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# Shifting from Inputs to Outputs-Based Contracting for LLIN Campaigns

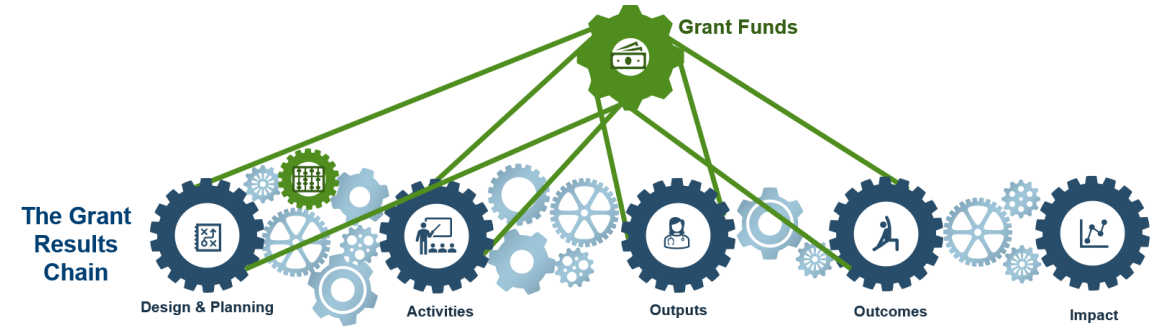
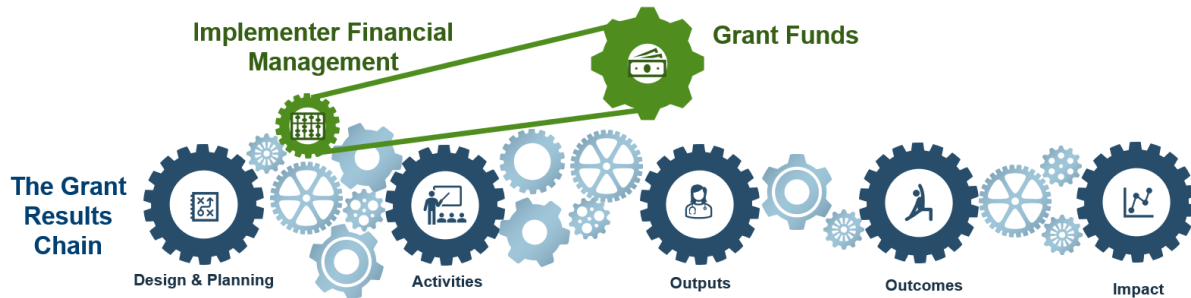
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AMP ANNUAL MEETING 2023

# The Global Fund welcomes use of “Payment for Results” (PfR) contracting modalities for LLIN Campaigns:

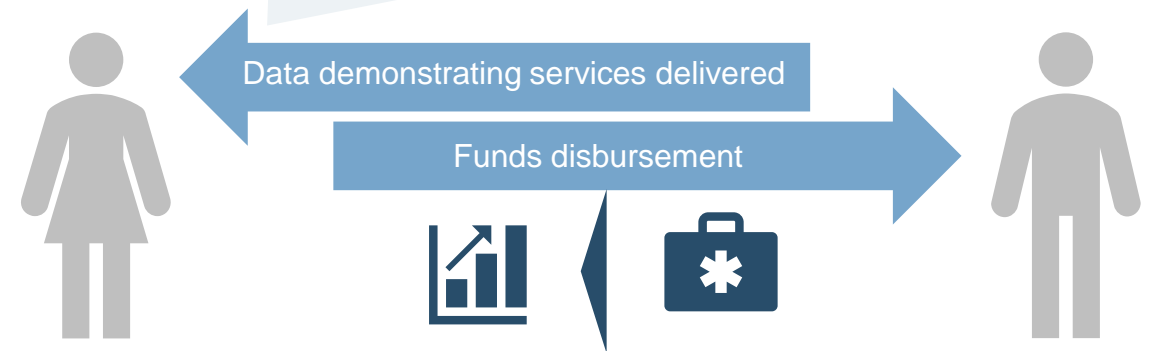
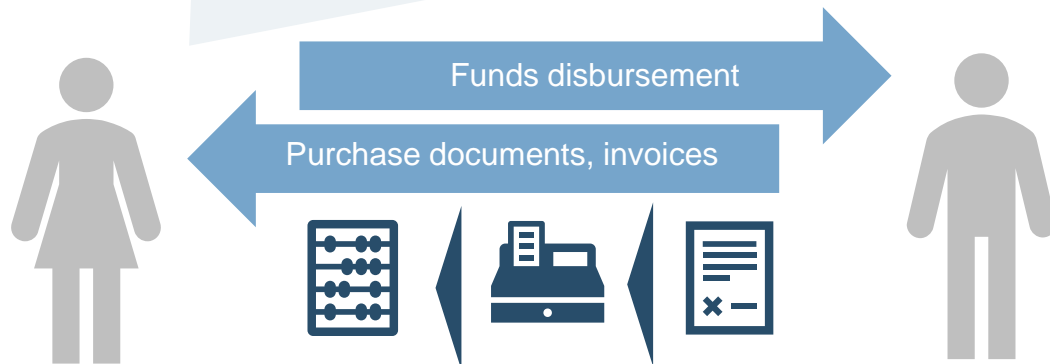
## Default GF Terms & Conditions

## Payment for Results Modalities



“If you show me complete and compliant procurement and expenditure documentation, you can keep/receive the money.”

“If you provide evidence of having delivered the result or milestone, and I verify it is accurate, you can keep/receive the money.”



# Example : LLIN Activity Based Contract (ABC) in the DRC

Under standard GF T&Cs, ineligibles result from non-compliant documentation of procurement and financial management

Type of costs	Amounts at ZS level (USD)	In %
<b>Fixed</b>	<b>5,992,406</b>	<b>49%</b>
• Fuel	635,198	5%
• Per diems/ Collation	4,508,124	37%
• Travel	849,084	7%
<b>Variable</b>	<b>6,128,542</b>	<b>Max 51%</b>
• Accommodation	455,780	4%
• Supplies/ Equipment	296,987	2%
• Catering	793,231	7%
• Rental	1,576,535	13%
• Warehousing	367,995	3%
• Transport*	2,638,013	22%*
<b>TOTAL AMOUNT AT ZS LEVEL</b>	<b>12,120,947</b>	<b>100%</b>

\* Includes last mile (bike) transport which is fixed.



### Compliant procurement and invoicing for:

- Transport Services
- Hall Rentals, Catering/Food
- Paper, Pencils, Bags
- Warehousing

### Compliant accounting for Per Diems

- Registration & Distribution workforce
- Data collectors
- Supervisors

“In DRC, we move more paper than nets”

Under PfR Modalities, payments are at least partially withheld till after proof of delivery and verification of programmatic performance. Ineligibles result from under-performance or over-reporting.

ABC Deliverables	Portion of Contract
1. <b>Households Covered</b> (Registration & Distribution)	70 - 80
2. <b>Campaign Workforce Trained</b>	5
3. <b>ITNs Accounted For</b>	10 - 25



### Quality Programmatic Milestones:

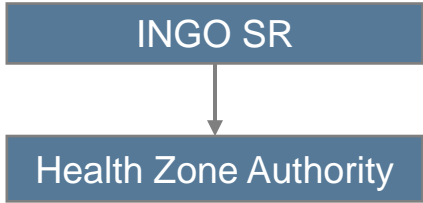
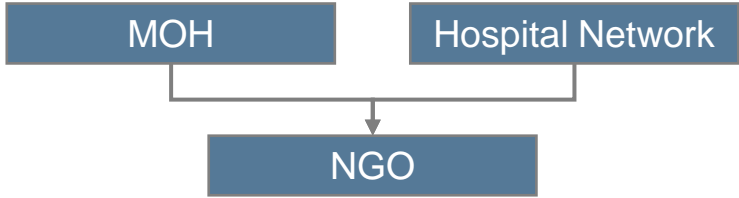
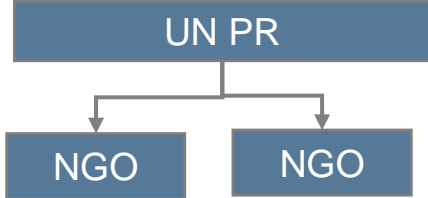
- Accurate pricing, quantification and planning
- Campaign workforce has skills to deliver the campaign
- Household registration achieves full coverage
- ITNs (bednets) reach last mile for delivery and are accounted for
- Bednet distribution to households achieves planned coverage
- Data tracking coverage is complete and accurate

# PfR have been shown to generate many benefits:

	Benefits
<b>Programmatic:</b>	<ul style="list-style-type: none"><li>• Improved <b>quality and timeliness of service delivery</b></li><li>• Increased decision-making <b>flexibility</b></li><li>• Strengthened <b>performance management</b></li><li>• Faster, more reliable programmatic <b>data</b></li><li>• Extended <b>reach to beneficiaries</b></li></ul>
<b>Sustainability :</b>	<ul style="list-style-type: none"><li>• Increased <b>ownership</b> over delivery</li><li>• Meaningful domestic <b>accountability</b></li><li>• Integration of <b>community-based monitoring</b></li><li>• Build resilient and <b>sustainable health systems</b></li></ul>
<b>Value for Money :</b>	<ul style="list-style-type: none"><li>• Improved <b>operational efficiency</b></li><li>• Effective and efficient <b>control systems</b></li><li>• More <b>accurate pricing</b> methods</li></ul>
<b>Fiduciary:</b>	<ul style="list-style-type: none"><li>• Increased <b>absorption</b></li><li>• <b>Strengthened fraud controls</b></li><li>• Mitigated risk of <b>ineligibles</b></li></ul>

# PfRs can be flexibly designed, within limits

GF and AMF have supported pilots of 3 different LLIN PfRs—these will generate standardized GF guidance and AMF tools for LLIN Campaign Service Delivery Contracting:

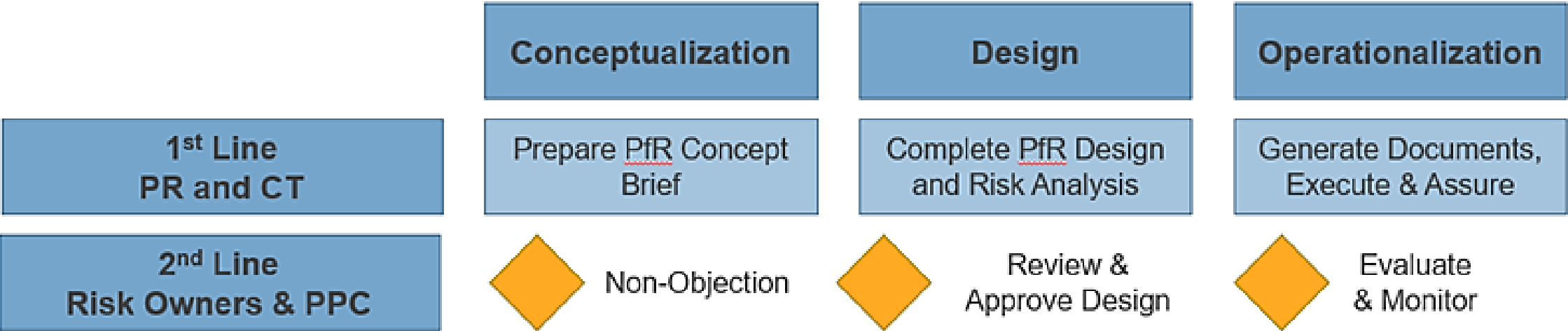
Design Feature	DRC	Pakistan	South Sudan
<b>Campaign phases</b>	Single	Dual	Single
<b>Where PfR located:</b>	 <pre> graph TD     A[INGO SR] --&gt; B[Health Zone Authority]           </pre>	 <pre> graph TD     A[MOH] --&gt; C[NGO]     B[Hospital Network] --&gt; C           </pre>	 <pre> graph TD     A[UN PR] --&gt; B[NGO]     A --&gt; C[NGO]           </pre>
<b>Deliverables</b>	<ul style="list-style-type: none"> <li>• coverage;</li> <li>• workforce trained;</li> <li>• LLIN accountability</li> </ul>	<ul style="list-style-type: none"> <li>• microplanning,</li> <li>• SBCC,</li> <li>• HHR coverage,</li> <li>• Distribution coverage,</li> <li>• LLIN accountability</li> </ul>	<ul style="list-style-type: none"> <li>• # of LLINs distributed</li> </ul>
<b>Verification Methodology</b>	LQAS population-based survey executed by Community Based Organization	Quality standard checklists; population-based surveys, end-process DQA & cross-referencing campaign/procurement documentation	End-process DQA
<b>Deployment of technology</b>	OS: Kobo Collect – used previously	OS: Redrose – used previously but limited in geography	DHIS2 – never used before

# PRs fall into common traps when they contract for programmatic activities via PfRs such as ABCs or Service Delivery Contracts:

- **GF T&C and Assurance model not adjusted**
  - Key contractual provisions are not waived; thus PR remains liable for compliant financial management of grant funds as under default contractual provisions
  - LFA and annual audit fail to shift from assuring expenditure documents to assuring programmatic evidence and verification evidence
- **“Double-Trouble”:** Implementers remain “on the hook” for both inputs and outputs
  - PfR contracts fail to explicitly replace requirements for compliant expenditure documents with requirements for proof of delivery of pre-agreed results
  - This generates an unacceptably high risk of ineligibles so either strong implementers don’t bid; processes get even heavier; and ineligibles risk spikes.
- **Contract for wrong deliverables for wrong price (e.g., too much or too little)**
  - Impact or Outcome – not in implementers’ control
  - Setting price via inaccurate population estimates in the case of LLIN campaigns
- **Deliverables not independently verified**
  - Self-reporting means risk of fraudulent over-reporting risk remains
  - Sign-off or Audit Risk high
- **No articulation of residual risk for risk-acceptance decision**
  - Sets them up for failure with Audit/Investigation

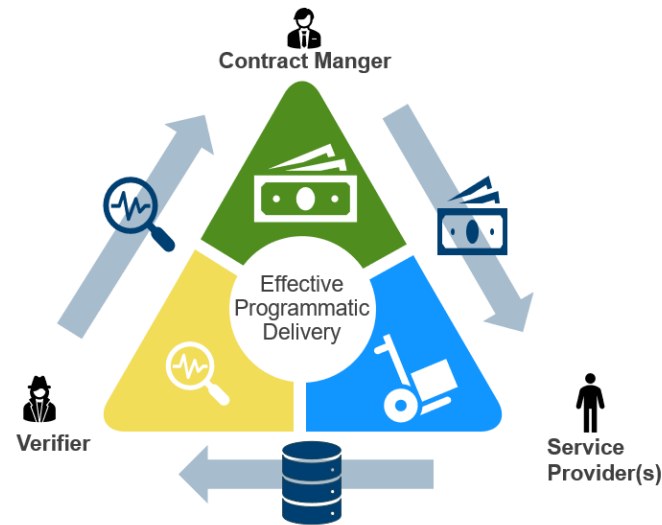


# Solution: The Global Fund will shortly issue an Operational Policy Note that articulates a process, standard requirements, and standard contractual waivers for PfR Modalities



# PRs will be required required to design PfRs to meet 7 requirements:

PfR Design Requirements
A. Appropriate Justification/Objectives
B. Appropriate Outputs
C. Appropriate Price & Payment Terms
D. Appropriate Implementation Arrangement
E. Appropriate Controls & Verifications of Outputs
F. Optimized Risk Trade-Off
G. Comprehensive Assurance



### Contract Terms

Between:

	GF->PR Level	Below PR Level
Payor	Global Fund	PR or SR or SSR
Delivering Implementer	PR	SR or SSR

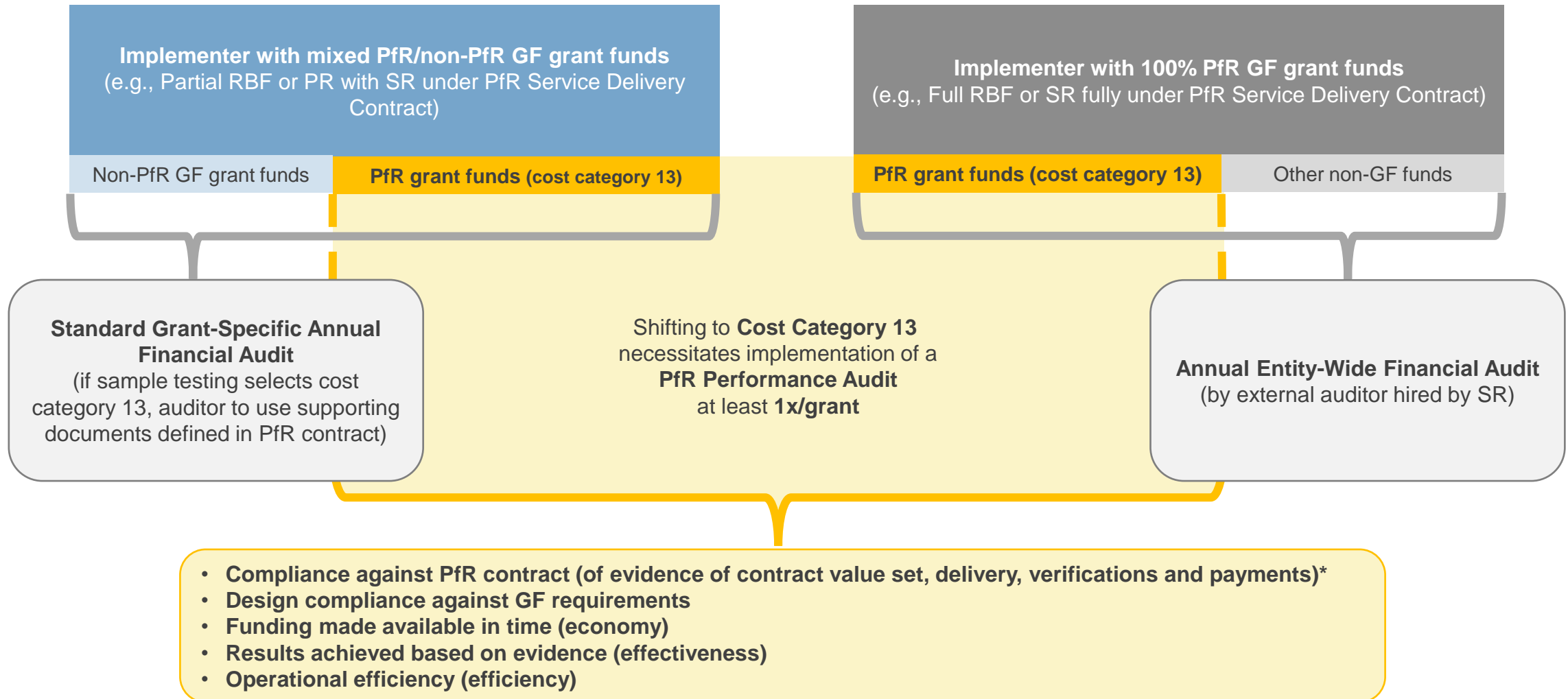
Result	Evidence	Verification of Result	Payment Terms	Financial Value

### Verification Approach

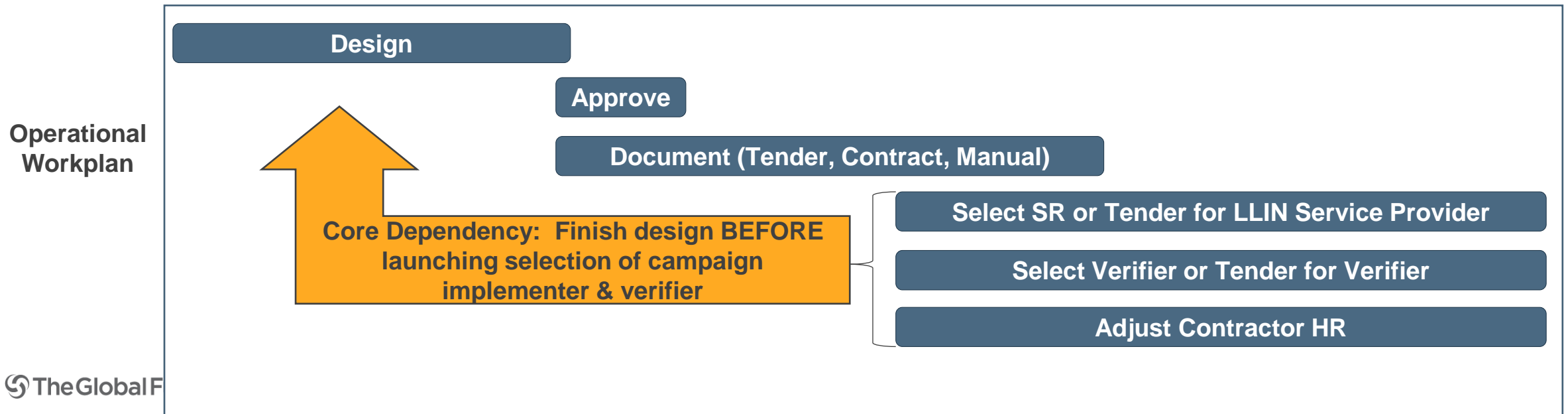
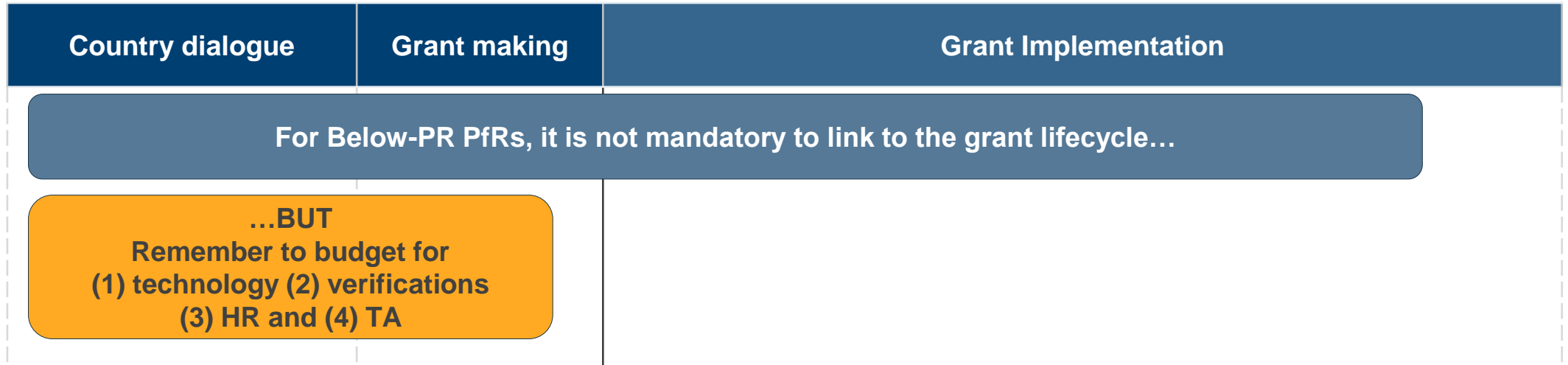
Result	Verification method	Verification Evidence	Sampling Level	Verifying Entity



# Global Fund will then adjust LFA and Audit TORs to align to PfR Terms and Conditions



# I'm interested – when do I need to get started?



# Global Fund (and AMP) offer the following support:



Standard roadmaps/workplans



A “How To Build a PfR for LLIN Campaigns” workshop-based tool



Trained TA providers who can guide the design of the PfR



Dedicated GF staff who can support/guide/advise



Standard LQAS and DQA protocols (generated by AMP) against which PfR Payments can be made



Standard waivers for agreement between PR and GF



Template LFA TORs



Template Auditor TORs