



Audit Report

The Global Fund Country Coordinating Mechanism

GF-OIG-16-004
25 February 2016
Geneva, Switzerland

Table of Contents

Table of Contents	2
I. Background.....	3
II. Scope and Rating	5
o1 Scope	5
o2 Rating.....	6
III. Executive Summary	7
IV. Findings and Agreed Management Actions.....	9
V. Table of Agreed Actions.....	21
Annex A: General Audit Rating Classification.....	23
Annex B: Methodology.....	24

I. Background

Country Coordinating Mechanisms (CCMs) form ‘the cornerstone of the Global Fund architecture’, said the High-Level Review Panel report in 2011, ‘the CCM is one of the most-treasured and yet most-criticized aspects of the Global Fund’s model.’¹ CCMs are central to the Global Fund's commitment to local ownership and are a ground-breaking, innovative mechanism towards stakeholder collaboration and participatory decision-making. They include representatives from both the public and private sectors, including governments, multilateral or bilateral agencies, non-governmental organizations, academic institutions, private businesses and people living with the diseases.²

As the Global Fund does not maintain country offices, it relies on CCMs for national-level governance of its grants, and on Principal Recipients for their implementation.

As per the existing guidelines, the core functions of the CCM are to:

- coordinate the development and submission of national requests for funding;
- nominate the Principal Recipients for grant implementation;
- oversee implementation of the approved grants;
- approve any reprogramming requests; and
- ensure linkages and consistency between Global Fund grants and other national health and development programs.

In addition to the above core responsibilities, CCMs are expected to play a stronger leadership role in the New Funding Model by:

- meaningfully participating in the National Strategic Plan discussions at the country level; and
- convening stakeholders to engage in inclusive country dialogues and agree on funding split.

Applying for funding from the Global Fund is the responsibility of the CCM. Each eligible country, through the CCM, submits a request for funding known as a “concept note” on behalf of the country as a whole. All CCMs are required to meet the following six requirements to be eligible for Global Fund financing:

1. A transparent and inclusive concept note development process;
2. An open and transparent Principal Recipient selection process;
3. Oversight planning and implementation;
4. Membership of affected communities on the CCM;
5. Processes for non-government CCM member selection; and
6. Management of conflict of interest on CCMs.

The creation of a smaller, more focused CCM management ‘hub team’ (CCM Hub) in May 2012 at the Global Fund Secretariat marked a change in strategy by dividing CCM related operational and compliance functions at the Secretariat. This has resulted in significant improvement in CCM management. 80% of CCM members that responded to the OIG CCM survey indicated that they receive good attention and support from the Global Fund Secretariat.

The recent improvements include better design of policies and tools to guide and monitor the activities of CCMs. The CCM Hub uses detailed eligibility requirements that embody the good governance criteria that all CCMs must meet. These eligibility requirements are assessed by the CCM Hub with the support of technical assistance providers using the Eligibility and Performance

¹ High-Level Independent Review Panel report on Fiduciary Controls and Oversight Mechanisms of the Global Fund to Fight AIDS, Tuberculosis and Malaria, September 2011.

The High Level Review Panel was an independent panel, appointed by the Board of the Global Fund, with a mandate to assess the organization’s fiduciary controls and offer recommendations for how the institution could provide appropriate assurance to all its stakeholders.

² <http://www.theglobalfund.org/en/ccm/>

Assessment (EPA) tool. As a Board-mandated exercise, the CCM EPA is compulsory for all CCMs prior to the submission of a concept note. The objective of this assessment is to evaluate CCM compliance with CCM Eligibility Requirements and Minimum Standards, in order to determine the level of functionality of the CCM.³ The CCM Hub has tried to differentiate the EPA process by using four different approaches to conduct the assessment. These approaches include a Standard, Light, On-demand and Focused EPA.⁴ Among other things, the approach differentiates the periodicity of follow-up assessments based on portfolio requirements.

There are 119 CCMs and 25 Regional Coordinating Mechanisms (RCMs) across the Global Fund portfolio of 124 countries.⁵ A total CCM funding of USD 55.3 million has been signed with CCMs and RCMs since 2009, of which USD 44.5 million has been disbursed as of October 2015. This translates into an average annual funding of USD 6.4 million, ranging from USD 8,000 to USD 346,000 per country per year.

³ More information about the process of the EPA, including a matrix of the indicators, is available here: <http://www.theglobalfund.org/en/ccm/guidelines/> under the CCM Eligibility and Performance Assessment sub-heading.

⁴ According to the EPA Guidelines Notes 3: Standard approach is where the CCMs conduct the EPA facilitated by a TA provider; Light EPA approach is where CCMs conduct the EPA with an option to request remote TA support; On-demand strategy is where CCMs can continue to progress against their Improvement Plan as established under the 2014 EPA and can obtain a waiver on the EPA exercise in 2015; and Focused approach is standard EPA strategy with a focus on CCMs that are transitioning from the Global Fund to another existing governance body.

⁵ There are currently dedicated CCMs for all country-specific portfolios except for countries in conflict, facing a natural disaster, in a complex emergency situations or without a legitimate government.

(Refer to http://www.theglobalfund.org/documents/ccm/CCM_Requirements_Guidelines_en/)
Regional Coordinating Mechanisms apply for and govern multi-country and regional programs

II. Scope and Rating

01 Scope

The overall objective of the audit was to evaluate the role and effectiveness of the CCM for the Global Fund grants. This included assessing:

- the adequacy of the CCM model in coordinating and overseeing in-country grants; and
- the operational effectiveness of the CCMs including policies, procedures and systems in place at the Global Fund Secretariat and at the country level.

The audit work included:

- A desk review of key documents of 50 sample CCMs selected from different Global Fund regions, while considering aspects of disease burden, Global Fund investments, geographic regions, and operating environments, to ensure representativeness;⁶
- Detailed in-country reviews of CCMs in seven countries, namely Ghana, Honduras, Indonesia, South Sudan, Tanzania, Pakistan and Uzbekistan as part of the country audits of these countries, which were included in the OIG's 2015 annual audit plan;
- Questionnaires to CCM members, in-country CCM Secretariats, technical assistance providers, Global Fund Secretariat staff, civil society organizations and key populations with over 800 responses to the questionnaires administered; and
- Interviews and discussions with:
 - over 30 Global Fund Board and committee members, including the Transitional Governance Committee, Audit and Ethics Committee, Strategy Investment and Impact Committee, and Finance and Operational Performance Committee;
 - eight development partners, specifically the United States Agency for International Development (USAID), Gates Foundation, French 5% Initiative, German Corporation for International Cooperation (GIZ), Swiss Development Agency, Stop TB Partnership, Roll Back Malaria, and GAVI Alliance;
 - all technical assistance providers that support the CCM Hub in performing the EPA of CCMs;⁷ and
 - over 200 Global Fund staff in 10 different business units, specifically the CCM Hub; Program Finance team; Community, Rights and Gender (CRG) team; Access to Funding team; Key Performance Indicators (KPI) team; Grant Management legal team; Grant Management support team; Differentiation team; and Transition and Sustainability team.

⁶ These countries are Albania, Armenia, Azerbaijan, Afghanistan, Belize, Bhutan, Cape Verde, Central African Republic, Comoros, Gabon, Gambia, Georgia, Ghana, Guinea-Bissau, Guyana, Haiti, Honduras, Indonesia, Jamaica, Kosovo, Kyrgyzstan, Lesotho, Liberia, Malawi, Mali, Mauritius, Morocco, Moldova, Mongolia, Mozambique, Myanmar, Namibia, Nepal, Pakistan, Romania, Sao Tome, South Africa, South Sudan, Sudan, Suriname, Swaziland, Tanzania, Togo, Thailand, Timor-Leste, Uganda, Ukraine, Uzbekistan, Yemen, and Zimbabwe.

⁷ Technical Assistance providers are selected by countries or the CCM Hub from the list of selected assistance providers. These include Grant Management Solutions (GMS) – USG; MSH Leadership Management and Governance project – USG; Expertise France – French Government; GIZ BACKUP – German Government; International HIV/AIDS Alliance – UK.

02 Rating⁸

Below are the OIG's overall ratings of the role and effectiveness of the CCM:

Operational Risk	Rating	Reference to findings
Adequacy of the CCM model in coordinating and overseeing in-country grants	Partial Plan to Become Effective	IV.2, IV.3 and IV.6
Effectiveness of CCM policies and procedures at the Global Fund Secretariat and at the country level	Partial Plan to Become Effective	IV.1, IV.2, IV.4 and IV.5

⁸ See Annex A for the rating definitions.

III. Executive Summary

CCMs are central to the Global Fund's commitment to local ownership and participatory decision-making. These country-level multi-stakeholder partnerships comprise broad representation from government, non-governmental organizations, civil society, multilateral and bilateral agencies, and the private sector.

The overall design of the CCM model is materially aligned with the principles contained in the Global Fund Framework document. In particular, the model has promoted stakeholder collaboration and participatory decision-making in the design and delivery of health programs for the three diseases.

However, gaps exist in the **CCM performance, particularly in coordinating and overseeing in-country grants**. Also, significant issues were identified with the **implementation of the CCM policies and procedures** at the Global Fund Secretariat and at the country level. In both areas, the Secretariat has plans that will partially address the noted issues.

Adequacy of the CCM model in coordinating and overseeing in-country grants

Various countries have had some successes in enhancing or integrating CCMs into the broader country health architecture, in line with pertinent requirements of the Global Fund Framework document. However, in all the seven sample countries of the 2015 OIG annual audit plan, the OIG noted weak coordination and stakeholder engagement with other health forums or structures, particularly for strengthening health systems. For five of these seven countries, the CCM was not integrated into the national systems.

Despite some progress, oversight continues to be weak in most CCMs. The OIG's detailed desk review of key CCM documents for 50 sample countries identified various operational gaps, including the absence of oversight committees, weaknesses in oversight plans, lack of feedback from key populations, inadequate discussions on key grant issues, and no sharing of oversight reports with relevant stakeholders, including the Global Fund Secretariat. There are varying possible root causes of weak oversight. These included time constraints of members, poor planning, documentation and follow-up of oversight activities, inadequate resources, and weak secretariat functions. Role ambiguity among different stakeholders on the nature and extent of CCM oversight was also a root cause, often leading to misdirected focus of oversight.

A study by the independent organization Grant Management Solutions indicated that 79% of Global Fund grants that were rated B2 or C improved to B1 or better after strengthening the oversight of their CCMs.⁹ This highlights the potential gains from an increased focus of the Global Fund on improving the oversight function of the CCMs.

Sustainability

Out of the nine countries from which the Global Fund has withdrawn, only one has retained its CCM. The Global Fund does not have a policy on sustainability and the role of CCMs in post-transition disease programs. The Global Fund has recently identified approximately 30 countries where transition is expected in at least one of the disease components over the next ten years. Without CCMs, this might adversely impact advocacy for the three diseases, resource mobilization and continued meaningful engagement of civil society and affected communities in those countries post-transition. This is particularly important where those affected by HIV are stigmatized or where high-risk populations are persecuted.

⁹ Quantified Results of Urgent Technical Assistance Provided to Global Fund Country Coordinating Mechanisms and Principal Recipients by Grant Management Solutions, June 2012

Effectiveness of CCM policies and procedures at Secretariat and country level

Performance management

There are multiple issues in the overall performance management of CCMs by the Secretariat. Only 9% of the CCMs assessed by the Secretariat are fully compliant with the relevant eligibility criteria as of October 2015. There is no active measurement of the ongoing performance of CCMs beyond the eligibility evaluation. There is also a lack of systematic evaluation of the role of CCMs in individual portfolios, in order to address performance gaps with country-specific tailored solutions. OIG data analysis indicated a strong positive correlation between CCM performance and the level of country portfolio risk, with all top 20 highest portfolio risk countries having non-compliant CCMs. Therefore, efforts towards CCM performance management are likely to have direct benefits in the overall portfolio management.

There is a lack of clarity in the CCM Hub and Country Team roles and accountabilities relating to CCMs, particularly relating to performance management. This includes an absence of cascading of responsibilities to divisional or individual levels. Whilst there is one operational Key Performance Indicator tracking the improvement in eligibility compliance of CCMs, there are no metrics or indicators for ongoing performance of CCMs. Similarly, at the country level, performance frameworks are largely structured around basic input indicators, such as number of meetings held, instead of metrics to measure the quality and timeliness in the performance of key CCM functions such as oversight, concept note preparation and submission, or Principal Recipient selection.

Conflict of Interest

There are generally effective policies for managing conflicts. However, some gaps were still noted, particularly around compliance. There is also room to align CCM policies and operations with the new Ethical and Integrity Framework approved by the Global Fund Board. The Secretariat is yet to develop the code of ethical conduct for CCM members as directed by the Global Fund Board.

Civil society involvement

Although significant improvement has been made in the involvement of civil society and affected communities in designing and implementing programs, some gaps exist.

Membership and meaningful engagement of civil society and key populations is not optimal; 12 out of the 50 CCMs reviewed did not meet the minimum civil society representation eligibility requirement. Similarly, a recent study by Stop TB Partnership also found that half of tuberculosis (TB) high burden countries had no civil society representative with TB expertise in their CCMs.¹⁰ Almost half of the 50 CCMs reviewed were not fully compliant with the requirement for non-governmental constituencies to directly and transparently select their representatives.

¹⁰ http://stopTB.org/news/stories/2015/ns15_006.asp

IV. Findings and Agreed Management Actions

1	Gaps in managing CCMs' performance
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Despite some progress, significant gaps exist in CCM programmatic and financial performance management.

The OIG noted multiple issues in the overall performance management of CCMs by the Secretariat. As a critical component of the overall governance framework over Global Fund grants, CCMs have a direct bearing on the management of portfolio risk and performance. An analysis of CCM EPA results and the portfolio risk index of countries revealed that there is a strong positive correlation between CCM performance and portfolio risk of countries, with all top 20 highest portfolio risk countries having non-compliant CCMs. Therefore, efforts towards CCM performance management are likely to have direct benefits in the overall portfolio management. Some of the gaps identified during the audit are as follows:

Gaps in assessing and addressing eligibility issues

- The Secretariat uses the EPA tool for initial assessment of CCM compliance with Global Fund requirements, before their eligibility for funding is determined. Only 9% (i.e. 9 out of 101) of the CCMs assessed by the Secretariat through this tool were fully compliant as of October 2015, despite the fact that most of these CCMs have been in existence for several years.¹¹ 91% of the CCMs were not fully compliant with the eligibility requirements and minimum standards. Although eligibility is a prerequisite for initial and ongoing funding, the Secretariat has continued to give grants to these CCMs, without adequate consideration to time-bound corrective measures, or implications for CCM and portfolio in cases of inaction or delays.
- The commitment towards CCM improvement, and in turn the disbursement or other portfolio decisions and resulting improvements, varied significantly based on Country Team and CCM membership and leadership. The implementation of improvement plans for 88% of CCMs has been delayed for more than three months.
- Furthermore, there is no effective policy to guide the determination of country-specific, tailored eligibility requirements of CCMs, including budgeting for remedial action. The Secretariat has differentiated the process of conducting EPAs (i.e. Standard, Light, On-demand and Focused EPA). However, this differentiation is on the process of carrying out the eligibility assessment but not on the actual content and substance of the assessment. Instead, the same criteria and eligibility standards are still expected from all CCMs, regardless of their specific circumstances and portfolio requirements. For example, the OIG noted that all the 11 countries classified as 'high alert' and 'very high alert' in a 2015 fragile state index were assessed with the standard EPA tool criteria, and all of them failed the assessment.¹² The unique circumstances and portfolio requirements for these fragile countries suggest that the scope of their mandate and their performance assessment criteria would need to be tailored to provide meaningful feedback on the suitability of these CCMs.

Performance management gaps

- There is a lack of clarity in the CCM Hub and Country Team roles relating to CCMs. While there is some documentation of CCM Hub staff roles in their job responsibilities, there are no documented terms of reference for the CCM Hub or an official responsibility matrix relating to all aspects of CCM management in the Secretariat. Also, there is no one responsible for managing the performance of

¹¹ Fully compliant means that the CCM has been able to meet the six eligibility requirements and minimum standards.

¹² Fragile State Index 2015: <http://library.fundforpeace.org/library/fragilestatesindex-2015.pdf>. The 11 countries are South Sudan, Central African Republic, Sudan, Democratic Republic of the Congo, Syria, Yemen, Guinea, Cote d'Ivoire, Zimbabwe, Nigeria and Pakistan. The Fragile States Index is an annual ranking of 178 nations by Fund for Peace based on their levels of stability and the pressures they face. Fund for Peace is an independent, nonpartisan, non-profit research and educational organization that works to prevent violent conflict and promote sustainable security.

CCMs in the Global Fund Country Team Responsibility Matrix, and this is not one of the functions of the CCM Hub. The CCM Hub, which currently consists of two staff, has been performing the EPAs with the support of Technical Assistance providers, validating and reporting their results, along with achievements against improvement plans, through a dashboard. However, there is no collective or cascaded accountability assigned for actual results of EPAs and achievement against improvement plans, to the Grant Management Department or to individual Country Teams.

- While there is one operational KPI tracking the improvement in eligibility compliance of CCMs, there are no metrics or indicators for ongoing performance of CCMs. Further, the eligibility and ongoing performance of CCMs are not cascaded to divisional or individual levels, leading to weak ongoing performance monitoring and accountability.
- Significant disconnect and inconsistency exists between the results of two main tools used by the Secretariat to assess the overall quality of CCM governance and oversight. The CCM risk rating on oversight and governance in the QUART, completed by Country Teams, for 72% of the countries reviewed by the OIG (i.e. 29 out of 40) is different from their CCM EPA results/rating completed by technical assistance providers, and updated by the CCM Hub.¹³ This translated into an inconsistent picture of in-country governance and oversight of Global Fund grants, leading to ambiguity on the nature and extent of remedial actions.
- Furthermore, as in the case of eligibility, there is a lack of systematic evaluation of the role of CCMs in individual portfolios, and consequently the portfolio impact and implications of the specific weaknesses that are identified. This hampers establishing the type of tailored actions suitable for individual portfolios based on cost-benefit analysis. For example, weak CCM oversight for a small portfolio with effective direct portfolio management by the Country Team, leading to satisfactory grant ratings, might not justify substantial investments to strengthen CCM oversight.
- Along with the EPA, the Secretariat uses CCM performance frameworks and work plans for their ongoing performance management. The results of achievements against these frameworks and work plans are reported to the Secretariat by CCMs through annual performance reports. However, these reports are currently not independently validated by any assurance provider. Furthermore, the performance frameworks are largely structured around basic input indicators, such as number of meetings held. These are not metrics to measure the quality and timeliness in the performance of key CCM functions such as oversight, concept notes preparation and submission, or Principal Recipient selection. This leads to a lack of necessary focus on output and impact of CCMs.

Agreed Management Action 1

The Secretariat will:

- as part of the differentiation initiatives at the Secretariat, consider whether and how to differentiate CCM policies and tools, including considering those relating to CCM eligibility, performance management, budgeting and reporting, and
- assign and document clear responsibilities relating to CCMs, including roles of the CCM Hub, Country Teams, CRG and Access to Funding with clear accountability matrix.

Owner:

Head, Grant Management Division

Target date:

31 December 2016

¹³ Qualitative Risk Assessment, Action Planning and Tracking (QUART) is a tool used at the Global Fund to provide a comprehensive and structured framework for assessing risk in grants.

2	Oversight function
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Oversight of Global Fund grants by CCMs is weak and requires further improvement, in addition to some recent policy reforms.

Oversight is a key function of CCM governance. Recognizing the importance of oversight, the Global Fund requires all CCMs to have an oversight plan, and a permanent oversight body with adequate skills and expertise. Besides continuous oversight of program performance, this body is also expected to seek feedback from non-CCM members and from people living with and/or affected by the diseases.

Various OIG country audits have historically reported significant oversight issues in CCMs.¹⁴ Moreover, during the detailed desk review of key CCM documents for 50 countries selected as a representative sample, the OIG noted that:

- 10% of the CCMs did not have an oversight committee or body, as required;
- 56% of the 50 countries did not have specific information on roles, timelines and budget in their oversight plan, or they have an oversight plan that is outdated;
- 62% of the 50 CCMs were non-compliant with the requirement of seeking feedback from non CCM members and from people living with and/or affected with the disease;
- 56% of the 45 CCMs that have oversight bodies did not adequately discuss challenges with each Principal Recipient to identify problems, potential reprogramming and corresponding reallocation of funds between program activities;
- 58% of the 50 CCMs did not share oversight reports with country stakeholders and the Global Fund Secretariat in the past six months. Also, 26% did not share the oversight reports with relevant stakeholders in a timely manner that could have ensured well-timed remedial action.

The OIG noted multiple possible root causes of the weak oversight function of CCMs, often varying significantly between countries reviewed:

- time constraints for oversight members, given their voluntary roles with CCM and other full-time engagements, as identified by some CCM members in interviews and questionnaires;
- poor planning, communication, documentation and follow-up of oversight activities and results with stakeholders, including implementers;
- inadequate resources or tools to perform effective oversight including inadequate oversight budget, as identified by many CCM questionnaire respondents;
- weak in-country CCM Secretariat to provide the necessary administrative or other support to CCM oversight members, as reported in various OIG historical country audits and identified in several CCM questionnaire responses; and
- role ambiguity, often leading to misdirected focus of oversight. For example, diverse views, practices and reasons were observed on performance of field monitoring activities by CCM members. Many CCM members and other stakeholders considered CCMs as one of the assurance providers, and therefore performed significant, sample-based site visits. The Grant Management Assurance Framework document also considers the CCMs as one of the assurance providers. The Framework document goes further, expecting CCMs to provide active ongoing monitoring throughout the implementation of grants.¹⁵ However, the CCM guidelines do not include provision of assurance as a CCM mandate. Many CCM members and stakeholders, including the CCM Hub, therefore envisage limited field visits by CCM members, targeted only towards better understanding of grant activities and some operational oversight, without providing any assurance.

¹⁴ Uzbekistan (2015), South Sudan (2015), Zimbabwe (2013), Thailand (2013), Congo (2013), India (2013)

¹⁵ The Grant Management Assurance Framework (2013), page 24, which is currently under revision under the Risk and Assurance project.

A study by the independent Grant Management Solutions project indicated that 79% of Global Fund grants that were rated B2 or C improved to B1 or better after strengthening the oversight of their CCMs.¹⁶ This highlights the potential gains from an increased focus of the Global Fund on improving the oversight function of the CCMs.

The Global Fund, with the support of Grant Management Solutions (GMS) has rolled out the CCM Oversight Dashboard as one of the mechanisms for strengthening the effectiveness of the CCMs' oversight.¹⁷

Agreed Management Action 2

The Secretariat will develop a mechanism to strengthen CCM oversight. This will include:

- Revising and rolling out the CCM Oversight Guidance Paper to clarify the content and level/extent of oversight expected from CCMs; and
- Analyzing options for enhancing effective engagement of CCM members in oversight, including consideration of annual participation schedules for members, more flexible participation of members in meetings where their skillsets or roles are essential etc.

Owner:

Head, Grant Management Division

Target date:

30 June 2017

¹⁶ Quantified Results of Urgent Technical Assistance Provided to Global Fund Country Coordinating Mechanism and PRs by Grant Management Solutions, June 2012

¹⁷ Grant Management Solutions (GMS) is a project financed by the US Government to provide technical support to CCMs to strengthen oversight of grants from the Global Fund.

3	Poor integration into national systems and weak coordination with other stakeholders for the three diseases
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CCMs are partially or entirely duplicating other structures, with limited integration into national systems or harmonization and coordination with these parallel entities.

The Global Fund Framework document emphasizes the need to, wherever possible, build on or work with existing coordinating bodies to ensure national ownership and country partnership-led implementation processes.¹⁸ This approach is also aligned with the 2005 Paris Declaration on Aid Effectiveness and the 2008 Accra Agenda for Action.¹⁹ Congruent with these principles, the Global Fund CCM framework identifies donor coordination as a principal mandate of CCMs. Accordingly, CCMs in countries such as Myanmar, Azerbaijan, Botswana, Vietnam and Georgia have extended their functions beyond the Global Fund supported programs to coordinate other health programs. During the audit, the OIG noted that the key success factors of these CCMs were strong CCM leadership and good collaboration with the government and development partners.

Similarly, Kyrgyzstan and Belize have started initiatives to integrate their CCMs into the existing health coordinating bodies. The feasibility study on integration in Kyrgyzstan concluded that integration is possible in the country provided certain conditions are addressed.²⁰

However, this approach of linking the CCM with the broader country health architecture of the country remains, to a large extent, the exception rather than the rule.

Integration into national systems and harmonization with other structures

In most countries, including all seven sample countries which were part of the OIG annual audit plan 2015 and subjected to detailed assessment in this review, CCMs have the sole mandate of governing the Global Fund grants. For five of these seven countries, the CCM was not at all integrated into national systems.

The establishment of CCMs as a requirement to accessing the Global Fund grants has led to CCMs operating as one of several coordinating structures.²¹ The Secretariat does not have a process for mapping existing coordinating bodies in countries that may be suitable for taking up the CCM role at the time of CCM formation. On the other hand, 73% of the respondents to the OIG CCM survey indicated that there are other health coordinating bodies apart from the CCM in their country. 48% of the respondents to the OIG's CCM survey were unaware of any mapping or consideration of other health coordinating bodies through a structured process by the Global Fund before forming CCM in their country.

Similarly, the Secretariat does not have a formal process for comparing mandates of various health coordinating bodies to actively seek avenues for synergies, adoption of roles beyond Global Fund grants by the CCMs, and progressive convergence and eventual integration of CCMs into national structures.

Coordination between partners and other health structures/forums

In five out of the seven countries audited as part of the OIG country audits in 2015 and included within the scope of this review, the OIG noted weak coordination with other stakeholders. This was particularly evident for issues where stakeholdership was not limited to three diseases only, e.g. health systems strengthening. Commonly noted weaknesses included inability or limited success in addressing gaps in health management information and supply chain systems, mobilizing additional

¹⁸ The Global Fund Framework Document

¹⁹ <http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>

²⁰ Feasibility study of the integration or merging of GFATM CCM functions into alternative (existing) health coordinating platforms in Kyrgyzstan (December 2014)

²¹ <http://www.theglobalfund.org/en/applying/>

resources for the three diseases, extent of successful synergy building between partners while avoiding duplication, ensuring first-time submission of high-quality concept notes, etc. Furthermore, instead of assessing impact on such cross-cutting issues, the Secretariat generally used only the “number of meetings held” as the most common performance indicator for gauging CCM results on coordination. In all seven countries, the OIG did not identify strong broader, formal stakeholder engagement with other health forums or structures, particularly for strengthening health systems. Corroborating these results, 70% of the respondents to the OIG CCM survey indicated that their CCMs do not coordinate well with other health coordinating bodies. Moreover, 82% indicated that the CCMs in their countries are largely Global Fund specific and not a coordinating platform for all HIV/AIDS, tuberculosis and malaria programs in their countries.

Mutually accountable partnerships are a critical enabler for building resilient and sustainable systems for health and improving resource mobilization, as per the new Global Fund Strategy 2017-22. Strong donor coordination through CCMs is likely to be central to enable such partnerships and make them effective. Furthermore, better integration of CCMs with national or other existing mechanisms, is also likely to avoid duplication and improve the efficiency and sustainability of CCMs, besides improving effectiveness. 67% of the respondents to the OIG CCM survey believe that some of the functions of the CCM can be integrated into the existing coordinating bodies in their countries.

The German Corporation for International Cooperation (GIZ) and Swiss Agency for Development and Cooperation (SDC) have undertaken a special initiative to support countries that want to integrate their CCM functions into existing coordinating bodies. The Global Fund is partnering with GIZ to perform integration study in Ghana, Guinea, Myanmar, Moldova and Ethiopia. The Global Fund, through the implementation of the new funding model, is also looking for synergies to improve effectiveness and efficiency of programs in-country.

Agreed Management Action 3

The Secretariat will in collaboration with partners, devise a structured process to evaluate the readiness, willingness, and possible gains for CCMs to identify and prioritize countries that can:

- partially/ fully integrate some of their functions into national systems or other entities; or
- enhance their functions beyond Global Fund including areas where the coordinating structures of partners can work together in-country.

Owner:

Head, Grant Management Division

Target date:

30 June 2017

Despite improvement of Conflict of Interest management in most CCMs, there are still actual, perceived and potential conflict of interest

The Secretariat requires all CCMs to develop and publish a Conflict of Interest (CoI) policy. CCMs are also expected to apply this policy throughout the life of the grants, and present documented evidence of its application to the Secretariat on request. 93% of CCMs that responded to the OIG CCM survey indicated that their CCMs have a CoI policy, and 68% of them indicated that their CCM members always declare CoI affecting them, including those relating to SR membership.

Despite the improvement in the implementation of CoI policy in most CCMs, there are still significant potential and actual conflict of interest in CCMs. The OIG noted a number of conflicts of interest involving CCM members in its past audits and investigations of different grants.²² Moreover, the following were noted from the desk review of 50 selected CCMs:

- CoI policy of 62% of CCMs does not apply to all members or does not require all members in situations of CoI to recuse themselves from the decision making;
- minutes of meetings of 48% of CCMs in the past 12 months did not show evidence that procedures to prevent, handle and mitigate CoI were applied;
- furthermore, 46% of the CCMs have more than two members with CoI in a constituency. The Global Fund CCM guidelines however require that there should not be more than one member who has a CoI in any constituency, so that when a conflicted person is excluded from a decision/ voting, his/ her constituency is still represented in the voting process.

The OIG noted the following as some of the possible root causes of conflict of interest in CCMs:

- The Global Fund Board approved the new Ethical and Integrity Framework to safeguard resources and minimize unethical conduct in the use of grant funds.²³ The Framework sets out obligations that must be complied with by Global Fund Officials and all those involved in activities financed by the Global Fund.²⁴ However, the Secretariat has not cascaded this Framework into CCM policies and operations. Also, the Secretariat is yet to develop the code of ethical conduct for CCM members as directed by the Global Fund Board;
- CoI management processes are not effectively complied with. For example, CoI declaration forms are not always distributed and/ or signed by CCM members, thus avoiding any documented responsibility in cases of concealed COIs. This leads to weak accountability of members on adequate CoI disclosure and a situation where members can still participate in decisions/meetings when they are conflicted. 38% of CCM members that responded to the OIG survey indicated that CCM members do not always declare conflict of interest affecting them.

²² Timor-Leste (2015), South Sudan (2015), Guyana (2015), Mali (2014), Djibouti (2012), South Africa (2011), Mauritania (2011)

²³ GF/B32/18 – Annex A

²⁴ Global Fund Officials include Board and Committee members, Board Alternates, Board delegation members, Global Fund employees and members of Global Fund advisory bodies.

Agreed Management Action 4

The Secretariat will strengthen the management of conflict of interest by developing principles for ethical conduct and integrity in CCM operations, including integrating replicable features from the Global Fund Ethical and Integrity Framework.

Owner:

Head, Grant Management Division

Target date:

30 June 2017

Civil society and key population are not adequately engaged and represented on CCMs

Based on a Country Dialogue survey conducted by the Access to Funding department of the Global Fund in 2015, over 71% of key population and non-governmental organizations agreed that sufficient efforts were made to engage a variety of stakeholders in the concept note development of Global Fund supported programs. Also, over 75% of the respondents to the Country Dialogue survey indicated that recommendations and inputs from all stakeholders including civil society and key populations were discussed and considered seriously by the CCMs and other persons leading that process.²⁵

Despite the significant improvement in the involvement of civil society and affected communities in the design and implementation of programs, material gaps continue to exist, with the following noted during the audit:

Membership and representation of civil society and key population

- 12 out of the 50 selected CCMs reviewed by the OIG were not compliant with the CCM eligibility requirement that CCM total membership should have a minimum of 40% national representation of civil society sectors;
- 44% of civil society and key population that responded to the OIG survey noted that they are not adequately represented on their CCMs. 56% noted that they are not meaningfully engaged in their CCMs;
- similarly, a study by Stop TB Partnership showed that in most countries the TB representatives in the People Living With the Disease and Key Populations constituencies are underrepresented or are absent altogether.²⁶ The study also found that half of the TB high burden countries eligible for Global Fund grants had no civil society representative with TB expertise in their CCMs.

Selection process for civil society and key population representatives

- the OIG noted that 24 out 50 CCMs selected for review were not fully compliant with the requirement for non-governmental constituencies to directly and transparently select their representatives;
- also, 31% of the respondents to the OIG survey indicated that civil society and non-governmental representatives are not selected through a transparent and democratic process. As a result, the interest of the affected communities are not adequately represented.

Active engagement and feedback to constituencies

- 42 out of the 50 selected CCMs reviewed by the OIG did not have clearly defined processes for soliciting inputs from and providing feedback to constituencies;
- 54% of civil society and key population that responded to the OIG CCM survey indicated that their representatives on the CCM do not adequately provide feedback to their constituencies.

The Secretariat in an attempt to strengthen civil society engagement established the Community, Right and Gender (CRG) department in 2013. The CRG team supports civil society and communities to be informed and able to participate in Global Fund processes. They also provides technical assistance to support effective inclusion of community, human rights and gender issues.

²⁵ CCM and Country Dialogue Survey, 2015

The Country Dialogue Survey was conducted by the Secretariat after the concept note submission to seek feedback from CCM members and country dialogue participants on their experience with Global Fund's allocation-based funding model.

²⁶ http://stopTB.org/news/stories/2015/ns15_006.asp

Agreed Management Action 5

The CRG Department will collaborate with the Grant Management Division to develop a plan to enhance civil society and key population engagement [and accountability](#) in CCMs.

Co-ownership:

Head, Grant Management Division and Head, Community, Right and Gender Department

Target date:

31 December 2016

Advocacy for three diseases, resource mobilization and continued meaningful engagement of civil society and affected communities in programs are not adequately planned for after Global Fund withdraws

The Global Fund transition away from funding one or more diseases, along with sustainability of those programs through domestic or other sources of funding, is becoming increasingly relevant and important in the next decade. The Secretariat has recently identified approximately 30 countries where transition is expected in at least one disease component in 2015-25.

In line with recent findings of the Global Fund's Strategy, Investment and Impact Committee, the OIG found during the audit that the Global Fund does not have a specific written policy on sustainability or transition. While there is a Global Fund Investment Guidance for Eastern Europe and Central Asia countries, this document focuses mainly on the disease interventions without considering all aspects of sustainability and the related role of CCMs/or civil society organisations in post-transition disease programs.

The OIG similarly noted that the Global Fund has no policy or guidelines on evaluating the need for continuing CCMs on case-by-case basis, after the Global Fund transition. Similarly, there is no policy on the possibility and extent of funding CCMs after this transition by the Global Fund, or on securing alternate sources of funding for CCM operations. Out of nine countries from where the Global Fund has already transitioned, only 1 country has a CCM now.

The key potential risks to disease programs post-transition where CCMs cease to exist without an alternative mechanism to oversee the three diseases are as follows:

- **Resource mobilization:**

The CCM model, through mandatory interaction and collaboration of various stakeholders on three diseases, contributes towards advocacy for the three diseases. While CCM mandate does not currently include resource mobilization, the existing advocacy, supported by the Global Fund counterpart funding requirements, enables generation of significant funding for the three diseases from non-Global Fund sources. Post-transition, with counterpart funding requirement no longer being applicable, and given the usual fiscal constraints of high burden countries, CCMs' role might be critical in ensuring adequate advocacy and resource mobilization.

- **Meaningful engagement of civil society and affected communities**

The meaningful inclusion and engagement of civil society and affected communities in the design and implementation of programs is one of the gains from the CCM model. Among others, this engagement has ensured implementation of HIV prevention activities, anti-stigma efforts and protection of rights of key populations. Some of the sustainability risks to programs, in cases of discontinuation of CCMs post-transition, include governments not prioritizing HIV prevention activities, persistence of stigma and punitive legal environment that affect the rights of key populations.²⁷

To ensure that the gains are sustained and meaningfully preserved in the future as emphasized in the Global Fund's 2012-2016 Strategy,²⁸ there is a need for the Secretariat to devise a strategy for

²⁷ Synthesis report of selected country case studies and review, 2015 (Afghanistan, Azerbaijan, Ethiopia, Kenya, Nigeria, Philippines, Thailand, Zimbabwe, Argentina, Brazil, Croatia, Ecuador, Estonia, Mexico, Romania and Uruguay). A study commissioned by the Technical Evaluation Reference Group (TERG) into lessons learnt on transition and sustainability of Global Fund supported disease programs

²⁸ The Global Fund's 2012-2016 Strategy emphasized on the need acknowledges the significant gains made by the Global Fund, suggests focus on "investing for impact.", and to "sustain the gains" and mobilize resources

mitigating the potential risks relating to resource mobilization and meaningful engagement of civil society and affected communities post-transition.

The Secretariat is putting in place mechanisms to assess the readiness of countries to proceed to transition, using existing sustainability indices or new, more refined metrics. The critical elements of the sustainability and transition approach were proposed to the SIIC in its 15th meeting.

Agreed Management Action 6

Once the Sustainability and Transition Policy is approved by the Board, the Secretariat will update the CCM guidelines and procedures to reflect key principles of the policy, including evaluating, on a differentiated basis, the need for continuing CCMs or alternative mechanisms post-transition along with alternative options.

Owner:

Head Grant Management Division

Target date:

30 June 2017

V. Table of Agreed Actions

No.	Agreed Management Action	Target Date
1.	<p>The Secretariat will:</p> <ul style="list-style-type: none"> as part of the differentiation initiatives at the Secretariat, consider whether and how to differentiate CCM policies and tools, including considering those relating to CCM eligibility, performance management, budgeting and reporting, and assign and document clear responsibilities relating to CCMs, including roles of the CCM Hub, Country Teams, CRG and Access to Funding with clear accountability matrix. <p>Owner: Head, Grant Management Division</p>	31 December 2016
2.	<p>The Secretariat will develop a mechanism to strengthen CCM oversight. This will include:</p> <ul style="list-style-type: none"> Revising and rolling out the CCM Oversight Guidance Paper to clarify the content and level/extent of oversight expected from CCMs; and Analyzing options for enhancing effective engagement of CCM members in oversight, including consideration of annual participation schedules for members, more flexible participation of members in meetings where their skillsets or roles are essential etc. <p>Owner: Head, Grant Management Division</p>	30 June 2017
3.	<p>The Secretariat will in collaboration with partners, devise a structured process to evaluate the readiness, willingness, and possible gains for CCMs to identify and prioritize countries that can:</p> <ul style="list-style-type: none"> partially/ fully integrate some of their functions into national systems or other entities; or enhance their functions beyond Global Fund including areas where the coordinating structures of partners can work together in-country. <p>Owner: Head, Grant Management Division</p>	30 June 2017
4.	<p>The Secretariat will strengthen the management of conflict of interest by developing principles for ethical conduct and integrity in CCM operations, including integrating replicable features from the Global Fund Ethical and Integrity Framework.</p> <p>Owner: Head, Grant Management Division</p>	30 June 2017
5.	<p>The CRG Department will collaborate with the Grant Management Division to develop a plan to enhance civil society and key population engagement and accountability in CCMs.</p> <p>Co-ownership: Head, Grant Management Division and Head, Community, Right and Gender Department</p>	31 December 2016

No.	Agreed Management Action	Target Date
6.	<p data-bbox="264 226 1238 398">Once the Sustainability and Transition Policy is approved by the Board, the Secretariat will update the CCM guidelines and procedures to reflect key principles of the policy, including evaluating, on a differentiated basis, the need for continuing CCMs or alternative mechanisms post-transition along with alternative options.</p> <p data-bbox="264 436 719 499">Owner: Head, Grant Management Division</p>	30 June 2017

Annex A: General Audit Rating Classification

Highly Effective	No significant issues noted. Internal controls, governance and risk management processes were adequate, appropriate, and effective to provide assurance that objectives should be met.
Generally Effective	Some significant issues noted but not material to the overall achievement of the strategic objective within the audited environment. Generally, internal controls, governance and risk management processes were adequate, appropriate, and effective. However, there is room to improve.
Full Plan to Become Effective	Multiple significant and/or (a) material issue(s) noted. However, a full SMART (<i>Specific, Measurable, Achievable, Realistic</i> and <i>Time-bound</i>) plan to address the issues was in place at the time audit Terms of Reference were shared with the auditee. If implemented, this plan should ensure adequate, appropriate, and effective internal controls, governance and risk management processes.
Partial Plan to Become Effective	Multiple significant and/or (a) material issue(s) noted. However, a partial SMART plan to address the issues was in place at the time audit Terms of Reference were shared with the auditee. If implemented, this plan should improve internal controls, governance and risk management processes.
Ineffective	Multiple significant and/or (a) material issue(s) noted. Internal controls, governance and risk management processes were not adequate, appropriate, or effective. They do not provide assurance that objectives will be met. No plan to address the issues was in place at the time audit Terms of Reference were shared with the auditee.

Annex B: Methodology

The Office of the Inspector General (OIG) performs its 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 also 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 also 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 cover a wide range of topics with a particular focus on issues related to the impact of Global Fund investments, procurement and supply chain management, change management, and key financial and fiduciary controls.