

# IMPROVING AID EFFECTIVENESS

## INFORMATION NOTE

The Global Fund encourages CCMs to integrate the principles of **aid effectiveness** into the development of proposals, including CCM Requests for Renewals; the purpose of this information note is to offer specific recommendations on how this can be done, with a focus on opportunities for alignment to government systems and processes throughout the budget cycle.

### WHAT IS AID EFFECTIVENESS?

As funding for health has increased, there has been a growing recognition that the way in which aid is delivered matters as much as the quantity of aid. To improve the quality of aid, many countries and development partners have agreed to the principles of **aid effectiveness**, as enshrined in the **five principles of the Paris Declaration on Aid Effectiveness (2005)**. In an effort to improve aid effectiveness, countries articulate their development priorities and exercise leadership over them (*ownership*). Development partners support countries' development plans and strategies and increasingly use country systems (*alignment*).

Development partners pledge to coordinate their efforts with each other to reduce the reporting burden on countries (*harmonization*). Development efforts are based on the achievement of quantifiable results (*managing for results*), and recipient countries and partners are accountable to each other for progress (*mutual accountability*).

Ideally, these efforts should be made in the context of a **program approach**, which is a nationally owned program of development, such as a development strategy or sector program. Aid effectiveness measures are undertaken to improve implementation and to increase the probability of sustainable, high quality results that achieve maximum impact.

### WHY IS IT IMPORTANT: THE CROSS-CUTTING NATURE OF AID EFFECTIVENESS

Aid effectiveness issues cut across all programmatic elements, including equity and value for money. CCMs are therefore encouraged to use aid effectiveness principles to guide the development of proposals that ensure equity and value for money. The table below illustrates example aid effectiveness issues and their possible effects on equity and value for money.

| <b>Aid effectiveness Issue</b>   | <b>Effect on equity</b>  | <b>Effect on value for money (VFM)</b>  |
|--|--|---|
| <i>Grants<sup>1</sup> are not reported on country budgets or supporting documentation as approved by legislature</i> | Failure to report grants on the country's budget does not permit comprehensive national planning and budgeting, which would help to identify any potential programming gaps. | Understanding the link between a program's output, outcomes and the corresponding financial investment is essential for optimal resource allocation and decision-making.  |
| <i>Lack of donor coordination results in different donors providing the same services</i>                            | Lack of donor coordination leads to a fragmented response to the three diseases, allowing certain subpopulations to be overlooked and neglected.                             | An element of good VFM is that Global Fund financing is additional and non-duplicative to existing resources and activities. This is difficult to achieve if there is not coordination to ensure that the overall allocations of resources and interventions are best for the program's objectives. |
| <i>Salaries are not coordinated among donors and government</i>  | Higher salaries for certain disease programs can negatively distort the health sector workforce, for example by taking human resources from other public health issues.      | Unnecessarily increasing the cost of staff decreases the value for money that the program can provide.  |

## **HOW CAN CCMS INTEGRATE AID EFFECTIVENESS PRINCIPLES INTO CCM REQUESTS?**

CCMs are encouraged to take the following aid effectiveness principles into account when proposing implementation plans.

### **Ownership and Accountability**

Actions in this area improve transparency and accountability of financing for the diseases through alignment with country cycles, public recording of Global Fund financing in country budgets and in national accounting books. As a result, national resource allocation and the planning and development process are strengthened. Transparency allows the general public, parliament and civil society to hold recipient governments and donor agencies accountable.

Transparent and comprehensive national planning and budgeting allows gaps in the disease response to be identified. Proposals should therefore complement existing

<sup>1</sup> Please note that under the new Global Fund grant architecture, grants refer to Single Streams of Funding (SSF).

disease responses and describe linkages to non-Global Fund external resources.

### **Alignment with national systems and procedures**

Using existing systems strengthens country capacity in implementation, monitoring, procurement and supply management (PSM), and financing. Grant alignment can improve the transparency of data through consistent data collection and reporting.

To streamline reporting, grant reporting dates should be aligned with country planning and fiscal cycles.

CCMs may request funding for management or technical assistance to apply to the strengthening of existing country systems, such as M&E, procurement, or financial management systems. These measures should be costed and detailed in the Technical Assistance plan.

The grant data collection and reporting should rely on existing national M&E systems. Grants' indicators and targets should be taken from the national M&E plan. Grants should use national forms for data collection and reporting, where possible. Grants' data collection systems should be aligned with the national information flow. CCMs are encouraged to request funding to strengthen the national M&E system. Five to ten percent of grant funds should be used to strengthen M&E (**5.4 Strengthening monitoring and evaluation systems**).

Where appropriate capacity exists, grants with government PRs should rely on the government accounting systems, the government audit, and the government procurement and supply management (PSM) systems available within their national pharmaceutical sector. The Global Fund supports the strengthening of existing in-country systems for the management of pharmaceuticals and other health products, particularly the use and strengthening of national procurement and supply management systems for government PRs. Activities to strengthen systems within the national pharmaceutical sector are therefore encouraged.

### **Harmonization and Coordination**

Global Fund-financed activities should be coordinated with other donor-funded activities. Harmonization reduces transaction costs at the national disease program level and improves understanding of Global Fund processes among stakeholders.

Countries are asked to show evidence of harmonization of proposed compensation packages with existing in-country compensation policies, including salaries, per diems, other compensation, volunteer stipends, or top ups. These policies may be agreed within government, between government and donors, between governments and Civil Society Organizations (CSOs), or among CSOs. PRs should attend the disease program and the health sector joint review where they have been organized. PRs are also encouraged to systematically coordinate with other PRs and implementers.

## **ISSUES FOR CONSIDERATION: ALIGNMENT OPPORTUNITIES THROUGHOUT THE BUDGET CYCLE**

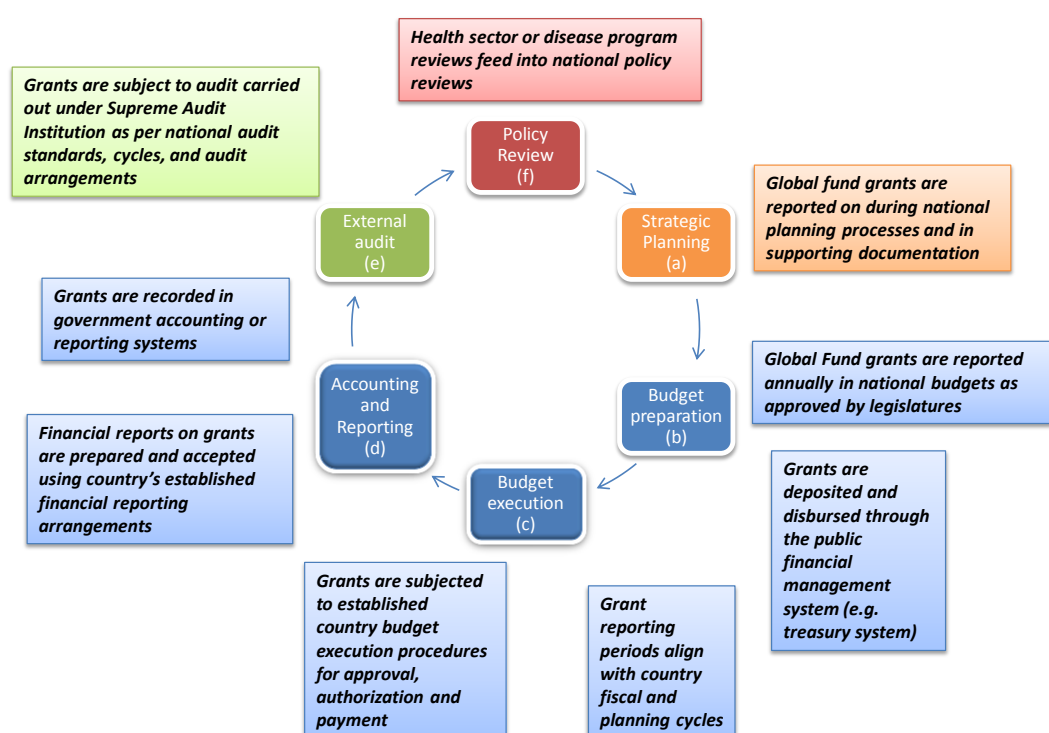
Alignment, or the use of country plans, strategies, and systems, is not only a principle of the Paris Declaration, but also a strategy to use and strengthen country systems for

the long-term. Figure 1<sup>2</sup> below illustrates opportunities to align Global Fund grants to existing national policies and systems throughout a typical country budget cycle. Unless otherwise indicated, these grant alignment opportunities would apply only to grants with government PRs, but some elements, such as reporting aid on budget, may also apply to grants with civil society and multilateral PRs.

The budget cycle process begins with the strategic planning phase (a), in which stakeholders determine the strategic priorities of the country. Representation of key Global Fund stakeholders, such as PRs and CCM members, may be necessary to ensure that Global Fund financing is properly represented in medium-term macroeconomic projections of financing for the three diseases.

Next, in the budget preparation phase (b), grants should be reported in the country's annual budget as approved by the legislature. Some countries only allow domestic financing to be reported in their budgets; in these cases, Global Fund grants may be reported in a budget annex, aid management system, or supporting documentation which records external assistance flows. The Secretariat recognizes the importance of including Global Fund financing as part of national resource envelopes and provides indicative disbursement forecasts upon request.

**Figure 1. Alignment throughout the budget cycle**



Following budget approval by legislature grants should be deposited and disbursed through the treasury system and rely on the public financial management system for implementation, where feasible. Grant reporting periods should be aligned to the country fiscal and/or planning cycles to reduce the Global Fund-specific reporting burden.

<sup>2</sup> Derived with gratitude from selected indicators of the Paris Declaration on Aid Effectiveness (2005) and the Ministry of Foreign Affairs of Denmark, "E-learning Introduction to Public Financial Management - Module 2: "The budget cycle: Phases and tools".

Global Fund grants should also use budget execution procedures (c), where feasible. While the specific type of execution procedures differs by country, Global Fund financing should be committed, verified, authorized, and paid out according to national procedures.

The national accounting system (d), whose role is to provide accurate information on the government's financial position, then monitors these commitments and payments. Established and accepted national reporting procedures should be used to prepare financial reports on Global Fund grants. These financial reports are typically generated by line ministries, for example the Ministry of Health.

Even if grants are not disbursed according to national budget execution procedures, they can still be recorded in national accounting or reporting systems, as maintained by the Ministry of Finance, Treasury, or other central level entity. The amount of Global Fund grants recorded in the accounting or reporting system should match the total amount disbursed in the given period.

Following the accounting and reporting phase of the budget cycle (e), the independent external audit or Supreme Audit Institution (SAI) ensures the compliance, financial accuracy, and value for money of government finances. Where feasible, Global Fund grants should be audited by the SAI as per national audit cycles, standards, and arrangements.

The budget cycle concludes with the policy review (f). All types of PRs are encouraged to include their grants in the disease program and health sector program of work and budget, and PRs should participate in the sector or disease coordination group if such a group exists. The PR should also attend the disease program and health sector joint review where they have been organized. Health sector and disease program reviews in turn feed into national policy reviews and lead into the strategic planning process of the next fiscal year's budget, recommencing the budget cycle.

#### Reporting Global Fund grants “on budget”

To report Global Fund grants means that Global Fund grants are included in the budget, its annex, aid management system, or supporting documentation. Reporting grants on budget increases the comprehensiveness, transparency, and accountability of government budgets. By closing the gap between budgets and actual outturns, the credibility of the government budget is also improved.

In contrast, non-transparent, parallel, and/or separate processes for the reporting of Global Fund grants undermine the robustness of public financial management systems. As the Global Fund does not have in-country presence, it relies on PRs, CCMs, and other partners to ensure that its financing is accurately reported in country budgets during the budget preparation stage.

#### RESOURCES / LINKS TO TOOLS AND GUIDANCE

- More information on [Global Fund and aid effectiveness](#)
- Email [effectiveness@theglobalfund.org](mailto:effectiveness@theglobalfund.org)
- For specific information on the Paris Declaration on Aid Effectiveness or the Accra Agenda for Action, please visit the [OECD website on aid effectiveness](#)
- For more general information on aid effectiveness, please visit: <http://www.aideffectiveness.org/>