

The Global Fund operating in a SWAp through a common fund: issues and lessons from Mozambique

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The integration of the Global Fund into both the health SWAp and the health common fund in Mozambique in 2004 represents a pioneering example of how a disease specific funding mechanism can be adapted to better fit with country systems. Although the specific factors conducive to integration of funds are determined by country context, the Mozambique experience – still ongoing – is a good example of how global programmes with a unique business model can fit with country led harmonisation and alignment arrangements.

Based on a review of literature, key informant interviews and a country visit to Mozambique in July 2006, this paper presents to policymakers the main lessons learned from integrating a disease specific funding mechanism with broader health sector support and pooled funding arrangements.

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Introduction

The past few years have seen significant changes in thinking and policy regarding aid effectiveness and aid modalities. The focus has been on the importance of promoting approaches which follow country policies and use country systems, as means to ensure ownership and sustainability through long term capacity and institution building.

One response has been a gradual shift away from project based assistance towards programme based approaches which are considered to promote country leadership and increase the use of local systems for programme design, implementation, financial management and monitoring and evaluation. Programme based approaches such as the Sector Wide Approach (SWAp) are already operating or being developed in many countries for the health sector. In some countries, especially in sub-Saharan Africa, the drive towards programme based approaches has been very strong and has led to substantial changes in the aid landscape.

The Global Fund to Fight AIDS, Tuberculosis and Malaria is five years old. Since its inception in 2001 it has become one of the most powerful instruments for the three diseases among the world's most marginalised populations. Its financial focus and widespread political support has helped it succeed in grabbing the world's attention and raising and disbursing an unprecedented volume of resources¹.

However, the creation of special purpose funds has been criticised for developing new structures and following procedures and mechanisms that potentially undermine national efforts to reduce transaction costs, and a more integrated approach to health development.

The integration of the Global Fund into both the health SWAp and the health common fund in Mozambique in 2004 represents a pioneering example of how a targeted, disease specific funding model adapts itself to better fit with country systems whilst simultaneously strengthening broader health sector development. It also represents a major departure from the Global Fund's usual modus operandi.

At the time, the Global Fund had no policy on cooperation with a pooled fund, and had a set of finance procedures which precluded such action. There was some discussion of alternative financing mechanisms, such as the establishment of a dedicated account for the Global Fund grants, or a special agency to manage the grants. But, provided its technical staff could be assured of sufficient safeguards, it was eventually agreed that the grants would be placed directly into the common fund.

This paper, based on a review of literature, key informant interviews and a country visit to Mozambique in July 2006, summarises the main lessons learned from integrating a disease specific funding mechanism with broader health sector support and pooled funding arrangements.

Context will determine how Global Fund grants are integrated

Mozambique is a highly aid-dependent country. External aid has helped to rebuild Mozambique after years of civil war, but it has also had perverse side effects such as fragmenting government planning, budgeting and management processes, and weakening the country's capacity for policy making.

The Mozambique SWAp was developed by the government and its development partners in response to a problematic health sector situation in the late 1990s². A plethora of donors and fragmented assistance provided strong incentives for the government to "take back control" of the national health system and paved the way for the emergence of the SWAp and the creation of a common health fund (known as Prosaude).

Three key factors appear to have been influential in facilitating such integration:

¹ In June 2006 the Global Fund spending accounted for 21% of international spending on HIV/AIDS, 64% on malaria and 67% on tuberculosis (source: Global Fund, "Funding the Global Fight Against HIV/AIDS, TB and Malaria, Resource Needs for the Global Fund 2006-2007, 2008-2009", June 2006).

² For further information on the Mozambique health SWAp see: "Implementing a sector wide approach in health: the case of Mozambique" (Javier Martinez, HLSP Institute, June 2006) <http://www.hlspinstitute.org/projects/?mode=type&id=100615>

The Global Fund operating in a SWAp through a common fund

- First, increasing control, authority and ownership exercised by the Government of Mozambique over external resources provided the impetus for the Global Fund's participation in Prosaude.
- Second, there was a group of development partners which shared a common position, spoke with a single voice and supported government plans and priorities. Motivated individuals within the Ministry of Health (MoH), supported by a critical mass of like-minded donors, were able to apply considerable pressure to the Global Fund for the integration of funds.
- Third, there was already a history of using pooled arrangements in Mozambique in the health sector, which meant that the Global Fund was placing its funds into an arrangement already tried and tested. The MoH and its partners had established a set of common principles, objectives and working arrangements that functioned relatively well. Prosaude's accounting rules and monitoring and evaluation indicators and processes, although imperfect, were improving and this helped the Global Fund to accept Prosaude's accounting and reporting rules.

How is the Global Fund model adapting to country systems?

The integration of Global Fund grants into the Mozambique SWAp and the Prosaude fund is an ongoing process that sets an example of how global health partnerships can integrate and support country led systems and broader health sector development. There are however important operational issues favoured by the Global Fund that may inhibit effective alignment and integration.

Earmarking and tracking of funds

The Global Fund trademark of earmarking and tracking funds for AIDS, TB and malaria has been adapted in the context of Mozambique, with the Global Fund agreeing to forego its usual tracking of funds in favour of using the health sector budget (including government budget and common funds) as a marker of whether sufficient resources are being targeted to the three diseases. This "virtual earmarking" signals a compromise by the Global Fund to support the MoH's annual plan and budget, and relies on existing financial management and audit controls linked to the Prosaude, instead of asking for separate arrangements to be put in place (as is the practice elsewhere).

Using country reporting and M&E systems

By signing Prosaude's Memorandum of Understanding, the Global Fund implicitly accepted to behave like other signatory partners, and to use nationally agreed indicators, targets, monitoring arrangements and reporting systems. It did so even though these systems were known to be still incipient and imperfect for the purposes of tracking progress. By so doing, the Global Fund has adopted a more developmental approach to strengthening country systems than may be the case elsewhere, recognising that weak national systems need not be an obstacle for involvement, but represent a development challenge where the Global Fund shares the same risks and concerns of any other development partner.

Setting an example for greater harmonisation

The entry of the Global Fund into Prosaude assists in the pursuit of reducing off-budget financing for the three diseases and for the health sector as a whole, a key policy objective for the Mozambique government inbuilt in the national poverty reduction strategy (PARPA) and in the health sector strategy (PESS). Had the Global Fund placed its resources outside Prosaude, the case for less earmarking and more flexibility of development assistance might have been substantially weakened.

The Global Fund's embrace of the Mozambique's SWAp and common fund undoubtedly advances the agenda of alignment and harmonisation, exercising a direct and indirect influence on other development partners. For instance, the World Bank has recently followed the Global Fund lead and joined the National AIDS Coordinating Council's pooled fund in Mozambique.

However, harmonisation and alignment problems linked to the Global Fund are not totally resolved by the common funding arrangement. In particular, some important elements of the Global Fund's cycle are not yet synchronised with the SWAp, and the unpredictability of funding rounds and Phase 2 renewals can make government planning processes problematic. Over the long term though, having funds move through the same funding channels should help offset the negative effects of round-based funding.

Helping with the integration of national programmes

The opportunity of attracting significant funding from the Global Fund (Round 2) provided the impetus for the development of a national strategic framework for HIV/AIDS (the PEN)³, which “sits” within the PESS and has grown and become more comprehensive over time. The Global Fund support for the objectives of the PEN and the PESS and their annual operational plans has in turn improved technical policy dialogue among SWAp partners, and fostered better sharing of information and more efficient allocation of resources (since duplication of efforts is less likely when partners know what each other is doing).

Reducing transaction costs

MoH informants in Prosaude have commented on the major reduction in transaction costs resulting from the integration of Global Fund Grants (fewer missions, consolidated monitoring and evaluation inputs and so on). The Global Fund has contributed to savings of government staff time that is now used for more productive policy implementation purposes.

This is not to say that transaction costs have reached an ideal minimum level yet or that the Global Fund financed initiatives are fully integrated. The inherent tension between the Global Fund’s vertical approach and the SWAp’s horizontal approach has been successfully managed to date, but by no means eliminated. There are many examples to show that even in Mozambique the Global Fund continues to claim a certain special status, and requires some additional operational procedures outside those established in the Prosaude Memorandum of Understanding.

For example, the recent Phase 2⁴ evaluations in November 2006 have been labour intensive and time consuming. They involved the preparation of three separate requests for continued funding (one for each disease) by the Country Coordination Mechanism (CCM), combined with an external evaluation and data verification. The whole exercise was considered unnecessarily heavy and ill-planned by several development partners, who argued that the Global Fund should have used existing evaluation procedures (such as the Joint Annual Health Sector Reviews, among others) instead of imposing additional ones. Even the CCM made reference to this point when it urged the Global Fund to “... *further align its procedures with the existing structures in Mozambique and fully adhere to the Memoranda of Understanding by respecting and accepting the monitoring mechanisms agreed for the health and HIV/AIDS sector, and by avoiding requests for additional information about the performance of these sectors*”⁵.

Strengthening country coordination

The existence of a Country Coordination Mechanism solely for developing and overseeing Global Fund proposals and grants has always been a contentious issue in Mozambique. Given the existence of a SWAp, a key health sector coordination mechanism, the MoH and development partners questioned the necessity of another coordination mechanism, although they recognised that neither the SWAp Forum that meets monthly nor the working groups linked to it could substitute for the very specific responsibilities assigned to the CCM, or at least not without a substantial adaptation of the SWAp-related mechanisms.

A solution was agreed in August 2006 to subsume the role and function of the CCM within the broader SWAp forum. Under this arrangement all the CCM members would become de facto members of the

³ Plano Estratégico Nacional de VIH/SIDA (PEN). Non health sector specific funds for HIV/AIDS are the responsibility of the National AIDS Coordination Council (CNCS) which has its own separate pooled fund arrangement and its own separate multisectoral plan. The Global Fund also provides funding to the CNCS pool through a separate arrangement from that of the MoH funds. The experience of integrating funds into the CNCS pool is not covered in this paper.

⁴ The Phase 2 assessments are the means by which the Global Fund approves continued funding (to cover years 3 to 5) based on the performance achieved during the first two years of grant implementation.

⁵ Source for the views expressed by development partners were personal communications by phone interviews. The source for the quoted text is the CCM requests for Continued Funding in Phase 2 – November 2006, openly available with the CCM Vice-Chair.

The Global Fund operating in a SWAp through a common fund

SWAp, but would continue to perform their specific CCM tasks as and when required. The decision coincided with the nomination of a new chair and vice chair of the CCM, which also resolved the issue of conflict of interest that had arisen when the MoH was both the Chair of the CCM and the Principal Recipient of the grants.

Making the Global Fund an active SWAp member

Becoming a full member of the SWAp and Prosaude posed a challenge for the Global Fund because of its policy of non country representation. Whilst this policy is entirely consistent with the Fund's primary role as a financing instrument, it does imply certain disadvantages in a SWAp context where lack of presence often means being absent from important discussions, or missing opportunities to influence government or other partners on areas that might improve the performance of the grants. SWAps tend to be dynamic processes where interactions and presence matter. Even though the Global Fund's portfolio manager is copied on all SWAp communications and visits the country regularly, this is not the same as being country based.

To ensure that the Global Fund has greater participation, albeit indirect, around the SWAp table, an innovative partnership between the Global Fund and the UK Department for International Development (DFID) was developed in late 2006 through the appointment by DFID of a Health and HIV/AIDS adviser based in Maputo who will be the "eyes and ears" of the Global Fund in the health SWAp and in the National AIDS Coordinating Council Partners' Forum.

The changing role of the Local Fund Agent

Joining a SWAp and using a common fund has also challenged the traditional role assigned to the Local Fund Agent (LFA) in the oversight and financial management of Global Fund grants. At the onset, there were problems with the LFA's ability to perform its standard terms of reference without breaching some clauses of the Prosaude Memorandum of Understanding. This was due to the novelty of Global Fund grants entering a pooled arrangement, and to the nature of assessment, in this context being very different from any other LFA instruction to date. This resulted in delays to the disbursement process in the first year of the Global Fund grants.

The situation was resolved by the Global Fund adapting the terms of reference of the LFA to the Mozambique context, whereby the LFA would no longer exercise the same direct financial management controls it does in other countries, and would instead use the information generated through standard financial management, financial reporting and audits established in the Prosaude Memorandum of Understanding. The point to bear in mind is that working within a SWAp and common funding arrangement can affect the scope of work of the LFA, and a flexible approach to adapting the role of the LFA is required.

Involvement of the private sector and NGOs

The inclusion of Global Fund resources into Prosaude has not helped to solve or lessen existing problems between the Ministry of Health and NGOs for the delivery of public services, particularly in the field of HIV/AIDS. Problems such as the lack of legal mechanisms within the MoH for contracting out services or for channelling government resources to NGOs have been brought into sharper focus and exacerbated by the Ministry's powerful position as Principal Recipient of Global Fund grants until August 2006.

However, the Global Fund's entry into the SWAp and Prosaude has definitely helped broader civil society and NGO participation in SWAp policy-making processes, and assisted intra-NGO communication and coherence.

So, has the experience of integrating the Global Fund resources within a SWAp and common fund worked?

The Global Fund represents a substantial portion of the MoH's budgetary funds over five years. For the MoH, being able to coordinate these resources with those of other donors is a major advance. For the Global Fund, meeting its disease-specific goals without its funds being earmarked and tracked in the traditional sense, and being involved in sector wide policy is a substantial change. Initial results against

the indicators in the national health strategic plan set for the three diseases are generally positive, providing initial indication that disease specific priorities are being met, although this will become more apparent when the results of the Phase 2 Assessments undertaken in November 2006 become available.

The process of integrating the Global Fund into Prosaude has been mutually reinforcing, with the Global Fund acting as a more harmonised development partner and the SWAp process gaining from the Global Fund's sharper focus on technical and clinical priorities and use of more rigorous indicators as evidence of results. There is also a perception that Global Fund involvement has been useful in bringing about greater civil society representation within SWAp structures⁶. Furthermore, the Global Fund's integration has served as a reasonably successful example to other donors still operating outside of the SWAp, such as the World Bank in the example cited earlier.

Lessons learned

An important lesson emerging from the Mozambique experience is the role of leadership and individual personalities in influencing the success of pooled arrangements. The attitudes of senior Global Fund staff, the relevant portfolio manager, focal donor and senior Ministry of Health figures all seem to have had a crucial impact on the functioning of the various structures and arrangements.

Key stakeholders need to understand the incentives that shape the actions of senior Ministry of Health, Global Fund and donor staff, recognising that institutional structures and arrangements that may be appropriate in one setting, may not be appropriate in others.

Initial problems resulting in slow disbursement of Global Fund resources have been reported. However, it would be very unusual not to experience some teething problems when integrating two different funding mechanisms. Some of the problems experienced (such as LFA assessment problems, early disagreements on indicators, suspicion of country systems or disbursement delays) were isolated instances and the experience of resolving these situations should help to reduce similar problems in the future, through good preparation and lesson learning.

Should the Global Fund develop similar approaches elsewhere?

The tentatively successful result achieved in Mozambique should encourage the Global Fund to consider further involvement in pooled funding mechanisms elsewhere. A key question for the Global Fund will be whether the health sector has solid sector financing and programme monitoring mechanisms in place. However, weaknesses in such systems should not preclude the Global Fund joining pooled funding arrangements, since weak national systems are one reason why development partners should foster more integrated financing mechanisms. The Global Fund is serious about fighting HIV, TB and malaria, and it may conclude that such efforts are better served through consolidated, well functioning common funding and sector wide management arrangements that simultaneously strengthen the health system required to deliver disease control responses.

Pooling of funds and participation in the SWAp structures has given the Global Fund a unique perspective of the Mozambican health sector, whilst enabling it to become a more harmonised and highly influential development partner.

Future questions concern whether the Global Fund might reconsider its balance between "diseases" and a "results focus" in a different light, and whether, given its focus on "additionality" it would be prepared to avoid direct earmarking of funds. This would be consistent with the Fund's examination of how it can improve the way it works while maintaining a focus on showing results. The avoidance of direct earmarking would simply require a government guarantee, provided by the annual operational plan and budget, that sufficient funds and attention to results will be devoted to the three diseases in line with the grant objectives. Such an approach would enable the Global Fund to be part of a government-directed programme that includes the three diseases but lets the MoH decide on resource allocation. Thus, the objectives of harmonisation and alignment would be fully met.

⁶ The Mozambican Network of AIDS Services Organisation (MONASO) and the NGO AIDS Impact Mitigation Association (NAIMA) participate in SWAp processes such as the SWAp Forum, working groups on human resources, HIV/AIDS, emergencies and a revision of the SWAp MoU.

When might a country be ready to integrate the Global Fund into a SWAp approach?

An important learning experience from this case study is that national governments and the Global Fund can begin to identify conditions that are conducive to integration of funds. Although conditions will be determined by context, they may include:

- Existence of a working common funding arrangement, preferably one that enables flexibility in resource allocation. In this context an all-purpose common fund has definite advantages in terms of flexibility for resource allocation when compared to, say, a basket funding mechanism where only predefined services are covered.
- Existence of a suitable annual national plan and budget that enable government to identify gaps and use common funds to cover these (to the extent possible).
- Existence of a clear Code of Conduct and of harmonisation mechanisms comprising a strong donor group with common positions.
- Relatively robust and transparent reporting and accounting systems.
- An improving monitoring and evaluation system.
- Positions of influence on all sides occupied by individuals with the leadership, vision and determination to pursue this agenda.

Conclusions

The Global Fund's entry into Prosaude represents a pioneering action with significant risks. As pressure to pursue harmonisation and alignment continues, the Global Fund will need to accelerate the shift towards programme approaches and the integration of funds into pooled funding mechanisms, where it makes sense.

Recent work on global programmes and the Paris aid effectiveness agenda⁷ confirms that alignment of global programmes' activities (such as the Global Fund's) with national development strategies is essential for effective implementation. Coordination mechanisms should support an agreed sector strategy and strive for inclusiveness if aid is to be made more effective.

The Mozambique experience has demonstrated that it is possible to adapt management frameworks, monitoring and reporting mechanisms, audit practices and generally any procedures to country systems and priorities. Although still not perfect, Mozambique provides a good example of how global programmes with a unique business model can fit into country led harmonisation and alignment arrangements.

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The views expressed in this paper are exclusively those of the authors.

⁷ "Integrating global partnership programs with country-led national programs: synthesis of findings and recommendations" OECD/DCD, December 2006.

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