A picture containing person, indoor, baby, room

Description automatically generated

Review of Use of Country Public Financial Management Systems

Guidance for Local Fund Agents (LFAs)

November 2022

Geneva, Switzerland

**ABBREVIATIONS USED IN THE DOCUMENT AND THE TOOL**

|  |  |
| --- | --- |
| CAT | Capacity Assessment Tool |
| CGA | Controller General of Accounts |
| COFOG | Classification of Functions of Government |
| FY | Fiscal Year |
| GFM | Grant Financial Management |
| IFMIS | Integrated Financial Management Information Systems |
| IFRS | International Financial Reporting Standards |
| IIA | The Institute of Internal Auditors, USA |
| INTOSAI | International Organization of Supreme Audit Institutions |
| IPPF | International Professional Practices Framework |
| IPSAS | International Public Sector Accounting Standards |
| LFA | Local Fund Agent |
| MMR | Monthly Management Report |
| MOF | Ministry of Finance |
| PFM | Public Financial Management |
| PR | Principal Recipient |
| RFM | Routine Financial Management |
| SAI | Supreme Audit Institution |
| SIP | Strategy Implementation Plan |
| TSA | Treasury Single Account |

**Table of Contents**

**1.** **Overview** 4

**2** **Structure and Roles** 7

**3** **Q&A** 9

**Appendices** 12

# **Overview**

## **Financial Management in the Global Fund**

1. The purpose of the Global Fund is to attract, manage and disburse additional resources to fight AIDS, tuberculosis, and malaria. Amongst other functions, robust grant financial management (FM) is one of the critical tools for effective use of Donor funds in this regard.
2. The quality of FM systems (encompassing people, processes, and information systems) used in grants’ implementation and related assurance activities fundamentally affect:

* The Global Fund’s ability to fulfil its fiduciary responsibilities and ensure timely disbursements; and
* The implementers’ ability to successfully implement grants and national programs in accordance with approved grant agreements including performance frameworks.

1. FM in the Global Fund programs is performed using either of the two broad frameworks i.e., public financial management (PFM) or routine financial management (RFM). The PFM framework uses select components of a country’s systems including planning and budgeting, financial reporting, internal and external audit. Under the RFM framework, the Global Fund specified policies and procedures are used, in a parallel set-up to Government operations.

## **Use of Country PFM Systems in the Global Fund programs**

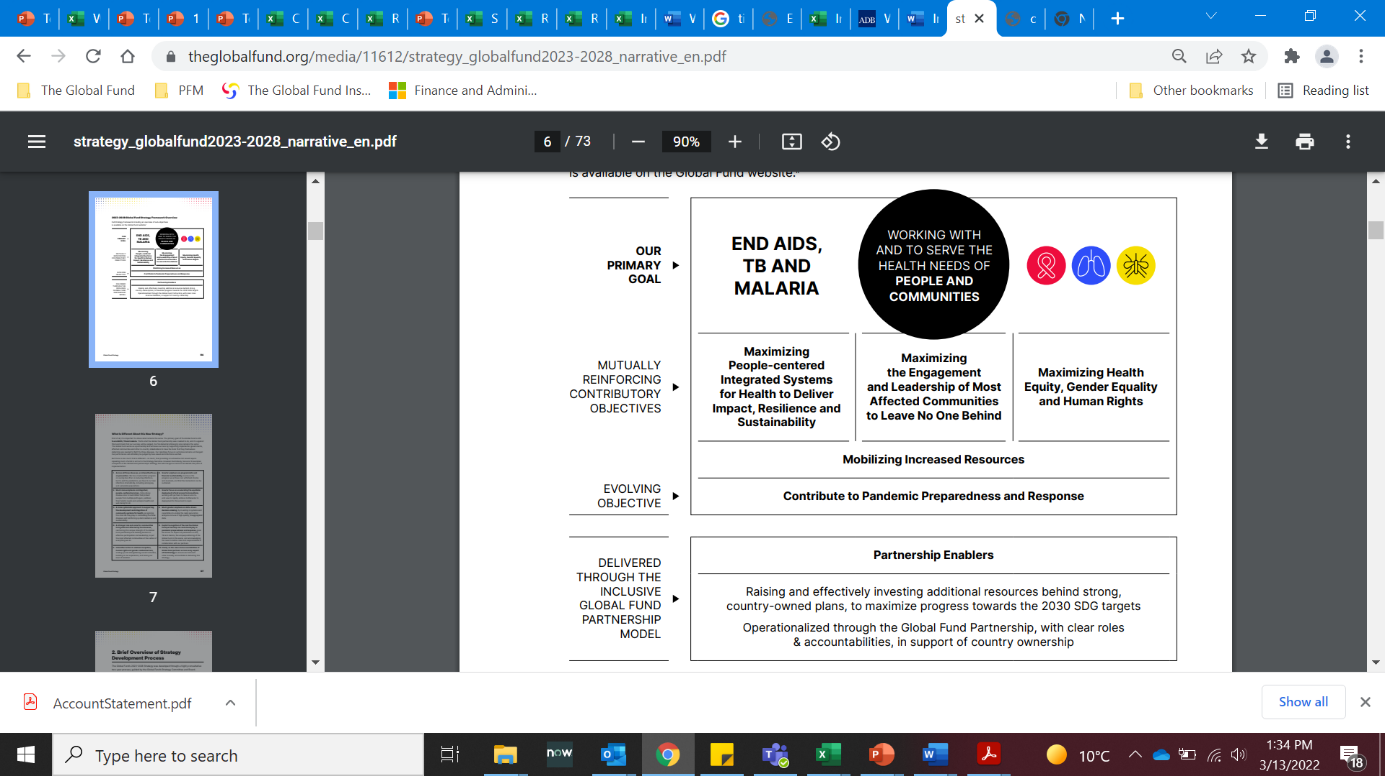
1. The Global Fund 2023-2028 Strategy (“the Strategy”) emphasizes on more health for money. Amongst other factors, the Strategy requires addressing risks to adequate health financing due to weak public financial management (PFM) systems for achieving more efficient, effective, and equitable use of existing resources.
2. The Strategy requires strengthening of PFM systems to drive financial performance, sustainability, and allocative and operational efficiency, with the aim of more Global Fund grants being managed through national systems.
3. The use of country PFM systems was piloted in the 2017-2022 strategy cycle (Box 1)[[1]](#footnote-2) and will remain one of the focus areas under the Strategy, embedded in the objective “Mobilizing Increased Resources” (Figure 1).[[2]](#footnote-3)
4. A differentiated approach will be adopted to support progressive uptake of the components of PFM according to countries’ PFM maturity levels.

**Box 1: Use of country PFM systems under 2017-2022 strategy cycle**

The Global Fund Board approved the “Global Fund Strategy 2017-2022: Investing to End Epidemics” in April 2016. The strategic objective 2 (SO2) included “strengthen financial management and oversight” of grant implementers as one of the core components [referred to as SO2(g)] for building resilient and sustainable systems for health (RSSH).

The SO2(g) included the target to “Facilitate the use of country or donor harmonized financial management systems in at least eight High Impact and Core countries”. Under this target, the components of six countries’ PFM systems were used while the donor harmonized systems were used in two countries.

The target of using country PFM or donor harmonized systems in the targeted eight countries had been achieved and successfully maintained *(Source: MMR, December 2021).*



**Figure 1: The Global Fund Strategy [2023-2028]**

## **Relevance and Purpose of the Tool**

1. The Global Fund has developed a Strategy Implementation Plan (SIP) for necessary due-diligence and baseline assessment of target countries’ PFM systems for implementing the Global Fund Board's vision of progressively mainstreaming their use in the Global Fund FM. In this regard, a desk review with respect to 56 High Impact & Core Countries, currently the scope of the SIP, has been completed. As a next step, a more in-depth understanding of the current use of country PFM systems (“the Review”) needs to be documented (Appendix 1: Summary Methodology for Baseline PFM Assessment).
2. The “Use of Country PFM Systems Review” Tool (“the Tool”) should be completed under Step no. 3 of the methodology summarized in Appendix 1. The objective of the Tool is to document the degree to which the Country PFM system's policies, processes and systems are being used by the Global Fund's implementers for the purposes of grant financial management.

## **Overview of the Document**

1. The purpose of this document (“the Guidance”) is to provide comprehensive context to the “Use of PFM Systems Review” exercise (“the Review”) and provide operational guidance and linkages to information necessary for conducting the Review and completing the Tool.

# **Structure and Roles**

## **Structure of the Tool**

1. The Tool contains five sections, explained as follows:

|  |  |
| --- | --- |
| **Section Title** | **Purpose** |
|  |  |
| Abbreviations | Contains summary list of abbreviations used in the Tool to support better understanding of the users. |
| Introduction | Specifies overall context and relevance of the Tool in the implementation of SIP. It also explains the roles and responsibilities and general alignment with the Capacity Assessment Tool (CAT). |
| Report | Summarizes the findings from field work and conclusions. |
| Review Questionnaire | Contains questions and related guidance, to be responded during the review. |
| De-briefing Notes | Records the comments provided by the representatives of the entities reviewed on the LFA findings. |

## **Completing the Tool – Roles and Responsibilities**

## **LFA**

1. The LFA is responsible for gathering the relevant information and reporting to the Global Fund the findings of the review in the Tool (please also refer to the “Introduction” sections C1, C2 and D4 of the Tool for additional guidance). This role will entail the following responsibilities:

* **Field administration:** The LFA shall be responsible for efficiently scheduling and conducting interviews with representatives of PRs and key development partners. The LFA shall also be responsible for arranging de-briefing meetings with the appropriate PR personnel to communicate the findings of the exercise and document management responses.
* **Reporting:** Prior to commencing the work, the LFA shall agree with the Global Fund[[3]](#footnote-4), the LoE required to perform the service, the timelines as well as the deadlines for submission of the draft and final versions of the completed Tool.

## **The Global Fund**

1. The Global Fund shall provide strategic support and qualitative review on the draft and final submissions by the LFA (please also refer to the “Introduction” section C1 of the Tool for additional guidance). This role will entail the following responsibilities:

* **Support to field administration:** Arrange briefings to the respective PRs and development partners. Introduce the LFA team to the relevant personnel of the PR and key development partners, as required. The Global Fund shall also provide strategic support to resolve challenges and conflicts, if any.
* **Review of LFA report:** Provide review and feedback on the draft completed Tool, submitted by the LFA to the Global Fund.

# **Q&A**

## **Scope of the Review**

|  |  |
| --- | --- |
| **Question** | **Answer** |
| 1. Does the scope require coverage of “All” recipients of the Global Fund grants in the country? | No. The scope is limited only to Government entities. Before commencing the work, the LFA should agree the list of entities to be covered by the review with the Global Fund. |
| 1. Does the scope require covering a government entity which currently acts as a sub-recipient? | Yes. The objective is to document the use of PFM systems of all Government entities at the country level. |
| 1. Does the scope require reviewing the design and operating effectiveness of the policies, processes, and systems? | The objective of the exercise is to document the use of policies, processes and systems and leverage the activity to identify strengths and weaknesses therein based on information gathered during interviews and during prior LFA reviews, as relevant. No additional field activities are required, however, any documents that are considered relevant to support the analysis should be retained to support the Global Fund review and finalization of the Tool. |
| 1. Does the scope require conducting field visits to sub-national/branch offices of the government entities? | No. |
| 1. The areas to be covered in the review are different from the areas specified in the Capacity Assessment Tool (CAT). | No. The areas are not different from the CAT. Please refer to sub-section D.2 of the “Introduction” section of the Tool for the mapping between the areas specified in the CAT and the Tool. |
| 1. In case of a pass-through PR, if the sub-recipient is a government entity, will the scope require coverage of the sub-recipient? | Yes. Please also refer to question no. 2. The LFA should identify the functions, if any, performed by the pass-through PRs relevant to the review and complete the questionnaire to the extent necessary. |

## **General guidance and field activities**

|  |  |
| --- | --- |
| **Question** | **Answer** |
| 1. Is there a technical guidance available to complete the Questionnaire section of the Tool? | The “Review Questionnaire” section of the Tool carries guidance to supplement the understanding and intent behind the question. Please also refer to sub-section D.1 of the “Introduction” section of the Tool. Where further guidance is required, please email the Global Fund Focal Point identified in the “Introduction” section of the Tool. |
| 1. What if a PR is not available for the interviews? | Please promptly escalate the matter with the respective FPM and Country Team Finance Specialist, with a copy to the Global Fund Focal Point identified in the “Introduction” section of the Tool. Where such an issue is not resolved after due efforts, the PR should be identified in sub-section A of the “Report” section in the Tool. |
| 1. In respect of engagement with the key development partners, what questions are to be asked during the interviews? | Please refer to Appendix 2 for the questionnaire to be completed separately for each development partner. |
| 1. How should the LFA findings be communicated to the entities interviewed? | As per the LFA Communication Protocol, the LFA should de-brief the PR/government SR(s), on the key findings to obtain feedback and clarifications, where relevant. This shall be reflected in the relevant section of the Tool. |

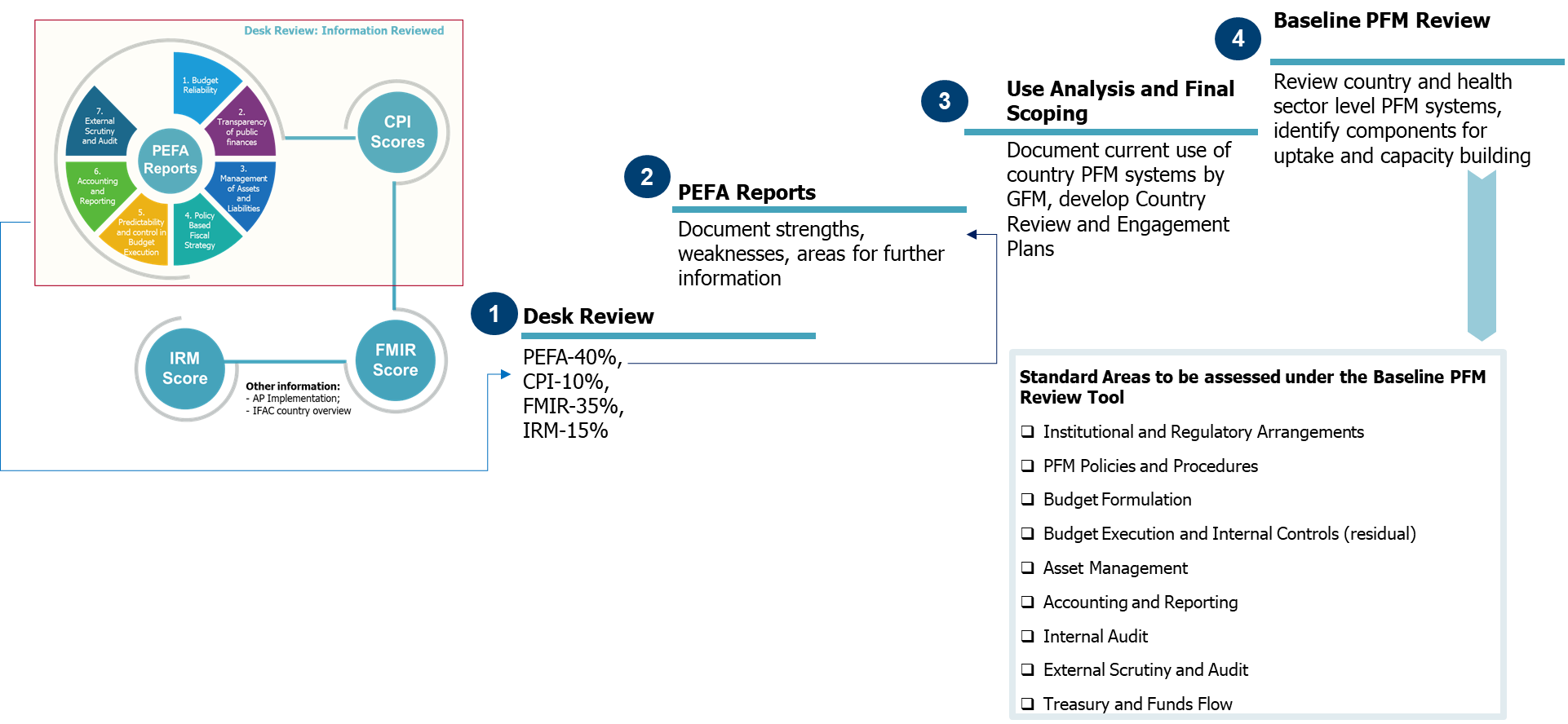
## 

## **Reporting**

|  |  |
| --- | --- |
| **Question** | **Answer** |
| 1. Whether a single report shall be issued on all government entities covered under the review? | Where the findings are similar across the entities, it would be efficient to issue a single report. Please agree the number of reports to be issued with the Global Fund before starting to draft the report(s). |
| 1. How many days are allowed to submit Final Report from the receipt of the Global Fund comments on the draft submission? | Please submit the Final Report within two weeks from the receipt of the Global Fund comments. The Final Report should contain the signature of the LFA Team Leader, in sub-section B “Conclusions” provided in the “Report” section of the Tool. |
| 1. Should the completed questionnaire(s) from the interviews with the KDPs be attached the completed Tool? The same question relates to supporting documents, such as any assessment reports shared by KDP. | The questionnaires from the KDP interviews should contain the responses received form the interview partners. The LFA does not need to attach the completed questionnaire to the Tool or send it to the Global Fund. The LFA should reflect the responses and findings and its own analysis/comments in the respective sections of the Tool. The questionnaires and other relevant documentation that the LFA uses to complete the review and the Tool (e.g., assessment reports shared by KDPs) should be retained by the LFA for record purposes but are not required to be appended with the completed Tool. |

# **Appendices**

**Appendix 1: Summary Methodology for Baseline PFM Assessment**

****

**Appendix 2: Questionnaire for Interviews with KDPs**

|  |  |
| --- | --- |
| **Section A: Overview** |  |
| Date of Interview: | List of Person(s) Interviewed:  [please specify Name/Designation/ Organization] |
|  |  |
| **Section B: Questionnaire** |  |
| **Question** | **Answer** |
| **Budget Formulation** |  |
| 1. Please identify the government entities/departments which have been awarded projects/grants by the KDP in the last three years and the total funding provided. |  |
| 1. Are the budgets for projects/grants awarded by the KDP Organization to the government entities developed using the applicable national/sub-national systems?   ***[Guidance:*** *Please refer to sub-section A of the Review Questionnaire of the Tool for elements to be covered under this section.]* |  |
| 1. If the answer to the above question is “Yes”: 2. For how many years since the KDP’s funding of projects/grants to the government have these systems been used? 3. Are there plans for discontinuing their use? If yes, please share reason(s). 4. Please share your experience in terms of strengths and challenges noted during the use of the country systems. |  |
| 1. If the answer to the above question is “No”: Please specify the reason(s) for not using the country systems. |  |
| 1. Please share recent assessments performed on the area, if available. Also, is there an assessment of the systems planned in 2023-2024? |  |
| **Budget Execution & Internal Controls** |  |
| 1. Are country systems and controls over budget execution being used for projects/grants awarded to the government entities?   ***[Guidance:*** *Please refer to sub-section B of the Review Questionnaire of the Tool for elements to be covered under this section.]* |  |
| 1. If the answer to the above question is “Yes”: 2. For how many years since the KDP’s funding of projects/grants to the government have these systems been used? 3. Are there plans for discontinuing their use? If yes, please share reason(s). 4. Please share your experience in terms of strengths and challenges noted during the use of the country systems. |  |
| 1. If the answer to the above question is “No”: Please specify the reason(s) for not using the country systems. |  |
| 1. Please share recent assessments performed on the area, if available. Also, is there an assessment of the systems planned in 2023-2024? |  |
| **Financial Management Information Systems (FMIS)** |  |
| 1. Are the country systems and controls over FMIS being used for projects/grants awarded to the government entities,?   ***[Guidance:*** *Please refer to sub-section D of the Review Questionnaire of the Tool for elements to be covered under this section.]* |  |
| 1. If the answer to the above question is “Yes”: 2. For how many years since the KDP’s funding of projects/grants to the government have these systems been used? 3. Are there plans for discontinuing their use? If yes, please share reason(s). 4. Please share your experience in terms of strengths and challenges noted during the use of the country systems. |  |
| 1. If the answer to the above question is “No”: Please specify the reason(s) for not using the country systems. |  |
| 1. Please share recent assessments performed on the area, if available. Also, is there an assessment of the systems planned in 2023-2024? |  |
| **Internal Audit** |  |
| 1. Are the projects/grants awarded to the government entities subject to national/subnational or departmental internal audits?   ***[Guidance:*** *Please refer to sub-section E of the Review Questionnaire of the Tool for elements to be covered under this section.]* |  |
| 1. If answer to the above question is “Yes”: 2. For how many years since the KDP’s funding of projects/grants to the government have these systems been used? 3. Are there plans for discontinuing their use? If yes, please share reason(s). 4. Please share your experience in terms of strengths and challenges noted during the use of the country systems. |  |
| 1. If answer to the above question is “No”: Please specify the reason(s) for not using the country systems. |  |
| 1. Please share recent assessments performed on the area, if available. Also, is there an assessment of the systems planned in 2023-2024? |  |
| **External Audit and Accountability** |  |
| 1. Are the projects/grants awarded to the government entities subject to external audits by the Supreme Audit Institution (SAI) of the Country?   ***[Guidance:*** *Please refer to sub-section F of the Review Questionnaire of the Tool for elements to be covered under this section.]* |  |
| 1. If answer to the above question is “Yes”: 2. For how many years since the KDP’s funding of projects/grants to the government have these systems been used? 3. Are there plans for discontinuing their use? If yes, please share reason(s). 4. Please share your experience in terms of strengths and challenges noted during their use. |  |
| 1. If answer to the above question is “No”: Please specify the reason(s) for not using the SAI. |  |
| 1. Please share recent assessments performed on the area, if available. Also, is there an assessment of the SAI planned in 2023-2024? |  |

**For Questions and Clarifications, please contact:**

**Kashif Jamal**

Specialist, Financial Management

Country Financial Management Strengthening and Innovation (CFMSI)

Email: [Kashif.jamal@theglobalfund.org](mailto:Kashif.jamal@theglobalfund.org)

A picture containing person, indoor, baby, room

Description automatically generated

1. Use of PFM systems is demonstrated when 6 out of 8 PFM components are used for grant financial management. These components are chart of accounts mapping, institutional arrangements & management oversight, treasury & funds flow, planning & budgeting, information system, operational policy and procedures, internal and external audit. [↑](#footnote-ref-2)
2. One of the five sub-objectives under this contributory objective is “Support country health financing systems to improve sustainability, including reducing financial barriers to access and strengthen purchasing efficiency”. [↑](#footnote-ref-3)
3. The points o/f contact to include in all communications for this work are: the respective FPM and Country Team Finance Specialist and the GF Focal Point: Mr. Kashif Jamal (Financial Insights and Analytics Team at the Global Fund): kashif.jamal@theglobalfund.org [↑](#footnote-ref-4)