

## Appendix VII Design Options for the Future Catalytic Fund

### Introduction

1 The Catalytic Fund (CF) has become an increasingly important feature of the FTI. Its past operations are reviewed in detail in Appendix III, and it features strongly in the overall findings of the evaluation described in the main volume of this report. The evaluation noted that what began as a limited supplementary instrument for the FTI is now accessible to all endorsed countries and is the most important incentive for countries to engage with the FTI. Its commitments and disbursements are growing rapidly, and it is likely to be even more important in future.

2 At its creation in 2003, the CF's main objective was to provide “transitional short term funding for a maximum of three years to enable such low-income countries to scale up their education sector programs and to establish a performance record that could attract longer-term bilateral support”. In 2007, the Expanded Catalytic Fund corresponds to a shift in CF objectives towards providing a “predictable source of funding that will enable eligible recipients to engage in long term planning for their education programs”, aiming at “reducing financing gaps that cannot otherwise be filled”, thereby acting as a donor of last resort. In terms of aid modalities, it was then specified that “every effort [will be made] to channel all [CF] funds through the most aligned modality as agreed upon by the local donor group in the education sector in the recipient country”. (*FTI Expanded Catalytic Fund Concept Note* p.1, 3, 5, and 6.)

3 Evaluation findings show that in a limited number of countries, the FTI CF has indeed provided an efficient and significant source of funding, in particular since the move to the Expanded Catalytic Fund in 2007. However, it has failed to become a predictable source of funding, especially in the long term. In the majority of cases, it has provided support through a project modality, in many cases despite the existence of more aligned aid modalities. It has in most countries not contributed directly to financing recurrent costs – in particular teacher salaries. The pattern of its allocation among countries, although focused on low income countries, has not been skewed significantly towards the countries where the apparent needs are greatest.

- 4 Key weaknesses identified by the evaluation in the FTI CF-related processes were:
- (a) Allocation model based on the concept of a financing gap, allocations decided on a first come-first served basis and without clear prioritisation criteria, by a body exclusively composed of donor agency representatives.
  - (b) Weak communication between global and country level, in particular between the FTI Secretariat and beneficiary countries, leading to confusion, higher transaction costs and lower effectiveness.
  - (c) Weak catalytic effect on other donor funding related to the lack of clear and monitorable commitments from donors and patchy monitoring of external and domestic funding for education at country and at global level.
  - (d) Choice of aid modality relies on local education donor groups that often do not have the capacity or the incentives to take bold steps to move away from business as usual in terms of aid effectiveness. Strong reliance on the World Bank (WB) as default supervising entity created additional constraints on the choice of aid modalities for CF funding.

5 Chapter 5 of the main report recommends that the FTI should recognise the importance of the CF in its future design and strengthen its contribution to the FTI's objectives:

The key point is that **the CF should do things that would not happen in its absence**. It should build on the potential strengths of a global pooled funding mechanism, while seeking to avoid the drawbacks that can be associated with vertical funds. (¶5.21).

6 This Appendix provides additional detail on the design features of the future CF that are implied by the evaluation team's recommendations. The next section considers some general principles, bearing in mind the potential advantages and disadvantages of pooled funding mechanisms, and the need to preserve the strengths of the FTI's country-focused approach. The subsequent section then elaborates on various dimensions of future CF design. In doing so, it draws on the experiences of some other global programmes. An attachment briefly compares the approaches of three prominent global partnerships – the Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM), the Global Environment Fund (GEF), and the Global Alliance for Vaccination and Immunization (GAVI).

## Potential Strengths and Weaknesses of Pooled Funding

7 The CF should maximise the benefits derived from being a global fund (i.e. an instrument pooling funds from a range of international agencies and countries, to support multiple recipients on a specific topic), compared to existing bilateral and multilateral donors and agencies, while minimising the potential weaknesses.

### Potential advantages at global level

8 Advantages of a pooled funding mechanism at global level may include:

- (a) Global funds have proved efficient instruments to mobilise funds for specific topics in various sectors. By nature, they ensure visibility and constant focus on specific issues, when other organisations may have fluctuating and multiple interests. As such, they may be efficient advocacy and fund raising tools.
- (b) Global funds, as well as multilateral organisations, are less vulnerable to the political issues and foreign relations concerns of bilateral donors. As such, they may develop more transparent and less political aid allocation mechanisms, closely in line with their stated objectives. See examples of IDA and the European Development Fund in Exhibit 1 and Exhibit 2, and the examples of GFATM, GEF and GAVI in Attachment VII.A, section 4 below.
- (c) Global Funds and multilateral organisations are not subject to annual budget cycles. Most of them have developed multi-annual replenishment mechanisms. In addition, they are less subject to the political pressures associated with bilateral aid, hence may potentially provide more predictable, less volatile and longer term funding.
- (d) As a pooled funding mechanism, global funds offer a channel for small donors that do not have the capacity to invest in e.g. education or in a high number of countries but want to do so.
- (e) They also potentially offers a channel to donors that cannot easily use the most aligned aid modalities due to internal constraints, or that do not have the financial instruments to support fragile states, to do so.

### Potential advantages at country level

9 Advantages of a pooled funding mechanism at country level may include:

- (a) Global funds have the potential to provide financial support at a scale which would be difficult or impossible for individual bilateral donors, which provides significant incentives and potential reduction in transaction costs.
- (b) As a mechanism for pooled funding, global funds have the potential for reducing transactions costs by minimising the number of donors involved at country level. Nevertheless, this is not automatic (in particular if heavy procedures are involved in accessing the fund). This could potentially create a threat to the additionality of funding from the global funds (if a decrease in the number of donors involved at sector level leads to a decrease in funding overall).
- (c) As funds are pooled from a wide range of donors and stakeholders, global funds have the potential for taking more risks than some bilateral donors, and using more innovative aid modalities.

### Potential risks and constraints at global level

10 Nevertheless, there are also a number of risks and constraints involved with the operations of global funds. At global level:

- (a) Although the focus of global funds on specific areas or topics has proved useful as a fund mobilisation and awareness raising tool, it has also in some cases led to a vertical approach to country support, cutting across sector and national priorities. There is a significant risk that synergies with cross cutting strategies or reforms (PRSPs, Public Finance Management and Civil Service Reform) are lost, and that alignment to national processes is more difficult.<sup>1</sup>
- (b) In effect, global funds compete for funding with multilateral organisations (UN, EC, WB) in particular for the allocation of bilateral funding.

### Potential risks and constraints at country level

11 At country level:

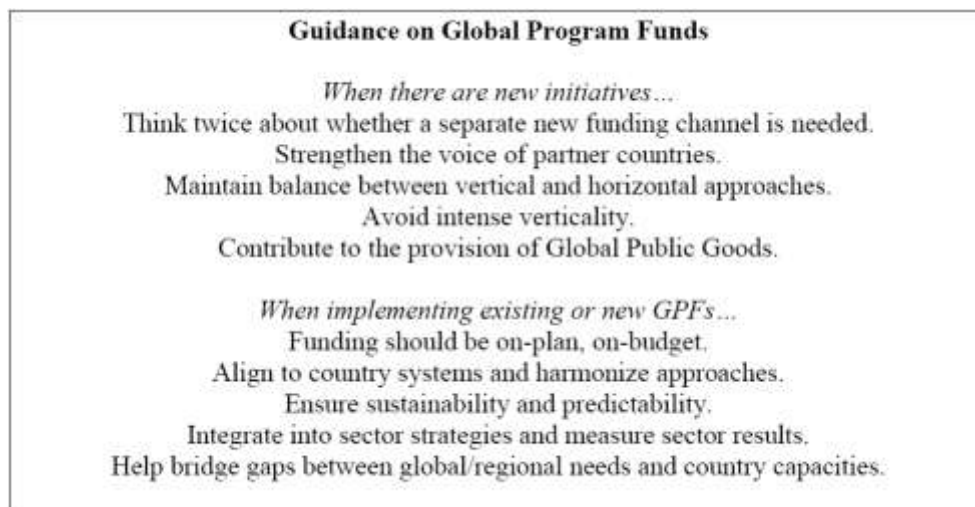
- (a) If global funds are to propose a credible alternative allowing a decrease in the number of donors involved in a specific sector – thereby minimising transactions costs and implicitly enhancing harmonisation, the issue of capacity of local donor groups at country level should be carefully considered. There is a risk that a lower number of donors at sector level (in particular if some key donors with high capacity and experience move out of the sector) may lead to a de-skilling and diminishing capacity of local donor groups. There is also a risk attached to the fact that a small number of individuals come to decide on a higher amount of funding.
- (b) There is a non-negligible risk of donors moving out of the sector because pooled funding – to which they contribute – is seen as providing a substantial amount of funding to the sector.

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<sup>1</sup> “When [GFs] are large and narrowly earmarked, they can create allocative distortions within the subsector and at the sector level. In addition, when intensely vertical GPFs grow fast, they may pull resources from other parts of the sector, leaving gaps in capacity to meet other important objectives, including other MDGs. This has been especially important in the case of large GPFs (such as GFATM and PEPFAR) addressing HIV/AIDS.” (World Bank 2008:2) [*Global Program Funds at country level, what have we learned?*]

## Good Practice and Objectives for the CF

12 Recent work carried out for the Accra HLF provides the following synthetic guidance for Global Funds (World Bank 2008:4):



13 In order to play its part efficiently in the framework of a redesigned FTI, a revised CF should be designed in order to ensure:

- **Additionality** – increase total funding for basic/primary education.
- **Allocative efficiency** – ensure that aid is allocated to the countries and with the sector coverage where it can be most effective.
- **Predictability** – provide credible commitments to support countries on the medium to long term (3–10 years) in order to maximise the value of aid provided, allow countries to plan in the medium term on a credible basis, provide room for measures with long term cost implications.
- **Aid effectiveness** – Use country systems as much as possible, in order to strengthen **country** systems and minimise transactions costs. Fund recurrent costs.

14 The CF's objective in the countries it supports should be to make a difference – not to become just another source of funds. Hence the importance that FTI CF funding be on a scale and with aid modalities that actually make a difference, building on its specific added value as an international pooled funding mechanism. The next section develops these themes.

## Renewed FTI CF – design features

### Introduction

15 The evaluation's overall recommendations imply that the future CF would have a different name, and the FTI would move away from the present fragmentation of funds, and from the present tendency to differentiate sharply between fragile states and other countries. Thus, the proposals below are relevant to a one-stop facility that would incorporate the functions currently performed by the EPDF. However, these aspects are not discussed in detail in what follows. The funding of fragile states also needs to be factored in, as does the evaluation's recommendation to adopt a "Progressive Framework"<sup>2</sup> approach for all eligible countries.

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<sup>2</sup> See main report, Exhibit 17.

16 The following sub-sections outline a series of design features for the CF which would allow fulfilling its objectives and maximising the benefits of such a pooled funding mechanism. Many features are interrelated, but they are organised roughly under the following headings:

- Allocating funds among countries
- Aid modalities
- Maximising influence and added value
- Raising funds
- CF Governance
- Monitoring CF performance.

17 Each section comments briefly on background, objectives for the CF, and design options. These options draw on the findings and lessons from the evaluation. They also draw on the experiences of existing global funds, as summarised in Attachment VII.A below. They give particular attention to the alignment of incentives of various stakeholders involved (partner governments, donor agencies and donor representatives at local level, FTI Secretariat) with FTI objectives. They are indicative and aim to foster discussion and reflection around the future of the CF.

18 A number of these changes are already under way or agreed in principle by the Steering Committee/Board of the FTI, but there is a need for a more radical overhaul of the CF than has so far been envisaged.

## **Allocating Funds among Countries**

### *Background*

19 An endorsed ESP has been a precondition of CF funding. There has been a strong element of "first come first served" in allocations. It is not obvious to countries ex ante what level of CF funding may be available, and the ex post distribution of CF allocations is not strongly related to criteria of relative need for funding. As the CF becomes larger it will inevitably have to be more systematic.

### *Objectives*

20 Relevant objectives in allocating funds include transparency, allocative efficiency, and predictability of funding to support medium term planning and budgeting. Moreover, complementarity remains a vital principle: allocation of funds from the CF must take account of levels of funding from other sources and seek to improve the overall pattern of allocation of aid for basic education (among countries and (sub)-sectors).

### *Design Options*

21 *Eligibility.* Eligibility for different FTI facilities will need to be carefully re-defined. The "endorsed ESP" prerequisite will need to be re-framed to fit with a "Progressive Framework" approach, and the possibility of funding interim strategies.

22 *Allocation criteria.* A transparent allocation formula should be defined, based on a small number of criteria related to needs and performance. It should also take into account funding needs, using criteria such as domestic education expenditure per child and education ODA per child. The latter element is crucial in order to ensure that the CF improves the distribution of ODA among countries, rather than reinforcing existing imbalances.

23 It is important (a) not to spread CF resources too thinly to be effective or efficient, and (b) to ensure that recipient countries have predictable funding streams that enable them expand and improve services over the medium and long term. To ensure this is possible it

may be necessary to prioritise continued support to existing recipients if funds are scarce (i.e. to honour the indicative allocations discussed next).

24 *Advance indications of funding available.* Announce indicative allocations in advance in order to facilitate planning and programme preparation at country level (this should also contribute to reducing the delays between fund allocation by the CF and actual disbursement).

25 As a corollary, it may be necessary to define a clear mechanism to re-assign country allocations when they are not being used (see example of the European Development Fund mid-term review in Exhibit 2), in order to avoid funds being blocked.

## **Aid Modalities for the CF**

### *Background*

26 The modalities used for the CF have tended to be rather conventional. Project modalities have often been used even when this is not the most aligned modality available<sup>3</sup>. This is partly explained by restrictions on the World Bank's flexibility, but the evaluation also found that Local Donor Groups often lacked the capacity or the incentive to challenge "business as usual". Ministries of Finance may have a stronger interest in more effective aid modalities than Ministries of Education.

### *Objectives*

27 The CF itself should use, and should promote the use by others, of more effective modalities. This includes the use of country systems wherever possible, and supporting recurrent costs when appropriate. The CF should not be content to use the existing modality that is "most-aligned" if there is scope to adopt a modality that is more effective than the existing ones.

### *Design Options*

28 *Guidance and challenge on aid modalities.* While the importance of country-level planning remains, there should be stronger guidance from the centre on effective aid modalities, both generally and in particular cases. A two-stage review of proposals (see ¶61 below) would facilitate dialogue and encourage consideration of more innovative modalities. A permanent review panel for CF proposals (see ¶65 below) is important to ensure consistency and continuity in approach (as opposed to the ad hoc approach to quality review that has been used so far). It would also be better able to foster lesson learning across the partnership.

29 Full involvement of Ministries of Finance in the FTI application process is also important from this perspective.

30 *Alternative supervising entities.* The availability of alternative supervising entities (SEs) is crucial to enable choice of approaches, and competition between SEs ought to encourage innovation and flexibility. Alternative SEs are likely to be especially important for operations in fragile states. There needs to be a careful review of the risks and incentives faced by potential SEs, with a framework that ensures, for example, that their design and supervision costs are adequately recompensed.

- Clarify whether the use of an alternative SE would imply using this SE's processes and aid instruments – and what this would imply for the CF in terms of monitoring,

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<sup>3</sup> See [EFA-FTI modality guidelines, November 2008](#), for the guidance provided by the FTI since 2008 on aid modalities for CF funding.

fiduciary risk, image, workload for the FTIS etc. Ideally, CF funding should provide topping up to an existing programme by the SE.

- Define a clear set of rules/criteria for use of SE aid instruments, in order to ensure aid instruments used with CF funding are in line with FTI objectives in terms of aid effectiveness.
- Envisage ways to ensure donors have the capacity, information and incentives to take on the responsibility for management of CF funds (note that often the WB has used the EPDF to finance programme preparation for the CF). This implies better communication on the possibility, requirements and implications of becoming a SE, as well as minimising the additional FTI requirements on top of the donor's existing programme, and bringing donor HQ on board to support their country offices.

31 *Stronger default requirement on the use of most aligned modalities, including use of sector budget support and maximum use of country systems.* Regarding SBS, lessons should be drawn from the study on SBS in practice, in particular on the harmfulness of requirements for traceability of funds and the need for an increased focus on service delivery (see main report, [Exhibit 14](#)).

32 The aid modality guidelines should expand on the acceptable justifications for choice of an aid modality that is not the most aligned. In particular, if the country receives general budget support, or sector budget support, a limited set of justifications should be defined as acceptable to provide funding through a less aligned modality (for example to fund technical assistance, to fund an innovative project, or to take account of specific financial management weaknesses in the education sector). These justifications should be clearly set out and discussed when the funding decision is taken. There should be a requirement to justify and explain any decision to use earmarked and/or traceable budget support instead of budget support that is not earmarked or traceable, or to use a pooled fund instead of sector budget support (see main report, [Exhibit 14](#)).

33 Minimum conditions to use country systems should be clearly defined. For each CF-funded programme, establish a clear typology to assess to what degree it is aligned with country processes (taking account of the various dimensions of country systems shown in Exhibit 4 below) and report on it systematically when presenting programmes to the decision-making body.

34 *Long term predictability.* Stronger links to national plans/PRSPs/MTEFs and Ministries of Finance are important here, since the credibility of continued CF support may allow larger government expenditure commitments (to be recorded in financial undertakings – see ¶43 below)

35 Provide multi-year commitments with the expectation that countries would be able to draw on the CF for the necessary length of time as long as they were showing improvement (i.e. clarify the presumption that funding would be long term). See example of the [Rolling Continuation Channel](#) of the GFATM in Attachment VII.A, section 6.

36 When commitments are made on a multi-year basis, conditions for the disbursement of subsequent tranches should be defined in the programme document and be verified at country level without requiring full-scale review by the CF allocation committee.

37 Launch thinking on how CF could provide longer term commitments, based on experience of other donors, e.g. EC MDG contracts (see Exhibit 3), UK ten year MOUs. Involve IMF in this discussion. See also DAC guidelines on harmonising donor practices for effective aid delivery, Volume II. Issues for discussion:

- Would this be compatible with using Supervising Entity existing procedures or would it imply an FTI CF specific modality?
- How to minimise volatility and unpredictability while maintaining a role for performance conditions?
- Is a rolling commitment possible (a multi-year commitment renewed every year)?

38 *Short term predictability.* Efforts should be made to align CF commitment decisions to countries' budget cycles, so that information on future programmes is provided in time to be included in the budget, and that disbursements are made early in the fiscal year, particularly when funding is provided through sector budget support.

## **Maximising influence and added value**

### *Background*

39 A core objective of the FTI (embedded in the name of the *Catalytic Fund*) is to complement existing (domestic and international) support to basic education and to galvanise additional support, with mutual accountability through an "FTI compact". The evaluation found that catalysis has been rather limited, and that the mutual accountability of the compact has been weak. This increases the risk that CF support may substitute for other finance, instead of leveraging more and better aid and domestic expenditure.

### *Objectives*

40 To ensure the additionality of CF support and to deploy the CF in ways that, reinforce support from domestic expenditure and from other donors. To maintain the country-focus of the FTI and ensure that support is anchored in country plans at national level and for the education sector. To encourage lesson learning across the partnership.

### *Design Options*

41 *Endorsement by country stakeholders.* Continue to require endorsement by LEG and LDG.

42 *Systematic involvement of Ministries of Finance.* Require proposals and agreements relating to the CF to be jointly submitted by Ministries of Finance and of Education. Seek MOF as well as MOE representation in FTI governance (see ¶63 below).

43 *Joint and parallel financing commitments.* Parallel donor and government commitments on ESP finance would be built into fund approval and monitoring procedures, in order to reinforce accountability of donor commitments and ensure the additionality of CF support. CF applications should be accompanied by (a) commitments from other donors to joint funding of the programme supported by the CF; (b) monitorable commitments from other donors to the financing of the ESP as a whole; (c) monitorable commitments from the recipient government (MOF) on levels of public expenditure for basic/primary education.

44 Disbursements of CF support to be linked to reporting on the above commitments by donors and government.

45 *Avoid displacement of other donors, including IDA.* The FTI approach depends on adequate levels of in-country donor capacity. It is therefore important to strike the right balance in pooling funds, so as to retain viable capacity among involved donors. This has already been touched on in the contest of aid modalities and supervising entities above. It is particularly important to retain the involvement of the World Bank where possible. In this connection, CF funds could be used to buy down IDA credits to grant level (this would reduce

the risk of the WB and Ministries of Finance allowing the CF grant to displace IDA credits, and increase the likelihood of the WB remaining engaged in basic education).

46 *Foster use of country systems by other donors.* FTI to provide financial support and guidance (lessons from other countries or sectors) on sector PFM assessments, sector PEFA/PERs/PETS, and support to local donors to understand better service delivery processes. Foster learning from countries that have set up mutual accountability framework in education or in other sectors.

47 *Foster cross-country and cross-sector learning.* Foster debate on tricky issues both at global and country level (how to move to longer term aid commitments, how to increase fiscal space for spending on recurrent costs in education, how to strengthen the quality of dialogue while minimising transactions costs, using general and sector budget support to support service delivery in the education sector).

48 Build on the experience of the [International Health Partnership](#) in the health sector to promote aid effectiveness at sector level. Share experience and foster mutual learning with the GFATM in its move towards “national strategy applications” based on the model developed by FTI of endorsement of sector plans (see Attachment VII.A section 9).

## Raising Funds

### *Background*

49 Meeting EFA objectives will require large amounts of incremental funding. The FTI should not be seen solely in terms of the CF: it remains an important principle that other multilateral and bilateral channels of support can also directly contribute to the FTI.

### *Objectives*

50 Dual objective to raise funds for the [new] CF and to increase funding for education overall, and to ensure additionality in doing so. There is a need to estimate potential CF funds credibly and to be able to make long term commitments to support countries.

### *Design Options*

51 *Additionality at country level.* The design options noted above, under "maximising influence" should ensure additionality at country level.

52 *Additionality at global level.* The FTI should monitor the commitments and expenditures on basic education of participating donors (not just their direct contributions to FTI funds).<sup>4</sup> At global level, regular monitoring and reporting on aid levels and aid modalities, and key aid effectiveness issues in the education sector (predictability, aid on budget, etc).

53 FTI to work with OECD DAC, UIS and Pole de Dakar (and potentially IMF) on strengthening the monitoring of donor aid flows, including the classification of aid to education using sectoral and general budget support, and government funding of education. FTI could consider joining IATI ([International Aid Transparency Initiative](#)).

54 *Long term funding.* A 3 to 5 year replenishment cycle should be set up, as outlined in the Report to the Replenishment Task Team ([Proposal for Replenishment of Trust Funds, FTI, 2009](#)). Longer term commitments from donors should be allowed, using promissory notes. CF should be allowed to commit funds on the basis of promissory notes.

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<sup>4</sup> This has already been agreed in principle by the FTI Steering Committee.

55 *Tailor FTI ambitions to available funding:* it may be necessary to limit the number of beneficiary countries and to restrict the sector coverage of the CF funding to basic education in order to be able to offer long term predictability and to ensure an appropriate scale of CF funding in the countries it supports. Different scenarios should be prepared by the FTIS on the basis of the commitments obtained during the replenishment process, and clear criteria for defining the selectivity of the CF should be defined (see example of GFTAM in Attachment VII.A section 4 and Exhibit 5).

## **CF Governance**

### *Background*

56 The CF (and EPDF) have had separate governance arrangements, managed by committees representing only the contributing donors. There has been a lack of transparency in CF operations, and insufficient coherence across FTI activities. The recent governance reforms have taken some important steps to address this, but more are required.

### *Objectives*

57 Ensure CF governance is coherently aligned with FTI objectives, minimises transactions costs and ensures improved transparency and broader partnership.

### *Design Options*

58 *Avoiding fragmentation.* Merge the different FTI trust funds into one fund – this will minimise transactions costs (applications to different funds, different procedures), maximise overview of country support from FTI, ensure complementarity of different types of support. The proposal of a virtual fund as presented by the WB during the FTI Board Meeting in November 2009 is a move in the right direction (as is the introduction of a common Chair for the Board of Directors and the Trust Fund Committees).

59 *Maintain country focus and integration with country systems.* Maintain joint appraisal of ESP and joint agreement on CF proposals at country level by the LEG. Provide stronger guidelines on involvement of LEG at country level, whilst avoiding the creation of parallel structures, through clear guidelines and support (potentially financial support), and a clear communication and monitoring by Secretariat.

60 *Improve communication.* FTI Secretariat to be more proactive in communicating with donor HQs and with LDGs on CF and FTI objectives and modalities, as well as directly with partner Governments

61 *Two-step process.* Assessment of request to be carried out in two phases:

- initial assessment based on short project information form (which should involve agreement on indicative amount, time length, supervising entity, implementing partner and aid modality);
- final approval based on full-fledged programme document.

62 This two-step approach should allow the FTI Board to give indications early on in the process on key issues such as aid modality, supervising entity, amount etc. The programme developed on that basis would then follow a lighter approval process before implementation. (See example of GEF in Attachment VII.A section 5).

63 *More genuine involvement of partner governments.* Partner countries (with representatives from MOFs as well as MOEs) should be involved in the strategic oversight of the CF – as should CSO representatives. Partner countries should present their own proposals to the CF committee.

64 *Separate strategy and management.* The present CF committee makes strategic decisions and also decides on specific funding applications. This is already unwieldy and leads to inconsistent decisions. Much of the management of the fund and the processes for soliciting and reviewing applications should be delegated to professional staff. The strategic committee should agree eligibility and allocation criteria and overall procedures (e.g. the two-step process suggested above).

65 Review of applications should be undertaken by a standing *independent professional panel*. The present external quality review process should be replaced by the independent permanent panel (not the FTIS nor CF steering committee) to assess CF requests on the basis of clear criteria. The panel should provide recommendations to the FTI Board for their decision. (See examples of GFATM, GEF, GAVI in Attachment VII.A section 5).

66 For example the sequence might be:

- Request to be endorsed by LEG (at stage 1?)
- Request to be sent by Partner Government to FTI Secretariat
- FTI Secretariat to assess country eligibility and compatibility of proposal with FTI CF rules
- Independent panel to assess merits of request and make recommendation for acceptance/rejection to FTI Board
- FTI Board to accept/reject proposal

67 FTI Secretariat to be strengthened in order to play an active role in:

- Assessing eligibility of requests
- Providing focal point for countries, LDGs, and independent review panel
- Proactive communication with donor HQs, LDGs and partner countries on FTI and CF
- Monitoring CF programme implementation and results.

### **Monitoring the performance of the CF**

68 A clear performance assessment framework should be defined and monitored to regularly assess the fund's performance. Monitoring should be carried out by the FTI Secretariat at global level. At country level, the Supervising Entity should be in charge of reporting on programme implementation (predictability, use of country system, aid modality).

69 A small set of "essential" indicators should be defined and monitored systematically across all FTI endorsed countries (see Table VII.1 below for some suggestions). Regarding indicators monitored at global level, the FTIS should work pro-actively with the OECD DAC and UIS to improve data quality, coverage and streamlining of data collection exercises. (See **Appendix VI** for detailed recommendations on developing an overall M&E framework for the FTI.)

**Table VII.1 Proposed indicators for monitoring CF performance**

<b>CF Objectives</b>	<b>Proposed indicators</b>
Allocative efficiency	% of CF funding allocated to IDA category I countries
	Total education funding per child in school in each country
	CF funding per child in school in each country
Predictability	% of funds disbursed in the year they were supposed to be disbursed
	% of CF funding in multi-year programmes
Use of country systems	% of CF funding on plan, on budget, on treasury, on accounts, on report
	% of CF funding per type of aid modality (project, pooled fund, sector budget support)
	% of education sector funding per type of aid modality (providing also information on GBS)
Additionality	Evolution of education and basic/primary education ODA commitments and disbursements in FTI endorsed (and eligible) countries
	Evolution of domestic expenditure (budget and actual) on education and basic/primary education in FTI endorsed (and eligible) countries

## Exhibits

### Exhibit 1 IDA aid allocation criteria

#### **International Development Agency (IDA) allocation criteria**

The main factor that determines the allocation of IDA resources among eligible countries is each country's performance in implementing policies that promote economic growth and poverty reduction. This is assessed by the Country Policy and Institutional Assessment (CPIA), which for the purposes of resource allocation is referred to as the IDA Resource Allocation Index (IRAI). The IRAI and portfolio performance together constitute the IDA Country Performance Rating (CPR). In addition to the CPR, population and per capita income also determine IDA allocations. Beginning 2005, the numerical IRAI as well as the CPR are disclosed.

The Country Performance Ratings of IDA countries are assessed annually using the Country Policy and Institutional Assessment (CPIA) ratings. The CPIA assesses each country's policy and institutional framework and consists of 16 criteria grouped into four equally weighted clusters: (i) economic management; (ii) structural policies; (iii) policies for social inclusion and equity; and (iv) public sector management and institutions.

Two additional steps are needed to calculate IDA allocations. *First*, to capture the quality of management of IDA's projects and programs, the World Bank's Annual Report on Portfolio Performance (ARPP) is used to determine a rating for each country's implementation performance. *Second*, a governance rating is calculated using cluster D of the CPIA.

Country Performance Rating =  $(0.24 * \text{CPIA A-C} + 0.68 * \text{CPIA D} + 0.08 * \text{Portfolio})$

IDA country allocation =  $f(\text{Country performance rating } 5.0, \text{Population } 1.0, \text{GNI/capita} - 0.125)$

Countries emerging from severe conflict can, under certain conditions, be provided with additional resources in support of their recovery and in recognition of a period of exceptional need.

(source: [IDA's performance based allocation system for IDA 15](#)).

## Exhibit 2 European Development Fund aid allocation criteria

### ***European Development Fund (EDF) allocations:***

The European Development Fund (EDF) has been the main financing instrument of ACP-EU cooperation since 1958. There have been 10 EDF programmes, each lasting a period of 5 years. Aid is allocated according to specific criteria. Two kinds of envelopes are used to finance the aid: The A-envelope is based on quantitative criteria relative to needs and performance, and the needs incentive tranche based on relevance, ambition and credibility of a governance plan, and the B-envelope is for unforeseen needs. Quantitative Criteria used for the definition of the A-envelope include:

- o Aid efficiency
  - Aid absorption capacity: corrected for aid dependency ratio
- o Economic performance
  - Investment climate, Sustainable macro-economic performance and exhaustion of non renewable natural resources
- o Social performance
  - Budget structure and Progress towards MDGs in Health and Education

A mid-term review assesses performance (both in terms of poverty reduction, governance and economic growth, and in terms of programme implementation) and leads to the revision of A and B envelopes.

(Source: [EC website](#)).

The Cotonou Agreement defines the criteria for resource allocation as follows:

Resource allocation shall be based on needs and performance, as defined in this Agreement. In this context:

(a) needs shall be assessed on the basis of criteria pertaining to per capita income, population size, social indicators and level of indebtedness, export earning losses and dependence on export earnings, in particular in the sectors of agriculture and mining. Special treatment shall be accorded to the least developed ACP States, and the vulnerability of island and landlocked States shall duly be taken into account. In addition, account shall be taken of the particular difficulties of countries dealing with the aftermath of conflict or natural disaster; and

(b) performance shall be assessed in an objective and transparent manner on the basis of the following parameters: progress in implementing institutional reforms, country performance in the use of resources, effective implementation of current operations, poverty alleviation or reduction, sustainable development measures and macroeconomic and sectoral policy performance.

[...] This indicative amount shall facilitate the long-term programming of Community aid for the country concerned. [...] The Community may, in order to take account of special needs or exceptional performance, increase a country's allocation.

Following the completion of the mid-term and end-of-term reviews, the Commission may, on behalf of the Community, revise the resource allocation in the light of current needs and performance of the ACP State concerned

Source: Cotonou agreement, annex IV, article 3 and 5 (as modified in 2005).

### Exhibit 3 EC MDG contracts – towards longer term predictability

#### EC MDG contracts

*Objective: to improve the effectiveness of budget support in accelerating progress towards the MDGs by increasing its long term predictability and focusing on results*

- 6 year commitment (full 6 years of the 10<sup>th</sup> European Development Fund). The EC will also seek support and co-financing from EU member states in order to ensure the transition at the end of the 6 years and avoid the “cliff edge problem”.
- At least 70% of the total commitment will be disbursed, subject to there being no breach in eligibility conditions for GBS or in the essential and fundamental elements of cooperation.
- Variable performance component of up to 30%, composed of (i) MDG-based tranche (at least 15%) determined at mid contract review on basis of MDG-related result indicators, and of (ii) annual performance tranche: in case of specific and significant concerns about performance with respect to implementation of the PRSP, monitoring of performance, progress with PFM and macroeconomic stabilisation, up to 15% of the annual allocation could be withheld.
- Eligible countries are those with GBS programmed under 10<sup>th</sup> EDF, and successful track record in implementing budget support and commitment to monitoring and achieving the MDGs. In view of its implicit risks, the "MDG Contract" is initially targeted at strong performers. MDG contracts have been signed in Burkina Faso, Ghana, Mali, Mozambique, Rwanda, Tanzania, Uganda and Zambia, with commitments totalling €1.8 billion.

Sources:

Celasun and Walliser (2007). Managing aid surprises. Countries cannot make full use of aid when it is unpredictable.

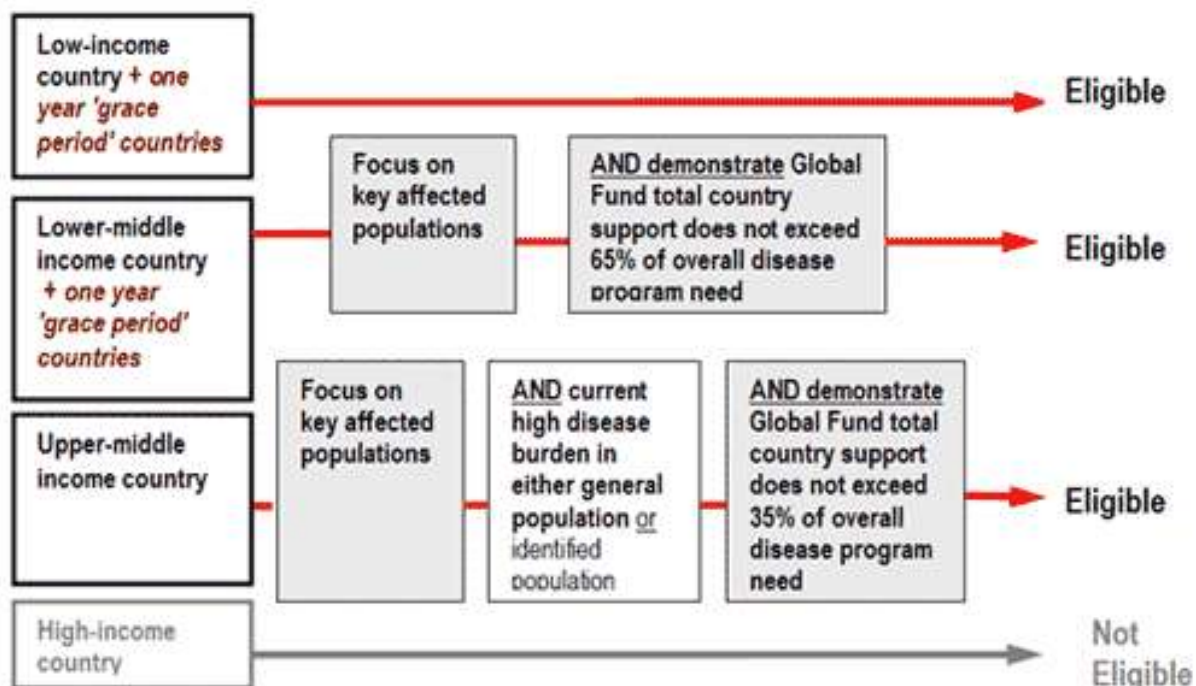
European Commission (2008a). The « MDG contract ». An approach for longer term and more predictable general budget support. June 2008

### Exhibit 4 Different dimensions of using country systems

Term	Definition
On plan	Programme and project aid spending is integrated into spending agencies' strategic planning and supporting documentation for policy intentions behind the budget submissions.
On budget	External financing, including programme and project financing, and its intended use are reported in the budget documentation.
On parliament	External financing is included in the revenue and appropriations approved by parliament.
On treasury	External financing is disbursed into the main revenue funds of government and managed through government's systems.
On procurement	Externally financed expenditures follow the government's standard procurement procedures.
On accounting	External financing is recorded and accounted for in the government's accounting system, in line with the government's classification system.
On audit	External financing is audited by the government's auditing system.
On report	External financing is included in ex post reports by government.

**Source:** adapted from Putting aid on budget – Good practice note: Using country budget systems,

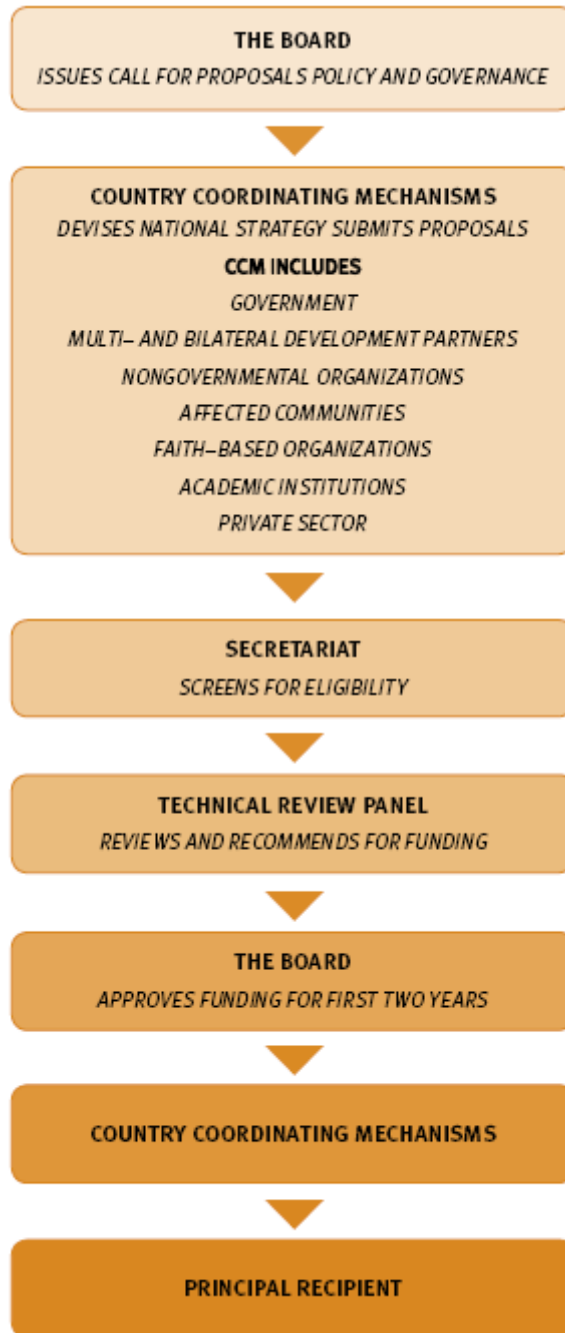
**Exhibit 5 GFATM Country eligibility requirements<sup>5</sup>**



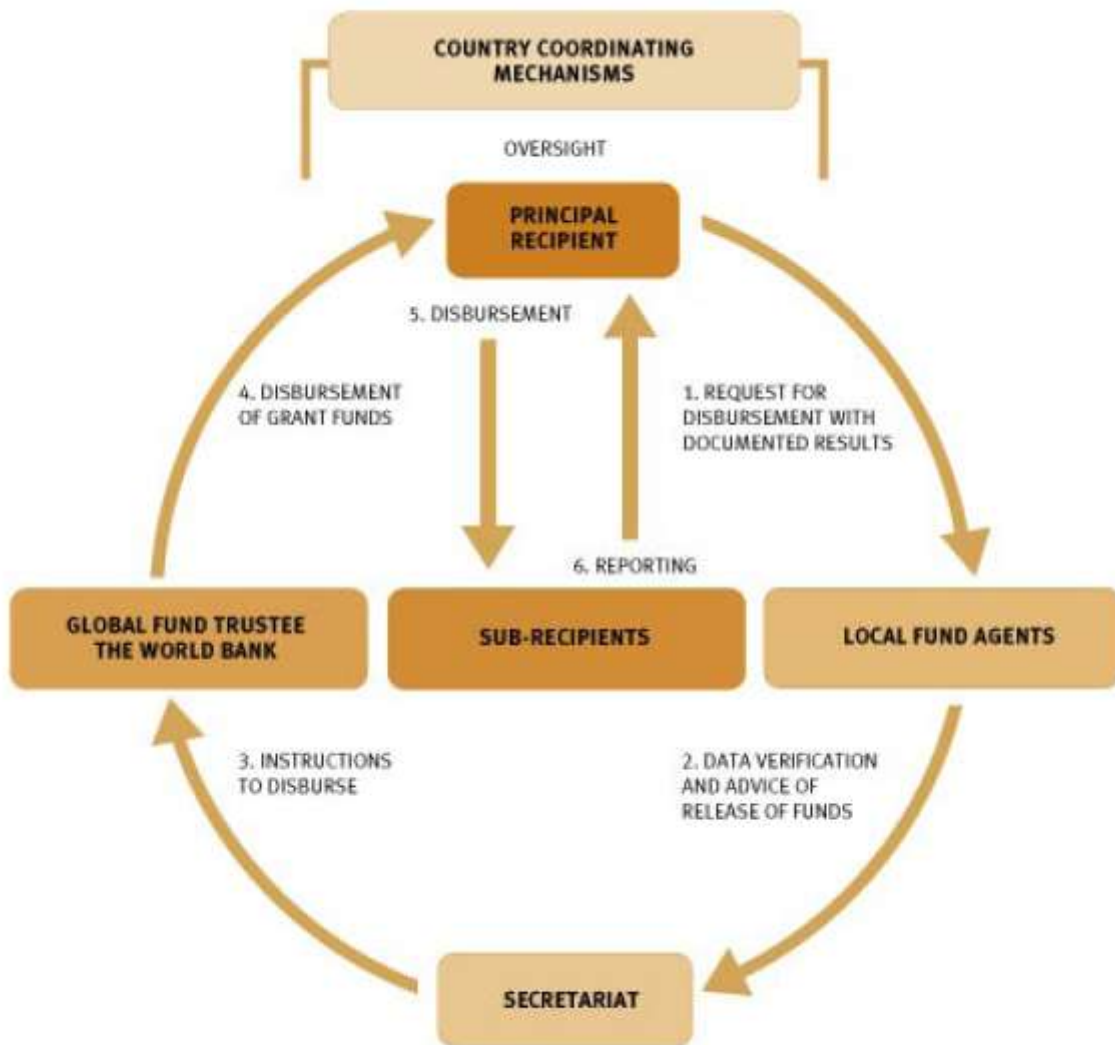
Source: <http://www.theglobalfund.org/en/eligibility/?lang=en#2>

<sup>5</sup> Commencing in Round 8, the Global Fund has introduced a 'one year grace period' for countries whose income level moves up from one income level to another between a funding Round. Relevant countries can apply for funding as if their income level classification remained at the old income level.

**Exhibit 6 Global Fund proposal process**



### Exhibit 7 GFATM Grant process



Source : [The Global Fund Grant Making Process](#)

## Attachment VII.A Approaches of other global partnerships – GFATM, GEF, GAVI

This Attachment provides brief information about three prominent global partnerships:

- The Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM)
- The Global Environment Facility (GEF)
- The Global Alliance for Vaccination and Immunization (GAVI).

None is directly comparable to the FTI Catalytic Fund, but each has tackled some aspects of the issues facing the FTI, and each may offer pointers for the redesign and refinement of the FTI.

### 1 Legal framework and mandate

#### *GFATM*

A1 Fund established after G8 and African Leaders acknowledged the need for more resources for the development agenda in public health in 2000–2001. United Nations General Assembly Special Session on AIDS in June 2001 concluded with a commitment to create such a fund, which the G8 endorsed and helped finance at their meeting in Genoa in July 2001. The purpose of the fund as articulated in the Global Fund's Framework Document is to:

attract, manage and disburse additional resources through a new public-private partnership that will make a sustainable and significant contribution to the reduction of infections, illness and death, thereby mitigating the impact caused by HIV/AIDS, tuberculosis and malaria in countries in need, and contributing to poverty reduction as part of the Millennium Development Goals.

#### *GEF*

A2 The GEF legal framework and mandate was laid out in a GEF Instrument (accepted by 173 states at Geneva in 1994). Its purpose is to provide:

new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits in the following areas:

- (a) Biological diversity;
- (b) Climate change;
- (c) International waters;
- (d) Land degradation, primarily desertification and deforestation;
- (e) Ozone layer depletion; and
- (f) Persistent organic pollutants.

#### *GAVI*

A3 Launched in 2000, the GAVI Alliance is a global health partnership representing stakeholders in immunisation from both private and public sectors: developing world and donor governments, private sector philanthropists, the financial community, developed and developing country vaccine manufacturers, research and technical institutes, civil society organisations and multilateral organisations like the WHO, Unicef and the World Bank.

A4 Working together, Alliance members achieve objectives, that no single agency or group could achieve:

- Accelerate access to existing underused vaccines;
- Strengthen health and immunisation systems in countries;
- Introduce innovative new immunisation technology, including vaccines.

## 2 Volumes of income and expenditure

### GFATM

A5 Since its creation in 2002, the Global Fund has become the main source of finance for programs to fight AIDS, tuberculosis and malaria, with approved funding of USD 11.4 billion for more than 550 programs in 136 countries. It provides a quarter of all international financing for AIDS globally, two-thirds for tuberculosis and three quarters for malaria.

### GEF

A6 Fourth GEF replenishment (2006–2010) was USD 3.13 billion. This was slightly larger than the third GEF replenishment.

A7 GEF expenditures also leverage much larger expenditures. Between 1991 and 2006, on average, co-financing provided 80% of funds for projects to which GEF contributed, while GEF financing provided only 20%.

### GAVI

A8 Total donor commitments to 2024 are USD 8.3bn, while total private commitments to 2014 are USD 1.58bn. As of January 2009, the GAVI Alliance had received USD 2.6bn in direct funding from government and private sources, while it has approved a total of USD 3.7bn to countries for the period 2000–2015.

## 3 How are funds raised (endowments, replenishments, subscriptions etc)?

### GFATM

A9 Since the establishment of the Global Fund, more than 45 countries as well as private foundations, corporations and individuals have pledged [significant resources](#) to support its work. However, due to the difficulties presented by an ad hoc contributions system to planning and providing sustained and predictable support, the Board decided to introduce a funding model based on periodic replenishments, after the financing model used by a number of international funds. The primary purpose of the voluntary replenishment process is to increase the predictability of the Global Fund's resource mobilisation efforts.<sup>6</sup>

A10 The Replenishment mechanism was established in October 2003. So far there have been two replenishment cycles, with a 'mid-term replenishment' review to assess the process. The first replenishment cycle, originally for two years, looked at funding needs for 2006–2007, as well as shortfalls for 2005. The second replenishment cycle has now been extended to three years and will cover the period 2008-2010. The [Five Year Evaluation Study Area 1](#) found that the Replenishment meetings have demonstrated themselves to be an effective forum for mobilising resources and allowing donors to articulate concerns, identify priorities, and learn about Global Fund results.

### GEF

A11 Every four years, donors provide funds in a replenishment. The size of the replenishment is agreed over the course of several meetings. Funding helps donors to meet environmental commitments. The GEF is currently on the fourth replenishment.

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<sup>6</sup> More information on the voluntary replenishment mechanism can be found at [http://www.theglobalfund.org/documents/replenishment/voluntary\\_replenishment\\_mechanism.pdf](http://www.theglobalfund.org/documents/replenishment/voluntary_replenishment_mechanism.pdf).

## GAVI

- A12 National governments and institutions support GAVI in three principal ways:
- Direct donations to GAVI;
  - Making long-term pledges to the IFFIm; and
  - Making pledges to the Advance Market Commitment (which supports the development and availability of a pneumococcal vaccine for developing countries).

## 4 What are the criteria for allocating funds among countries?

### GFATM

A13 (See Exhibit 5.) Highest priority is given to countries and regions with the greatest need, based on the burden of disease and the least ability to bring financial resources to address health problems. Proposals from countries and regions with a high potential for risk are also considered, taking account of the opportunity to prevent increases in prevalence and incidence.

- A14 Determining country eligibility for funding is a multi-step process, drawing on:
- the World Bank's [classification of countries and other economies by income level](#);
  - a Global Fund requirement that certain applicants (Lower-middle income and Upper-middle income applicants) ensure a predominant focus on [key affected populations](#) in their proposals;<sup>7</sup> and
  - a newly introduced principle of ['cost sharing'](#) for Lower-middle income and Upper-middle income applicants.<sup>8</sup>

- A15 Approaches for "weighting" and scoring multiple criteria are employed. Essential proposal eligibility criteria include the following:
- Disease burden for HIV, TB and/or malaria: This relies on accepted international standards for assessing disease prevalence and magnitude.
  - Relevant indicators of the poverty situation, such as GNP per capita, the UN Human Development Index, or others.
  - Potential for rapid increase in disease, based on accepted international indicators such as: recent disease trends, size of population at risk, prevalence of risk factors, extent of cross-border and internal migration, conflict, or natural disaster.
  - Political commitment, as measured by a variety of indicators, including: contribution to the financing of the proposal, public spending on health, existence of supportive national policies, or the presence of a national counterpart in the proposal.

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<sup>7</sup> The Global Fund uses the UNAIDS definition of key affected populations: "women and girls, youth, men who have sex with men, injecting and other drug users, sex workers, people living in poverty, prisoners, migrants and migrant labourers, people in conflict and post-conflict situations, refugees and displaced persons".

<sup>8</sup> For Lower-middle income countries, Global Fund support cannot exceed 65% of the overall disease program need; for Upper-middle income countries, Global Fund support cannot exceed 35% of the overall disease program need.

- Existence of a country coordination mechanism (CCM), which consists of an inclusive collaborative partnership, with all relevant partners engaged in planning, decision-making and implementation.

A16 There is a process for prioritising grants when resources are constrained. In the event that insufficient resources are immediately available to finance all proposals recommended by the Technical Review Panel (TRP, see ¶A27 below), these are financed sequentially, with the proposals in the higher-rated subcategories being financed before those in lower-rated subcategories. Proposals in the highest-rated for which insufficient resources are available are assigned a score in accordance with a composite index based on disease burden and poverty level. If insufficient resources are available to immediately finance all TRP-recommended proposals, the Secretariat is responsible for assigning scores to proposals and presenting the Board with these scores at the time of the Board's consideration of the TRP's recommendations.

A17 In the event of resource constraints for subsequent years, the following priority system will apply:

- First funding priority: Unfunded portions of prior year(s) renewals.
- Second funding priority: Renewals due in the current year. A time-limited partial allocation system will be established as necessary.
- Third funding priority: New proposal rounds.

### GEF

A18 Since its inception, the GEF had been primarily allocating funds in a “first-come, first-served” manner. As individual projects were proposed, they were usually put in line for approval if the project met the appropriate criteria. During negotiations on GEF-3 replenishment in the earlier part of the decade, it was recommended that the GEF move away from this allocation method and, as was being done at many similar institutions, take a more holistic approach, one that looked at a country's overall performance and potential in relation to generating global environmental benefits. This new way of disseminating GEF funds, the *Resource Allocation Framework (RAF)*, was put in place in the current period, initially affecting two of six focal areas – climate change and biodiversity – which together represent approximately two-thirds of GEF resources.

A19 Since July 2006, resources in these two focal areas are no longer provided in a first-come, first-served fashion, but are subject to a *predetermined allocation*. The GEF RAF is built on *two key pillars*.

- The *first* pillar, a country's potential to generate global environmental benefits, reflects the mandate of the GEF to provide incremental cost financing to generate global environmental benefits.
- The second pillar, country performance, reflects the national policies and enabling environment that facilitate successful implementation of GEF projects.

A20 These two pillars are reflected in the RAF through the two indexes:

- The GEF Benefits Index (GBI), a measure of the potential of each country to generate global environmental benefits in a particular focal area; for example, in the climate change area, the country's current greenhouse gas emissions level is a base factor.
- The GEF Performance Index (GPI), a measure of each country's capacity, policies, and practices relevant to a successful implementation of GEF programs and projects.

A21 Under the RAF, resources are being allocated to countries based on their potential to generate global environmental benefits and their capacity, policies and practices to successfully implement GEF projects.

A22 The new project cycle also facilitates a more strategic programming of GEF resources and increases transparency in the decision making process by posting on the GEF website all the documents and the decisions related to each PIF submitted to the GEF Secretariat.

### **GAVI**

A23 Eligibility for GAVI Alliance funding is determined by national income, and only countries with a GNI per capita below USD 1,000 in 2003 qualify (currently 72 eligible).

A24 Support is provided in response to country proposals, reviewed by an independent group of experts – mostly health officials from developing countries. GAVI Alliance has also introduced a pilot project enabling CSOs in 10 countries to apply for support.

A25 Eligibility for different facilities is as follows:

- ISS (Immunisation Service Support) can be applied for by all GAVI-eligible countries.
- In order to qualify for the following four new vaccines (HepB, Hib, Pneumo, and Rota), the country's immunisation coverage for the third dose for DTP3 must reach 50% and the government must not already be funding the vaccine.
- Countries can apply for the measles vaccine for introduction as a second routine dose if they meet WHO criteria.
- INS (Injection Safety Support) can be applied for by all GAVI-eligible countries.
- HSS (Health System Strengthening) can be applied for by all GAVI-eligible countries.
- CSO support type A can be applied for by all GAVI-eligible countries. Type B is on a pilot country basis only.

## **5 How are funds allocated?**

*Who decides what gets funded? How are available funds rationed? Do they have clear guidelines for the selection of proposals? How are project proposals presented to the fund? Is there an appeal process for unsuccessful applicant? Is there a quality assurance process in reviewing proposals?*

### **GFATM**

A26 Each proposal is screened by the Secretariat for completeness and eligibility (see Exhibit 6).

A27 A Technical Review Panel (TRP) reviews proposals based on a fixed set of criteria. Each disease component is reviewed separately. The GFATM uses an independent Technical Review Panel of up to 35 health and development experts who review eligible grant proposals for technical merit and make recommendations to the Board to ensure that its resources are invested in technically sound programmes with the greatest possibilities of success.

A28 The TRP provides its comments in writing, in a document titled TRP Review Form. The TRP Review Form outlines the main strengths and weaknesses of the proposal components (each disease represents a separate component) and details the TRP recommendations to the Board. There are four categories of recommendations:

Category 1: Recommended for approval without changes (and no or only minor clarifications).

Category 2: Recommended for approval provided that clarifications or adjustments are met within a limited timeframe.

Category 3: Not recommended for approval in its present form but strongly encouraged to resubmit following major revision.

Category 4: Rejected.

A29 Board approval is conditional upon the satisfactory reply to questions the TRP may raise about a proposal. The Board has the final decisions on all proposals for funding.

A30 There is an [appeals process](#) to address proposals that are not accepted. Where the Board, following TRP recommendation, rejected the same application twice in consecutive rounds of proposals, the applicant may appeal the relevant decision. In this case an [independent appeal](#) panel will review the appeal. Grounds for appeals are limited to significant and obvious error made by the TRP regarding the information contained in the second submission of the proposal.

### *GEF*

A31 Provides funding through four main modalities: full size projects (87%), medium size projects (4%), enabling activities (4%), and small grants (5%).

A32 Full sized projects (USD1m+) subject to review criteria and approval by Council. Medium-sized projects (up to USD1m) subject to review criteria but approved by CEO. Small grants programme of up to USD50,000: applicants contact country focal point to ensure that applications meet basic criteria. Review by Secretariat, circulation among agencies and relevant Secretariats.

A33 *Scientific and Technical Advisory Panel (STAP)*: this Panel, consisting of six internationally recognised experts in the GEF's key areas of work, provides strategic scientific and technical advice to the GEF on its strategy and programs.

A34 In the new project cycles GEF Agencies have the possibility to submit to GEF Secretariat on a rolling basis PIFs (Project Identification Forms), endorsed by the country operational focal point. GEF Secretariat review of a PIF focuses on the following elements:

- Country eligibility;
- Consistency with GEF strategic objectives/programs;
- Comparative advantage of GEF Agency submitting PIF;
- Estimated cost of the project, including expected co-financing;
- Availability of resources for the GEF grant request within the focal area and under the Resource Allocation Framework;
- Milestones for further project processing.

A35 Once the GEF Secretariat has completed its review and has circulated the PIF among all GEF Agencies and relevant Convention Secretariats, the CEO will consider the PIF for inclusion in a work program. PIFs cleared for work program inclusion will be sent for STAP screening whereby comments of STAP will be posted on the web together with the PIF.

A36 All PIFs cleared for work program inclusion will be eligible for a GEF project preparation grant that may be approved by the GEF CEO for an amount based on financing the estimated incremental costs of project preparation. Agencies have now the option to request a fee advance on the amount of the preparation grant.

A37 The second step in the GEF new project cycle is approval by the GEF Council of the work programs (comprising of PIFs for full-sized projects, Program Framework Documents, non-expedited enabling activities and Agency fees). The Council reviews the work programs during the two Council meetings held annually and through several inter-sessional work programs with decision by mail on a no-objection basis, between Council meetings.

A38 The work program document to be reviewed by the Council focuses on policy and strategic issues for Council consideration and describes the overall programmatic coherence of the concepts presented in the following terms:

- their collective contributions to the GEF strategic objectives and programs;
- their focal area and geographic balance, including a cumulative assessment of previous work programs;
- their innovative elements, as well as replication potential;
- the key assumptions and risks in the further development of the portfolio; and
- the resource programming implications.

A39 In approving the work program, the Council will provide guidance to the Secretariat and the Agencies on the strategic directions and programming framework for the GEF.

A40 The Program Framework Document (PFD) that includes documentation for securing approval and guiding implementation of a specific Program is presented to the Council in a work program. The Council reviews the PFD and endorses the overall objective and scope of the Program. PFDs will also identify, to the extent possible, all projects to be financed under the Program.

A41 The third step in the GEF project cycle is the GEF CEO's endorsement of the projects before such projects are approved by the GEF Agencies. The final GEF funding amount is confirmed by the CEO at this point. The Agencies will transmit for CEO endorsement the same documentation that they submit for approval by their respective internal approving authorities, plus a Request for CEO Endorsement which summarises key information of the project. The project proposals will be reviewed by the Secretariat for compliance with the following conditions for endorsement:

1. High likelihood that the project, as designed, will deliver its outcomes and will generate appropriate global environmental benefits that are consistent with focal area strategies, with an adequate explanation for any changes in expected global benefits since PIF approval;
2. GEF funds are used cost-effectively, focusing on among others, the review of project budget, which includes project cost tables for project components, project management, and consultants;
3. Compliance with GEF's M&E policy; and
4. Project preparation grant has been used in a cost effective way, as explained in the project preparation grant status report (which is included as an annex attached to the Request for CEO Endorsement).

A42 Within 10 business days of receiving a draft final project document for endorsement, the Secretariat will review the proposal and the CEO will determine whether the proposal is

in compliance with the conditions for endorsement. As soon as the CEO has determined that the project proposal meets the conditions for endorsement, the Secretariat will circulate to Council Members the draft final project document. Within four weeks of receiving such a document, Council Members may transmit to the CEO any concerns related to technical, procedural or policy issues or inconsistency with the GEF Instrument that they may have regarding the proposal prior to CEO endorsement and final approval by the Agency concerned.

A43 The CEO has discretion to endorse or not to endorse a proposal. The CEO will take into account any Council Member's concerns prior to endorsement and work to address them with concerned parties, following which the CEO will re-circulate the proposal, as needed.

A44 The CEO will post those concerns on the GEF website, will notify Council Members within two days and will update the status of the project proposal in the management information system to indicate that endorsement will be delayed pending resolution of the concern expressed by the Council Member. Endorsed final project documents will be posted on the GEF website.

A45 For Medium-Sized projects (MSP) the project cycle is shorter.

A46 Enabling Activities (EA) under expedited procedures (up to USD 500,000 in GEF financing, but varies across focal areas) do not need to submit a PIF.

#### *GAVI*

A47 The Board has the final decision on all proposals for funding.

A48 The Secretariat is responsible for day-to-day running and execution of Board decisions. Between 2000-2005, GAVI support was concentrated in supply of new and underused vaccines, and strengthening vaccine delivery systems. Delivery systems were improved through funding INS initiatives, and incentives to immunise more children were given through performance-based funding ISS. Between 2005-2010, GAVI support for new vaccines is increasingly conditional on complementary investment in delivery systems. In addition to expanding ISS support, it now also offers HSS.

## **6 Predictability**

#### *GFATM*

A49 Proposals are approved for the entire term of the proposal (up to five years) with a financial commitment for the initial two years (Phase 1) and then the possibility of renewal for up to an additional three years (Phase 2).

A50 Proposals may also be submitted through the [Rolling Continuation Channel](#) if there is an existing grant that meets certain special eligibility criteria. The Rolling Continuation Channel is an invitation-only proposal process for qualified applicants with strong-performing, existing Global Fund grants.<sup>9</sup>

#### *GAVI*

A51 The website states that GAVI aid is predictable: The International Finance Facility for Immunisation (IFFIm) has raised more than USD 1.6 billion of predictable financing for GAVI programmes since its launch in 2006. IFFIm finances have scaled up health and immunisation efforts in more than 70 countries.

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<sup>9</sup> For more information on the RCC refer to <http://www.theglobalfund.org/en/rcc/faq/>.

A52 GAVI facilitates this process by providing multi-year funding which covers the duration of individual countries' health and immunisation plans. By May 2009, GAVI's support amounted to USD 4 billion, committed to 2015.

## 7 Participation

### *GFATM*

A53 The Global Fund relies on a wide range of partners to carry out key activities. Partnerships take on a range of forms:

- At country level, the Country Coordinating Mechanism (CCM) is a partnership composed of all key stakeholders in a country's response to the three diseases.
- The Global Fund also relies on multilateral development partners for: TA support to M&E; support for capacity building, including HR; dissemination of best practices and financial assistance.
- The Global Fund utilises its Partnership Forum as a mechanism for understanding, learning and debate for all Global fund stakeholders.

### *GEF*

A54 Member countries have focal points and participate in the Assembly (and some in the Council). The Assembly includes many representatives of civil and political society. All countries have political focal points – that are responsible for governance. Countries eligible for GEF funding have operational focal points.

A55 NGOs participate in activities and assist in design, execution and monitoring of projects.

A56 GEF states that effective public involvement is critical to success of projects that it finances. It takes place through information dissemination, consultation, and stakeholder participation.

### *GAVI*

A57 The GAVI Alliance Board brings together experts from both the public and private sectors. The Board membership is made up of: CEO of GAVI Alliance (non-voting member); Research and Technical Health Institutes (International Vaccine Institute); the Bill and Melinda Gates Foundation; Governments Donor Countries (5 – USA, UK, Italy, France and Netherlands – representing also Canada, Australia, Norway, Ireland, Luxembourg, EC, Sweden and Denmark); World Bank; Unicef; WHO; Governments of Developing Countries (5 – Armenia, Ethiopia, Yemen, Vietnam and Rwanda); Vaccine Industry in Developing Countries (Serum Institute India); Vaccine Industry in Industrialised Countries (GlaxoSmithKline Biologicals); CSOs (BRAC); and Independent Individuals unaffiliated (9).

## 8 How is funding linked to sector/thematic planning in the recipient countries? Are there explicit attempts to form/guide sector policy?

### *GFATM*

A58 The Global Fund Framework Document states “The Fund will base its work on programs that reflect national ownership and respect country-led formulation and implementation processes.”

A59 There is no ‘explicit’ attempt to guide or form sector policy, but there are many explicit GF policies that implicitly aim to guide sector policy by the way funding decisions are made.

#### *GEF*

A60 Links are made between national policy and international commitments, especially through pressure to adhere to important international conventions and through capacity building. E.g. GEF helps countries to meet the Convention on Biological Diversity.

#### *GAVI*

A61 GAVI believes that the 72 developing countries it supports know best how to increase their immunisation coverage. The Alliance asks them to set their own immunisation priorities and keep ownership of vaccination programmes from start to finish.

### **9 Are there explicit attempts to comply with good aid practices (as defined by Paris Declaration, Accra agenda etc)?**

#### *GFATM*

A62 The Global Fund is a signatory to the Paris Declaration on Aid Effectiveness and makes explicit attempts to comply with it, uphold its principles, and monitor its progress and achievements against it.

A63 The [Strategy for the Global Fund](#) (2007) proposes several initiatives to better align the Global Fund’s procedures to country realities by making Global Fund financing simpler, more predictable and more flexible for countries.

- Grant consolidation will replace multiple grant agreements with a single agreement covering all existing Global Fund financing for a given disease that is going to a specified Principal Recipient. Each consolidated grant will have the management burden of only a single grant, with one budget and one set of results, which will be assessed on a periodic basis.
- To improve the predictability of Global Fund financing, the dates of future rounds will be announced well in advance of the launch of their formal “calls for proposals.” Additionally, the call will be issued at approximately the same time each year, and allow an extended period of time for CCMs to prepare submissions.
- The Global Fund will provide CCMs with the ability to request reasonable additional flexibility in the timing of the Phase 2 review when needed to enable alignment of Global Fund financing with national cycles.

A64 Although resources for health, especially HIV/AIDS, have grown dramatically in recent years, countries have faced difficulties integrating them into a coherent national response in line with a single national strategic framework to respond to the disease. To date, while the Global Fund has encouraged applicants to base funding proposals on national strategies and to attach these to their proposal, it has still required CCMs to complete a long Global Fund proposal form. Furthermore, even when national strategies have been attached to the proposal, the review of the TRP does not provide an assessment that could be useful to other potential funders. National strategies attached to Global Fund proposals have in any case tended to lack detailed budgets, information about financial contributions to national efforts by all funding sources, sufficient inclusion of civil society or the private sector, or appropriate mechanisms to ensure accountability. To create an incentive for countries to develop strong national frameworks, the Global Fund will accept “national strategy applications”. Once implemented, the national strategy application process

will require that, as a first step, a country has its strategy “validated” through a rigorous evaluation by an independent review mechanism. The strategy will need to satisfy certain criteria, such as being inclusive and comprehensive and including an appropriate workplan and budget. After the strategy is validated, an applicant will only need to provide the Global Fund with the validated national strategy and some minimal additional information (such as the existing financial contributions to the strategy, the amount sought from the Global Fund, and the results to which the funding sought is expected to contribute).

#### *GEF*

A65 The Accra Progress Report on Monitoring the Paris Declaration lists GEF among complying international funds.

#### *GAVI*

A66 The International Health Partnership (IHP) was launched in 2007, which aims to make health aid work better through among other things providing better coordination among donors, and developing and supporting countries’ own health plans.

A67 Since the launch of the IHP, implementation has moved to the country level, where development partners and Ministries of Health sign national compacts or agreements. Following Mozambique, Ethiopia and Nepal, Mali was the fourth country to sign a national compact in April 2009. The GAVI Alliance uses the principles set out in the Paris Declaration on Aid Effectiveness to guide its work. This international agreement, signed in March 2005, commits ministers, heads of agencies and other stakeholders in aid to harmonising their efforts and monitoring results using rigorous indicators.

A68 The principles of aid effectiveness are enshrined in the four core areas of GAVI’s work.

## **10 How is the proper and effective use of funds monitored and evaluated?**

#### *GFATM*

A69 To implement performance-based funding and to facilitate grant management throughout the life of a grant, the GF tracks performance against targets by using a set of indicators. These indicators are selected and targets are set based on the activities proposed by the countries in the Performance Framework and form a part of the formal and legally-binding grant agreement.

A70 The GF requires an M&E Plan at the time of grant signature, explaining the M&E system the recipient will use or proposes to put in place in order to report on performance against targets in the grant agreement. Indicators related to program management range from input and process to output, outcome and impact.

A71 Since the Global Fund does not have staff at country level, it contracts firms to act as *Local Fund Agents* (LFAs) to monitor implementation and to oversee, verify and report on grant performance. LFAs are responsible for providing recommendations to the Secretariat on the capacity of the entities chosen to manage Global Fund financing and on the soundness of regular requests for the disbursement of funds and result reports.

#### *GEF*

A72 The M&E office of the Secretariat recently became an independent office of evaluation for the GEF. It i) independently evaluates the effectiveness of GEF programmes, ii) establishes M&E standards, and iii) provides M&E quality control. M&E work is guided by

the GEF M&E Policy issued in 2006. The work plan is approved annually by the GEF Council. It completes an Annual Performance Report, and Overall Performance Studies every 4 years, country performance studies, and oversees project evaluations.

A73 Various other agencies also conduct project evaluations.

#### *GAVI*

A74 GAVI Alliance has an M&E technical advisory group, which dictates its M&E policy. GAVI believes that performance accountability is a shared responsibility between the Secretariat, its partners and national governments. GAVI relies on its partners (WHO, Unicef and others) to support countries implementing and monitoring all GAVI funded activities.

## **11 Are there any special arrangements for fragile states?**

#### *GFATM*

A75 The GFATM uses DFID's working definition of a fragile state as a state that "cannot or will not deliver core functions to the majority of its people, including the poor."

A76 Performance-based financing is not waived for fragile states. The only provision is that where there is no national entity that has adequate capacity to manage the resources, a third-party, non-implementing entity (often UNDP) is used as a stop-gap Principal Recipient to manage the funds and disburse them to sub-recipients.

A77 The absence of any specific consideration of fragile states in the 2007 strategy document suggest that the Global Fund feels the various provisions, caveats and exemptions it has so far built into its rules and processes (described above) are working as well as the other areas of its system it did not chose to strategically modify,<sup>10</sup> subject to continual review.

#### *GAVI*

A78 GAVI Alliance divides countries into four categories according to their expected ability to co-finance vaccines supported by GAVI. Fragile states is one of these categories. GAVI works with many countries defined as fragile states.

A79 In 2006, GAVI adopted the DFID definition of a fragile state. It has also taken steps to define revised policies and tailored solutions for fragile states. Countries meeting the fragile states criteria have more lenient co-financing arrangements.

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<sup>10</sup> Areas reviewed but in which strategic modifications were not made: Measuring Impact and Ensuring Accountability; Portfolio Composition; The System of "Rounds"; Support to Poor Performers; Country Coordinating Mechanisms; Local Fund Agents and the Location of Global Fund Staff.