



Audit Report

Audit of Global Fund Grants to the Republic of the Sudan

GF-OIG-15-009

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 **The Global Fund**

Office of the Inspector General

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I. Background

The Republic of the Sudan is the third largest country in Africa with a population of 37 million inhabitants. It is a federal state, composed of 18 States divided into 184 localities. The country is classified as a lower income country by the World Bank and is ranked 166 out of 187 countries in the 2013 UNDP Human Development Index.

Following the 2005 Comprehensive Peace Agreement, the southern states seceded to create the Republic of South Sudan in July 2011. Since then, armed clashes continue in certain areas of the Sudan (South Kordovan, Blue Nile, Darfur) and two million people have been displaced, which affect access to health services and grant implementation.

To date, the Global Fund has funded eight disease-specific grants to Sudan, amounting to USD 365 million disbursed: three malaria grants, three HIV grants and two tuberculosis grants.¹ With an allocation of USD 165 million for 2014-16 under the new funding model, Sudan was the first country to submit an integrated concept note.²

Sudan's disease burden is significant, and is classified as one of the Global Fund's "high impact" countries that account for 70 percent of the worldwide burden of HIV/AIDS, tuberculosis and malaria:

- Malaria is endemic in Sudan, with 87% of the population living in high transmission areas.³ According to the World Health Organization, the number of deaths due to malaria decreased by 75% and number of malaria cases has decreased from more than four million to less than one million between 2001 and 2010.⁴
- The HIV/ AIDS epidemic is concentrated among key populations, with a prevalence estimated at 1.6% among female sex workers and 2.4% for men who have sex with men. Since 2011, the HIV response has been redirected to focus on these populations. The integrated concept note proposes several activities to reach key populations: prevention, condom distribution, counselling, sensitization and advocacy activities.
- Tuberculosis incidence in Sudan has decreased over the past 25 years from an estimated rate of 170 per 100,000 people in 1990 to 114 per 100,000 in 2012.⁵ A TB prevalence survey has been recently conducted and the data is currently being analyzed. The integrated concept note aims at improving TB/HIV integration, which is currently not optimal.

High staff turnover is a significant challenge in Sudan across the health sector and has a direct impact on capacity of implementing Global Fund grants. Management and medical staff at all levels are leaving to work abroad, particularly the Middle East.

Implementation arrangements for Global Fund grants in the Republic of the Sudan

The Global Fund has partnered with UNDP for the past ten years to support the implementation of programs to fight the three diseases in countries with weak capacity, in crisis or under sanctions.

Over the past ten years, the implementation of Global Fund grants has been almost exclusively led by UN agencies: the United Nations Development Program (UNDP) has been the Principal Recipient for all grants to the Sudan since 2005, and other UN organizations have played a key role as sub-

¹ USD 122 million for HIV, USD 56 million for TB, USD 186 million for Malaria.

² USD 38 million for HIV, USD 28.2 million for TB, 98.6 million for Malaria

³ World Malaria Report 2014

⁴ <http://www.emro.who.int/sdn/programmes/malaria-sudan.html>

⁵ Global TB Report, WHO, 2013

recipients. Only 3% of the amount disbursed by the Global Fund was reported to be disbursed to national sub-recipients and sub-sub-recipients⁶.

The Sudan portfolio has been placed under the Global Fund Additional Safeguards Policy, a policy approved by the Global Fund Board during its seventh Board Meeting in 2004, which is invoked when “existing systems to ensure accountable use of Global Fund financing suggest that Global Fund monies could be placed in jeopardy without the use of additional measures”. In Sudan, it allows the Global Fund Secretariat to directly appoint Principal Recipients and sub-recipients, and to put in place additional specific fiscal, financial and procurement measures deemed necessary to protect grant funds.

Since the end of 2012, the Global Fund Sudan Country Team has started to replace some of the UN sub-recipients with national institutions (for example, the Directorate General of Planning and Internal Health, National Disease Programs and Central Medical Supplies), although the overall portion of funds managed by the national institutions remains small at around three percent.

In May 2014, the Global Fund Secretariat had approved a high-level Capacity Development Plan developed by UNDP in consultation with the Ministry of Health and several partners in Sudan. The objective of the plan is to strengthen the capacity of the national institutions in the areas of program management, finance, monitoring and evaluation, and procurement and supply chain management.

In August 2014, the Federal Minister of Health and the Global Fund Secretariat agreed to start implementing a roadmap with the following objectives:

- *to aim and plan for an eventual transition of Principal Recipient functions to the Federal Ministry of Health for TB, HIV and malaria grants, likely in the 2017-2019 funding cycle;*
- *to accelerate and expand the Capacity Development Plan initiated in 2014, and define, through a three way dialogue (Federal Ministry of Health, the Global Fund and UNDP), specific capacity and performance criteria to be met in particular at state and sub-recipient level for the transition of functions and responsibilities for TB, HIV and malaria grants;*
- *to conduct regular joint reviews on progress and an annual assessment of the agreed benchmarks.*

Under the integrated Concept Note submitted in August 2014, the country has proposed the Federal Ministry of Health as Principal Recipient to implement the Health System Strengthening components (worth around USD 22 million). Under this proposal, UNDP will remain the Principal Recipient for the majority of the funds, including malaria, TB and HIV/AIDS grants.

⁶ As calculated from 2013 Enhanced Financial Reports and financial report received from the Principal Recipient.

II. Scope and Rating

Scope

The OIG assessed the effectiveness of the implementation arrangements of the Global Fund grants to the Republic of the Sudan. Specifically, the audit focused on answering the following three key questions:

1. Does the Global Fund Secretariat have an effective strategy for grants to Sudan? With regards to this question, the OIG assessed the overall strategic approach of the Global Fund in Sudan, with a focus on the effectiveness and efficiency of the current implementation arrangements.
2. Are key risks identified and mitigated adequately? With regards to this question, the OIG reviewed the measures in place to identify, assess and mitigate key and material risks.
3. Does the Secretariat have an effective process to assess the capacity of Principal Recipients? With regards to this question, the OIG focused on assessing the tools and mechanisms used by the Secretariat to assess the capacity of new and existing Principal Recipients.

The audit was conducted in accordance with the OIG’s risk-based audit plan for 2014. The audit combined a desk review with a three-week in-country fieldwork mission, at both the federal and state levels. It focused on the existing active grants managed by UNDP, and considered the proposed changes to the implementation arrangements.

Scope Limitation

The United Nations General Assembly has adopted a series of resolutions and rules which create a framework known as the “single audit principle”. Under this framework, the United Nations and its subsidiaries cannot consent to third parties accessing their books and records. All audits and investigations are conducted by the UN’s own oversight bodies. The Global Fund Board and its committees have considered this assurance over funds managed by UNDP and other UN subsidiary bodies. Accordingly the OIG did not audit UNDP and UN sub-recipients expenditures, or review the assurance processes used by these agencies in their oversight of the use of grant funds.

Rating⁷

Operational Risk	Rating	Reference to findings
Governance, Oversight and Management Risks	Partial Plan to Become Effective	IV.1 IV.3
Financial and Fiduciary Risks	Generally Effective	n/a
Health Services and Products Risks	Full Plan to Become Effective	IV.2
Programmatic and Performance Risks	Full Plan to Become Effective	

⁷ See Annex A for the rating definitions.

III. Executive Summary

The Republic of Sudan, classified as one of 22 high impact countries, has received USD 365 million from the Global Fund since 2005. The grants are implemented in a challenging operating environment, which includes regional armed conflicts, high staff turnover in the health sector, national institutions with limited capacity, and difficulties in accessing key affected populations.

These challenges were key drivers in the Global Fund's decision to place Sudan under the Additional Safeguards Policy to ensure that funds would not be placed in jeopardy.⁸ Given this context, the OIG audit focused on three key questions:

1. *Does the Global Fund Country Team have an effective and adequate strategy for the grants in Sudan?*

The Global Fund, along with other donors and partners, have contributed to notable successes in terms of fighting the three diseases. According to the World Health Organization, the number of deaths due to malaria decreased by 75%, and the number of malaria cases went down from more than four million to less than one million between 2001 and 2010.⁹ In terms of HIV, considerable effort has gone into redirecting the focus of interventions to key affected populations. For tuberculosis, incidence has decreased over the past 25 years, with a one third decrease from an estimated rate of 170 per 100,000 people in 1990 to 114 per 100,000 in 2012.¹⁰

In terms of program implementation, the Global Fund has disbursed around USD 365 million, exclusively to UNDP as the Principal Recipient. From this amount, UNDP disbursed 27% to UN sub-recipients (USD 98million). Under the four active grants, it is reported that only 3% of the Global Fund funds have been disbursed to the national institutions as sub-recipients and sub-sub-recipients.

Despite proactive interventions by the Global Fund Country Team and the Principal Recipient to encourage capacity building in Sudan, the lack of a formal, time-bound plan has not helped the development of national entities. The OIG concluded that the absence of a longer term strategy to assess and build capacity is not in line with the High-Level Independent Review Panel's recommendations.¹¹ The panel stated that UNDP should be held accountable for developing an exit strategy with concrete timelines.¹²

The Global Fund Country Team has a partial plan in place to remedy the situation above, and has agreed to establish a more comprehensive plan to develop and build the capacity of national institutions in Sudan. This plan will include assessing the current capabilities of the national institutions, establishing minimum criteria to be met by potential Principal Recipients, and implementing a time-bound plan to address material weaknesses.

2. *Are key risks identified and mitigated adequately?*

In managing the grants in Sudan, the Country Team has adequately identified all material key risks. However, mitigation action has been mainly focused on the financial risks, meaning that some programmatic and procurement risks have not been adequately addressed. This focus, while understandable in a challenging operating environment, means that the efficiency and the

⁸ The Additional Safeguards Policy is invoked when "existing systems to ensure accountable use of Global Fund financing suggest that Global Fund monies could be placed in jeopardy without the use of additional measures". In the Sudan, it allows the Global Fund Secretariat to directly appoint Principal Recipients and Sub-Recipients, and to put in place additional specific fiscal, financial and procurement measures deemed necessary to protect grant funds.

⁹ <http://www.emro.who.int/sdn/programmes/malaria-sudan.html>

¹⁰ Global TB Report, WHO, 2013

¹¹ The Final Report of the High-Level Independent Review Panel on Fiduciary Controls and Oversight Mechanisms of the Global Fund to Fight AIDS, Tuberculosis and Malaria, published 19 September 2011.

¹² The Final Report of the High-Level Independent Review Panel on Fiduciary Controls and Oversight Mechanisms of the Global Fund to Fight AIDS, Tuberculosis and Malaria, published 19 September 2011.

effectiveness of the grants in Sudan could be compromised, as well as the ability of the Global Fund to achieve impact in the long-term.

The latest Qualitative Risk Assessment Action Planning and Tracking tools (known as the QUART) was updated in September 2013. With a full plan in place to address the risks identified, the Sudan Country Team has agreed to update the QUART on an ongoing basis, and to ensure that all risks continue to be adequately mitigated and reflected. Where risks cannot be fully mitigated, the residual risks that remain will be articulated and approved by the Operational Risk Committee.

3. Does the Global Fund have an effective process to assess the capacity of Principal Recipients?

In 2013, the Global Fund changed its funding model in order to make a bigger impact on the three diseases, to ensure predictable funding, more flexible timings and a smoother, shorter application process. As with all new processes, New Funding Model (NFM) processes are being implemented for the first time, and need time to be embedded and to evolve sufficiently.

The OIG welcomes the addition of a capacity assessment tool to better assess the proposed implementation arrangements and systems to be used for grant implementation and to determine if the nominated implementers have adequate capacity to fulfill their role. Where critical capacity gaps are identified, the tool helps to determine capacity building measures to enhance the efficiency and effectiveness of the implementation of the grant.

Given the significant capacity gaps noted at the Federal Ministry of Health (the proposed Principal recipient for the Health System Strengthening grant), timely and quality output from the capacity assessment is critical in identifying the mitigation actions required for future implementation arrangements. The timing of the capacity assessment performed by the Sudan Local Fund Agent in January 2015, six months after the submission of the Concept Note, did not provide enough time to promptly address the significant capacity gaps identified before grant signing.

With a full plan in place to modify issues as they arise on NFM-related processes, the Global Fund Secretariat has agreed to enhance their operational guidance to ensure that capacity assessments, particularly for countries subject to additional safeguards, are better timed to allow major risks to be sufficiently addressed during the grant making stage.

IV.1	Lack of long term plan to build the national capacity	Country Team level	Partial plan to become effective
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Despite a difficult operating environment, the Global Fund Country Team has endeavored to balance the considerable operational risks with the need to provide reliable and safe services to those in need. Over the past three years, a number of steps have been taken to evolve and strengthen national entities including the development of a high-level capacity building plan established by UNDP and the transition of national disease programs from sub-sub recipients to sub-recipients.

The Global Fund has invested USD 365 million in the Sudan with UNDP as the sole Principal Recipient; however, no long-term exit strategy has been developed. The absence of long term plan building the capacity of national institutions has not facilitated future transition arrangements; in particular:

- The OIG performed a capacity assessment for the Federal Ministry of Health, the new Principal Recipient proposed to implement the Health System Strengthening grant, and concluded that it did not have the key foundations in place to adequately manage Global Fund grants. In particular, critical weaknesses in the financial and administrative control environment were noted, including a lack of formalized and comprehensive financial procedures, the absence of accounting software, and limited or no controls over bank accounts and for monitoring sub-recipients.
- Over 97% of the disbursed funds are managed directly by UN agencies (70% by UNDP as Principal Recipient and 27% by other UN agencies as sub-recipients). National institutions manage only the remaining 3% as sub-recipients and sub-sub-recipients, despite the fact they are the main implementers of program activities. As these funds are subject to the single audit principle, the Global Fund does not have full visibility over the funds disbursed; this in turn inhibits the Secretariat’s visibility over its sub-recipient (including the national entities). Consequently, it does not have a full in-depth understanding of the limitations of these entities in order to address weaknesses and build, strengthen and sustain their grant management capacities.

In August 2014, the Global Fund and the Federal Ministry of Health committed to a high-level roadmap aimed at developing and building the capacity of the national institutions and expressed their desire for an eventual transition of the Principal Recipient functions to the Ministry of Health. At the date of the audit, the implementation of the roadmap had not started and did not contain clear targets and milestones. Following the audit, a set of preliminary objectives and a calendar of activities have been agreed, including a Global Fund-organized grant management workshop for approved Federal Ministry of Health Project Management Unit staff.

Agreed management action 1:

Building on the roadmap agreed with the Federal Ministry of Health, the Global Fund Secretariat will ensure that the current work plan of the Principal Recipient, UNDP, includes a plan to develop adequate grant management capacity of the relevant national institutions; the plan should include:

- Assessing the current capacities of national institutions proposed to become Principal Recipients;
- Establishing minimum criteria to be met by national institutions being considered as Principal Recipients;

- For areas where minimum capacity is not met, developing a comprehensive capacity building plan to address them;
- Establishing clear performance indicators, targets, milestones and timelines and monitor the implementation of the comprehensive plan on regular basis.

Owner: Sudan Country Team

Target Date: 30 September 2015

IV.2	Risk identification and mitigation	Country Team level	Full Plan to Become Effective
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The Global Fund grants in Sudan are managed in a difficult and challenging environment, characterized by armed conflict in certain areas, stigma for key affected populations, limited capacity of national institutions, and weak infrastructure. Despite this, the Country Team has effectively implemented a number of safeguards to identify and mitigate a number of major risks.

Although the majority of risks have been identified and mitigated, the OIG noted that they are mainly focused on financial risks, and a number of programmatic and supply chain residual risks remain unmitigated, some with no plan in place including:

1. Known risks without a mitigation plan in place:

- a) **Monitoring and Evaluation:** Although six critical units in the Directorate General of Primary Health Care (covering HIV, TB and malaria and Monitoring and Evaluation) are being incorporated into one department, there is no formalized plan which details how integration will not adversely affect programmatic activities and data quality assurance.
- b) **Governance:** The Local Fund Agent is based in Kenya and its staff do not speak Arabic; they rely on the Principal Recipient and sub-recipients' staff to translate discussions and documents which impacts the quality and independence of their work.

2. Known risks not sufficiently mitigated:

a) **Supply Chain management:**

- Despite the notable progress made by UNDP Sudan in the development of a Quality Assurance policy, the implementation of this policy in terms of drug quality risk management was not effective. Despite being delayed at the customs warehouse for around six months (June to November 2014) in poor storage conditions, the most recent consignment of commodities of HIV and malaria drugs (valued at USD 1.98 million) were not treated as "suspect products" and were distributed without performing quality testing.¹³
- OIG testing noted expired TB and HIV drugs at all levels (federal, state and locality) totaling USD 360,000 and also low stocks of TB (two types) and malaria (four types) drugs; this was due to the unreliable data in the Logistic Management Information System in place.

- b) **Monitoring and Evaluation:** Programmatic tools used at health facilities do not report confirmed malaria cases and therefore the overall Health Management Information System (HMIS) cannot properly monitor and report on this critical indicator.

Although the current guidelines stipulate that Qualitative Risk Assessment Action Planning and Tracking Tools (QUART) should be updated on annual basis, the most recent QUART for Sudan was updated in September 2013.

Agreed management action 2:

The Sudan Country Team will ensure adequate risk mitigation and assurance measures are fully in place and reflected in grant-specific QUARTs updated in 2015. Where risks cannot be fully mitigated, the residual risks that remain will be articulated and approved by the Operational Risk Committee.

¹³ National Medicines and Poison Board - Assessment report of custom ware house at Khartoum airport 4.12.2013

Owner: Sudan Country Team
Target Date: 31 December 2015

IV.3	The timing of Principal Recipient capacity assessments does not facilitate effective grant management	Executive level	Full Plan to Become Effective
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The Global Fund has committed to working towards the long-term transfer of grants to the Federal Ministry of Health for TB, HIV and malaria grants. To initiate this transfer, the Republic of the Sudan submitted an integrated Concept Note in August 2014 in which the “*Ministry of Health – Directorate General for Planning and International Health*” was proposed as a new Principal Recipient to implement the USD 22 million Health System Strengthening components of the 2014-16 funding allocation.

The OIG noted that the capacity of the Federal Ministry of Health requires considerable strengthening before it is able to assume any grant management activities; in particular:

- The internal financial control framework is inadequate, including lack of comprehensive policies and procedures, inadequate budget monitoring mechanisms (for example budget-variance analysis, forecasting of expenditures) and no monitoring of sub recipients;
- There is a lack of an electronic financial information system, including inadequate financial accounting software;
- Bank and cash management controls require improvement, particularly around the segregation of duties, authorization levels, bank reconciliations, and traceability of funds;
- Fixed asset registers are not regularly or comprehensively updated, and a physical inventory is not performed for key assets;
- There is an absence of an independent internal audit unit.

Global Fund operational policy mandates that capacity assessments should be initiated as soon as the Principal Recipient has been identified and should be finalized during grant-making. This assessment enables the Country Team to determine if the capacity and systems of the proposed Principal Recipients are adequate to fulfil the role assigned to them in the program and decide whether to accept or reject them.

For countries under the Additional Safeguards policy such as Sudan, one of the safeguards that may be adopted is the selection of the Principal Recipient by the Global Fund. Where this is adopted, the Country Team must conduct an assessment of potential organizations in order to transparently select the most suitable entity for the implementation of the program. This should be done *before* negotiations with the selected Principal Recipient.

The OIG found that the Secretariat’s capacity assessment of the Principal Recipient was finalized six months *after* the concept note had been submitted to the Technical Review Panel (TRP). Given the areas for improvement, the timing of the capacity assessment is not adequate to address the Principal Recipients capacity gaps prior to grant signature.

More details on the Global Fund’s New Funding Model can be found in Annex C.

Agreed management action 3:

The Global Fund Secretariat will enhance the Capacity Assessment tool guidance to ensure that the assessment is timed to allow major risks to be sufficiently addressed during the grant making stage. In particular, and depending on materiality and country’s risk profile, the assessment of new Principal Recipients should be prioritized and completed as early as possible in the grant making stage. For countries deemed very high risk where the proposed PR is known sufficiently in advance (e.g. where the Global Fund applies additional safeguard policy and selects a new PR), this assessment should be substantially completed prior the submission of the Concept Note to the TRP.

Owner: Head of Grant Management

IV. Table of Agreed Actions

No.	Category	Agreed action	Target date and owner
1	Capacity building for national entities	<p>Building on the roadmap agreed with the Federal Ministry of Health, the Global Fund Secretariat will ensure that the current workplan of the Principal Recipient, UNDP, includes a plan to develop adequate grant management capacity of the relevant national institutions; the plan should include:</p> <ul style="list-style-type: none"> • Assessing the current capacities of national institutions proposed to become Principal Recipients; • Establishing minimum criteria to be met by national institutions being considered as Principal Recipients; • For areas where minimum capacity is not met, developing a comprehensive capacity building plan to address them; • Establishing clear performance indicators, targets, milestones and timelines and monitor the implementation of the comprehensive plan on regular basis. 	<p>Owner : Sudan Country Team</p> <p>Date : 30 September 2015</p>
2	Risk mitigations for non-financial risks	<p>The Sudan Country Team will ensure adequate risk mitigation and assurance measures are fully in place and reflected in grant-specific QUARTs updated in 2015. Where risks cannot be fully mitigated, the residual risks that remain will be articulated and approved by the Operational Risk Committee.</p>	<p>Owner : Sudan Country Team</p> <p>Date : 31 December 2015</p>
3	Timing of capacity assessments	<p>The Global Fund Secretariat will enhance the Capacity Assessment tool guidance to ensure that the assessment is timed to allow major risks to be sufficiently addressed during the grant making stage. In particular, and depending on materiality and country's risk profile, the assessment of new Principal Recipients should be prioritized and completed as early as possible in the grant making stage. For countries deemed very high risk where the proposed PR is known sufficiently in advance (e.g. where the Global Fund applies additional safeguard policy and selects a new PR), this assessment should be substantially completed prior the submission of the Concept Note to the TRP.</p>	<p>Owner : Head of Grant Management</p> <p>Date : 31 July 2015</p>

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 and 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.

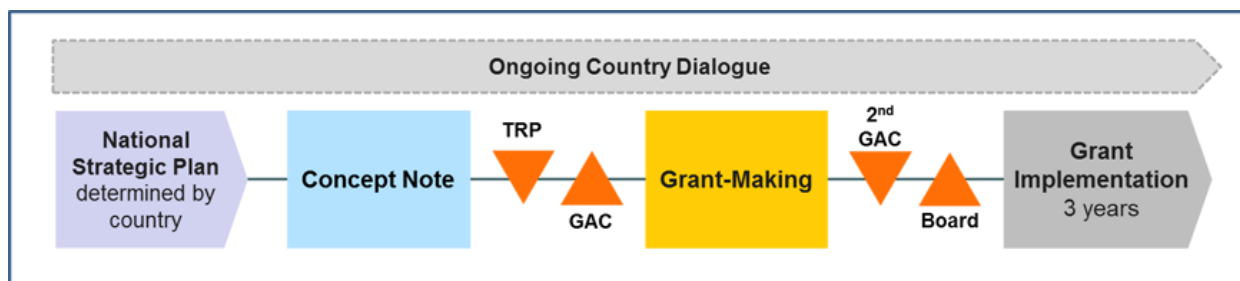
The scope of OIG audits may be specific or broad, depending on the context, and covers risk management, governance and internal controls. Audits test and evaluate supervisory and control systems to determine whether risk is managed appropriately. Detailed testing takes place across the Global Fund as 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.

Annex C: The Global Fund's New Funding Model

The Global Fund's funding model (illustrated below) is designed to enable strategic investment for maximum impact. It aims to provide implementers with flexible timing, better alignment with national strategies and predictability on the level of funding available. Active engagement with implementers and partners throughout the funding application and grant implementation aims to ensure greater global impact.



Country Dialogue is a process that is designed to be country-owned and led. Country Coordinating Mechanisms (CCMs) take a leading role in coordinating the discussions around the submission of the Global Fund Concept Note. Work on national strategies and resource mobilization should be ongoing and form the basis of this Country Dialogue to identify a country's prioritized needs and ultimately prepare the submission of Concept Notes to the Global Fund.

Concept Notes should be based on a national strategic plan (where in place) or an investment case. It is the mechanism to request financing from the Global Fund for any one of the three diseases or cross-cutting support for health systems strengthening.

The **Technical Review Panel (TRP)** reviews new funding requests in an independent and transparent way. The TRP begins its review by assessing whether what is proposed is positioned for highest impact. If the TRP recommends that a Concept Note should proceed to grant-making, it is sent to the Global Fund Grant Approvals Committee (GAC) for approval.

Throughout **grant-making**, the Secretariat will work with the Principal Recipients selected by the Country Coordinating Mechanism to manage the grants, with the aim of transforming technically sound Concept Notes into disbursement-ready grants. Once the Principal Recipient is nominated, the Secretariat will assess the capacity of the proposed organization. Country Dialogue should continue into grant making to ensure that the input of those who will benefit from the programs is taken into account in their detailed design and that the latest technical and operational guidance is used. The grant goes through a second review by the Grant Approvals Committee before it is presented to the Board for approval.