and Pulse Checks) and a greater emphasis was placed on frequency of M&O to reflect the fast-moving nature of the COVID-19 response. The mechanism not only aims to strengthen oversight of C19RM 2021 investments but will support more robust monitoring and oversight of core grants.

4. Key Findings

Audit of C19RM 2021

FIGURE 15: OVERVIEW OF C19RM REPORTING, MONITORING AND ASSURANCE STRUCTURE TIMELINE AND STATUS OF M&O FRAMEWORK

		Award		Implementation				
				Financial	Health products	Services	Programmatic	
Monitoring & Evaluation Framework	Upstream Secretariat Reporting	Monthly C19RM reporting to the board						
		FR dashboard	Award dashboard	Monthly functional reporting to the MEC				
		Investment decision dashboard		Quarterly cross-cutting reporting to the Investment Committee				
	Partner Reports						Service Disruption	COVID Morbidity/Mortality
	PR Reporting – PUDR / Pulse Checks				Opportunity for streamlining various reports and spot checks			
		Expenditure Reporting		Procurement Updates/ Stock Levels		HTM indicators & updates on C19RM implementation		
	C19RM Commodities and Services Spot checks	Differentiated Assurance Planning at Award Stage dependent on			Harmonized Supply Chain and Health Service Spot Check			
		■ implementation arrangements			LFA Monthly COVID Disruption Survey			
		■ investment priorities						
	LFA Grant Assurance	■ program design						
			Financial Verification / Spot checks	Procurement review Warehousing & Inventory Mx	Implementation Verification/ Spot checks	Programmatic Verification/ Spot checks		

■ All countries
■ Differentiated

4. Key Findings

The design and implementation of the framework has been staggered, considering the evolution of C19RM from funding request review and award to implementation. This was to ensure the organization could prioritize awarding funds at speed while the rest of the framework was developed.

As of December 2021, the M&O framework had not been fully implemented (refer to fig. 16 on status of Monitoring and Oversight framework). Significant components of upstream monitoring and reporting have been in place for several months, however, country analysis and reporting based on results from Pulse Checks and Spot Checks remains in-progress:



Figure 16: Monitoring and Oversight framework for C19RM 2021: end of December 2021

Upstream Monitoring & Reporting

- **Implemented** – Monthly reporting to Board
- **Implemented** – Weekly reporting to MEC
- **Implemented** – Weekly progress updates to M&O
- **In progress** – Quarterly reporting to IC starting in Quarter 1, 2022

Downstream monitoring and oversight

- **In progress** – M&E Framework – depends on reporting from Pulse Checks, Spot Checks, Partner data and PU/PUDR reporting. Elements are at different stages of data collection and analysis.
- **In progress** – Pulse Checks (quarterly) – first reporting submitted by majority of countries by December 2021, data analysis and reporting on-going.
- **In progress** – Spot checks on Supply Chain and Health Services (quarterly) ~ first reporting delayed by 8 weeks as of December 2021 ~ completed in 38 countries, in-progress in 1 and on-hold in 6 countries.
- **Implemented** – Local Fund Agent additional assurance, budget of US\$18.6m approved by IC, LFA 2021 budget utilization for C19RM is 78% as at Jan 2022.

4.2.2 M&O framework is aligned to Board requirements

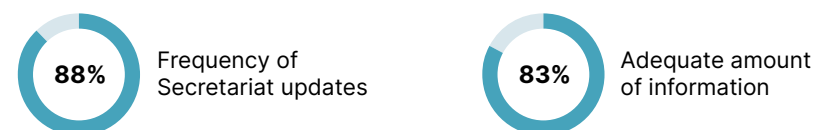
The Board set out detailed requirements with respect to upstream monitoring and oversight, including visibility on the amounts awarded to individual countries, the categories of investments, cumulative investments in COVID-19 commodities across the portfolio (diagnostics, PPE and therapeutics), plus visibility on the pipeline of pending submissions.

The Secretariat has materially met all these requirements through monthly Board reporting and through developing and utilizing multiple channels to support engagement and knowledge sharing with the Board on C19RM 2021, including:

- Board sessions, Board and committee papers & Board decision points
- Committee briefings & papers
- Bi-weekly/monthly information calls
- Investment details by country and by category, publicly available on the Global Fund website

Most Board survey respondents highlighted that they were satisfied with the frequency (88%) and amount (83%) of information provided by the Secretariat on C19RM 2021. Most respondents (59%) said the level of engagement and transparency had improved compared to C19RM 2020.

FIGURE 17: BOARD SURVEY RESULTS – FREQUENCY AND DETAILS OF SECRETARIAT UPDATES



However, perspectives relating to the disclosure of operational challenges at the Secretariat and country level were less favorable:

FIGURE 18: BOARD SURVEY RESPONDENTS – POOR/ VERY POOR SECRETARIAT DISCLOSURE



4. Key Findings

One reason for the less favorable perspectives on disclosure of operational challenges is that while there were clear Board requirements for reporting on progress for the approval phase, there were no prescriptive details around key reporting expectations for the implementation stage. It is also important to highlight that as the M&O framework is not fully operational, there are still gaps in the data received from countries, including on operational challenges.

4.2.3 The Monitoring & Evaluation framework's⁴⁷ design is comprehensive but it is not yet fully operational

Overview of the Monitoring and Evaluation Framework

Monitoring and Evaluation (M&E) is a core sub-component of C19RM's wider M&O framework. It is supported by spot-checks and pulse checks implemented at the country level. C19RM 2021's M&E Framework was developed to provide comprehensive reporting, monitoring and evaluation of investments and end-to-end visibility from inputs to outcomes. There was no equivalent for C19RM 2020.

The framework design took into consideration the operational challenges in measuring the outcome/impact of C19RM investments. The volatility of the pandemic, limited certainty on its longevity, the possibility of new variants, varying Government response, vaccine scale-up and potential new treatments all complicate measuring the impact of funding. As such, C19RM 2021 was not designed to have a specific grant-level performance framework component. This results in no impact/outcome/coverage indicators or work plan tracking measures (WPTMs) and a different approach to target setting compared to core grants. The main monitoring emphasis is placed on measuring inputs such as the scale-up of diagnostics and PPE, and outputs such as timely availability of commodities, expenditure tracking and assurance on service delivery.

While the challenges and limitations of an M&E framework for C19RM 2021 are well understood by the Secretariat regarding measuring outcome and impact, there are significant high-risk activities that could still be tracked at the output level but are not. This includes interventions like investments in Oxygen PSA plants⁴⁸ which are not covered by WPTMs, despite being high-risk investments.

The M&E framework is dependent on multiple data sources, new data collection methods and multiple Secretariat teams conducting analysis to identify bottlenecks, emerging risks and to course correct. There is a potential risk of inaccurate/incomplete results, with data triangulation and analysis required from multiple sources (Pulse Checks, Spot Checks, PUDR reporting & Partner Databases) and a heightened risk of siloed data analysis as coordination on outcomes is required across multiple different teams in the Secretariat. To address these data challenges, a C19RM DataMart is being developed to integrate information from multiple sources into one single database. This will ensure structured data in one place and will facilitate the development of cross-cutting reports and analysis.

With data collection at a nascent stage, the OIG could not comprehensively assess the implementation and effectiveness of the M&E framework.

Supply Chain & Health Services (SC&HS) Spot Checks

SC & HS Spot Checks are being implemented to collect data from sampled health facilities and warehouses in 45 countries,⁴⁹ to provide visibility of in-country supply chain performance, service availability and disruption. The questionnaire is comprehensive, building upon existing tools (developed for KPI 6b⁵⁰) and replaces the current Local Fund Agent spot checks. The OIG noted a design limitation in relation to the collection of quantitative data on expiries; this is significant given the heightened risk of waste linked to delays in in-country supply chain challenges (see finding 4.3 for more details).

In the roll-out for this component of the M&E framework, per the initial timelines, data collection was supposed to be completed and raw datasets submitted to the Global Fund by 31 October 2021 for all 45 countries. However, this has been delayed (data collection was only completed by December 2021 in 38 countries, in-progress in one and on-hold for six countries).⁵¹ A root cause for this delay is challenges in getting Ministry of Health approval for service providers to access health facilities, a need which was not initially factored in. However, these are start-up challenges that are unlikely to reoccur and cause further delays in 2022.

47 [C19RM M&E framework](#)

48 PSA plants were approved for 44 country and 3 multi-country grants for a total of US\$ 181 million

49 Countries with (1) Highest burden and levels of investment for HIV, TB and malaria. (2) C19RM allocation of >US\$ 20 million, = 90% of the C19RM investment envelope

50 Percentage of health facilities with (i) tracer medicines available or (2) providing diagnostics services with tracer items – on the day of the visit covered by On Shelf Availability assessments (OSAs)

51 In the remaining six countries data collection is on hold due to issues related to political and security crisis and MOH requests to realign on approach

4. Key Findings

Pulse Checks

Pulse check is a new quarterly tool that Principal Recipients for High Impact and Core countries are required to populate to provide data on the level of pandemic disruption and financial and programmatic performance of grants. All PRs were supposed to submit Pulse Checks by 05 November 2021.

There were minor delays in submitting data compared to initial timelines, but by 09 December 2021 nearly all pulse checks had been submitted. As data analysis efforts at the Secretariat are still ongoing as of February 2022, the OIG cannot opine on the implementation and effectiveness of the pulse checks.

4.2.4 Mandatory minimum Local Fund Agent assurance on in-country supply chain not implemented, leading to limited assurance over system capacity and gaps

Minimum required LFA assurance activities were defined for C19RM 2020. A separate LFA budget was not allocated in 2020, as the budget from regular LFA activities was reallocated for C19RM assurance. Recognizing the need for greater assurance for C19RM 2021 investments, additional funding for LFA activities was approved by the Investment Committee in 2021, for a total amount of US\$18 million for the period 2021-2023. Mandatory minimum assurance standards were also defined for C19RM 2021 investments.

As of January 2022, the overall LFA 2021 budget utilization for C19RM was 78%, with 55% budget utilization on targeted programmatic and financial assurance. The low absorption rate is linked to slower implementation than expected, meaning the need for assurance on downstream activities has been delayed, and is also due to pandemic-related travel disruptions.

Under the C19RM M&O framework, prioritized Portfolios⁵² must be subject to mandatory minimum assurance activities covering:

- pre-award procurement reviews;
- supply chain review (warehousing, inventory management and distribution) during each calendar year;
- targeted programmatic and/or financial assurances based on materiality and risk.

At least one supply chain review during each calendar year should be conducted. In six out of ten countries in the OIG sample, a review has not been conducted; this is despite commodities being supplied since 2020, and irrespective of how they were funded (C19RM 2021, Grant Flexibilities or C19RM 2020). Review is essential to understanding underlying system capacity and gaps. As detailed in finding 4.3, in-country supply chain is one of the key root causes of slow implementation and utilization of funds.

As per C19RM guidelines, LFA workplans were to be reviewed by the Risk Department to ensure mandatory minimum assurance is included in budgets, but this was not carried out in six of ten countries. To date, no processes have been established to ensure assurance activities are conducted as budgeted, or remain on track.

4.2.5 Limitations in oversight of post-IC approval changes for grants

Gaps in oversight on changes after IC approval

Per the C19RM guidelines, Country Teams are required to inform the C19RM Secretariat of any variances to roll-over balances once validated by the Local Fund Agent, to enable consolidated recording. Countries which submitted funding requests prior to 30 June 2021 had stated forecasted balances from C19RM 2020 which rolled over to C19RM 2021.

However, inconsistencies were noted in implementing this process; for example, while one High Impact Country Team informed the C19RM Secretariat of an additional US\$428k to be included as part of roll-over balance, another did not inform the C19RM Secretariat of an additional US\$1.5 million of C19RM 2020 funds. This is due to gaps in the guidelines on timelines for informing the C19RM Secretariat, as well as lack of review by the C19RM Secretariat. Consequently, there is no aggregated view on final validated roll-over balances (refer to section 4.3.2).

4.2.6. Issues with reporting on procurement activities, leading to gaps in visibility over progress

Procurements of health commodities represent 66%⁵³ of total C19RM 2021 investments. Given procurement's key role within C19RM 2021, a greater emphasis has been put on monitoring and tracking both Pooled Procurement Mechanism (PPM) and non-PPM procurements. This has resulted in new reporting processes and requirements including monthly/quarterly reporting by PRs on purchase orders raised for items not under PPM, new KPIs on the progress of PPM procurements and new processes to aggregate data from grant documents to inform these KPIs.

⁵² Portfolios with C19RM awards of over \$20 million

⁵³ [C19RM Monthly Update to the Board](#) - October 2021

4. Key Findings

Errors in reporting of C19RM 2021 non-PPM procurements, caused by data quality and data management challenges

Non-PPM procurements represent 35%⁵⁴ of total planned procurements under C19RM 2021. To track this element of procurement, monthly PR reporting templates and processes were launched in May 2021 to allow countries to report on non-PPM orders and give visibility to the Secretariat and Board on the process, as well as identify challenges and bottlenecks. This was a new process for 2021 and did not exist for core grants.

There are significant data quality issues and gaps in aggregate reporting. Currently, no aggregate reporting exists on the progress of total non-PPM. This lack of aggregate visibility limits the Global Fund's ability to proactively identify and mitigate key challenges in local procurement. In addition, from the 10 OIG deep dive countries, local procurements totaling US\$10.1 million were incorrectly over-reported as US\$103.22 million. The variance (US\$93 million) represented 17% of total reported local procurements for C19RM 2021, and was driven by two key factors:

i) Data quality issues in reporting from country stakeholders

In two out of the ten OIG deep dive countries, the Principal Recipients incorrectly reported PPM procurements as local. This error was not picked up by the Secretariat and included in the aggregate reporting to Secretariat senior management. This is due to gaps in PR capacity as well as a lack of any second line review to ensure that reporting from Principal Recipients is being effectively reviewed by Country Teams.

ii) Data transposition and analysis challenges at the Secretariat level

In five of the ten OIG deep dive countries, procurement budgets were inaccurately reported as actual procurement. This is due to the manual nature of the reporting process, that relies on excel templates submitted by PRs for each grant, and the manual, labor intensive consolidation of these templates. This process has no in-built data validation checks and no triangulation of data from other sources.

Consequently, incorrect details were reported in the aggregate reporting to Secretariat senior management. This has the impact of incorrectly inflating progress on non-PPM procurement and on the overall implementation of C19RM 2021, and limits oversight. The Secretariat has identified the gaps in non-PPM reporting and is developing Standard Operating Procedures around non-PPM reporting, which will include collection and review of PR reports, and collation and reporting of aggregate procurement.

Errors in reporting C19RM 2021 PPM procurements are caused by weaknesses in data management

We noted challenges with regards to data reporting on the two new KPIs set up as a part of the M&O framework for PPM. In particular, three key issues were noted:

i) Changes in procurement channels not effectively tracked, impacting accuracy of reporting

For reporting on procurement progress to date, the Secretariat relies on the Health Product Management Tool (HPMT). In two countries out of ten, there was a change in the procurement channel (representing 15% of year 1 procurement budget) after the IC decision. A separate tracker is maintained for all such changes, however there are limited processes to capture these in the HPMT (even though this is required by C19RM guidelines). Consequently, the reported numbers do not reflect the updates, post-IC decision.

ii) Incorrect KPI measurements, impacting accuracy of reporting

To calculate the procurement related-KPIs, incorrect denominators were used which included both PPM and non-PPM budgets. Progress was inaccurately reported to senior management. As a result, in 10 sampled countries, procurement progress of 65% against year 1 target was incorrectly underreported as 33%.

iii) Gaps in disaggregate reporting are impacting Secretariat KPI tracking

Instances of inaccurate reporting were observed in the KPI on "time taken for raising a Purchase Order (PO) once the Notification Letter (NL) is issued". In two countries out of eight, orders were incorrectly tracked. In these cases, the actual average time taken for PO confirmation after NL of 80 days was reported incorrectly as 50 days.

The above inconsistencies stem from how the underlying sources of information for the KPI are managed and maintained at the Secretariat. KPI reporting relies on the HPMT, a recently developed tool which was adjusted to cover C19RM. There are inconsistencies in how the HPMT is used by Country Teams for C19RM, impacting its ability to provide an accurate aggregate view of procurements. There is no process to manage the HPMT across the life cycle of the grant, to update it, and to continuously align it to grant budgets. To address this, the Secretariat is prioritizing a change initiative to strengthen the management of health product demand and budgets. This will include improvements in the management of the HPMT across the grant life cycle.

The process to collate data for KPI reporting is manual, relies on excel files, and lacks data validation checks once details are collated – hence it is prone to error. These new KPI processes have been developed specifically for C19RM investments and were not fully embedded or mature at the date of the audit.

4. Key Findings

4.2.7 No centralized reporting process to track the status of legal requirements and management actions on contingent disbursements

In the 10 sampled countries, 33% of funds are contingent on meeting certain legal requirements⁵⁵ or management actions,⁵⁶ as specified in the Notification Letter; funds are not disbursed or cannot be used until PRs fulfil these conditions. The same process is being followed for tracking the status of legal requirements and management actions, as is done under core grants.⁵⁷ As disbursements or use of funds are linked to fulfilling these conditions, a more frequent follow-up process is required to align to the urgent needs associated to responding to COVID-19 impact. While roles, responsibilities and timelines for approving the conditions have been specified, there is a lack of visibility on overall tracking and monitoring. Current weekly M&O reports contain no details on the status of conditions which have become due/overdue.

With over 900 legal requirements and management actions, the Secretariat is designing a new process to prioritize those which are critical, and to automate tracking in the Grant Operating System following grant revisions, with quarterly reporting to the Investment Committee. However, as the design and implementation are still not finalized, the OIG could not fully assess this tracking mechanism.

AGREED MANAGEMENT ACTION 2

In line with lessons learned from the implementation of the C19RM Monitoring and Oversight (M&O) framework and the Audit findings, the Secretariat will continue strengthening elements of the M&O framework through:

- (1) Defining a process to ensure minimum level of LFA assurances are included in LFA workplans and overseeing that the activities are conducted;
- (2) Tracking of health product budgets and progress of procurement to be strengthened by enhancing the process to collect and consolidate non-PPM procurement reporting;
- (3) Developing a process for tracking and monitoring of prioritized C19RM legal requirements and management actions for C19RM investments to be defined with clear escalation mechanisms for those conditions which become over-due.

Owner: Investment Committee (Chief Risk Officer)

Due date: 30 June 2023

⁵⁵ For example, the use of Grant Funds for funding the salaries and activities for the outreach workers is conditioned upon the Principal Recipient's submission of a plan incorporating the strategy and scope for outreach work

⁵⁶ For example, procurement and installation of all equipment is conditioned upon PR's submission of a detailed 12-month implementation plan

⁵⁷ [Operational Policy Note on Conditions and Management Actions](#)

4. Key Findings

4.3 Slower than expected utilization of COVID-19 funds due to global and country-level challenges, as well as untimely monitoring

4.3.1 C19RM 2020 utilization is not as expected at country level due to procurement bottlenecks

A key metric to help assess C19RM's performance is how quickly financing can generate impact at country level.

C19RM 2020 had the highest and fastest rate of converting funding to approved grants among peer mechanisms set up in 2020.⁵⁸ However, as noted in our prior audit, challenges affected how quickly funding could be utilized after approval at the country level; for example, delays in completing Secretariat internal processes after IC approval delayed the initiation of country-level activities.

Variable utilization across the portfolio with low absorption in key countries hampering impact

C19RM 2020 was initially allocated US\$500 million on 09 April 2020,⁵⁹ with additional funding incrementally allocated throughout 2020. The key principle that funds could be used until 30 June 2021 was continually re-enforced in Board Decisions.⁶⁰ However, countries were allowed to roll over unused C19RM 2020 funding into grants post 30 June 2021, meaning funds were not lost if unspent by that date.

As of 30 June 2021,⁶¹ use of C19RM 2020 funding across all portfolios was 47%⁶² based on the latest information available, with significant variations between individual countries on how quickly funds were used. In the OIG deep dive countries, use of 2020 COVID-19 related funds as of June 2021 varied from 41% to 95%.⁶³ Given that 75% of 2020 funding goes towards health products, equipment and PSM costs,⁶⁴ a key factor in driving the use of funds in a timely fashion is national and PR capacity to absorb the funds, as well as the strength of in-country PSM systems and infrastructure.

COVID-19 exposes pre-existing challenges with PSM at country level

COVID-19 has compounded the pressure on in-country procurement and supply chain processes and capacity, many of which were already under stress due to significant scale-up of activities over the past decade. In countries with pre-existing PSM-related challenges, COVID-19 has further exposed these weaknesses, leading to poor use of funds. Of the OIG 10 deep dive countries, countries with more robust PSM-related capacity, systems, tools and processes were able to use funds more quickly (e.g. Philippines & South Africa).

In six deep dive countries, significant PSM challenges were highlighted as limiting the impact of C19RM 2020 funding,⁶⁵ with three common PSM root causes as follows:

i) Global production and supply side factors

Five OIG deep dive countries faced significant PSM issues that were mainly outside their control. These related to global production and distribution being negatively impacted by COVID-19. This includes issues in production and manufacturing, impacting countries' ability to order commodities (noted in Mozambique and Ukraine) as well as creating issues in global shipping and transportation (noted in Kenya and Nigeria). These issues were underpinned by global inequities on access to diagnostics, PPE and other health products that have impacted their availability and delivery.

ii) In-country local procurement capacity & processes

South Africa and the Philippines were highlighted as examples of timely utilization of funds, with absorption rates as of 30 June 2021 of 87% and 95% respectively. This was linked to robust national and PR capacity related to local procurement.⁶⁶

However, issues in procurement processes and capacity were a key bottleneck to the timely use of funds in six of seven countries, with several issues noted such as slow and complex bureaucratic processes, relying on navigating multiple stakeholders. There was also limited human resource capacity to order and manage COVID-19 related commodities alongside existing workloads. Countries struggled to quickly develop new processes, structures, and agencies to respond to the pandemic. We noted gaps in coordination of COVID-19 response at national and implementer level, lack of adherence to procurement guidelines, and incorrect, inadequate, or restrictive specifications leading to re-tendering.

58 [Audit of C19RM 2020](#) - page 15

59 [Global Fund Board decision B42-EDP11](#)

60 [Global Fund Board decision B43-EDP12](#)

61 As of November 2021, of the total amount of funds made available to the mechanism, all have been converted into disbursements to the country or confirmed orders through Wambo. There is no validated data point on utilization available as of November 2021

62 COVID-19 module (Grant flex & C19RM 2020) expenditure vs budget on 30 June 2021 in latest validated PU/DRs with outstanding information from Financial Closure reports as at the time of the audit fieldwork

63 OIG Country Deep dives across 10 countries based on available information for countries reporting in June 2021

64 C19RM 2020 Corporate Data Warehouse

65 7 Country Audits were conducted by the OIG in 2021 and included in the OIG Deep dives countries for the C19RM 2021 audit

66 [OIG South Africa Audit Report](#)

4. Key Findings

iii) Regulatory and administrative challenges at country level

Regulatory issues around procurements and deliveries have resulted in significant delays to both local and international procurements. Pre-existing challenges with custom waivers heavily impacted procurement deliveries in Kenya and Nigeria.

New regulations and procedures have been established in some countries (for example, revised anti-fraud & corruption procedures in Malawi⁶⁷ and new regulations on commodities in Kenya and Cameroon) which have further lengthened procurement timelines, delaying procurements and delivery, and adversely affecting critical program activities. For instance, in Kenya, TB community-based activities were disrupted⁶⁸ partly due to the non-availability of Personal Protective Equipment. In South Africa, N-95 masks worth US\$10.9 million have been in warehouse since May 2021⁶⁹ as they lack approval from the National Regulator for Compulsory Specifications.

Overall, PSM challenges have resulted in significant lags in converting approved funds into impact for country beneficiaries, as reflected in the current utilization data. They also highlight limitations in the Global Fund's ability to transition quickly from core 3-year grants to shorter emergency funding (see finding 4.4 for more details).

4.3.2 Limited Secretariat visibility to effectively monitor C19RM 2020 funds

The speed with which C19RM 2020 was established limited the Global Fund Secretariat's ability to assess the utilization and absorption of funds. These gaps are being actively mitigated for C19RM 2021.

Lack of visibility on absorption levels hinders mitigation of absorption risk

The Global Fund has limited visibility on the utilization of awards and in-country absorption. While currently available validated⁷⁰ data highlights the use of awarded funds to be 47% as of 30 June 2021, a fully validated position will only be available from Q1 2022, over 7 months after the end of the Board-approved deadline for using C19RM 2020 funds.

There is a continued reliance on pre-existing six-monthly reporting cycles and closure processes that were established for core grants. The Secretariat intentionally did not develop any new reporting requirements for C19RM 2020, and reporting was expected to be included in standard Progress Update and Disbursement Request (PU/DR) reporting, including financial reporting. However, these do not allow for quick and accurate assessments of absorption, critical for an emergency response mechanism.

The inability to isolate C19RM 2020 funding from grant flexibilities and obtain detail on procurements is impacting monitoring

There is no ability to differentiate C19RM 2020 funding from grant flexibilities. This impacts the Secretariat's ability to assess the utilization and in-country absorption of C19RM 2020 funds. This is due to how funds were budgeted and integrated in 2020; all aggregated 2020 information on use of funds presented to all stakeholders combines grant flexibilities with C19RM 2020 funding.

There is also incomplete visibility over C19RM 2020 procurement and procurement-related costs. There is no clear aggregate data available for all C19RM 2020 procurements. This is linked to C19RM 2020 approvals not being detailed in dedicated HPMTs,⁷¹ which would be the main record for planned procurements.

This lack of visibility for C19RM 2020 has had negative implications on how absorption risk has been monitored and mitigated at the Secretariat. In several portfolios, issues with absorption of C19RM 2020 funds were not identified before the Board cut-off date or the end of grant periods. As of December 2021, this resulted in the Secretariat carrying over US\$229 million⁷² or 23% of the total approved COVID-19 related funds (Grant Flexibility and C19RM 2020) beyond 30 June 2021. In addition, it has limited the Secretariat's ability to effectively assess absorption risk for C19RM 2021 funding based on the experience of C19RM 2020, which should be a baseline for expanding the mechanism.

⁶⁷ Malawi is part of the broader sample of 10 OIG deep dive countries for this audit but was not covered by a 2021 OIG Country audit

⁶⁸ [OIG Kenya Audit Report](#)

⁶⁹ These masks were subsequently approved for use by the National Regulatory for Compulsory Specifications on 22 November 2021, six months after receipt

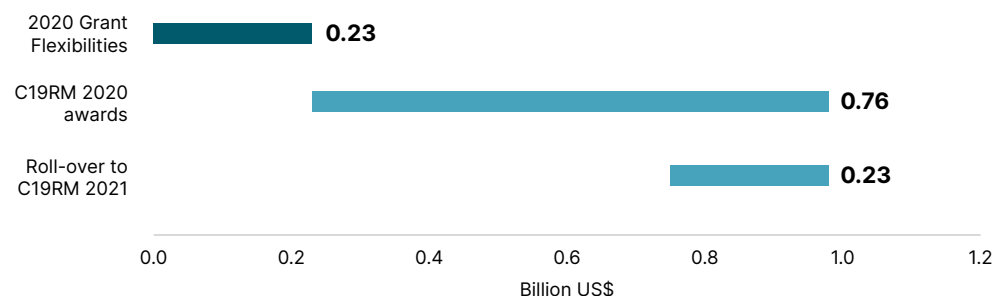
⁷⁰ Validated in this instance refers to the full validation of PU/DR information by the principal recipient, LFA and Country Teams of the Secretariat, at the time of the audit fieldwork in December 2021

⁷¹ Health Product Monitoring Tools – established by the Global Fund for NFM 3 to support the approval and monitoring of health product, equipment and PSM related costs in grants

⁷² The carry over value was as of 30 June 2021 and was estimated by the Global Fund secretariat at the point in point of approving C19RM 2021 funding for portfolios based on best estimates and available information. This value will continually update as new information is received and only finalize by Q1 2022

4. Key Findings

FIGURE 19: GRANT FLEXIBILITIES AND C19RM 2020 FUNDS ROLL-OVER TO C19RM 2021



4.3.3 Early warning signs from C19RM 2020 regarding utilization and procurement bottlenecks

Significant time taken to convert an initial request into orders, increasing risk of under-utilization in later stages of C19RM 2021

While the request and approval process has largely been in line with KPI targets set for C19RM 2021, implementing downstream processes (especially those relying on country stakeholders) has been much slower, increasing the risk of slow implementation and utilization of funds. For the ten OIG deep dive countries for C19RM 2021, it took on average 78 days between receiving an initial request and raising the first Purchase Order (76-day average for fast-track awards and 84 days for full funding requests). The biggest lag is between notification letter and procurement (see Section 2.4).

For C19RM 2021, it has taken on average 52 days⁷³ to initiate a purchase order after the notification letter was sent, compared to a target of 21 days. However, this is an improvement on C19RM 2020, where lags of 60-90 days between approval notification and procurement initiation were noted.⁷⁴ At the time of the current audit of C19RM 2021, 25%⁷³ of the total US\$ value awarded for health products has been translated into confirmed purchase orders. These lags were noted for both PPM and local procurements.

Within the OIG ten deep dive countries, root causes for the lags in initiating purchase orders are linked to various issues at the country level:

- Recurring issues observed for C19RM 2020 were also a bottleneck for C19RM 2021. Limited HR capacity for both procurement and supply chain management functions in country, complex specification processes and regulation bottlenecks all impact the speed at which countries can initiate procurements. These delays are partly due to the complexity of orders, in terms of detailed specifications of products and equipment that requires more time than a standard procurement order.
- Countries' ability to absorb C19RM 2020 funding and commodities has had a knock-on effect on utilization of C19RM 2021 investments. Examples were noted where supply chain capacity challenges in absorbing C19RM 2020 commodities have led to delays in procuring 2021 commodities, largely to prevent overstocks at warehouses. For example, in Mozambique, C19RM 2021 orders have been paused to allow the in-country supply chain to absorb existing orders. In-country warehouse constraints were noted for three countries in 2021.
- While both mechanisms have key process differences and were launched in very different contexts, under-absorption and procurement bottlenecks are key risks for both iterations and have not been adequately mitigated for C19RM 2021.

⁷³ Monitoring and Oversight internal report - 19 November 2021

⁷⁴ [Audit of C19RM 2020](#) - page 18

4. Key Findings

4.4 Opportunities to improve speed and agility in processes, systems and tools beyond 2021

The COVID-19 pandemic is now two years old. During that time, the Global Fund has awarded or recommended for Board approval US\$3,194 million⁷⁵ (95%) of C19RM 2021 funding, while having to make decisions on limited, often incomplete information. A conscious decision was made to focus on the speed of the mechanism, recognizing the significant trade-offs detailed in finding 4.1.

Processes developed for core grants, such as setting an initial allocation and single grant making phase, were amended and adapted to suit a pandemic setting. C19RM 2021 is however exposed to more volatile global changes in epidemiology and is reliant on fast-changing, sometimes contradictory information when approval decisions are made. As a result, as new information is collated and analyzed, there is a need to ensure this is quickly and continuously factored into decision making during implementation. The mechanism needs to be more agile than for core grants to respond to changes throughout its life cycle, which is significant as C19RM 2021 will support implementation for a longer period (until December 2023).

A key measure of success will therefore be the ability to rapidly adapt to multiple dynamic circumstances. This includes adjusting implementation, based on:

1. Updated information on qualitative data and insights coming from the monitoring and oversight framework
2. Savings and under-utilization occurring through implementation
3. Broader shifts in epidemiological data and changing country need
4. Technological advancements and production and supply chain shifts

4.4.1 The lack of processes for reprioritization across portfolios could impact agility in implementation

A key requirement for C19RM to remain agile across its life cycle is the ability to quickly identify and repurpose savings on approved activities, both within portfolios and across portfolios. In this regard, the organization has designed clear guidelines⁷⁶ that determine how savings could be utilized within an individual portfolio.

Several examples of proactive savings have already been noted for C19RM 2021 related investments, with the aim of repurposing funds to increase impact. For instance, the identification of savings linked to CEPHEID tests, where active engagement with suppliers and producers allowed the Global Fund to leverage a global price reduction in automated molecular tests⁷⁷ to save a potential US\$16 million, primarily focused in 14 countries in Q4 2021. These savings were earmarked with the objective of allowing reinvestment within the same portfolios where they were identified.

Portfolio optimization processes for savings across portfolios need to be defined

As of December 2021, there were no approved processes or guidelines defined for cross portfolio use of savings related to C19RM 2021 investments, i.e. where one grant's savings are repurposed to support other countries based on relative risk and need. This is due to efforts being focused on the review and approval of C19RM requests during the starting phase of C19RM 2021. Such a process would be comparable to the regular disease portfolio optimization process⁷⁸ and would help to support greater agility in years two and three of the mechanism.

To support this process, there is a need to determine the principles of what constitutes savings or new funding, through a new portfolio optimization process. Significant "demand in excess of available funds"⁷⁹ (US\$1.1 billion) has already been registered in funding requests to C19RM 2021. But there is no clarity on prioritization of this existing demand or understanding of how changes or additional demand should be registered and prioritized. The Secretariat opted to focus on speedy review of items within agreed envelopes rather than a potentially slower approach including prioritization of above allocation requests. This differs from core grants, where equivalent above allocation requests are approved and prioritized for swift financing once funding becomes available. It should be noted that this is largely because the prioritization process for core grants is complex and labor intensive.

75 [C19RM Monthly Update to the Board](#) - December 2021

76 Internal Global Fund COVID-19 Response Mechanism Guidelines updated October 2021

77 Xpert Xpress SARS-CoV-2 (produced by Cepheid) tests

78 Portfolio optimization funds are made available at the aggregate global portfolio level on the basis of the overall assets and liabilities management. This takes into account actual unspent funds and forecast unspent funds, which are subject to risk-based adjustments.

79 [C19RM Monthly Update to the Board](#) - December 2021

4. Key Findings

The lack of a cross-portfolio process is likely to lower C19RM's agility in years two and three of its life cycle (i.e. during the implementation phase). It impacts the Global Fund's ability to reprioritize savings in line with regional and global changes in epidemiology and to respond to country-specific challenges around absorption and shifts in the funding landscape.

Portfolio optimization processes are needed to adapt to low absorption and COVID-19 disruptions

No processes have been designed to address material changes in initial qualitative adjustments, post-approval. As noted above, initial determinations on funding were based on the best available information, especially in relation to qualitative adjustments to allocations to countries, based on absorption risk and the health funding landscape (see finding 4.1. for more information).

New information on absorption and COVID-19 disruption will be continuously collected throughout the life cycle of the C19RM 2021 grants through routine processes and the M&O framework. How this will be factored into strategic decision-making across portfolio adjustments is unclear, however. There are no agreed principles and processes on if and how investments across portfolios can be reprioritized to adapt to changes in absorption levels or significant changes in COVID-19 disruptions in later years of grants, to ensure maximum impact of funding.

One example of where this may expose C19RM to risk in the future is where countries face acute absorption challenges with funding late in the grant life cycle. The risk of unutilized money due to changes in context and need could be mitigated through defining clear principles and guidance that would allow funding to be transferred in years two and three to countries with a greater need than initially estimated.

Enhancing key systems and tools that support rapid savings identification and portfolio optimization

There is also a need to improve the tools and systems that act as enablers for rapid portfolio optimization, adapting them to the C19RM context. As noted in a prior OIG audit report,⁸⁰ there have been historic issues around the systems, tools and processes used to identify unutilized funds in a timely manner for reprogramming. These issues point to gaps in demand generation and planning related to health products to ensure availability and efficient delivery. These gaps have resulted in the Secretariat not having access to adequate and readily available information on health product demand and procurement implementation progress, limiting its ability to proactively manage implementation and demand, and creating lags in identifying savings.

These issues are not unique to C19RM 2021, however they have significant implications for C19RM 2021-related investments, given the need for rapid agility in responding to a volatile pandemic. The inability to quickly identify unutilized funds limits the effectiveness of any portfolio optimization for C19RM 2021. It is important to note that these challenges have been recognized by the Secretariat and efforts are under way to improve the overall end-to-end forecasting, demand planning and management processes with critical upgrades in supporting systems. A Secretariat project was initiated in 2021 that aims to support the above goals from 2023.

4.4.2 The mechanism is not designed for acute emergency response

Overview of fast track and differentiation between acute and non-acute emergency response

The Global Fund collated in a single mechanism (i) short term emergency response and (ii) mid to long term emergency response, the former linked to the provision of essential and time-sensitive healthcare goods, and the latter related to infrastructure building and strengthening of healthcare systems.

To respond to the two tangential but different needs at country level, C19RM 2021 introduced a two-tier approach to accessing funding: the full funding and fast track application process. This was a significant enhancement from C19RM 2020, which made no differentiation. The introduction of fast track allowed countries to request investments for immediate needs up front, and work on another timeline for other interventions.

The purpose of fast-track was to ensure that countries' urgent needs for COVID-19 commodities were supported, although it was acknowledged that even with immediate order placement, there would be significant lead times before essential commodities arrived in country. There have been issues in how fast track requests have been administered, as well as structural limitations in the process design, that impact its effectiveness.

4. Key Findings

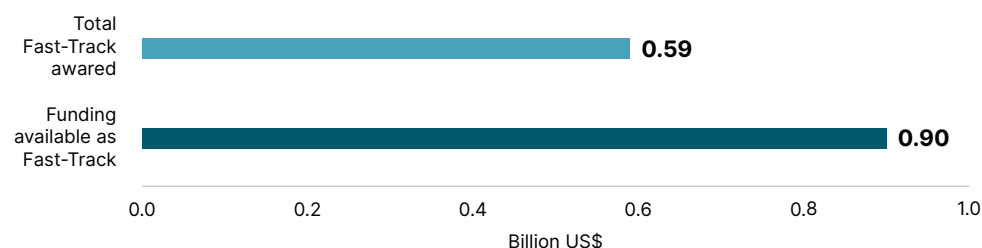
Design of mechanism is not suitable for acute emergency situations

Even with the fast-track component, C19RM 2021 was not designed to act as an acute emergency response approach. In humanitarian assistance, acute emergency response is defined as the set of immediate, time-bound actions deployed to tackle an epidemic or disease outbreak and which are necessary to keep populations alive, including urgent deployment of essential health goods. The current design of fast-track components ensures the Global Fund can respond to longer term chronic COVID-19 challenges and provide emergency support, rather than respond to acute waves of COVID-19. This is important in managing stakeholder expectations of the capabilities and limitations of the mechanism.

Low uptake of fast-track funding and lack of differentiation in timelines impact its overall usefulness

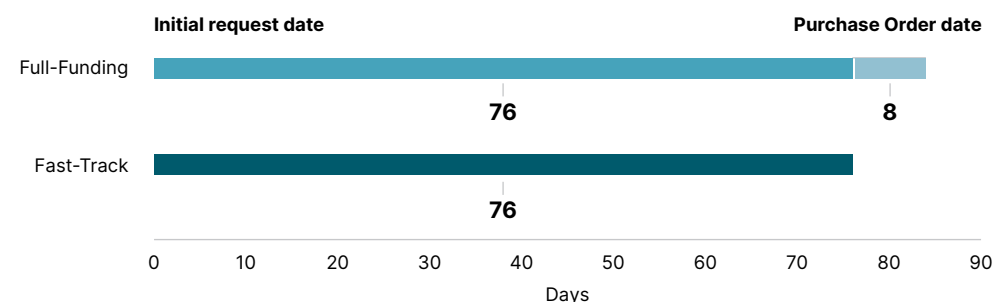
As of December 2021, US\$591 million to 36 applications⁸¹ has been awarded through the fast-track approach. This represents 66%⁸² of the available funding that can be accessed through this method.

FIGURE 20: UPTAKE OF FAST-TRACK FUNDING UNDER C19RM 2021



Across the 10⁸³ OIG sampled countries, the speed of fast track to support countries from initial request to purchase order was 76 days, versus 84 days for full funding. These data points highlight an underused fast-track mechanism, as well as some limitations in administering applications quickly.

FIGURE 21: PURCHASE ORDER CONFIRMATION DURATION – FAST-TRACK VS. FULL FUNDING



A key driver has been the demand and ability for countries to effectively engage the fast-track components. Country capacity to engage across two types of requests quickly and effectively was noted as a limiting factor to accessing the mechanism in a timely manner.

75%⁸⁴ of CCM respondents to the OIG survey highlighted capacity challenges to manage the C19RM 2021 processes alongside their existing workload.

FIGURE 22: CCM CAPACITY CHALLENGES TO MANAGE C19RM 2021



81 [C19RM Monthly Update to the Board](#) - December 2021

82 The Board delegated to the AFC the ability to increase the ceiling for fast track to US\$1.6bn per Board Decision GF/B45/EDP12 using this as the denominator would give 37%. However due to the quantum of fast-track requests received, this option to increase the ceiling was not utilized leaving the available ceiling at US\$0.9bn, which when used as the denominator derives 66%

83 The 10 OIG deep dive countries include 7 which engaged with fast-track applications. These 7 represent 45% of the total value of fast-track awards per [Monthly report to Global Fund Board](#) - December 2021

84 The OIG CCM survey highlighted CCM capacity as a significant issue for 29% of respondents and a minor issue for 46% of respondents and not an issue for 25%

4. Key Findings

Structural limitations impact the Global Fund's ability to support COVID-19 acute emergency response

The fast-track process has played an important role in accelerating the response to COVID-19 and has been materially carried out in line with the parameters set out in the Global Fund Board Decision. However, the process was not designed as an acute emergency response mechanism and is dependent on pre-existing Global Fund and country level approaches and processes that limit its speed and agility. These pre-existing aspects are defined by the Global Fund Board, codified in Board Decisions and policies, and are aligned to the organization's current mandate and operating model.

In developing C19RM 2021, a starting point for the mechanism was core grant processes, which were adjusted to fit a COVID-19 response. Depending on how the Global Fund's role evolves in the future, the Global Fund will need to learn lessons from the past two years and assess its structural limitations to adapt future mechanisms.

COVID-19 has had an overwhelming impact on all stakeholders, highlighting a widespread lack of emergency preparedness to deal with a pandemic of this nature and scale. Differing peer approaches highlight potential further avenues for the Global Fund to explore, with the aim of enhancing C19RM's speed and agility. But equally, there are numerous trade-offs and risks associated with each approach that would have to be carefully considered. Given the impact of COVID-19 on the global supply chain for key commodities and products, it is unclear if any alternate approach would ensure a faster response, and various peer organizations have faced different challenges due to their models.

Most importantly, the underlying operating model and current framework within which the Global Fund works differs significantly from the traditional acute emergency response organizations discussed in this section. If the Global Fund is required to respond more acutely in the future, the feasibility of adapting different options to the Global Fund context would need significant and careful assessment. This will involve determining what elements of the Global Fund model can be adapted within the current mandate and framework. A significant shift in strategic and operational focus would require Board approval.

There are 3 main challenges for the Global Fund to consider when evolving the mechanism:

i) Reliance on grant approach for emergency response

C19RM 2021 currently leverages the existing grant application process.⁸⁵ Although this is fully in line with the Board Decision and ensures investments are fully aligned to express country needs, it has inherent limitations in terms of speed and agility of execution.

Multilateral agencies involved in emergency response, such as the World Food Programme (WFP), the International Organization for Migration (IOM), the International Committee of the Red Cross and Red Crescent (ICRC), the Office of the UN High Commissioner for Refugees (UNHCR) and UNICEF, often have a more streamlined approach to emergency funding. They often manage funds directly through their own programs, and fund additional activities through flash humanitarian appeals. Once resources are earmarked for specific countries and allocated to a list of essential goods and operations within approved program budgets, orders can be directly raised and sourced through pre-determined procurement channels, linked to up- and down-stream solutions controlled by the agency. To this extent, the speed and agility of these multilaterals rely on operating not in the frame of a 'grant', but directly as an implementing agent of a 'programme' which they raise funds for and deploy.

ii) Reliance on national systems for emergency response

As a financial institution, the Global Fund purposefully relies on recipient countries' national systems or third-party providers to procure and deliver goods at the country level. This ensures that country sustainability and ownership is at the forefront of the response and is aligned to the Global Fund's mandate and founding principles. However, in acute emergency contexts, this approach is heavily vulnerable to delays, due to the varying capacity of countries' procurement and supply chain capacities. Many countries struggle to place timely orders, effectively quantify and accurately forecast need, and leverage national supply chains.

Peer organizations, in contrast, often operate as their own implementing agents at the country level, often because the context in which they operate can be extremely challenging, or because country systems either do not exist or are weak. They rely on urgent humanitarian funding appeals, or leverage governments' response strategies. Once funds are earmarked to countries, they proceed directly with procurement. Organizations like WFP, IOM and ICRC have centralized supply functions, a strong physical field presence and specialized teams for emergency response that are used to managing their own up and down-stream supply chain and overseeing distribution.

85 The requirement for a country to formally submit a funding request, to determine prioritized country need, which is reviewed through a grant approval process and funneled through grants

4. Key Findings

Audit of C19RM 2021

This approach of managing emergency response funds directly through an operation which is controlled end-to-end by the multilateral agency is a significant advantage that the Global Fund, as a Geneva-based funding mechanism, does not have.

In the specific context of the COVID response, and considering its multifaceted set-up, all relevant UN system organizations came together to form the COVID Supply Chain System (CSCS), conceived as an integrated mechanism for procurement and delivery of selected emergency health goods. Despite having limitations,⁸⁶ this system allows actors like WHO Emergencies Programme (WHE) and UNICEF to leverage the strong field presence and physical supply chain of organizations traditionally not involved in health (e.g. the humanitarian service transport system set up and coordinated by WFP).

iii) Push vs Pull arrangements for procurements in emergency response

In its current format, C19RM 2021 defers the start of procurement of goods through centralized or local channels until after approval by the C19RM Investment Committee. This has the benefit of ensuring full alignment between orders and needs, and that country ownership, a key Global Fund principle, is kept at the forefront of the process. It is also fully aligned to the Global Fund's mandate as a financing institution. However, it brings a considerable downside in terms of significant lag time, impacting the speed of response.

Other operating models offer different options. Humanitarian organizations involved in acute emergency response 'de-couple' procurement and the award of funding, to be able to act swiftly and to quickly scale up the delivery of goods. This is done through organizations developing alternative procurement strategies that allow themselves and countries to draw from pre-positioned inventory, either owned by the organization or which can be quickly purchased.

Depending on their operating models, multilateral peers can choose to strategically leverage relations with vendors (e.g. advanced commitments and contracts for essential health goods and equipment⁸⁷), set aside central funding facilities to acquire goods from existing deposits, or directly set up pre-positioning warehouse and distribution centers. For example, WFP manages a network of Humanitarian Response Deposits,⁸⁸ a series of hubs for relief items and humanitarian support equipment. WFP also provides infrastructure support for other multilaterals willing to deposit their goods or buy available un-earmarked stocked goods (so called 'white stocks'). Another example is UNICEF, which manages a global humanitarian warehouse hub in Copenhagen.

Used for interagency emergency health supplies and other essential goods, it is intended for immediate dispatch in case of emergencies and is linked to a network of UNICEF regional/country warehouses.

In all these cases, the multilaterals dedicate a central funding facility to set up virtual or physical mechanisms for the immediate deployment of goods in case of emergency, leveraging their network of partners and contractors as their business model dictates.

These different operating models also bring with them considerable risks, and therefore any consideration of these options by the Global Fund would require extensive and careful assessment, in line with Board ambition and risk appetite.

AGREED MANAGEMENT ACTION 3

The Global Fund Secretariat will develop and operationalize a portfolio optimization framework for C19RM investments in line with the evolving nature of the COVID-19 pandemic; this will consider factors including absorption to date and the evolution of external funding landscape.

OWNER: Investment Committee (Chief Risk Officer)

DUE DATE: 31 December 2022

⁸⁶ [The Evaluation of the CSCS issued in Q2 2021](#)

⁸⁷ There are multiple forms of forward-looking procurement mechanisms to prepare for acute emergency response; for an overview, see [WB's Emergency Procurement for Recovery and Reconstruction](#)

⁸⁸ See <https://unhrd.org/>

Annex 1

Audit ratings & methodology

Audit of C19RM 2021

General Audit Rating Classification

	RATING	DEFINITION
	Effective	No issues or few minor issues noted. Internal controls, governance and risk management processes are adequately designed, consistently well implemented, and effective to provide reasonable assurance that the objectives will be met.
	Partially Effective	Moderate issues noted. Internal controls, governance and risk management practices are adequately designed, generally well implemented, but one or a limited number of issues were identified that may present a moderate risk to the achievement of the objectives.
	Needs significant improvement	One or few significant issues noted. Internal controls, governance and risk management practices have some weaknesses in design or operating effectiveness such that, until they are addressed, there is not yet reasonable assurance that the objectives are likely to be met.
	Ineffective	Multiple significant and/or (a) material issue(s) noted. Internal controls, governance and risk management processes are not adequately designed and/or are not generally effective. The nature of these issues is such that the achievement of objectives is seriously compromised.

Methodology

The OIG audits in accordance with the global Institute of Internal Auditors' (IIA) definition of internal auditing, international standards for the professional practice of internal auditing (Standards) and code of ethics. These Standards help ensure the quality and professionalism of the OIG's work.

The principles and details of the OIG's audit approach are described in its Charter, Audit Manual, Code of Conduct, and specific terms of reference for each engagement. These help our auditors to provide high quality professional work, and to operate efficiently and effectively. They help safeguard the independence of the OIG's auditors and the integrity of their work. The OIG's Audit Manual contains detailed instructions for carrying out its audits, in line with the appropriate standards and expected quality.

The scope of OIG audits may be specific or broad, depending on the context, and covers risk management, governance, and internal controls. Audits test and evaluate supervisory and control systems to determine whether risk is managed appropriately. Detailed testing takes place across the Global Fund as well as of grant recipients and is used to provide specific assessments of the different areas of the organization's activities. Other sources of evidence, such as the work of other auditors/assurance providers, are used to support the conclusions.

OIG audits typically involve an examination of programs, operations, management systems and procedures of bodies and institutions that manage Global Fund funds, to assess whether they are achieving economy, efficiency, and effectiveness in the use of those resources. They may include a review of inputs (financial, human, material, organizational or regulatory means needed for the implementation of the program), outputs (deliverables of the program), results (immediate effects of the program on beneficiaries) and impacts (long-term changes in society that are attributable to Global Fund support).

Audits may also assess how Global Fund grants/portfolios are performing against target for Secretariat-defined key indicators; specific indicators are chosen for inclusion based on their relevance to the topic of the audit.

Audits cover a wide range of topics with a focus on issues related to the impact of Global Fund investments, procurement, and supply chain management, change management, and key financial and fiduciary controls.