
RBC How-to-guide 2.0

AUGUST 2023



2nd line will review and approve the following components of the OBF agreement according to their respective “risk lens”:

The contract elements outlined in this slide and the next are not meant to be filled out in the beginning but rather are meant to be kept in mind while working through the elements of the guide, as the RBC contract with the outlined elements is the final product that must be generated in an RBC.

Contract Elements

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

2nd line will review and approve the following components of the verification protocol according to their respective “risk lens”:

Verification protocol

Result	Verification method	Sampling level	Verification evidence	Verifying entity

Table of contents: Quick navigation for 2nd line risk owners

Result	Evidence	Verification of result	Payment terms	Financial value
Link to templates	Link to templates	Link to templates	Link to templates	Link to templates
Required 2 nd line reviewers:	Required 2 nd line reviewers:	Required 2 nd line reviewers:	Required 2 nd line reviewers:	Required 2 nd line reviewers:

Result	Verification method	Sampling level	Verification evidence	Verifying entity
Link to templates	Link to templates	Link to templates	Link to templates	Link to templates
Required 2 nd line reviewers:	Required 2 nd line reviewers:	Required 2 nd line reviewers:	Required 2 nd line reviewers:	Required 2 nd line reviewers:

Risk register	Assurance plan
Link to templates	Link to templates
Required 2 nd line reviewers:	Required 2 nd line reviewers:



Do not fill out this set of slides first: these are to be filled at the very end, after having completed all the steps of the analysis outlined in this guide.

You will use all the design decisions generated at every step of the *How To Guide* to **generate the actual contractual** (RBC contract) or **tender** (RBC RFP) language jointly.

INTRODUCTION TO RBC



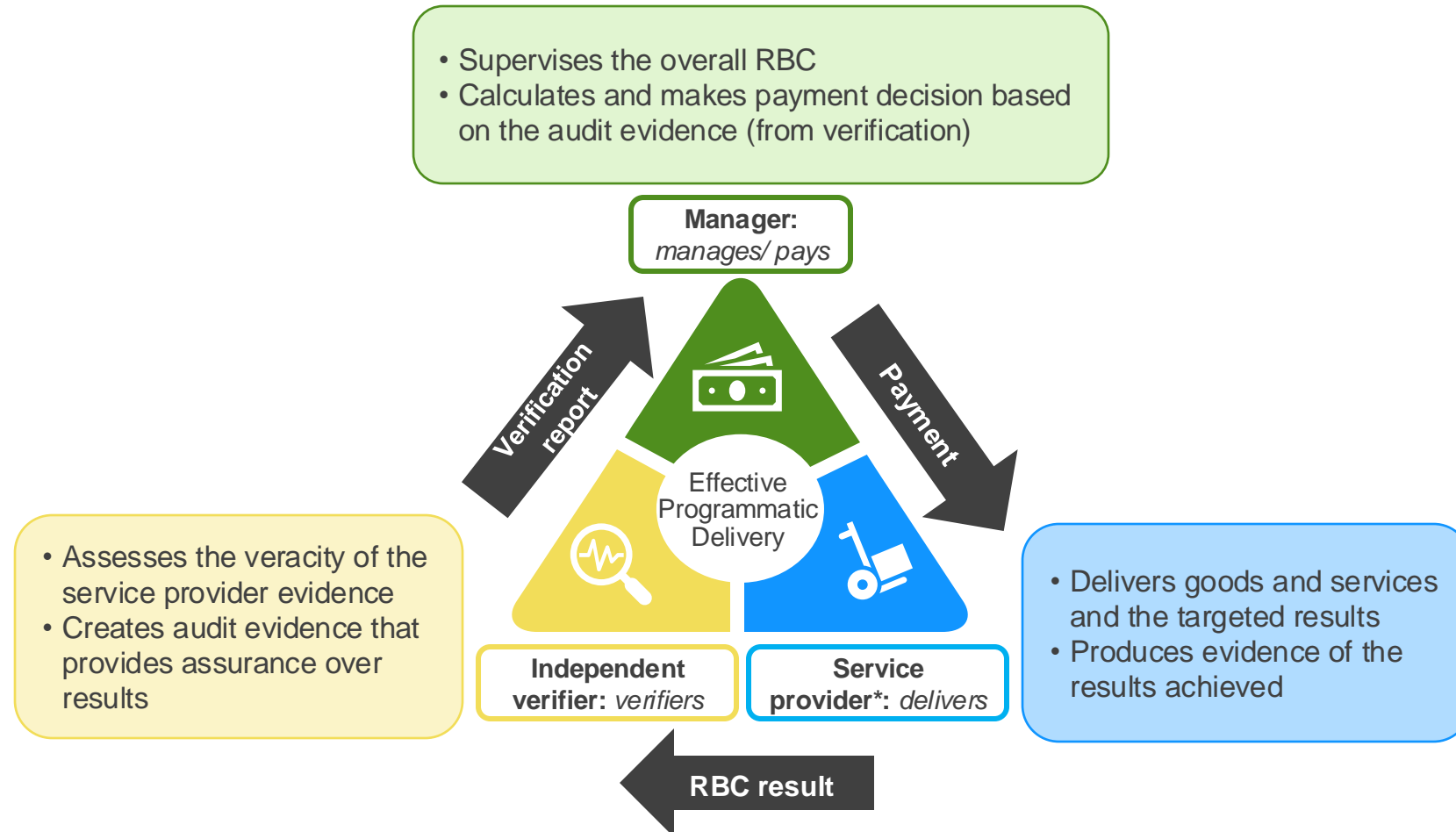
What is an RBC and why is it used?

“An RBC is a programmatic and contractual approach in which the ‘RBC Contracting Party’ agrees to pay the ‘RBC Implementer’ upon verification of mutually agreed ‘RBC Results’ using earmarked RBC Global Fund grant funds or catalytic funds.”

Why use an RBC contracting scheme?

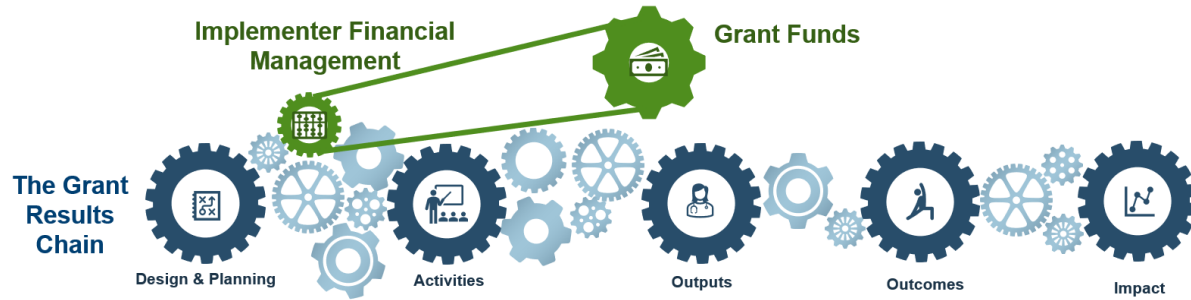
- 1 To drive increased programmatic results
- 2 To improve operational efficiency and grant fund absorption
- 3 To deter the risk of high-severity fraud and mitigate the risk of ineligible
- 4 To ensure sustainability of programs by enhancing ownership over delivery

Roles and responsibilities within an RBC

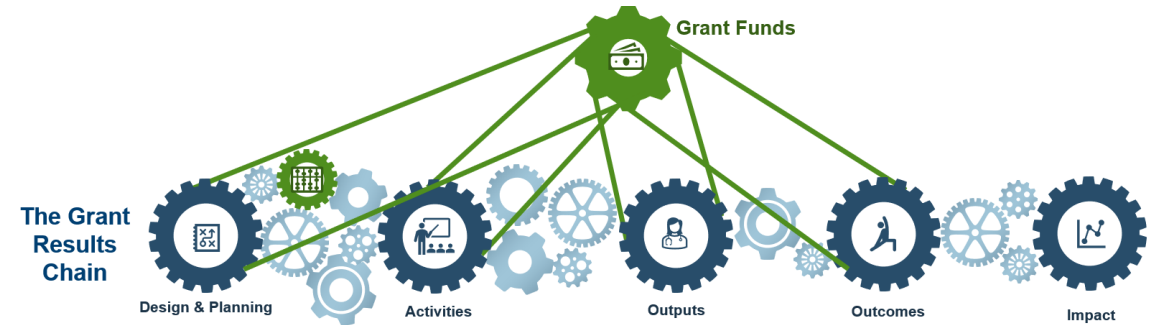


The Global Fund welcomes use of “Payment for results” (RBC) contracting modalities in grants:

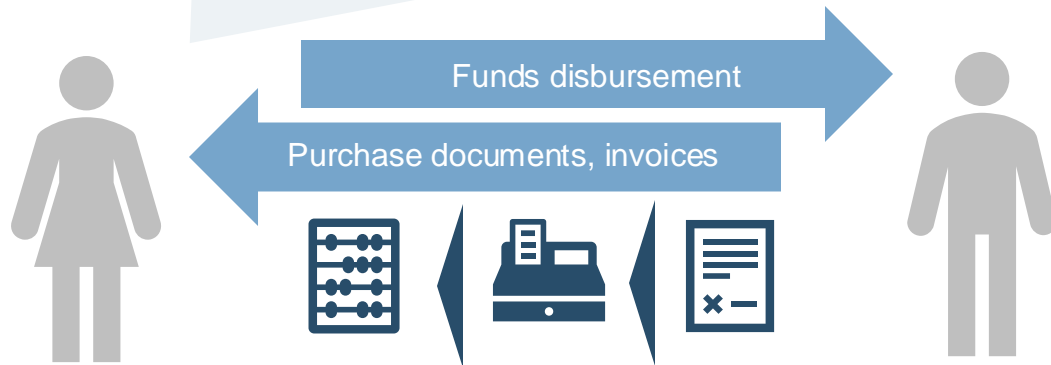
Default GF Terms & Conditions



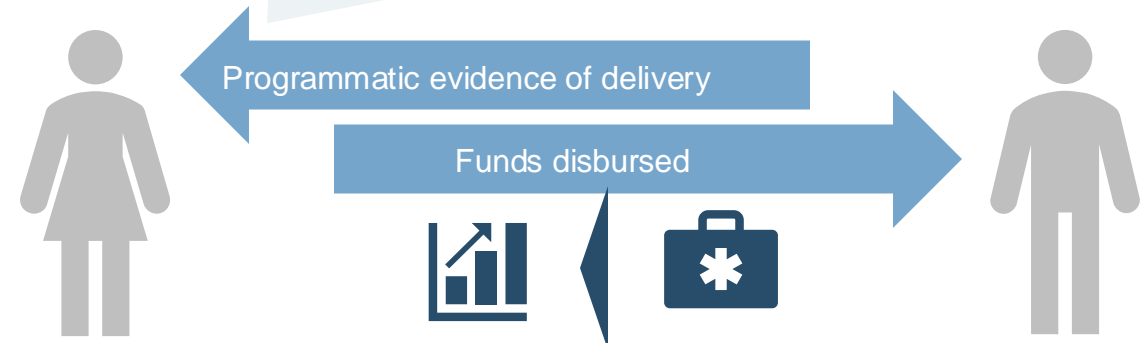
Payment for Results Modalities



“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.”



Why adopt an RBC?

Increase accountability for programmatic performance:

By linking funding to what matters programmatically, prompt implementers to focus on delivery of quality interventions and data.



Offer flexibility to deliver it:

By no longer reviewing financial inputs, enable implementers to manage funds as they deem fit to deliver what matters programmatically.



Programmatic Objectives:

Expected Benefit

- Improved **programmatic performance**
- Improved **timeliness of service delivery**
- **Faster, more reliable data**
- Improved use of **data for decision-making**



Sustainability Objectives:

- Increased **ownership** over delivery
- Meaningful domestic **accountability**
- Strengthened **performance management**



Value for Money Objectives:

- **Funds available** in time
- **Economy/pricing**
- Efficient **control systems**



Fiduciary Objectives:


- Effective controls and **assurance**
- **High severity fraud and corruption mitigated**
- Lowered **ineligibles**

INTRODUCTION TO THE RBC HOW-TO-GUIDE 2.0



What is the How to Guide 2.0 and how is it used?

The *How to Guide 2.0* provides step-by-step guidance on **designing RBC contracts** according to GF contracting guidelines. This guide aims to **strengthen the capacity of key stakeholders** in the design, implementation, monitoring, supervision, and risk management of RBC within GF grants. It has been tailored to fit the needs of non-specialist audiences and respond to the priorities of GF 2nd line teams within grant cycle approval processes.



Any team designing an RBC intervention as part of a GF grant must complete **in full** each section of the *How to Guide* listed below.

During this process, the RBC designing team should also rely on the GF [Operational Guidance for Grant Budgeting and Operational Policy Notes](#) as additional resources to fill in the templates.



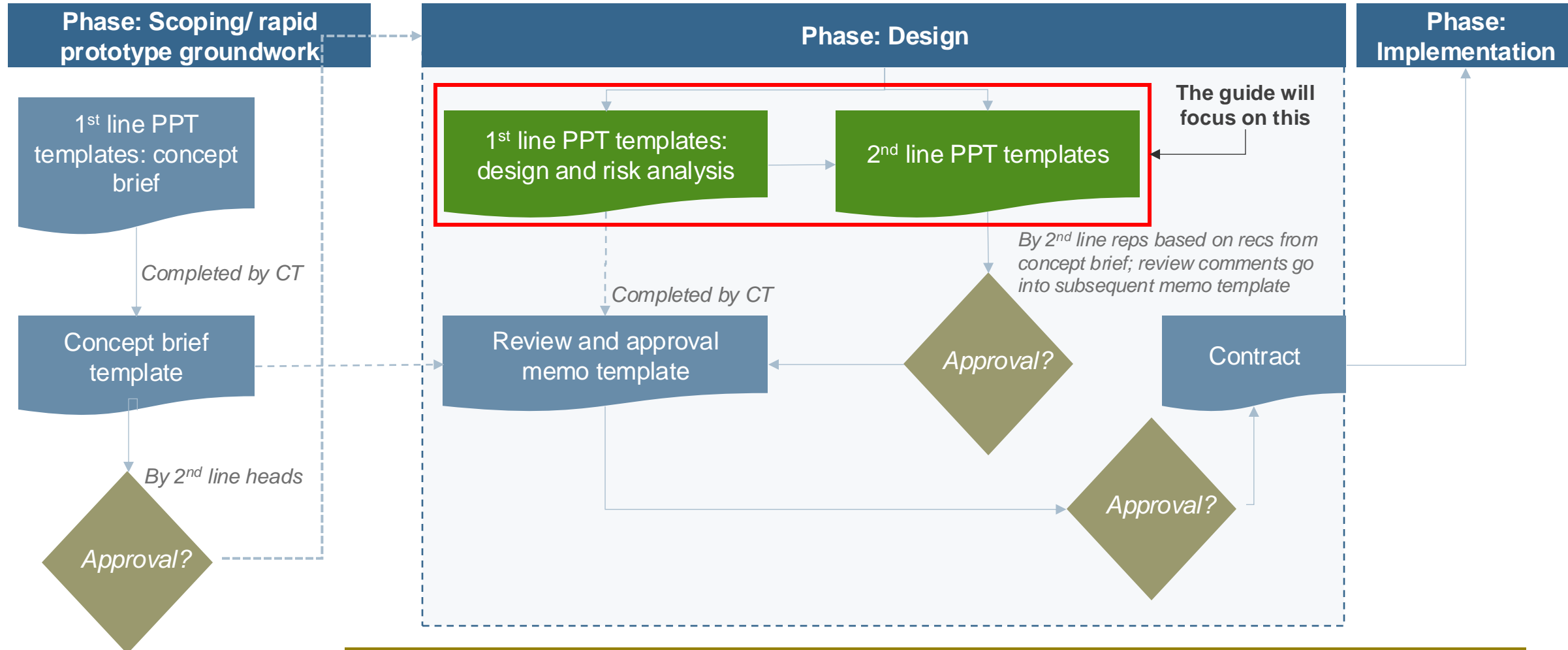
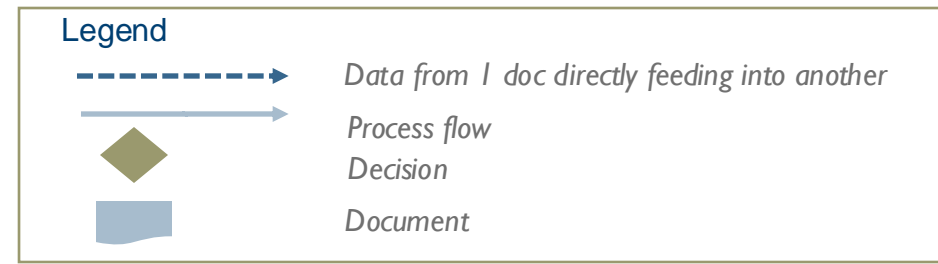
GF 2nd line approves the **RBC contract generated** by following the process chain outlined in this guide



GF 2nd line representatives have at one glance all key elements that feed into writing the RBC contract

Where within the RBC process is this guide?

While this guide presents specific processes required to design an RBC, the larger effort involves several steps. The slide outlines the major components and decisions that go into the RBC process.



Key results: 1st Line designs RBC and generates the following outputs

RBC Design Requirements:

Appropriate

- Justification
- Results
- Value & Payment Terms
- Implementation Arrangement
- Controls and Verifications of Results

Optimized Risk Trade-Off

Assurance Plan

RBC Operational Documents

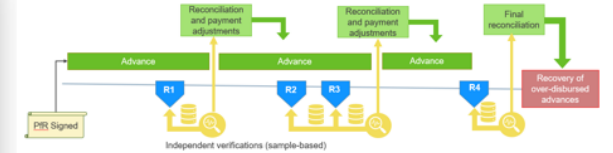
1 Organigram



2 Contract Table

Between:		GF-PPR Level	Below PIR Level	
Payer		Global Fund	PIR or SR or SSR	
Delivering Implementer		PIR	SR or SSR	
Result	Evidence	Verification of Result	Payment Terms	Financial Value

3 Payment Schedule



4 Verification Approach

Result	Verification Method	Verification Evidence	Sampling Level	Verifying Entity	Verification Cost

5 Risk Analysis

Risk Analysis

Programmatic Risks

- A. Under-performance
- B. Weak implementation effectiveness
- C. Poor quality service delivery
- D. Delays
- E. Unreliable and delayed data
- F. Technical inefficiency
- G. Weak accountability
- H. Lack of sustainability

Fiduciary Risks

- 1. Over-pricing (inputs vs outputs)
- 2. Over-payment (inputs paid vs output head)
- 3. Grant Mgmt. Inefficiency costly controls (steps or issues control vs programmatic verifications)
- 4. Low absorption & funds not available in time
- 5. Weak financial internal controls
- 6. Financial fraud

The risk matrix plots risks based on Likelihood (Low, Medium, High, Very High) and Impact (Non-compliance, Eligibility Over-payment, Risks to data quality, Weak to programmatic delivery).

6 Assurance Plan

Annex 4: Financial Assurance Plan Template

Assessed Risk (WPM/AMM)	Key Risk	Highlights/Issues	Implications for Assurance Action, Steps, Frequency of Reporting	Internal Assurance Action, Steps, Frequency of Reporting	Key Assurances/Changes Compared to Current Practice	Estimated Change in Cost (€/M)	WPM/AMM

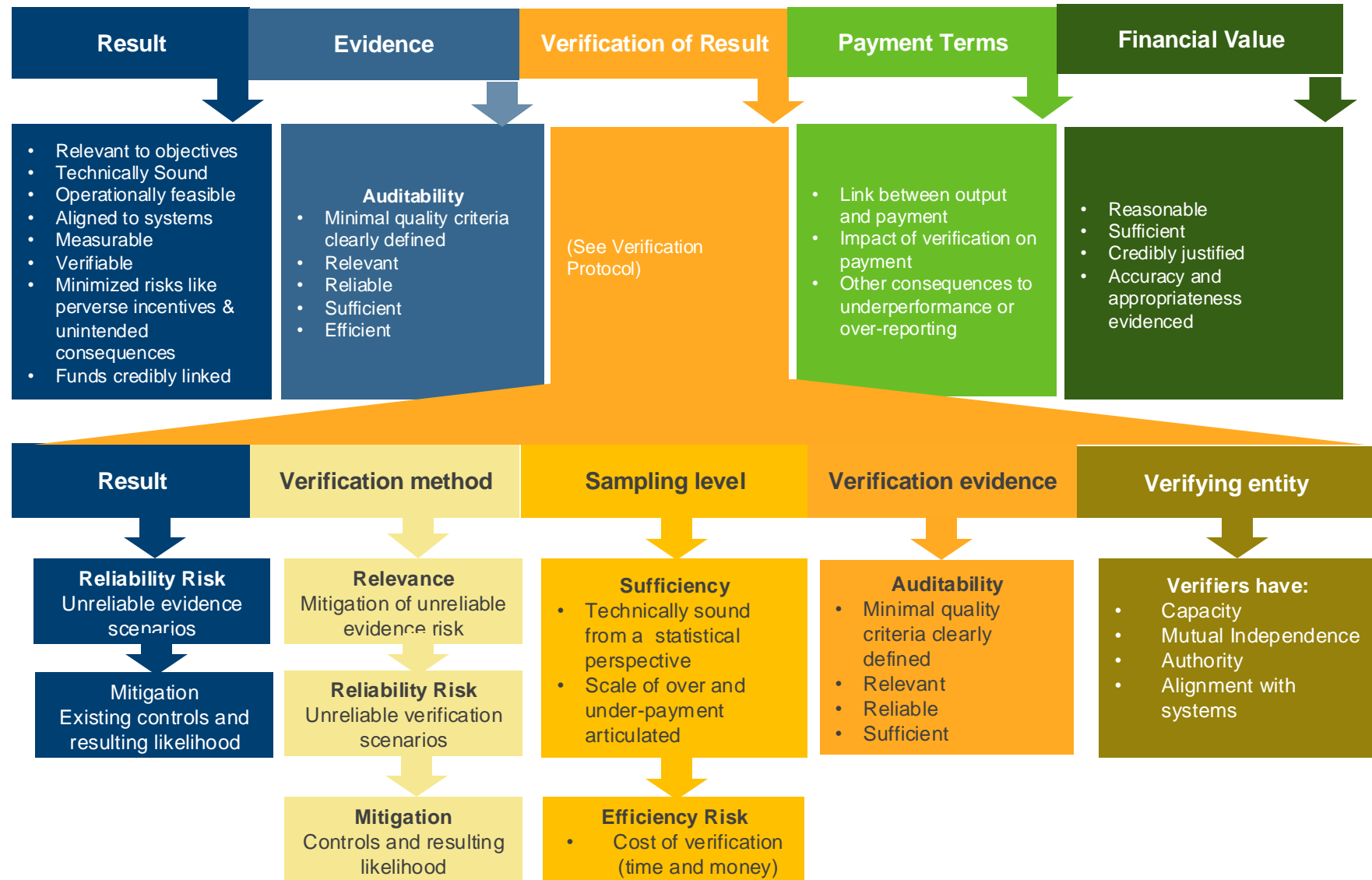
This template should serve as a basis for the assurance templates used in the frame of PIR-related contracts for SR/SSR. It is intended to be modified according to SR/SSR.

Design review: Deep dive into elements explored in the guide

The following slides present detailed templates which will

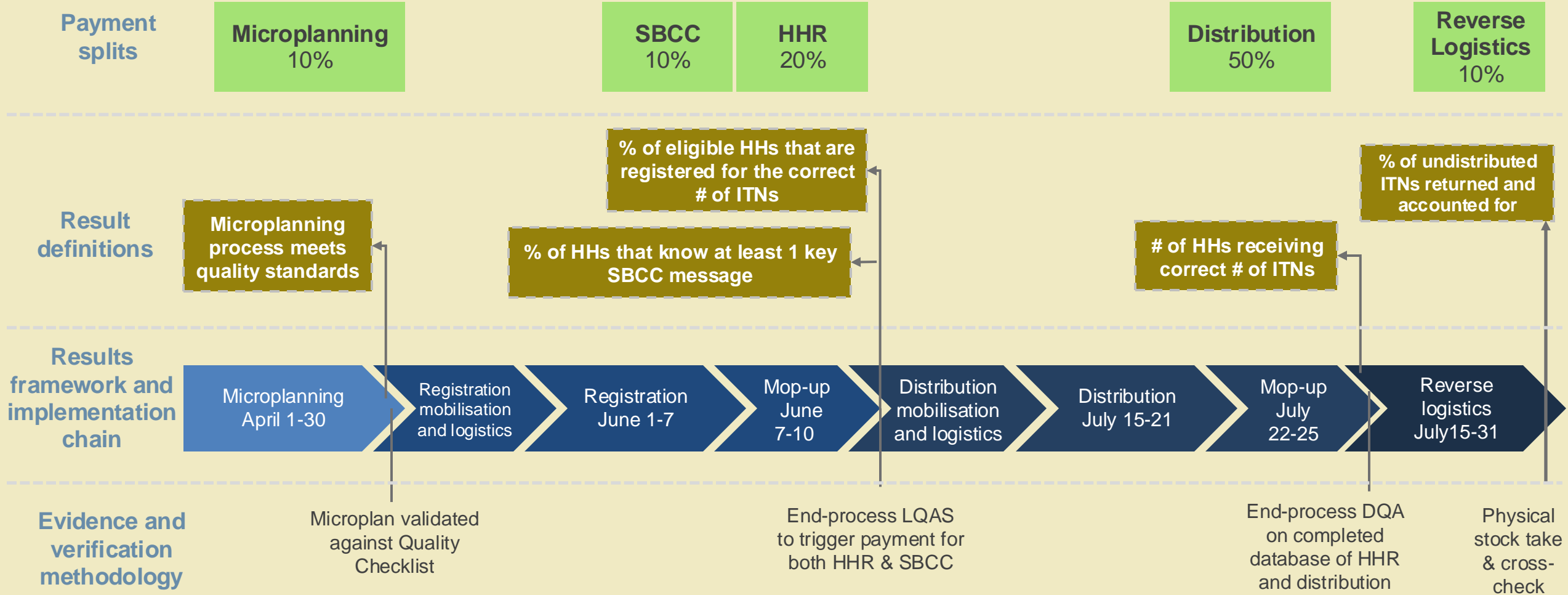
➤ Guide the 1st line to properly design the contract

➤ Assist the 2nd line in quickly identifying the key, necessary elements of the contract required for approval



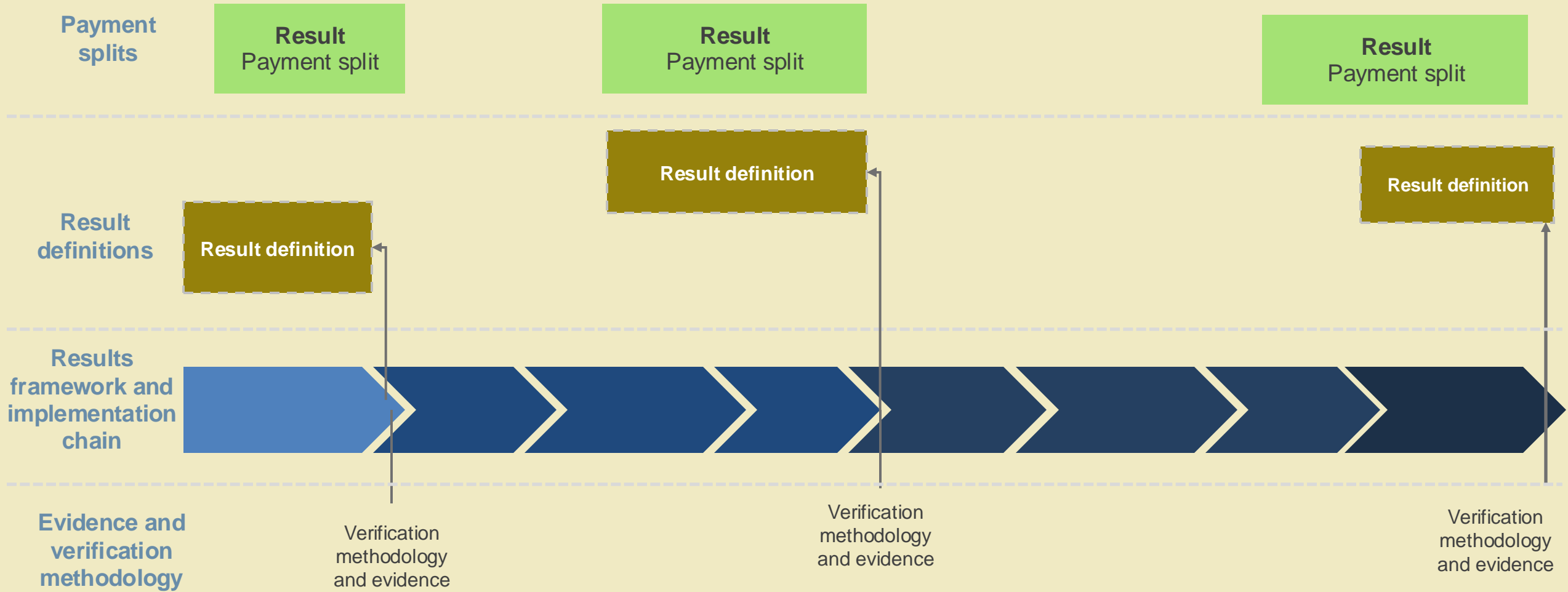
Overview of elements required for RBC design – completion guideline

Example: RBC Design Prototype for the Pakistan ITN Campaign, 2023



This template is placed at the beginning to aid the design creation process, and is meant to be continuously updated and filled out throughout the design process

Overview of elements required for RBC design



Creating a workplan is the first step in designing an RBC contract

Effective workplan creation includes components that touch upon **accountability** and responsibility amongst involved parties, a strategy for **stakeholder engagement**, a plan for **resource procurement**, and a method to identify and **mitigate bottlenecks**. The ultimate result of the steps in the workplan should be the completed **RBC contract** approved by GF 2nd line and ready for implementation.

Key milestones and dates in Grant Lifecycle	Key milestones in RBC design, approval, operationalization (See sample milestones below)	Dates per RBC Milestone	Responsible party
	Non-objection to RBC Concept Brief		
	RBC Design and Risk analysis completed		
	Capacity assessments related to RBC completed		
	RBC Design and Risk analysis reviewed by GF 2 nd line		
	RBC-Related tenders/selection processes initiated for RBC implementers (if below PR level)		
	RBC contracts finalized (if the PR is between GF and PR, this must coincide with GAC)		
	GF officially approves RBC modality		
	GF provides requisite waivers and adjustments to T&Cs		
	RBC Verification protocol finalized		
	RBC Verifier contracted (if necessary)		
	RBC-related operational manual finalized		
	RBC-related trainings launched		
	RBC launched		

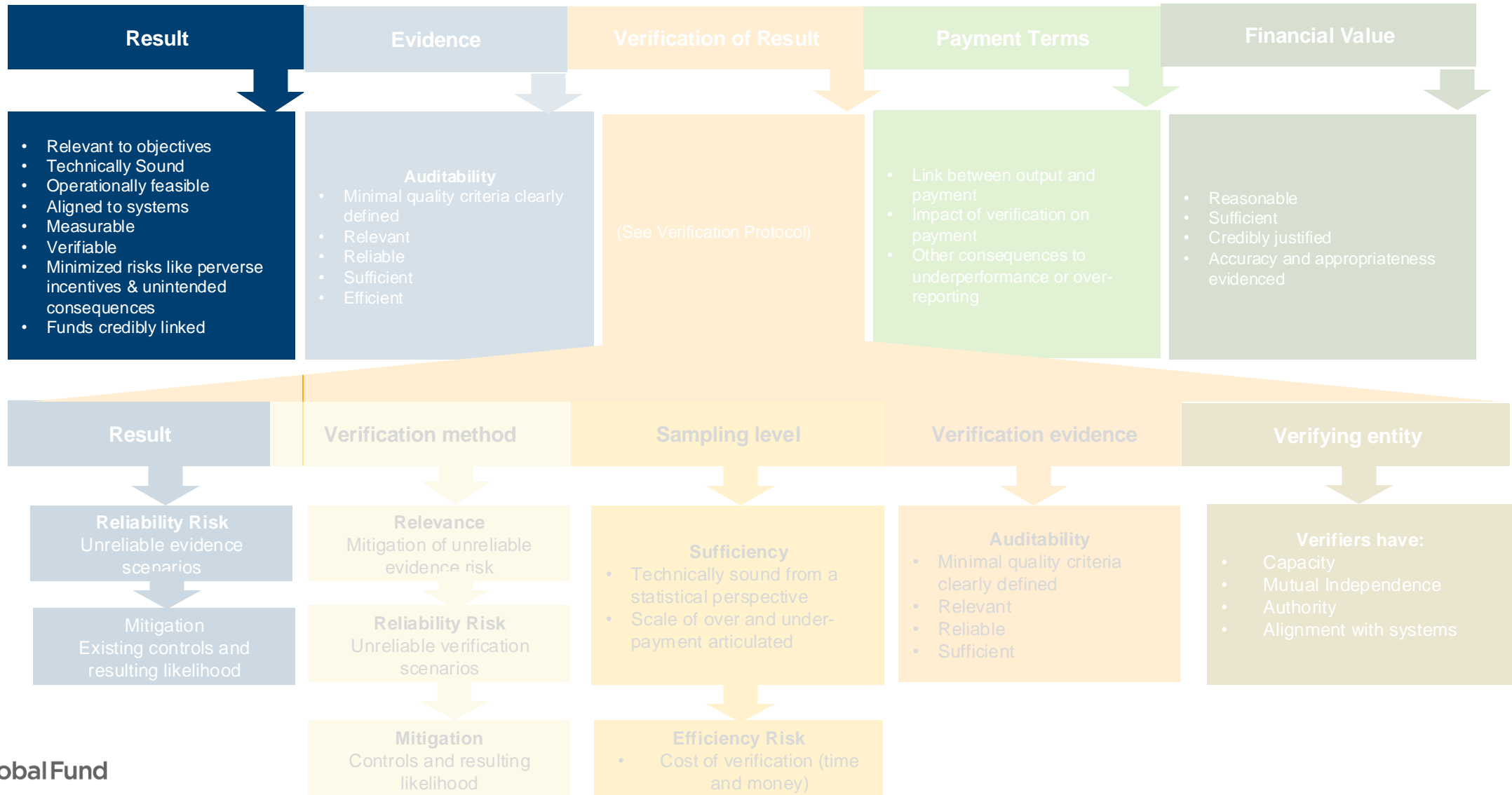


GF Finance team to review and validate the outputs of this section

SECTION 1: DEFINING THE RESULTS OF AN RBC



Frameworks and process for defining results



Defining results in an RBC is done through an analysis across 3 dimensions



1 What **objectives** are you seeking to achieve through RBC?

- Clarifying what success specifically looks like for a given program lays the ground for an impactful intervention
- It's important to be as comprehensive as possible (goals can be programmatic, but also ethical, fiduciary, political etc.) to ensure subsequent steps of the analysis are done correctly

2 What **challenges** are likely to jeopardize their achievement?

- Identifying and clearly mapping out all potential programmatic, logistic and financial bottlenecks that might arise during implementation enables to proactively develop appropriate strategies to mitigate those challenges before they arise

3 What **results chain** leads from status quo to their achievement?

- Achieving the desired impact through an RBC requires to carefully and logically articulate the strategy that will enable to do so, in the form of a visual framework

Defining success and key challenges

OBJECTIVES		CHALLENGES						
Programmatic	Non-programmatic							
<ul style="list-style-type: none"> Considering relevant goal-setting instruments for the GF and country, such as: <ul style="list-style-type: none"> GF performance framework GF country strategy documents Government strategy/ goals Also considering whether there are specific objectives associated with the deployment of RBC 	<table border="1"> <tr> <td>Fiduciary</td> <td> <p>Accountability: Ensuring material portions of funds are used for their intended purposes</p> <p>Value for Money: Economy, Effectiveness, Efficiency (see next slide)</p> </td> </tr> <tr> <td>Ethical</td> <td> <p>Safety: Ensuring beneficiaries are not put at risk when accessing our services</p> <p>Environment: Ensuring delivery of services don't have a negative environmental impact</p> </td> </tr> <tr> <td>Other</td> <td> <p>Political considerations: Political context might require certain groups being serviced first (military), or aligning to stakeholder agendas which might deviate from GF standards</p> <p>Other (context-specific key dimensions)</p> </td> </tr> </table>	Fiduciary	<p>Accountability: Ensuring material portions of funds are used for their intended purposes</p> <p>Value for Money: Economy, Effectiveness, Efficiency (see next slide)</p>	Ethical	<p>Safety: Ensuring beneficiaries are not put at risk when accessing our services</p> <p>Environment: Ensuring delivery of services don't have a negative environmental impact</p>	Other	<p>Political considerations: Political context might require certain groups being serviced first (military), or aligning to stakeholder agendas which might deviate from GF standards</p> <p>Other (context-specific key dimensions)</p>	<ul style="list-style-type: none"> Considering relevant insights from past performance: <ul style="list-style-type: none"> GF country audit reports Prior years' M&E reports or other performance assessment documentation Testimonials from in-country actors engaged in prior implementation Considering context-specific challenges: <ul style="list-style-type: none"> Political factors and constraints Social dynamics Economic climate Considering other factors and insights
Fiduciary	<p>Accountability: Ensuring material portions of funds are used for their intended purposes</p> <p>Value for Money: Economy, Effectiveness, Efficiency (see next slide)</p>							
Ethical	<p>Safety: Ensuring beneficiaries are not put at risk when accessing our services</p> <p>Environment: Ensuring delivery of services don't have a negative environmental impact</p>							
Other	<p>Political considerations: Political context might require certain groups being serviced first (military), or aligning to stakeholder agendas which might deviate from GF standards</p> <p>Other (context-specific key dimensions)</p>							

Best practice:

- Engage relevant **GF and in-country actors** (PRs, service providers) in the identification/ validation of both objectives and challenges
- Highlight the key challenges identified here in another color in the **results chain** that you will build
- Non-programmatic objectives do **not need to be mentioned separately** but must be **kept in mind** while listing the challenges

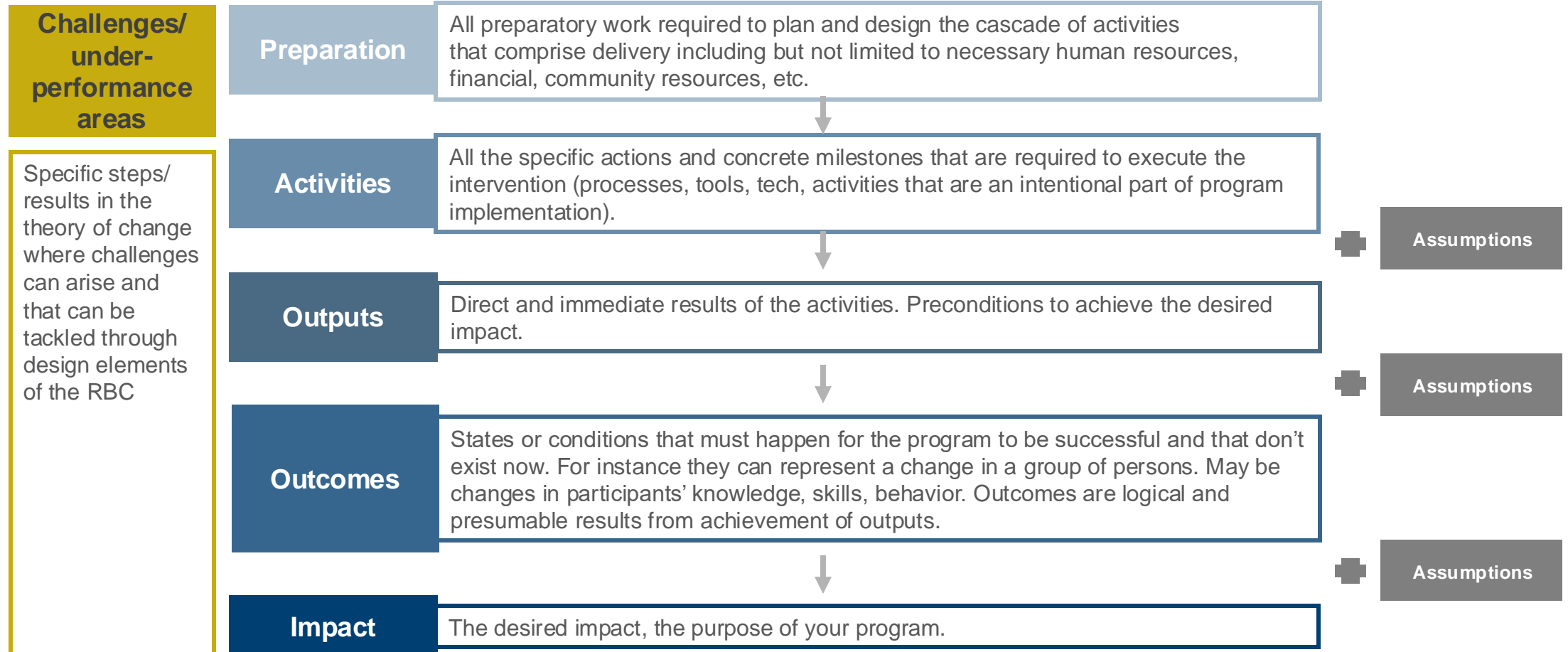
Programmatic results framework (1/5)



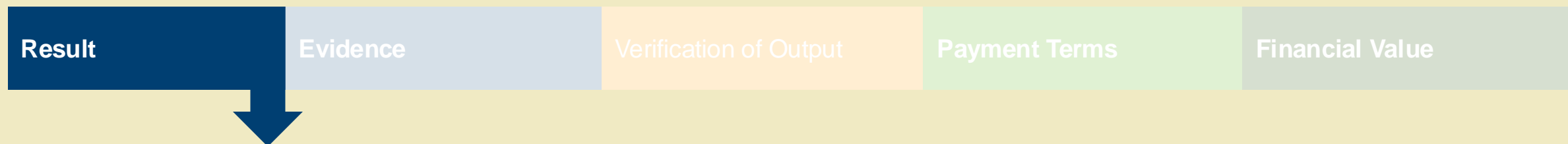
What are the programmatic objectives?	What are the non-programmatic objectives?	What challenges, or programmatic underperformance must be addressed?

Building a results framework

Building the chain of results requires clearly mapping out and articulating all the **preparation** steps, the **activities** that form the intervention, and their **outputs**. The intervention's **outcomes, impact, challenges, and underperformance areas** have been defined in the previous steps of this section (under objectives and challenges, respectively): make sure that the preparation, activities, and outputs you define here are pathways to achieve the intervention's outcomes and impact, and mitigate the challenges and underperformance areas.



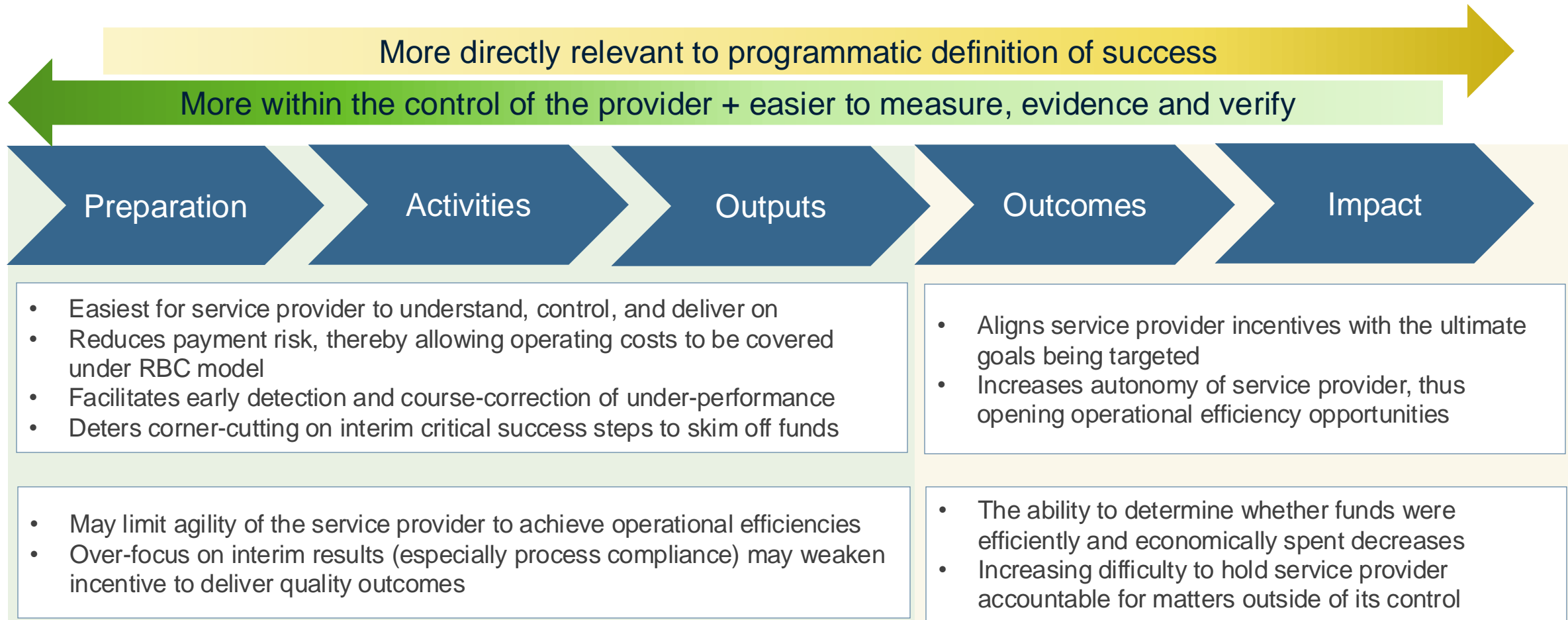
Programmatic results framework (2/5)



Preparation	Activities	Outputs	Outcomes	Impact
All preparatory work required to plan and design the cascade of activities that comprise delivery of activities or intervention	The concrete milestones that comprise the execution of the intervention	The immediate results of the activities	The logical, presumable result of the outputs assuming they were executed correctly	The change in the health of the population

Selecting results: Design quality

While choosing potential results, some results closer to 'activities' and further away from 'outcomes' in the results chain can be chosen to ensure easy accomplishment and cashflow for service providers.



It's important to note that **not all results** on the results chain are selected as '**results**' for payment under the RBC



Selecting results: Criteria for evaluation

After mapping out the results framework, the next step is to long-list potential results that payment could be tied to. The following **criteria** should guide the **selection of high-quality results that effectively manage risks**.

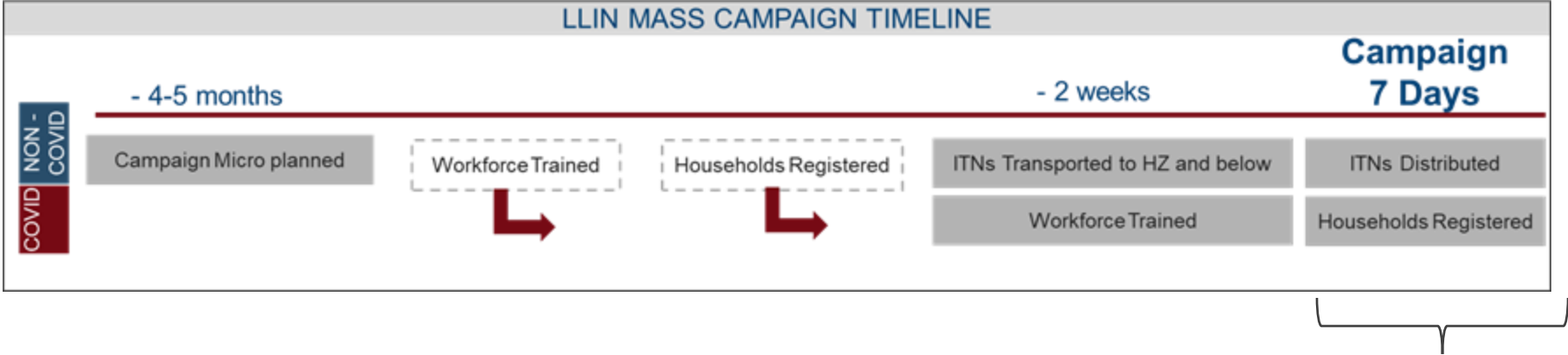
However, both results on the left and on the right-hand side of the results chain can play an important role in an RBC.

Design quality	Closely related to definition of success	<ul style="list-style-type: none"> Generate the key social value of interest of the program and incentivize actions that will contribute to the objectives and/or address identified challenges Reinforce standards for adequate quality and timeliness in the execution of activities
	Within the control of the service provider	<ul style="list-style-type: none"> Service provider's performance not overly sensitive to external factors (e.g., governmental sign-off) Are not too far down-stream the results chain, with other intervening factors
	Leverages existing actors	<ul style="list-style-type: none"> Fit into the service provider's existing operating systems and reinforce prevailing health systems, actors, and data systems
	Measurable	<ul style="list-style-type: none"> Result is simple, easy to understand, easy to measure, able to be measured at a low-cost, concrete and can be quantified objectively and reliably Something can be measurable but not verifiable—e.g., if no access to the measured data
	Possible to evidence and verify	<ul style="list-style-type: none"> Are supported by adequate, reliable evidence that is easy to record Evidence can be validated objectively and consistently and additional evidence can be accessed if necessary

Selecting results: Assessing the basket of results

In addition to the design quality criteria, the selection of high-quality results is done taking into account general consideration such as different timing and dependencies between results (especially in relation to the program's implementation steps and timing) in order to:

- **Avoid duplication along the results chain**, such as paying for closely interdependent outputs and outcomes
- **Ensure results are well aligned with both programmatic and non-programmatic objectives of the intervention** that you have mapped out earlier in this section

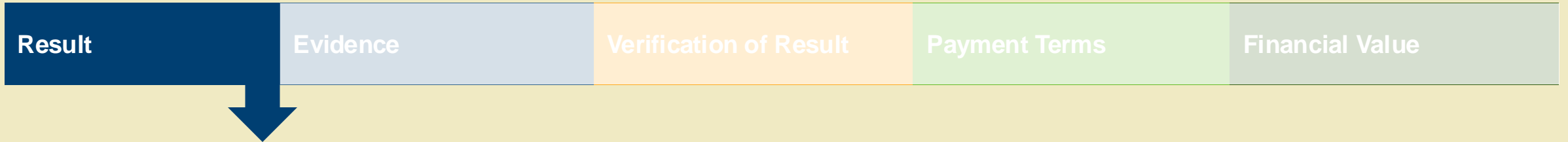


In Covid context, not logical to articulate two results when both delivered simultaneously by same actors—the result should be simple and clear enough for the delivery workforce in order to derive desired incentive value.



Not ALL results contained in the results chain need to be systematically assessed. Particularly, when the results chain is very large or comprehensive, the assessment should focus on **pre-selected results** that are likely to be easily measurable, within the control of the service provider and closely related to the definition of success.

Programmatic results framework (3/5) – completion guideline



Potential result	Closely related to definition of success	Within the control of the service provider	Leverages Existing Actors	Measurable	Possible to evidence and verify	Overall assessment
<i>Result Option 1</i>	<p>Fill out a score as High, Medium or Low and provide justification for score</p> <p>Low - Very far from definition of success</p> <p>Medium – Moderately or partially related to definition of success</p> <p>High – Very closely related to definition of success</p>	<p>Fill out a score as High, Medium or Low and provide justification for score</p> <p>Low – Completely out of service provider’s control</p> <p>Medium – Moderately or partially out of service provider’s control</p> <p>High – Very much within service provider’s control</p>	<p>Fill out a score as High, Medium or Low and provide justification for score</p> <p>Low – Completely omits existing actors</p> <p>Medium – Moderately or partially leverages existing actors</p> <p>High – Sufficiently or completely leverages existing actors</p>	<p>Fill out a score as High, Medium or Low and provide justification for score</p> <p>Low – Not measurable at all</p> <p>Medium – Possible but difficult to measure</p> <p>High – Easy to measure</p>	<p>Fill out a score as High, Medium or Low and provide justification for score</p> <p>Low – Difficult to evidence and verify</p> <p>Medium – Possible but difficult to evidence and verify</p> <p>High – Easy to evidence and verify</p>	<p><i>Add up the individual scores assigned in each of the columns to get a cumulative score as High, Medium, or Low.</i></p>
<i>Result Option 2</i>						

Ensure you justify all ratings with the main supporting details of your assessment



The **scores** attributed to a result are **context specific**, and as such RBC designers should take into account context-specific elements such as the financial and technical capacity of the PR and the service providers and the availability and quality of data in context.

Programmatic results framework (3/5)



Potential result	Closely related to definition of success	Within the control of the service provider	Leverages Existing Actors	Measurable	Possible to evidence and verify
<i>Result Option 1</i>					
<i>Result Option 2</i>					

Selecting results: Risk management

Minimizing Risks

Unintended consequences

- Negative knock-on effects on other critical considerations, either within the grant or overall (e.g., health system performance, environmental consequences, equity, etc. Ultimately, these can reduce the grant's (and RBC's) impact, even if all results are achieved.
- **Cream skimming:** For example, focusing on a population less costly to serve to achieve the results at a lower cost (and thus, benefit from additional surplus)
- **De-prioritization of non-targeted results:** For example, diverting resources from treatment of cases if only a detection result is used
- **Conflict of interest with the beneficiaries:** For example, overtreating patients to meet treatment targets

Perverse incentives

- Opportunities and incentives to engage in fraudulent practices or corruption in an attempt to gain full payment for results
- **Gaming or falsifying evidence:** for example, creating “ghost households” to increase the number of people artificially served



Clearly identifying and mapping out the **risks** (i.e., unintended consequences and perverse incentives) **created by a result**, is as important as finding effective **mitigation measures** to tackle them through the RBC **design**: most of the time, it's the lack of feasible mitigation measures that will lead to discarding a result, not the fact that the said result creates a risk in the first place.

Selecting results: Measurement

Measurement

Coverage indicator

- Coverage indicator: Metrics on the rate at which the **selected observable result was achieved**.
- Coverage indicators are generally used to track how much a particular metric has been achieved.
- Some coverage metric examples are # of ITNs, % of households, etc.

Workplan tracking measure

- Workplan tracking measure: Metrics that track whether **workplan milestones have been achieved** at the set timelines.
- Workplan tracking measures are helpful when the result you're tracking is associated with clear milestones
- Some workplan tracking measures examples include training, planning, etc.

 Measurement is not an assessed characteristic in selecting results. Both coverage and workplace tracking indicators can be equally effective results.

Programmatic results framework (4/5) – completion guideline

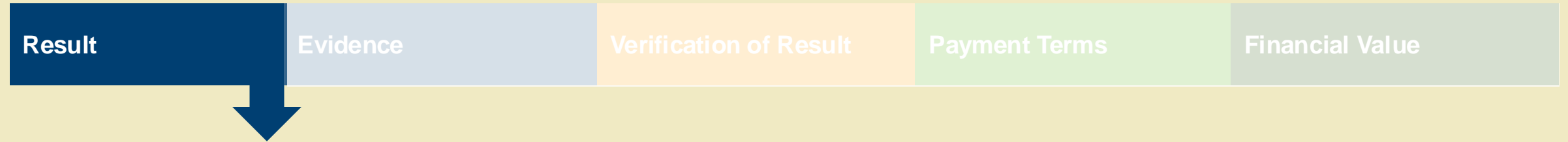
From the previous template, the results with very low scores can be eliminated. The other potential result options will be further explored and devaluated in this template. The result options that are assessed to be the best after this template are chosen as final results for payment.



Potential result	Minimizing Risks		Measurement
	Minimizes unintended consequences	Minimizes perverse incentives	Coverage indicator or workplan tracking measure
<i>Result Option 1</i>	Describe how the unintended consequences created by the chosen result can be mitigated through <u>specific elements of the RBC design</u> (e.g., metric definition, payment weights, verification etc.)	Describe how the perverse incentives created by the chosen result can be mitigated through <u>specific elements of the RBC design</u> (e.g., metric definition, payment weights, verification etc.)	Describe if the chosen result is measured by a coverage indicator or a workplan tracking measure, and how the chosen indicator measures the extent of coverage or achievement of milestones.
<i>Result Option 2</i>			

Programmatic results framework (4/5)

From the previous template, the results with very low scores can be eliminated. The other potential result options will be further explored and devaluated in this template. The result options that are assessed to be the best after this template are chosen as final results for payment.



Potential result	Minimizing Risks		Measurement
	Minimizes unintended consequences	Minimizes perverse incentives	Coverage indicator or workplan tracking measure
<i>Result Option 1</i>			
<i>Result Option 2</i>			

Potential result definitions

After selecting the potential results to include, refining their definitions is the next step. Results require a **precise, pre-defined detailed definition to manage risk of mis-understandings between contracting parties**. In certain cases, the definition implied by the result description is already appropriate. However, in many cases, the result will need to be further fine-tuned and detailed. **To assess whether more accurate articulation is needed, and to guide the fine-tuning process, the following key questions should be considered:**

- 1. Is the result as **specific and detailed** as possible and free from 'ambiguous' language and 'implied' details?
- 2. Does the result clearly capture and define elements of **quality** (*if quality is essential to the result's realisation of impact*)?
- 3. Does the result clearly capture and define an element of **timeliness** (*if time is essential to the result's realisation of impact*)?

How to refine result definitions

- Details and references to quality or timeliness can be:
- (1) included directly in the result name, and/ or
- (2) added via the detailed result 'description and definition'

Defining results: Measurement metrics

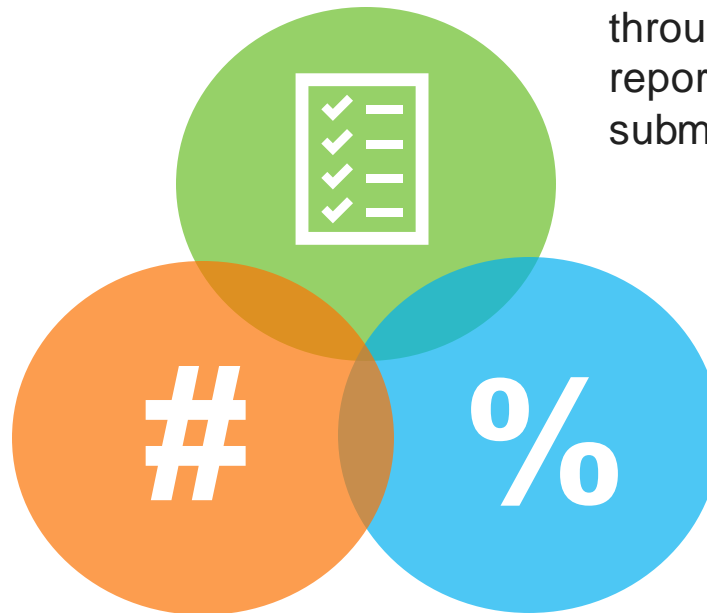
- **A result's definition** should include clarity on **what** is going to be measured and **how** it is going to be measured.
- Some of the common ways of measuring a result are **milestone**, **number** and **percentage**:

Milestone results

- The achievement of a milestone result is captured as either “yes” or “no”, and not through a numerical value (e.g., the report has been either submitted or not submitted)

Number results

- Result metric is generally measured by the quantity of units reached.

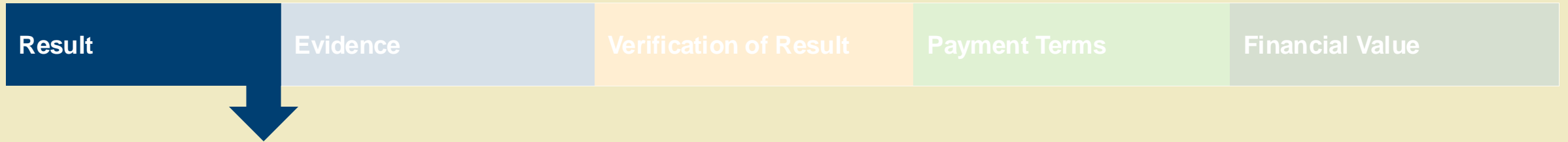


Percentage results

- A percentage result is generally obtained through processing the quantity of units reached, for example, by comparing to a target or calculating an average and writing it as a percentage.

Programmatic results framework (5/5) – completion guideline

From the long list of potential results evaluated in the previous templates, some results are chosen to explore further. This template involves specifying chosen measurement metrics and the corresponding results' definition further.



Result	Result definition
<p>This column should include a word or a short phrase of what the result is. :</p>	<p>This column should include a detailed and specific result definition, capture quality and timeliness elements, and describe how the result will be measured.</p>
<p><i>Example:</i> Households Covered</p>	<p>% of Households covered with the correct number of ITNs as per the microplanning data</p>
<p><i>Example:</i> HIV cases referred to clinics</p>	<p># of HIV cases referred to clinics within 4 months of detection according to diagnosis reports from service provider</p>

Programmatic results framework (5/5)

From the long list of potential results evaluated in the previous templates, some results are chosen to explore further. This template involves specifying chosen results' definition and measurement metrics further.



Result	Result definition
<i>Result 1</i>	
<i>Result 2</i>	

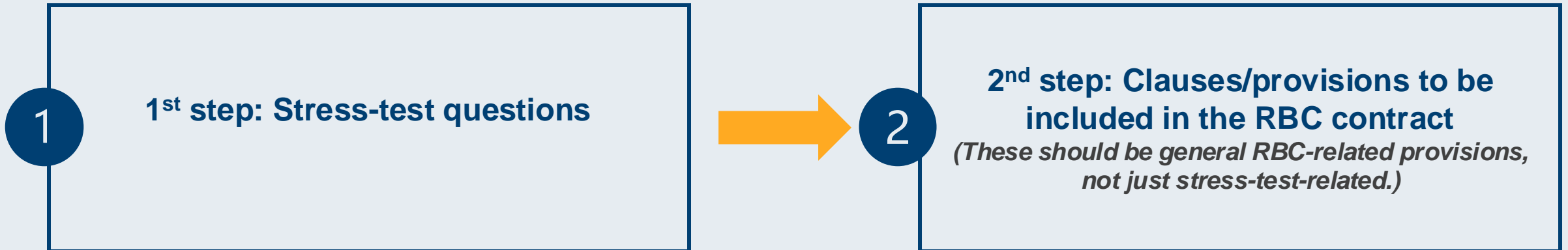
Frameworks and process for defining results

Reflection time



Now that you have completed this section, take the time to reflect on the key takeaways from the different assessments you have performed and the RBC elements you have defined.

Start by **(1)** submitting all the RBC elements you have defined in this section to a **stress-test**, by elaborating scenarios where your RBC design can fail or be challenged, then **(2)** articulate concrete **contractual clauses** or provisions that would help mitigate the likelihood of the failure scenarios you have elaborated:



Example of stress-test questions:

- *Does your country have specific requirements or legislation on prevention/diagnosis/ or treatment delivery? If so, are the results you selected aligned with the regulations regarding activities, beneficiaries, and delivery timelines?*
- *Are the results selected tied to any authorizations? If you're unsure about obtaining them, it could compromise the entire program.*

Note: *The stress-test questions provided here are indicative of the reasoning that you should further adopt and develop and are not meant to be exhaustive or comprehensive.*

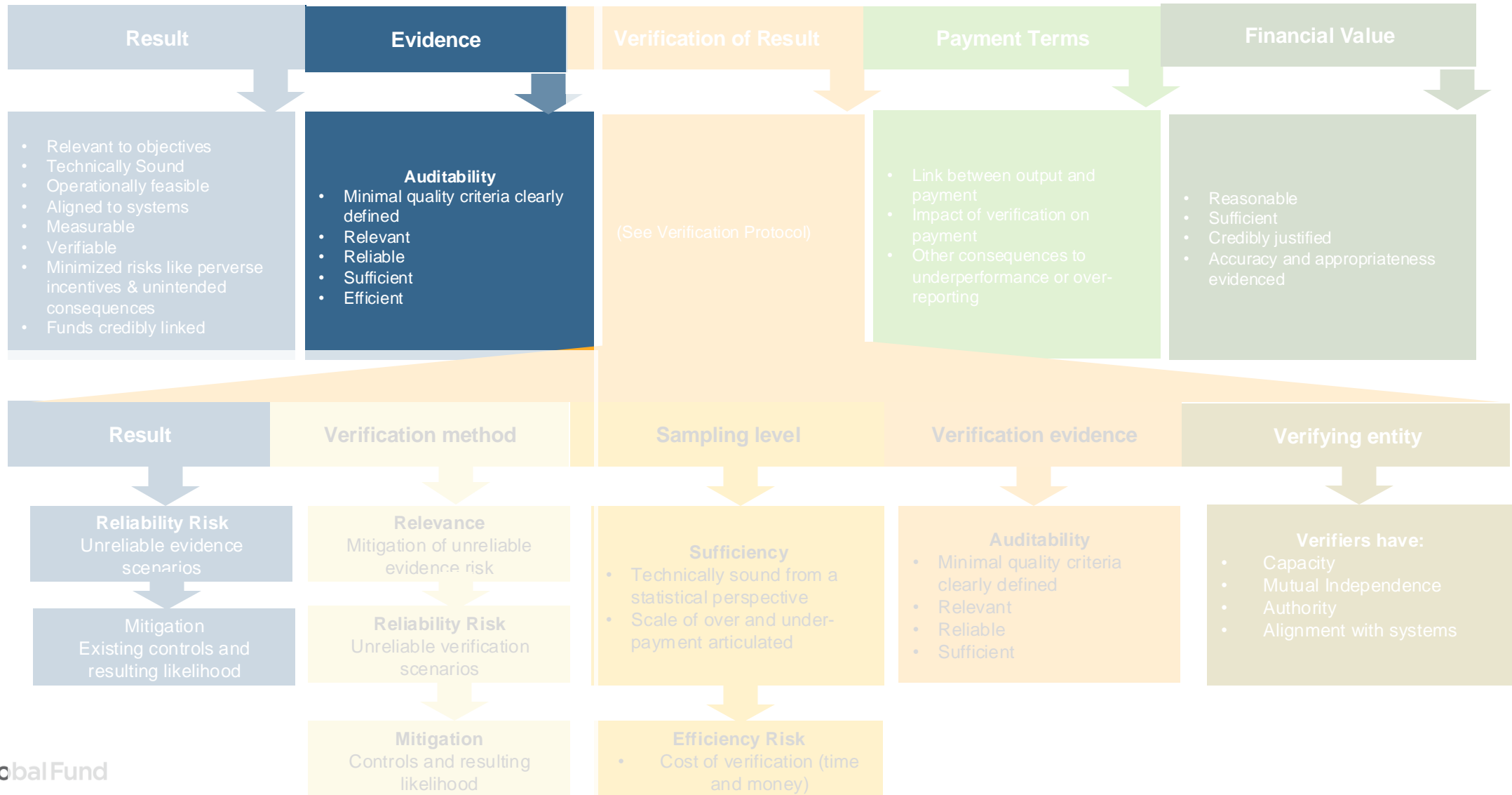


GF Finance team to review and validate the outputs of this section

SECTION 2: DEFINING THE EVIDENCE OF AN RBC



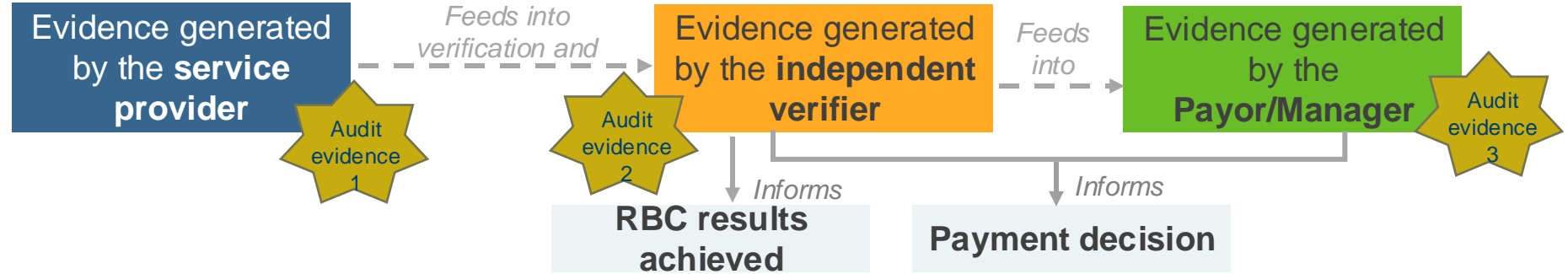
Frameworks and process for defining evidence



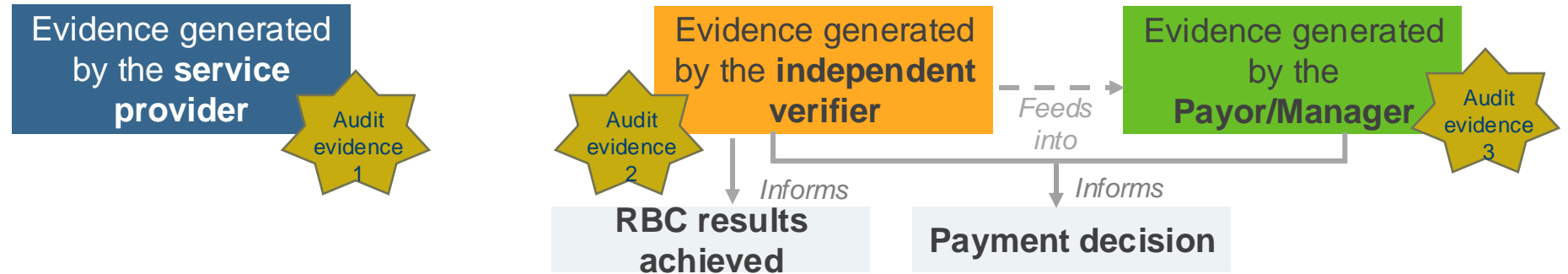
Types of evidence required under an RBC

Regardless of the verification scenario, all types of evidence are required and must stand up to GF audit processes.

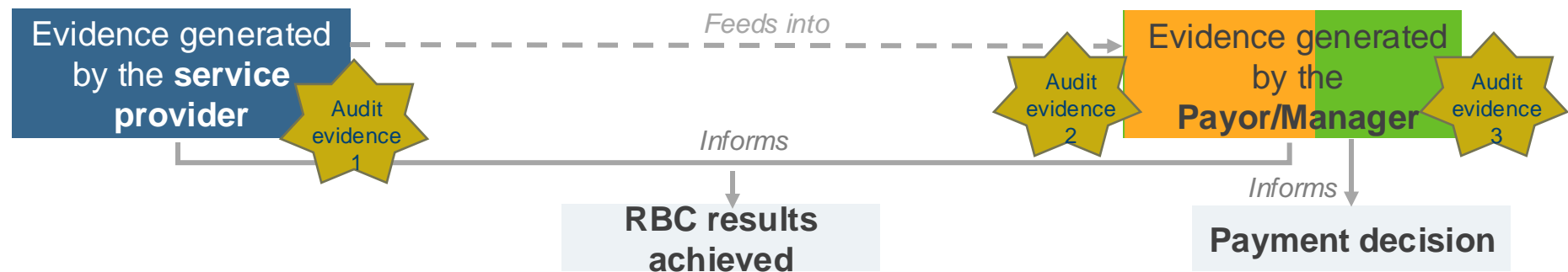
Verification scenario 1:
RBC results achieved are determined by an **independent verifier who verifies service provider evidence**



Verification scenario 2:
The verification of RBC results achieved, conducted by an independent verifier, is **not based on the service provider evidence**

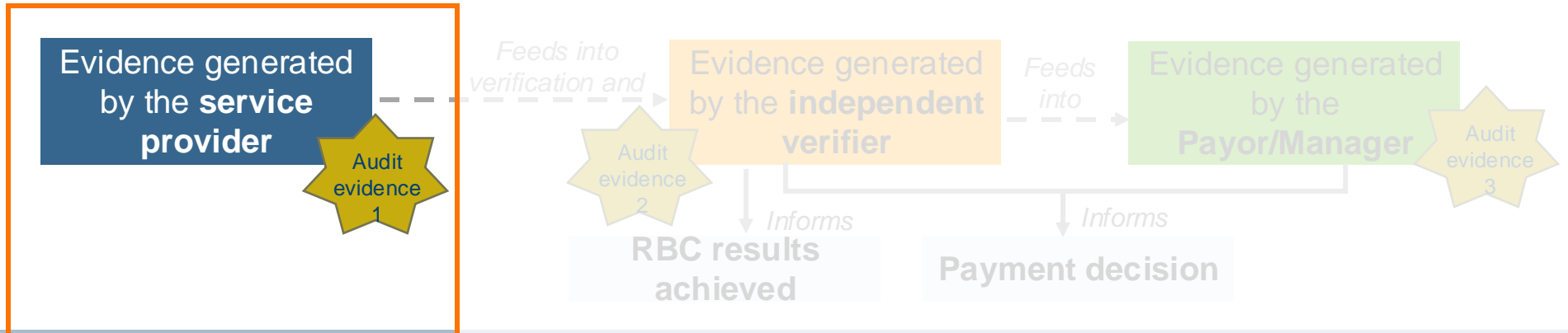


Verification scenario 3: RBC results achieved are determined by the **payor/RBC manager who verifies service provider evidence directly**

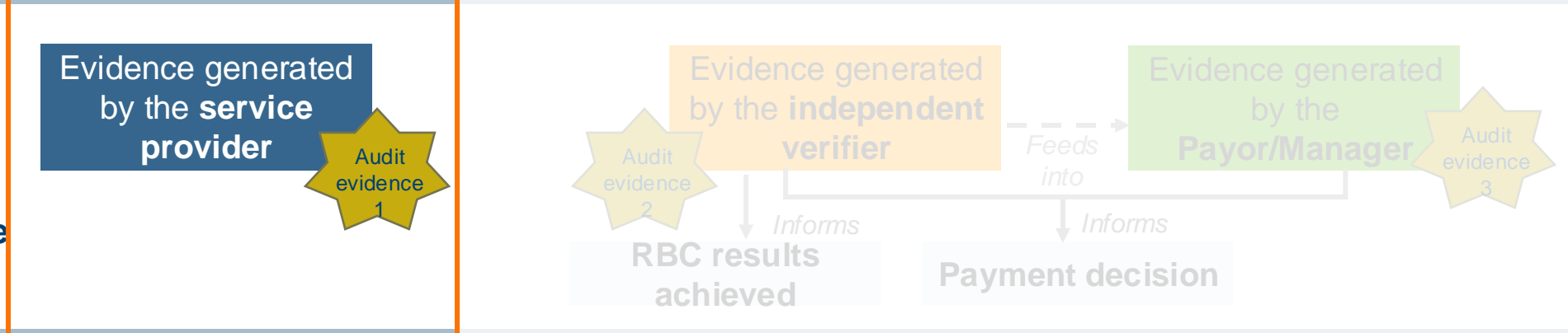


This section (Evidence) will focus on the blue type of evidence: service provider evidence

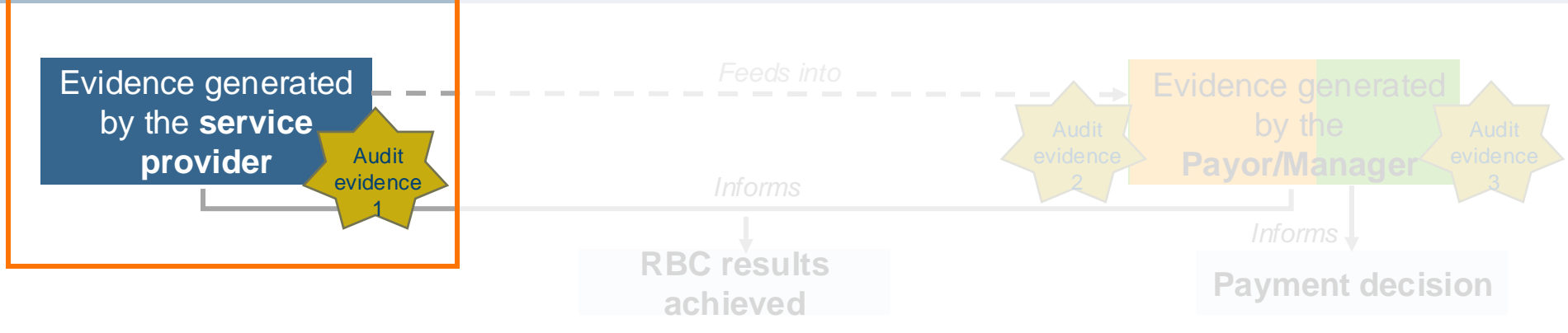
Scenario 1: RBC results achieved are determined by an **independent verifier who verifies service provider evidence**



Scenario 2: The verification of RBC results achieved, conducted by an independent verifier, is **not based on the service provider evidence**



Scenario 3: RBC results achieved are determined by the **payor/RBC manager who verifies service provider evidence directly**

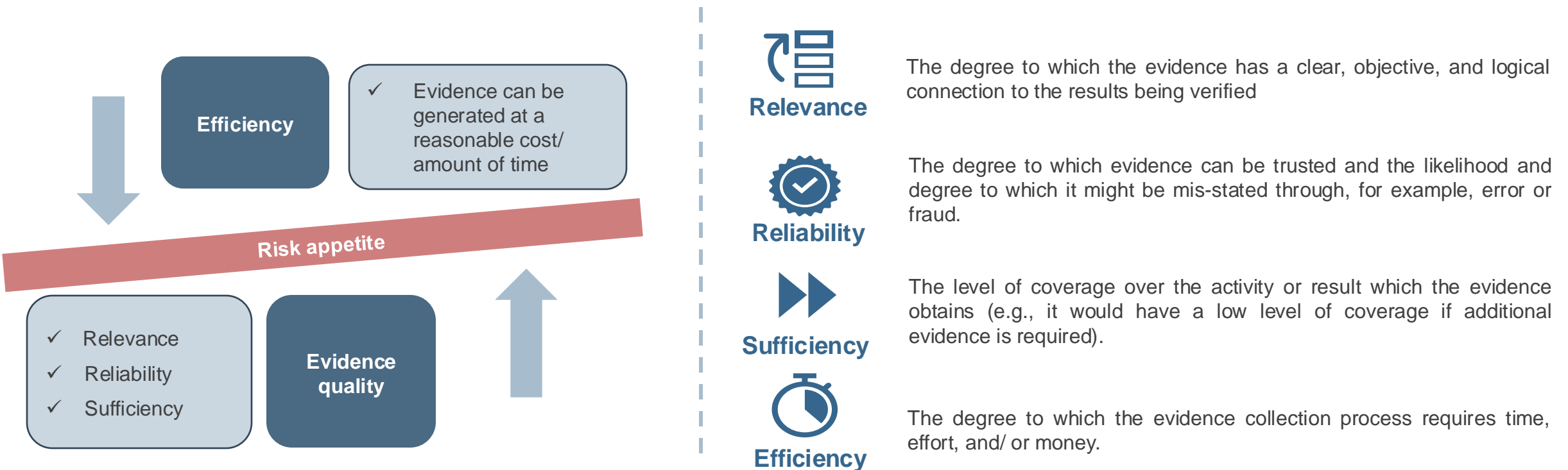


Overview, assessment, and selection of service provider evidence

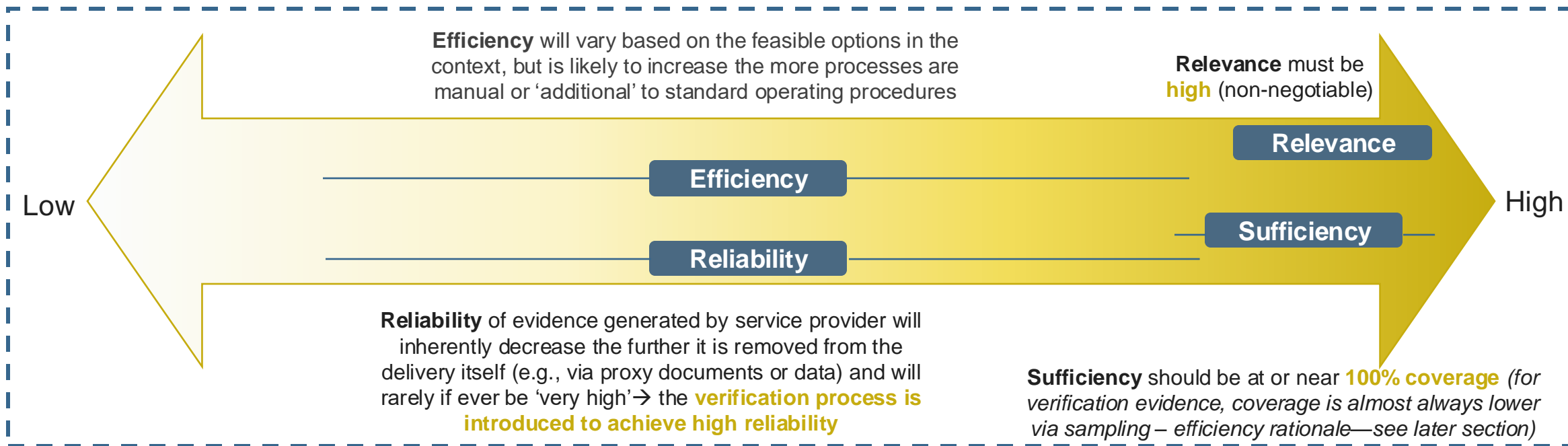
Service provider evidence refers to **information reported by the service provider** on the level to which the program has achieved its pre-defined desired objectives (usually, results).

Under an RBC, the “evidence” of results achieved **replaces financial accounting documents for purposes of determining fund eligibility**. Therefore, it **must comply with International Standards of Audit (ISA)** to enable an auditor to determine that adequate “controls” exist to provide “reasonable assurance” that the objective (e.g., result) has been met, and that payments were made responsibly.

RBC evidence should **strike the right balance between quality (as defined by relevance, reliability, and efficiency) and efficiency**. This balance is ultimately a risk appetite decision for the CT and 2nd line → considering how much they are willing to ‘invest’ in terms of costs/ time in order to get to a higher quality of evidence (and, in turn, lower risk of unreliable evidence or overpayment).



How to evaluate and select service provider evidence



	Relevance	Reliability	Sufficiency	Efficiency
High	Data generated during campaign of every household that received ITNs, the number of residents, and the number of ITNs received	Performance of the activity itself in a way that is directly observable by an independent third party (e.g., teaching a training)	Collection of 100% of underlying HIV test results reports that evidence # of HIV patients tested by a clinic	The verifier directly accesses the HIV tests registers on a digital platform that compiles all tests administered for the period, organized by date, type of test, patient ID
Low	3 quotes for purchase of coffee and tea to nourish distribution team during ITN distribution campaign	Generating a document claims an activity took place (e.g., sign in sheets for training participation)	Non-representative number of spot checks at the clinic, selected through non-sampling means	Collecting hardcopy HIV test registers necessitates long travel times to multiple testing sites and hiring at least 2 additional staff members solely for the process

How to define service provider evidence

An RBC contract should **articulate explicitly and accurately the exact evidence** that will indicate a result has been achieved and define **how evidence affects payment**. **Three critical considerations for integrating evidence into the RBC contract:**

Clearly state what evidence is linked to payment decisions

The contract should clearly state that, for purposes of obtaining grant payment, the service provider is required to generate the defined evidence

- If not defined explicitly, Section 5 of the GF Budgeting Guidelines remains the “default”, meaning that procurement and accounting documentation for budget inputs will serve as the basis for determining the result was rendered (and will be the focus of audits).
- This may result in unexpected ineligibles or duplicated administrative burden (forcing multiple organizations to collect and review internal financial documentation on top of performance outputs).

Define what makes evidence complete/compliant

The contract should include a detailed description of the specific attributes that will constitute evidence’s completeness (and Operational Manual may wish to add template annexes for clarification)

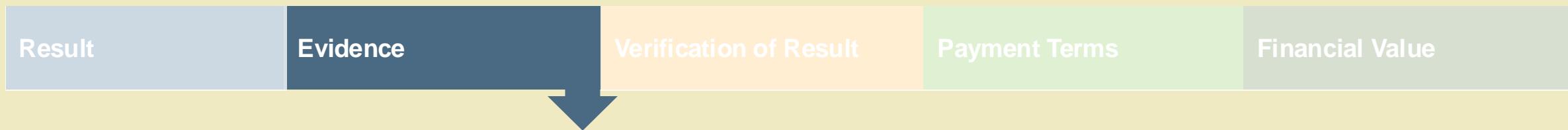
- This may include explicit bullets explaining what substance/ content/sign-offs are needed in evidence or provision of templates that include all relevant evidence data fields.
- As with quality (discussed below), a “minimum” approach should be taken.

Define evidence minimum quality standards

The contract should include the minimum quality standards that the evidence must meet

- Be careful not to define “maximum” or “perfect” quality criteria, as these may prove too hard to meet, and this will generate a lack of payment, even though the work was done.
- Bottom line: Don’t confuse quality assurance with payment criteria.

Programmatic results framework – completion guideline



Result	Evidence that the service provider generates	Minimum quality criteria	Relevance	Reliability	Sufficiency	Efficiency
Result 1	Summarise what the evidence is	Describe the minimum level of expected reporting quality standards, including details on what makes the evidence complete/compliant	<p>High – Very Related</p> <p>Medium – Related to some extent</p> <p>Low – Little or no relatability to the result</p>	<p>High – Very reliable</p> <p>Medium – Reliable to some extent</p> <p>Low-Very susceptible to data manipulation/fraud</p>	<p>High – Less dependence on complementary sources for confirmation and the sample size is sufficient to offer confidence</p> <p>Medium – Some significant dependence from complementary sources and the sample size is fairly sufficient to offer confidence</p> <p>Low – Data sources need complementary resources or the sample size is not sufficient</p>	<p>High- Requires minimal effort, time and resources from the service provider to obtain it</p> <p>Medium – Requires a certain effort, time and resources from the service provider to obtain it</p> <p>Low- Requires a lot of effort, time and resources from the service provider to obtain it</p>
	Option 2					
Result 2	Option 1					
	Option 2					

Ensure you justify all ratings with the main supporting details of your assessment

Programmatic results framework



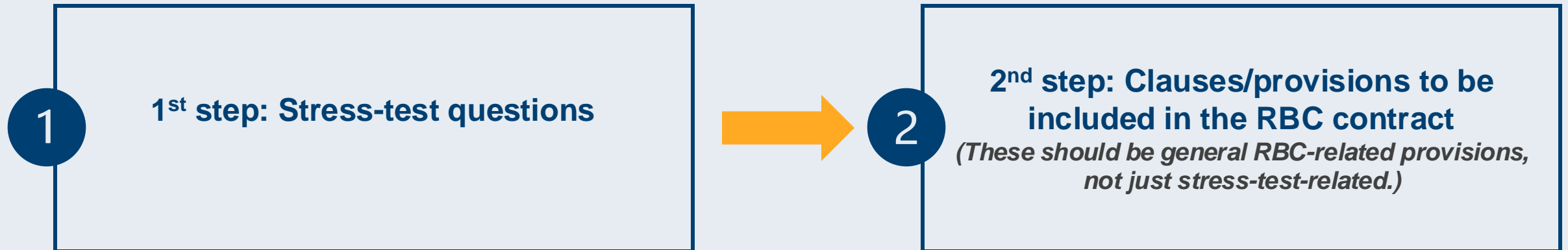
Result	Evidence that the service provider generates	Minimum quality criteria	Relevance	Reliability	Sufficiency	Efficiency

Frameworks and process for defining evidence

Reflection time

Now that you have completed this section, take the time to reflect on the key takeaways from the different assessments you have performed and the RBC elements you have defined.

Start by **(1)** submitting all the RBC elements you have defined in this section to a **stress-test**, by elaborating scenarios where your RBC design can fail or be challenged, then **(2)** articulate concrete **contractual clauses** or provisions that would help mitigate the likelihood of the failure scenarios you have elaborated:



Example of stress-test questions:

- *Is there a more cost-efficient alternative to the evidence you have selected?*
- *Can you imagine a scenario where the evidence generated by the service provider is falsified, and it either cannot be detected or it would be very costly (time, effort, and budget) to do so?*
- *Are there any systems or processes already in place that would increase the reliability of service provider evidence?*

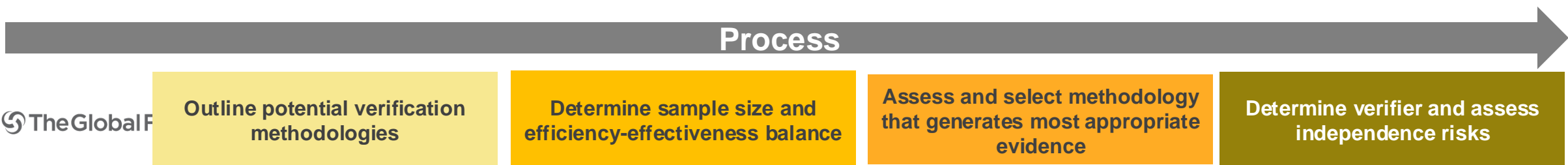
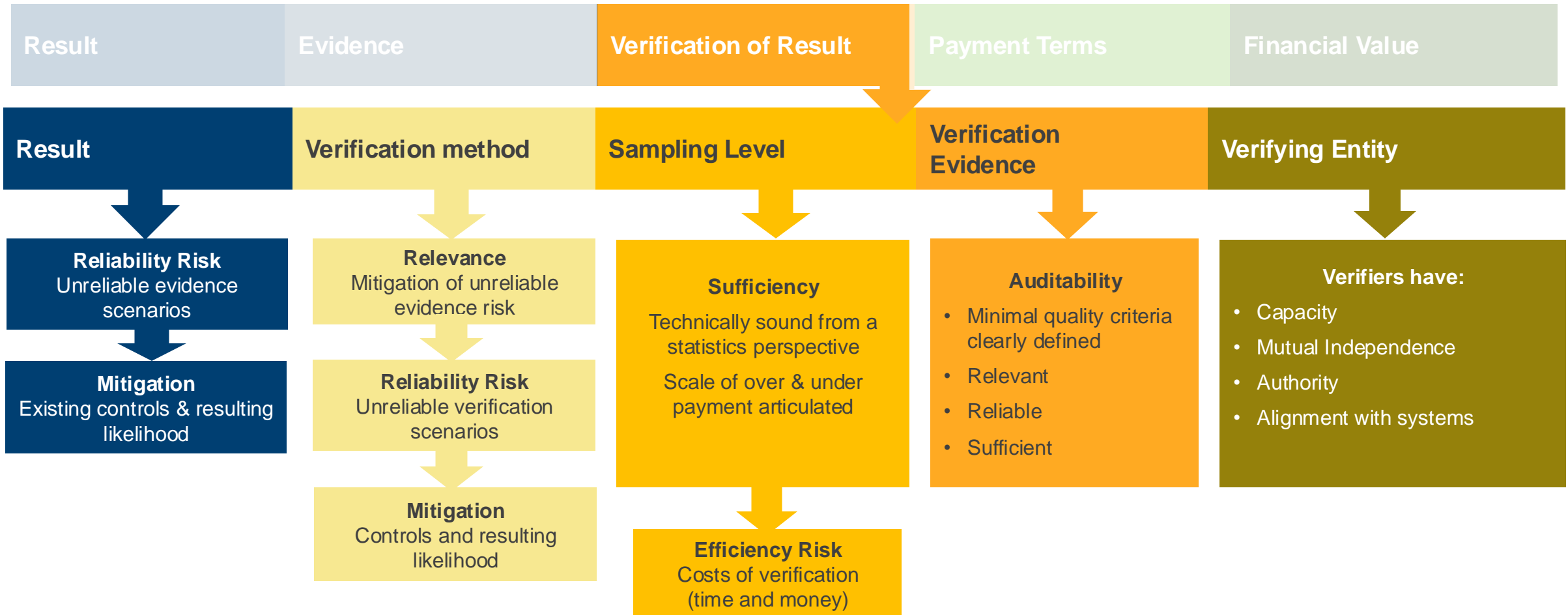
Note: *The stress-test questions provided here are indicative of the reasoning that you should further adopt and develop and are not meant to be exhaustive or comprehensive.*



GF Finance and Risk team to review and validate the outputs of this section

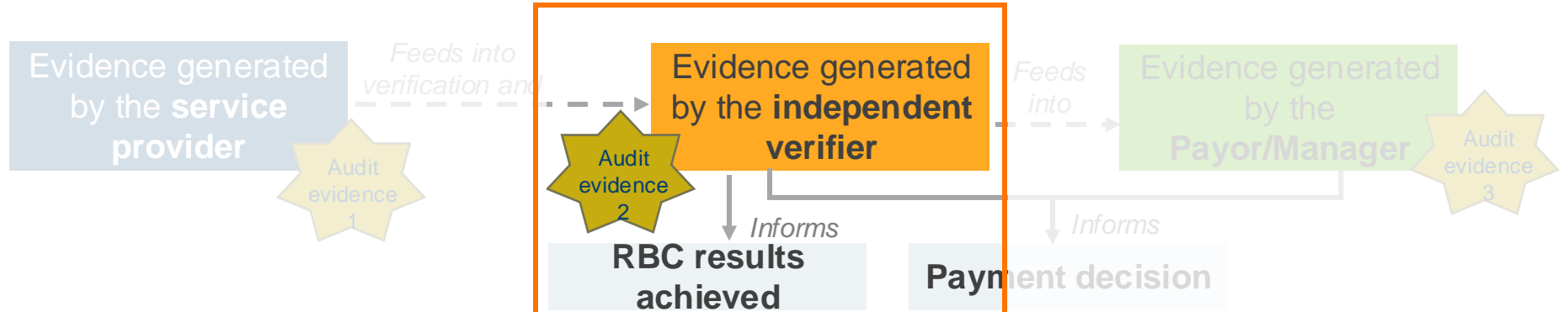
SECTION 3: DEVELOPING THE VERIFICATION PROTOCOL OF AN RBC

Frameworks for developing the verification process

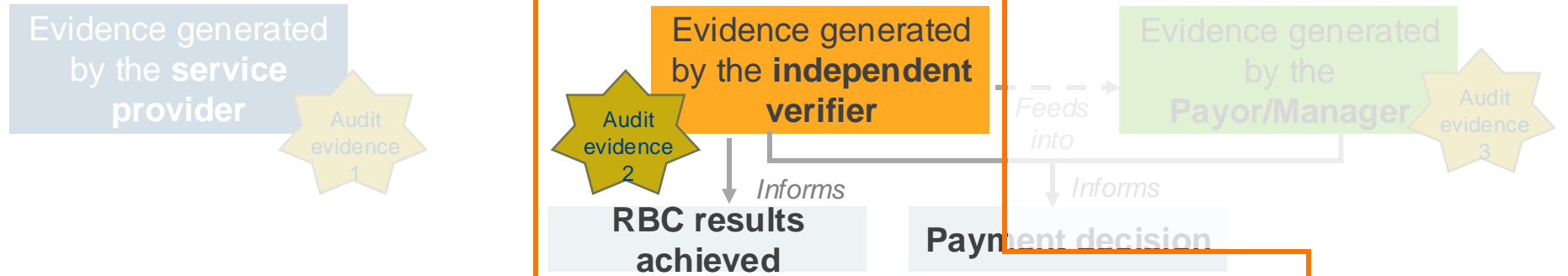


This section (Verification) will focus on the orange type of evidence: verification evidence

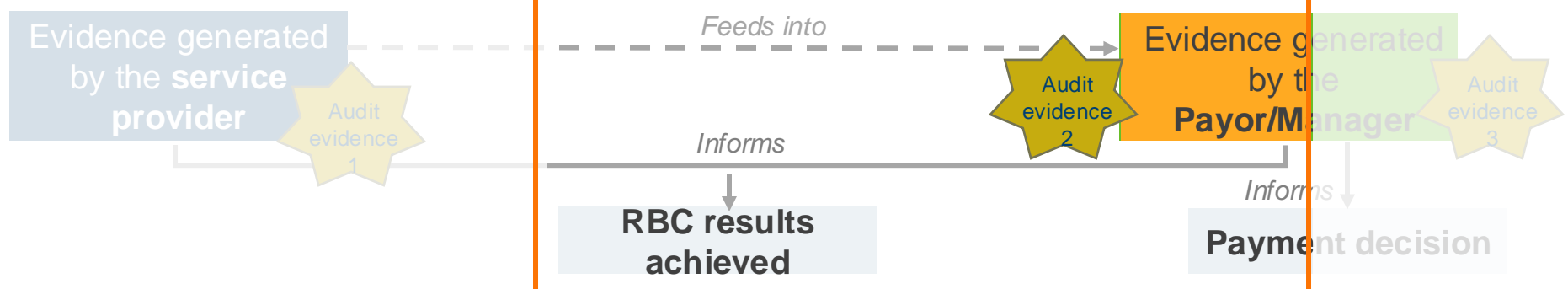
Scenario 1: RBC results achieved are determined by an **independent verifier who verifies service provider evidence**



Scenario 2: The verification of RBC results achieved, conducted by an independent verifier, is **not based on the service provider evidence**

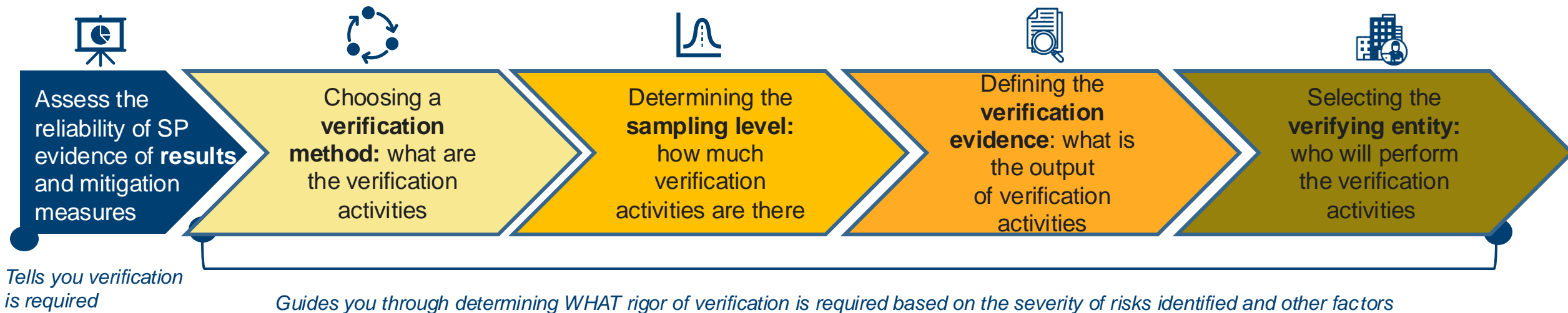


Scenario 3: RBC results achieved are determined by the **payor/RBC manager who verifies service provider evidence directly**



Overview of verification protocol elements

- **Verification of results is always necessary** under an RBC, even in low-risk portfolios with relatively high reliability of service provider evidence
- However, the **intensity of the verification protocol** (i.e., sampling level, rigor of the methods, level of expertise and independence of the verifying entity, and quality of the verification evidence) **is context-dependent**
- **Key contextual factors that drive verification rigor include:** (1) the severity of unreliable evidence risk (higher risk → higher rigor), (2) the budget available for verification (lower budget → (generally) lower rigor), (3) CT and stakeholder preferences, particularly in relation to the balance between points 1 and 2.
- Below are the key elements of defining a comprehensive verification protocol



Though it isn't always necessary to hire an independent verifier or engage in highly rigorous methodologies for verification, a verification exercise must always be conducted to confirm service delivery results



Result: Assessing the risk of unreliable service provider evidence

Unreliable evidence refers to evidence that is unavailable, incomplete, inconsistent, or inaccurate and hence cannot provide sufficient assurance over the results achieved.

In the context of service provider evidence, this means that there is a risk that the service provider evidence of results achieved does not equal actual results achieved:

- If unreliable service provider evidence would be used to make RBC payment decisions, this may generate **mispayment risk** (e.g., potential payment for results not actually achieved- overpayment)
- If it would be used for assessing program success, this may lead to **incorrect conclusions** about programmatic **impact** and future direction of program design

To assess and reduce the risk of unreliable service provider evidence, the following steps are necessary:

1. identify the **scenarios that could cause unreliable evidence and their root causes**
2. **Identify mitigation measures that address the specific scenarios/ causes**

Decisions regarding mitigation measures should be made when service provider evidence is defined.

In some cases, the inherent risk may be low and minimal mitigation measures are required

Result: Assessing the risk of unreliable service provider evidence



Common scenarios/ root causes (not exhaustive)

Errors caused by insufficient SP capacity for proper data collection and reporting (e.g., skills, number of staff)

Errors caused by poor data management systems and processes (e.g., lack of technology, all manual processes)

Intentional misrepresentation caused by single actors within the SP falsifying records (e.g., entering 'ghost' clients, reporting inaccurate outcomes for clients)

Intentional misrepresentation caused by coordinated and systematic falsification of records among many actors/ management of the SP (e.g., managers instructing staff to falsify or falsifying during their review process)

Intentional misrepresentation caused by collusion between the SP and other actors, such as beneficiaries, to falsify records

There are two typical, high-level pathways to mitigate the risk of unreliable evidence:

Improving the reliability of SP evidence itself

Example mitigation methods include:

- **Use of technology and automation:** barcodes, blockchain, etc.
- **Capacity building:** trainings, embedded oversight actors, etc.
- **Process improvements:** more frequent or extensive quality checks, data validation, etc.

Introducing verification activities *Required!*



Broadly, this refers to any other qualified actor or entity—other than the SP—undertaking activities to establish the validity of the results reported by the SP evidence



- **Verification is always required** but may be low intensity/ rigor if the risk is low (this will be defined in the subsequent section)
- Only those mitigation measures that can be **effectively implemented in the budget/ time constraints** should be actively considered

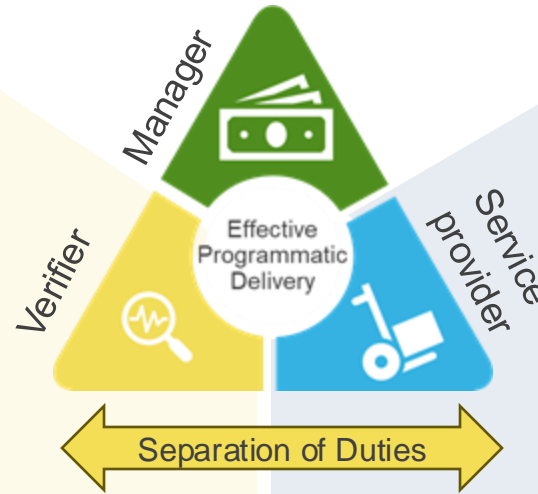
Result: Why verification is a required mitigation measure





Our primary existential risk is **loss of grant funds with under or no-delivery**, meaning neither programmatic nor fiduciary objectives are achieved. The primary potential cause of this risk is a specific type of unreliable evidence: **overreported evidence (i.e., more results reported than achieved)**.

With a verifier and verification activities in the triangle, the service provider:

-  **Is still incentivized** to show high performance
-  **No longer has an opportunity** to pose an existential risk to the program: verifier is now directed to detect irregularities that indicate there is unreliable evidence



Most severe risks *appear* if the service provider:

-  **Is incentivized** to show high performance
-  **Has the opportunity** to engage in actions that threaten the programmatic and fiduciary objectives of the grant:

- Manipulate evidence of results
- Influence sub-grantees or sub-contractors
- Prioritize operations on easily verified populations
- Redirect goods for profit
- Among others

Evidence generated is relevant, sufficient **and** reliable

Evidence generated is relevant and sufficient but **not** reliable

Verification is a required mitigation measure due to its ability to mitigate overreporting of results by stripping the service providers of the opportunity to overreport.

Appropriate verification protocol (1/5) – completion guideline

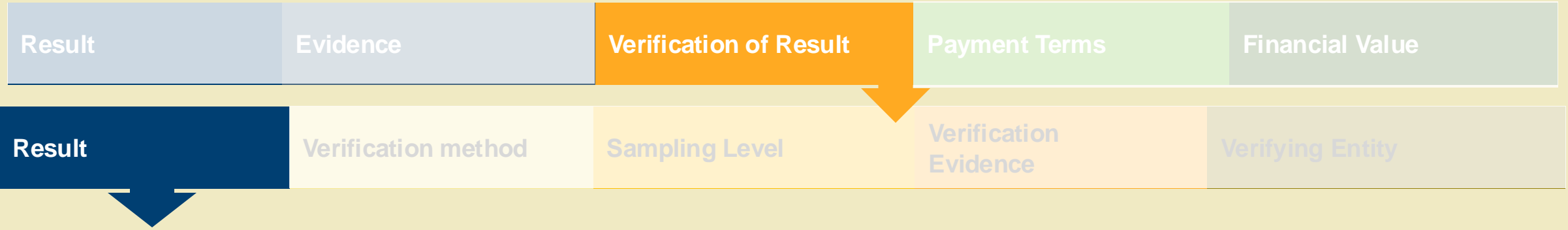


Result	Evidence	Verification of Result	Payment Terms	Financial Value
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Result	Verification method	Sampling Level	Verification of Evidence	Verifying Entity
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	Scenarios	Mitigation Measures	Residual Risk	Risk Acceptance Decision and Justification
Risk of unreliable evidence	Insert potential scenarios and root causes for unreliable evidence; to the extent necessary, contextualize common scenarios to the specifics of your program	Insert mitigation measures for the specific scenarios / causes, considering both verification activities (required) and pathways to improve SP evidence quality	High – High threat of unreliable evidence even after mitigation measures Medium – Medium risk of unreliable evidence after mitigation measures Low – Little to no risk of unreliable evidence after mitigation measures	If risk is Medium / High , justification for accepting risk

Appropriate verification protocol (1/5)

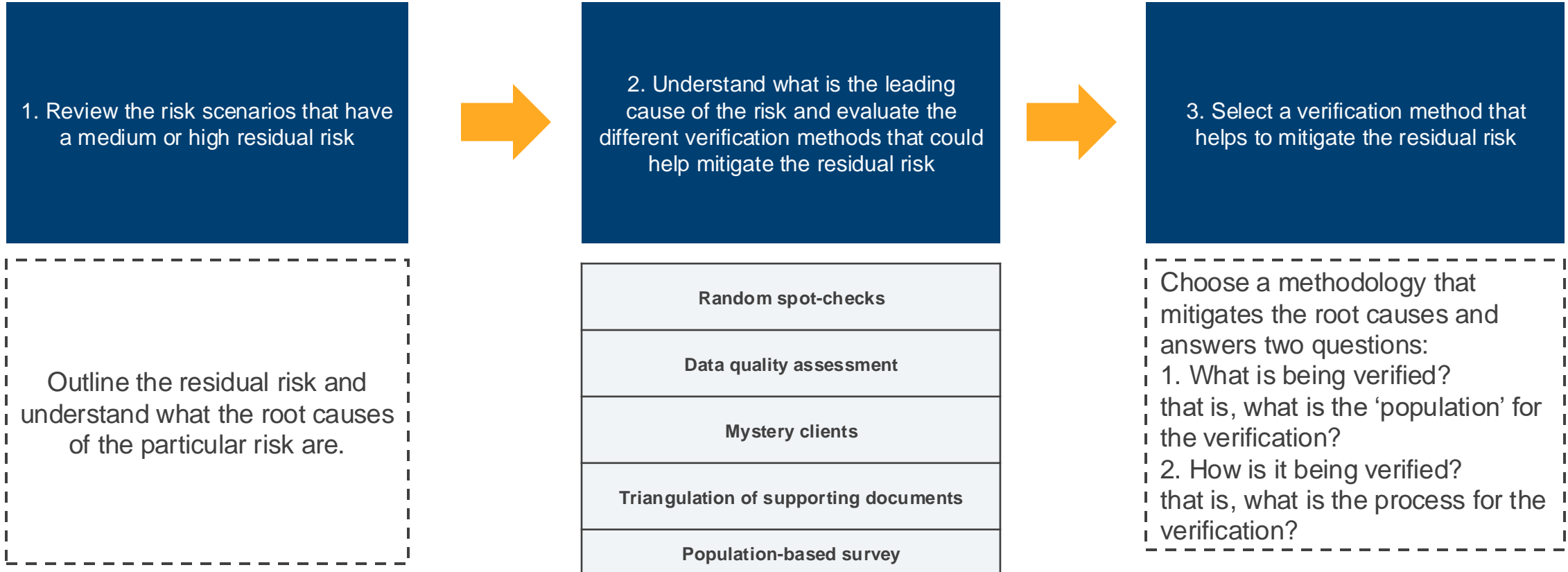


	Scenarios	Mitigation Measures	Residual Risk	Risk Acceptance Decision and Justification
Risk of unreliable evidence				



Verification method: Selecting verification methods when residual risks are identified

The following process needs to be carried out while identifying an appropriate verification method.



While selecting a verification method, components of reliability, relevance, efficiency, and sufficiency must be accounted for. The following sections elaborate further on each of these metrics.

Verification method: General considerations for method assessment



Type of verification method		Considerations to chose the type of verification method
What is being verified?	<p>Population-based surveys: Surveying a sample of the target population from planning estimates to determine coverage achieved by the service provider.</p>	<p>Pros</p> <ul style="list-style-type: none"> • Cost-effectiveness: They are cost-effective methods, making them suitable for RBC designs with budget constraints. • Scalability: They can be scaled up to cover a large sample size or broader geographical areas. • Beneficiary perspectives: They can offer direct insights into beneficiary perspectives and experiences (e.g., The verification process could be used to measure the quality of the service provided). <p>Cons</p> <ul style="list-style-type: none"> • Response bias: They might be subject to bias, which could affect the accuracy of the data collected. • Resources and skills requirements: They require a level of expertise in both survey methodology and data analysis, which requires a time and resource investment. • Sample representativeness: They require a representative sample size is required to obtain reliable and accurate results. • Logistical aspects: Contacting KP requires compliance with each country's data protection regulations. Even after establishing contact, capturing information about the intervention may still present challenges. Moreover, survey –based methods must be carried out during implementation, and the presence of other actors mat impact identification of KP.
	<p>Data-quality assessment: Surveying a sample of the service provider database to assess the quality of services provided.</p>	
How is it being verified?	<p>Qualitative and process evaluations: Using Focus Group Discussions and visiting intervention sites to assess quality and process.</p>	<p>Pros</p> <ul style="list-style-type: none"> • Beneficiary perspectives: They can offer direct insights into beneficiary perspectives and experiences. <p>Cons</p> <ul style="list-style-type: none"> • Logistical aspects: Conducting Focus Groups with diverse KP individuals is essential, but their participation may not be guaranteed or difficult to arrange. • Selection bias: Even if KP individuals are successfully contacted, a potential bias arises from recruiting only KPs with positive experiences, leading to an incomplete representation of the overall population.
	<p>Triangulation of documents: Comparing several pieces of evidence collected by the verifier and the service provider to check for discrepancies.</p>	
	<p>Unannounced visits and spot-checks: Performing unannounced visits and spots checks of intervention sites to check for inconsistencies or discrepancies.</p>	<p>Pros</p> <ul style="list-style-type: none"> • Long-term assessment: They allow for longitudinal studies, which helps evaluate the intervention over time. • Reliability: They provide robust and reliable data as they use credible data sources and statistical analysis. • Accurate measure of outcomes: They provide precise measurement of outcomes, which ensures that the verification method is based on concrete data rather than subjective opinions or perceptions. <p>Cons</p> <ul style="list-style-type: none"> • Higher cost: They can be a more resource-intensive process as they require access to comprehensive data, advanced analytical tools, and skilled staff. • Time-consuming: They might be a time-consuming process as it might take longer to gather, analyse and interpret the data. • Data availability and quality: They rely on the availability of relevant and reliable data, which in some cases might not be accessible or don't have the expected/required quality to carry out the verification process.

Appropriate verification protocol (2/5) – completion guideline



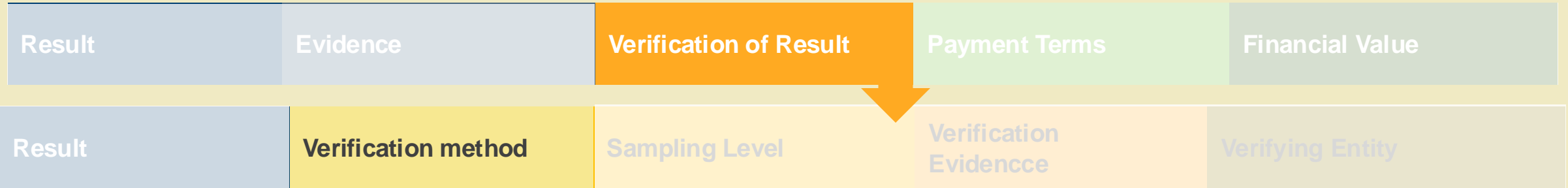
Result	Evidence	Verification of Result	Payment Terms	Financial Value
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Result	Verification method	Sampling Level	Verification Evidence	Verifying Entity
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Description of verification method	How it detects, deters, prevents overreporting scenarios	Reliability (unreliable verification scenarios)	Mitigation (Is this mitigating the unreliable scenarios)
Insert a description of the verification method chosen (1 per RBC result)	Describe how and why the method is most effective at mitigating the risks identified previously. Each of the risks must be outlined as an individual bullet point and elaborated individually.	<p>High – Highly reliable and effective at mitigating risks</p> <p>Medium – Moderately reliable and effective at mitigating risks</p> <p>Low – Is unreliable and does little to nothing at mitigating risks</p>	Describe the channel through which the risk is mitigated

Ensure you justify all ratings with the main supporting details of your assessment

Appropriate verification protocol (2/5)



Description of verification method	How it detects, deters, prevents overreporting scenarios	Reliability (unreliable verification scenarios)	Mitigation (Is this mitigating the unreliable scenarios)



Sampling Level: Introduction to sampling

- Sampling is the technique of **selecting a subset (the sample) of the population** to make statistical inferences regarding the characteristics of the whole population.
- In the context of RBC, when the **population (or total number) of a certain result is large and/or verification is inherently costly/ time-consuming**, it may be unrealistic to verify the entire population. Instead, **sampling a subset of the population to verify** can be a reliable and cost-effective method of estimating, through statistical inferences, the population-level results based on the verification of the sample.
- **In instances where sampling is not necessary or not feasible** (e.g., there are a low number of total results making statistical inference from a sample risky or impossible, or verifying the entire population can be done cost-effectively and time-efficiently), the **entire population of a certain result can be verified**. For purposes of RBC and the templates, this is considered a sample size of 100%.

Random Sampling

- Involves **random selection** of a subset of the population. Each entity of the population has an **equal chance** of being selected.
- Since the sample is selected randomly, the results **can be** generalized to the population. This allows for a more precise extrapolation of the true 'results' among the population.
- The sampling may be **stratified** or **clustered** if necessitated by the RBC design or other factors.

Risk-based Sampling

- Involves **analysis** on what specific results or subsets of the population are most at-risk for being unreliably reporting (e.g., through analysis of results reported to identify outliers or suspect trends)
- Since most 'risky' subset of results are the only ones sampled, the results **cannot be** generalized to the entire population of results anymore.
- As a result, translating verification evidence into payment calculations/ decisions is likely to be more complicated and potentially less accurately reflective of results delivered.



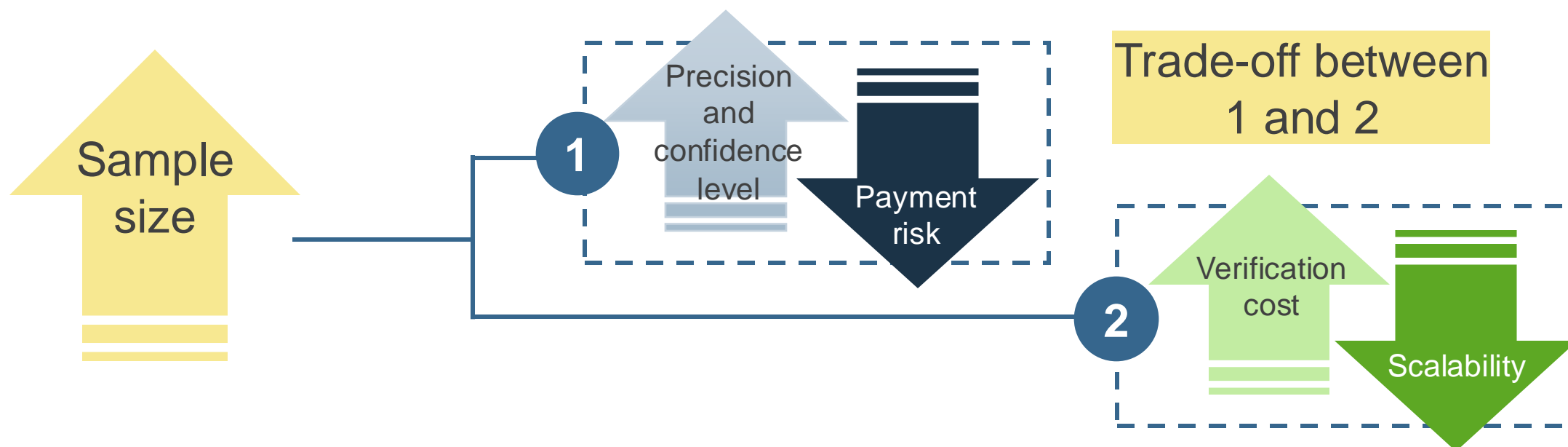
As a default, random sampling should be used given its ability to be generalized to the population of results and hence extrapolated to a more accurate payment decision. In contexts where risk-based is deemed more appropriate, then careful consideration must be given to how the verification results impact payment decision (later section).

Sampling Level: Key considerations for determining the optimal sample size

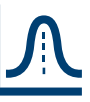


In determining the **optimal sample size**, a balance must be struck between two aspects:

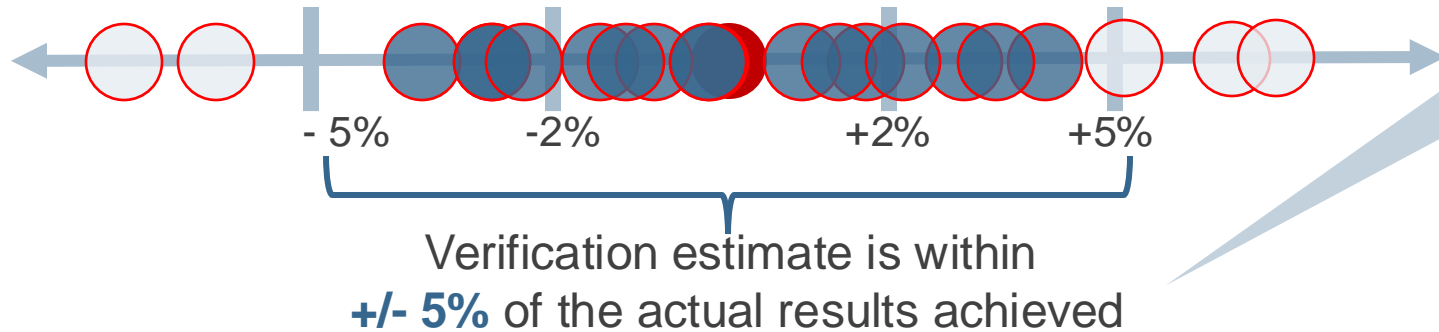
1. The desired **precision of the verification estimate** (and confidence level) which in turn impacts the **payment risk**. *The larger the sample, the more precise the estimate (and the lower the payment risk).*
2. The **cost of verification** which impacts the scalability of the RBC. *The larger the sample size, the higher the verification cost (and the lower the scalability of the RBC).*



Sampling Level: Precision certainty and sample size tradeoff



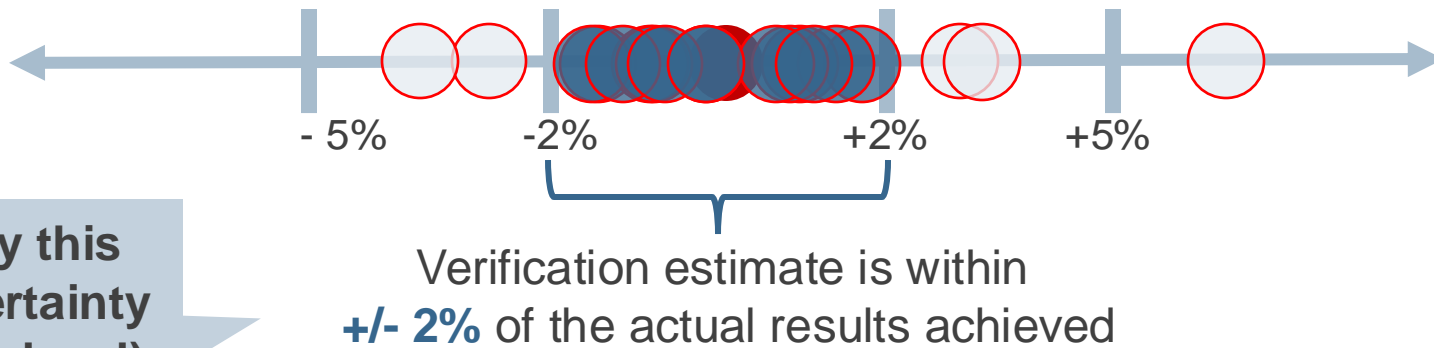
10,000
sample size



We can say this
with 95% certainty
(confidence level)

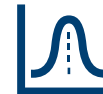
Higher the required precision level, larger the sample size needed to achieve it

30,000
sample size



We can say this
with 95% certainty
(confidence level)

- Actual results achieved (unknown)
- Verification estimate within precision level
- Verification estimate outside the precision level



Sampling Level: Precision certainty and sample size tradeoff

What does 95% certainty mean?

If we select a random sample **100 times**, **95 times** the estimate will be within the specific precision level and **5 times** it will be outside of the precision level.

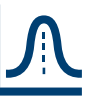
Yes, but **increasing the certainty** while keeping the **precision level constant**, will require a **significantly larger sample size** and in turn increase the verification cost.

Can we increase the certainty?

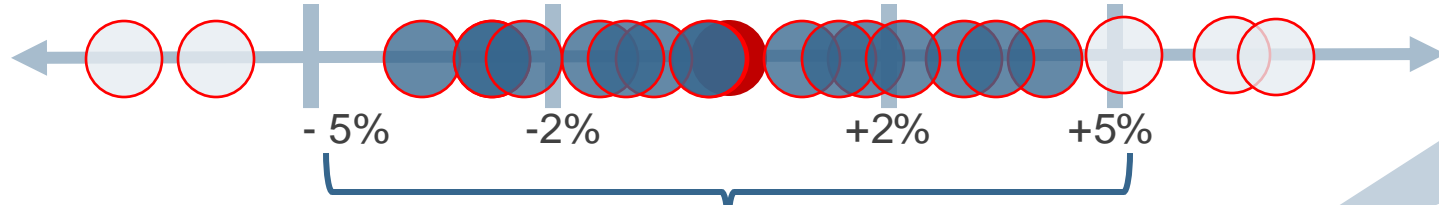
Keeping precision level (+/-) at	Sample size	
	To get confidence level of 95%	To get confidence level of 99%
5%	10,000	20,000
2%	30,000	60,000
1%	60,000	120,000

Illustrated in the next slide

Sampling Level: Precision certainty and sample size tradeoff



10,000 sample size

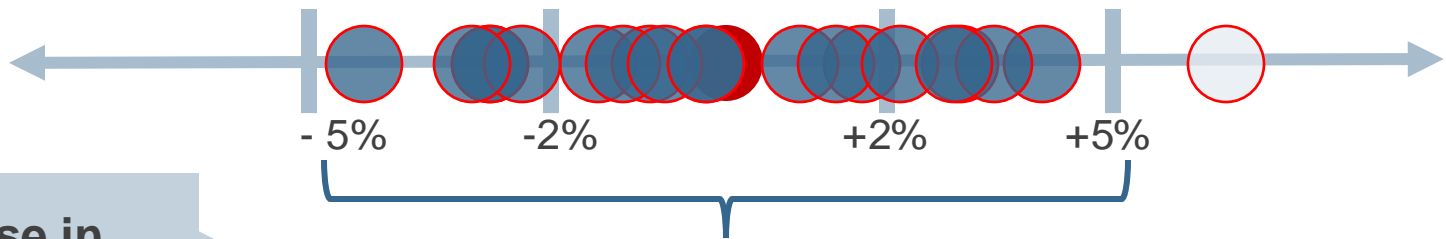


Verification estimate is within **+/- 5%** of the actual results achieved. We can say this with **95%** certainty.

To say this with greater certainty (confidence level), a larger sample size is needed.

The higher the certainty of precision level, the larger the sample size

20,000 sample size

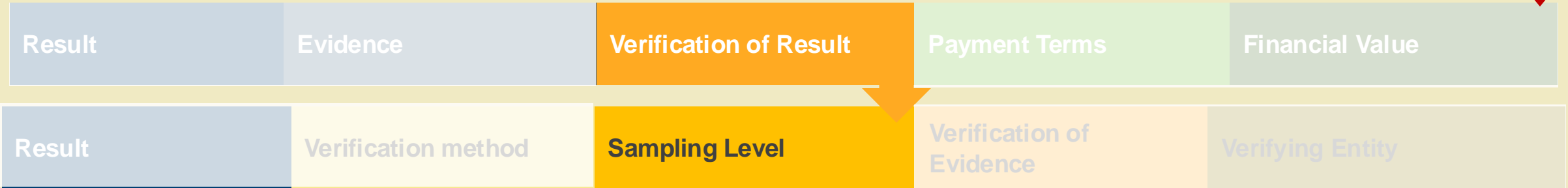


Verification estimate is within **+/- 5%** of the actual results achieved

With increase in sample size, we can say this with **99%** certainty (confidence level)

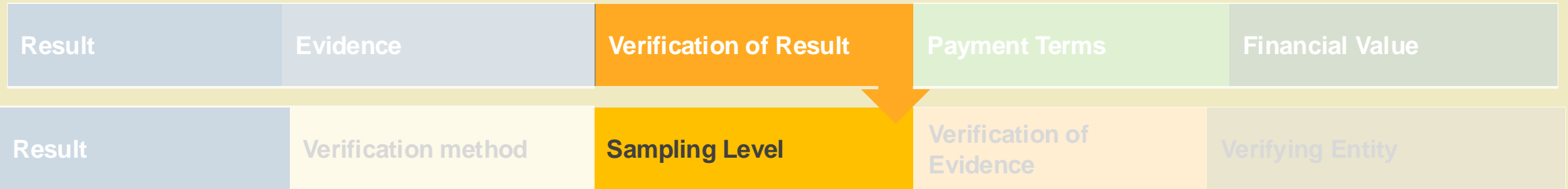
- Actual results achieved (unknown)
- Verification estimate within precision level
- Verification estimate outside precision level

Appropriate verification protocol (3/5) – completion guidance



Verification Sampling Statistical Analysis	
Will the verification use sampling?	<p>If you answer no, no need to proceed and complete the template</p> <p>If you answer yes, proceed to following questions</p>
Will it use risk based or random sampling? Include your justification	<p>The reliability of the service provider's evidence is one of the factors you can consider to determine if you should sample randomly or choose to perform a risk-based sampling</p>
What is the sample size?	<p>One of the factors to consider is the precision level required for your verification to be robust</p>
What is the likelihood of overpayment?	<p>The fact that there is still a likelihood, equivalent to 100% - confidence level, that the estimate is outside the precision level is the main factor to consider here.</p>
By how much would we be overpaying?	<p>Consider that there is still a likelihood equivalent to 100% - confidence level, that the estimate is outside the precision level, and consider the payment function's characteristics (kinks, minimum thresholds). To get an estimate of the amount at risk of overpayment, you can add on a percentage corresponding to the chosen margin of error to an estimated payment amount (e.g. shadow budget estimate, subtracting milestone or periodic deliverables from the contract value, etc.)</p>
What is the cost of verification? (\$ and a % of value assigned)	<p>The cost of verification is a function of the sample size, verifier chosen and verification method</p> <p>Some factors to consider when estimating the cost of verification are (i) the fixed and variable cost categories associated with the verification method, (ii) the quantities needed for each cost category based on the sample size, (iii) the unit price estimate for each cost category</p>
Is this trade off acceptable?	<p>Ask yourself if the total amount at risk of mispayment is lower than the cost of verification.</p> <p>If you answer no, the trade off is acceptable, conditional on achieving the lowest mispayment risk possible</p> <p>If you answer yes, the trade off is not acceptable</p>

Appropriate verification protocol (3/5)







Verification Sampling Statistical Analysis	
Will the verification use sampling?	
Will it use risk based or random sampling? Include your justification	
What is the sample size?	
What is the likelihood of overpayment?	
By how much would we be overpaying?	
What is the cost of verification? (\$ and a % of value assigned)	
Is this trade off acceptable?	

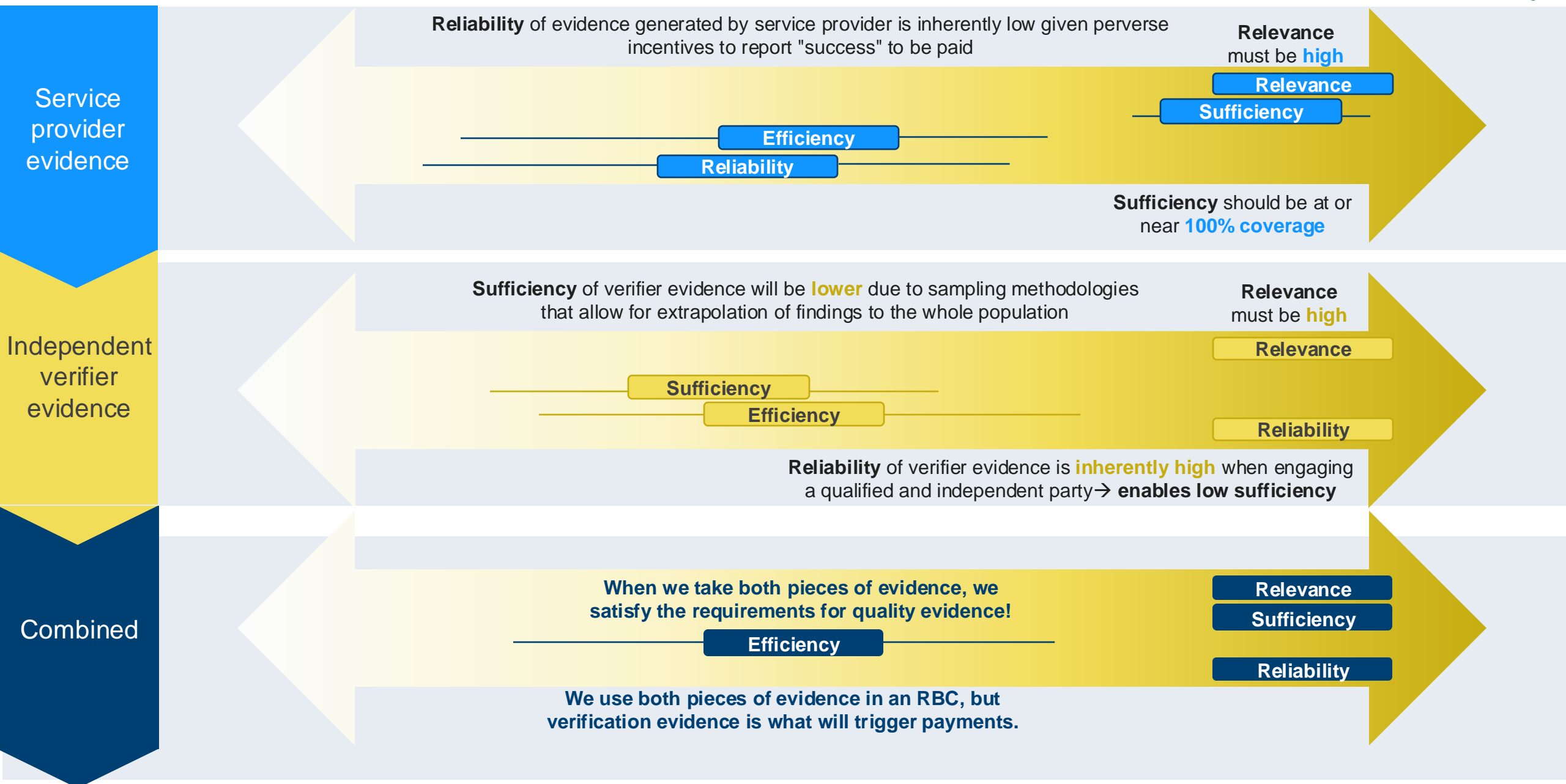
Verification evidence: Overview, assessment, and selection



Verification evidence is the **documentation of the verification process and its results**. The fundamental **considerations of how to assess, select, and define this type of evidence are the same as those that applied to service provider evidence** and were introduced in that prior section. Further details on how the assessment and selection criteria can be applied to verification evidence specifically are below.

Criteria		Definition	Characteristics of verification evidence
Relevance		The extent to which data from a verification exercise is related to the result being measured.	Relevance must be high as verifier evidence should be closely linked to the outcome being measured
Reliability		The degree of accuracy and data integrity from a verification method and verifier. Assesses how susceptible to error/misrepresentation a method is.	Reliability of verifier evidence is inherently high when engaging an entity with sufficient capacity and independence
Sufficiency		The degree to which data derived from a verification method answers the question adequately without need to confirm from another source. Assess the extent to which the selected sample size is able to offer confidence over actual results.	Sufficiency of verifier evidence will often be lower due to sampling methodologies that allow for extrapolation of findings to the whole population.
Efficiency		The level of effort, time, money and resources needed to successfully implement a verification method. Assesses how 'easy' it is to perform the verification.	Efficiency of verifier evidence should be weighed against the necessary quality (other 3 criteria). Higher quality (e.g., larger sample for higher sufficiency) will likely require lower efficiency.

Verification evidence: How SP and verification evidence work together



Verification evidence: Defining evidence and minimum quality



Just as with the service provider evidence, the verification evidence should **articulate explicitly and accurately the exact evidence** that will indicate a result has been achieved and define **how evidence affects payment**. **Three critical considerations for integrating evidence into the RBC contract:**

Clearly state what evidence is linked to payment decisions

The contract should clearly state that, for purposes of obtaining grant payment, the service provider is required to generate the defined evidence

- If not defined explicitly, Section 5 of the GF Budgeting Guidelines remains the “default”, meaning that procurement and accounting documentation for budget inputs will serve as the basis for determining the result was rendered (and will be the focus of audits).
- This may result in unexpected ineligibles or duplicated administrative burden (forcing multiple organizations to collect and review internal financial documentation on top of performance outputs).

Define what makes evidence complete/compliant

The contract should include a detailed description of the specific attributes that will constitute evidence’s completeness (and Operational Manual may wish to add template annexes for clarification)

- This may include explicit bullets explaining what substance/ content/sign-offs are needed in evidence or provision of templates that include all relevant evidence data fields.
- As with quality (discussed below), a “minimum” approach should be taken.

Define evidence quality standards

The contract should include the minimum quality standards that the evidence must meet

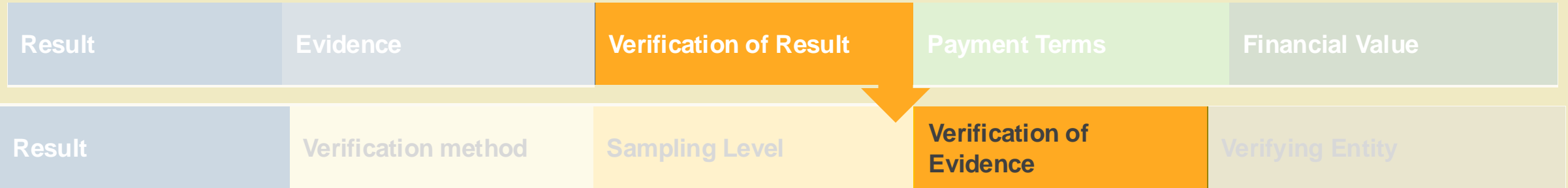
- Be careful not to define “maximum” or “perfect” quality criteria, as these may prove too hard to meet, and this will generate a lack of payment, even though the work was done.
- Bottom line: Don’t confuse quality assurance with payment criteria.

Appropriate verification protocol (4/5) – completion guidance



Verification method	Evidence of Verification	Minimum Quality Criteria	Relevance	Reliability	Sufficiency	Efficiency
Option 1	Summarise what the evidence is	Describe the minimum level of expected reporting quality standards, including details on what makes the evidence complete/compliant	High – Very Related Medium – Related to some extent Low – Little or no relatability to the result	High – Very reliable Medium – Reliable to some extent Low -Very susceptible to data manipulation/fraud	High – Less Dependence on complementary sources for confirmation and sample size is sufficient to offer confidence Medium – Some significant independence from complementary sources and sample size is fairly sufficient to offer confidence Low – Data sources need complementary resources or sample size is not sufficient	High - Can achieve verification with low level of cost and effort Medium – Requires some considerable amount of cost and effort to implement Low - Requires a lot of cost, resources and time to implement verification
Option 2						
Option 3						
Option 4						

Appropriate verification protocol (4/5)



Verification method	Evidence of Verification	Minimum Quality Criteria	Relevance	Reliability	Sufficiency	Efficiency
Option 1						
Option 2						
Option 3						
Option 4						

Verifying entity: Assessing and selecting the verifier



Common verification entities

- **MoH**
- **Other government bodies, such as district or local health units**
- **Hospitals, clinics, or other health service delivery organisations**
- **CBOs or NGOs**
- **Auditing or consulting firms (either local or international)**
- **LFA**
- **PR or SR (as long as it is not the entity acting as SP under the RBC)**

The verifier could also be a mix of two or more actors. This may be either necessary (e.g., government insists on being involved, but lacks full capacity) and/or desirable (e.g., including a local CBO enhances the buy-in from beneficiaries).

Factors to consider in selecting a verifier

1. **Independence:** the verifying entity must be sufficiently independent to effectively mitigate the risks of unreliable SP evidence. This is explained further in subsequent slides.
2. **Capacity:** the verifying entity must have an adequate number of qualified staff to conduct the verification activities. Qualifications should consider knowledge and experience both in the specific health topic and in the field of audit, statistics, or similar concepts necessary for the specific verification method chosen.
3. **Cost:** the verifying entity must be within the budget boundaries set for the verification activities. Ideally, the selected entity is the most cost-effective option.
4. **Integration with existing systems:** where feasible and desirable, a verifying entity that is within the existing health care system or GF grant structure can offer additional benefits.

Verifying entity: Ensuring independence of the verifier is integral

To ensure adequate separation of duties (SOD), under no circumstances can: (1) an actor **both deliver** the services under an RBC and **verify** the evidence or (2) an actor **both deliver** the services under an RBC and **manage/ make payment decisions**.

Ensuring the **independence of the verifier** is critical for mitigating risks under an RBC model. One of the best pathways to enhance the independence of the verifier is to bring in a neutral third-party (triangular model). However, the manager may also act as the verifier (linear model) if assessed to be sufficiently independent and capable.

Simple linear model

Effective programmatic delivery



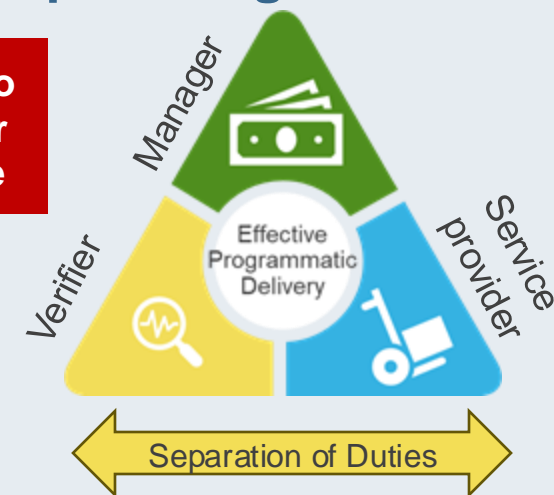
Manager (also performs verification)

Service provider

Simple linear model: combines the role of the manager and the verifier, with both roles performed by the same entity (the manager)

Simple triangular model

Best method to ensure verifier independence



Simple triangular model: separates the role of the manager and the verifier, with each role performed by a different entity

Verifying entity: Despite SoD, both the linear and triangular role are still susceptible to risks associated with RBC roles and relationships

Simple linear model:

- (1) potential for SP + manager/ verifier collusion to inflate results and over-pay
- (2) potential for manager to simply make up whatever verification it wants, with or without SP collusion

Simple triangular model:

- *(1) potential SP + verifier collusion → mitigated by manager oversight*
- (2) manager may threaten verifier independence
- (3) manager can simply override the verification results

Model Type	Opportunities for the manager	Perverse incentives for the manager
Simple Linear Model	Under a simple linear model, the manager is also the verifier, so it can generate whatever “verification” results it wishes	Grant performance criteria associated with absorption incentivize the manager to pay the service provider regardless of whether the supplier delivers at desired quality and/or quantity.
Simple Triangular Model	Under a simple triangular model, the manager has the power to (1) select and (2) make payments to the verifier, thus enabling manager to subject the verifier to collusive, coercive, or extortion pressures	The manager is inherently incentivized to show service provider progress, e.g., to demonstrate its own success
		The manager may be subject to competing motives, including pressure to divert grant funds (e.g., for self-enrichment or to kick back funds to higher authorities)

Verifying entity: For the triangular model, additional risks associated with the manager role must be considered

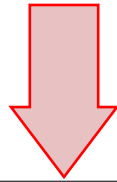
Inherent risk of fraud by role in triangular model

- 1 **Supplier** generated fraud scheme leads to overpayment
- 2 **Verifier** generated fraud scheme leads to overpayment
- 3 **Manager** generated fraud scheme leads to overpayment



The root causes of risks 1 and 2 have already been mitigated by the triangular RBC model through the separation of duties (i.e., verifier controls against supplier fraud, and manager controls against verifier fraud), and the residual risk should be low.

Based on the context, ***you might still need to include them in your risk register.***



Risk	Root Cause(s)	Prioritization
Manager generated fraud leads to overpayment	Manager coerces supplier to falsify reports to receive payment	
	Manager coerces verifier to verify supplier report in a certain direction	
	Manager has discretion to over-ride verifier report	

These scenarios/ root causes related to the manager will need to be assessed and may warrant mitigation, such as controls or checks on the manager

Verifying entity: Key takeaways



1

A **suitably independent verifier** is the **most effective mitigation measure** for the risk of unreliable SP evidence

- Thus, a critical risk assessment tests **the independence of the verifier**
- However, the **manager** poses the greatest risk to that independence

2

Collusion is still possible **between the supplier and the verifier**, to the exclusion of the manager

Thus, the **manager** is accountable for:

- **Overseeing** supplier and verifier performance and implementing additional controls as deemed necessary
- **Triangulating** reports from both parties against one another to identify inconsistencies or suspicious patterns (and against independent sources of information, if deemed necessary by the independence risk level)

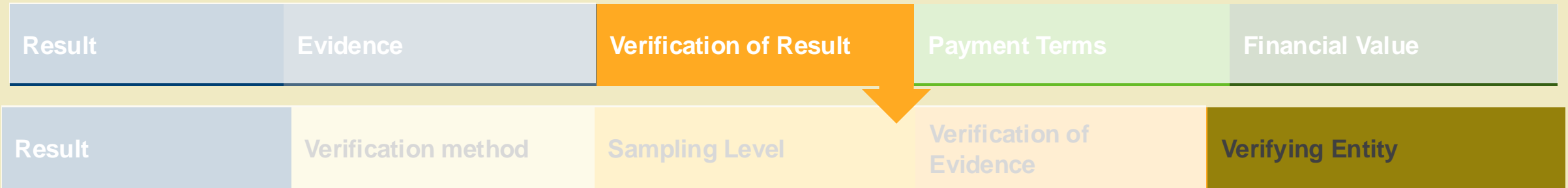
3

Even with full SoD, there are still **risks to verifier independence** that may occur **due to the manager's role and authority**

The verifier's independence is particularly at risk in cases such as:

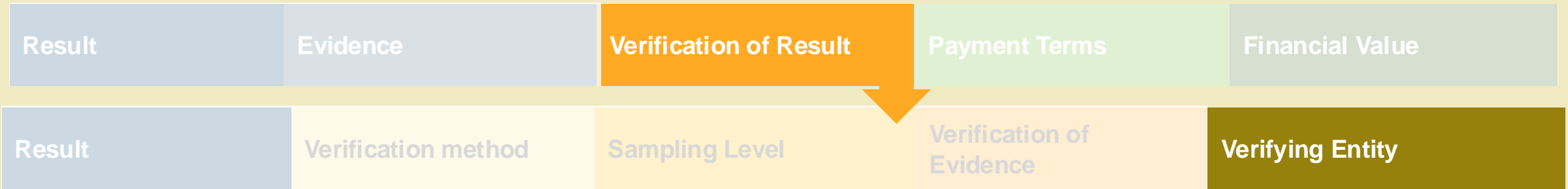
- Manager is part of an **inherently weak and corrupt system**
- Manager is **subject to extortion or pressure** to be allowed to operate or obtain donor funds in the country/region
- Personal **conflicts of interest** exist between key leadership roles in the Manager organization and the government and/or service provider

Appropriate verification protocol (5/6)



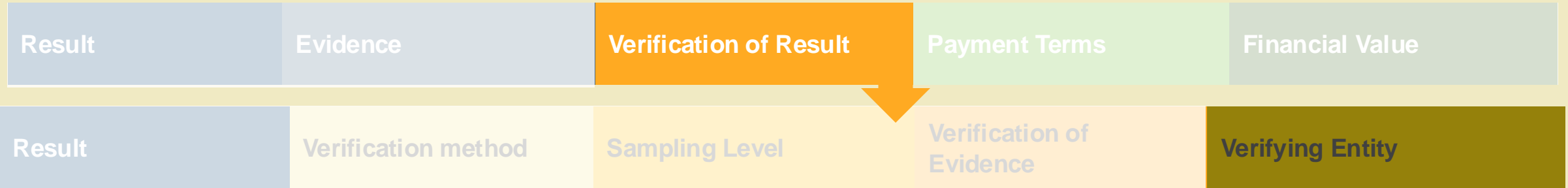
Implementation Arrangement Evaluation	
Does this use an extant system which can continue without GF involvement	
Manager – have they been competitively tendered or passed a capacity assessment?	
Verifier – have they been competitively tendered or passed a capacity assessment?	
Service provider – have they been competitively tendered or passed a capacity assessment?	
Assurance provider – have they been competitively tendered or passed a capacity assessment?	

Appropriate verification protocol (6/6) – completion guideline



	Scenarios	Mitigation Measures	Residual Risk	Risk Acceptance Justification
Risk to verifier independence	Insert potential scenarios where the verifier's independence may be threatened (collusion, intimidation, extortion, clientelism, etc).	Insert mitigation measures to counter each of the identified scenarios individually.	High – High threat to verifier independence even after mitigation measures Medium – Moderate risk to verifier independence after mitigation Low – Little to no risk to verifier independence after mitigation measures	If Risk is Medium / High , Justification for Accepting Risk

Appropriate verification protocol (6/6)



	Scenarios	Mitigation Measures	Residual Risk	Risk Acceptance Justification
Risk to verifier in dependence				

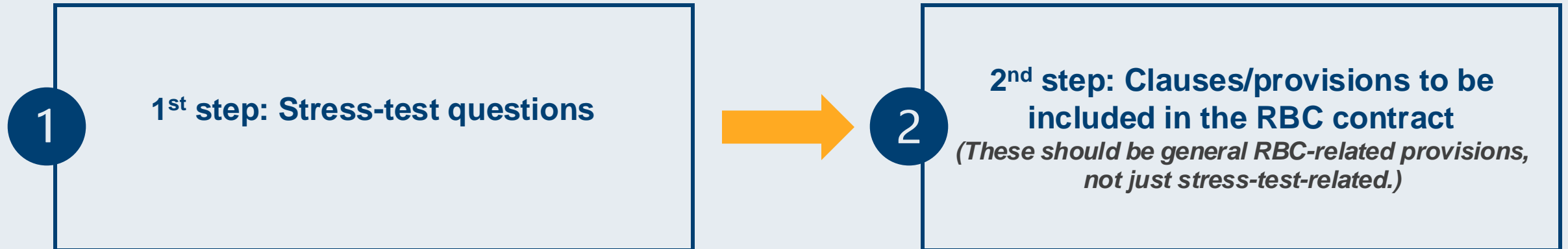
Frameworks and process for defining verification of results



Reflection time

Now that you have completed this section, take the time to reflect on the key takeaways from the different assessments you have performed and the RBC elements you have defined.

Start by **(1)** submitting all the RBC elements you have defined in this section to a **stress-test**, by elaborating scenarios where your RBC design can fail or be challenged, then **(2)** articulate concrete **contractual clauses** or provisions that would help mitigate the likelihood of the failure scenarios you have elaborated:



Example of stress-test questions:

- *Can you imagine a scenario where a stakeholder who is not the service provider, manager, or verifier creates a bottleneck in the payment to service providers process?*
- *Is there any conflict of interest that could jeopardize the validity of the verification protocol you have defined?*
- *Does your country have robust monitoring and verification mechanisms?*
- *Have any geographical, social or financial barriers to healthcare access been identified and properly addressed?*
- *Is it possible to engage third-party actors in the verification process?*

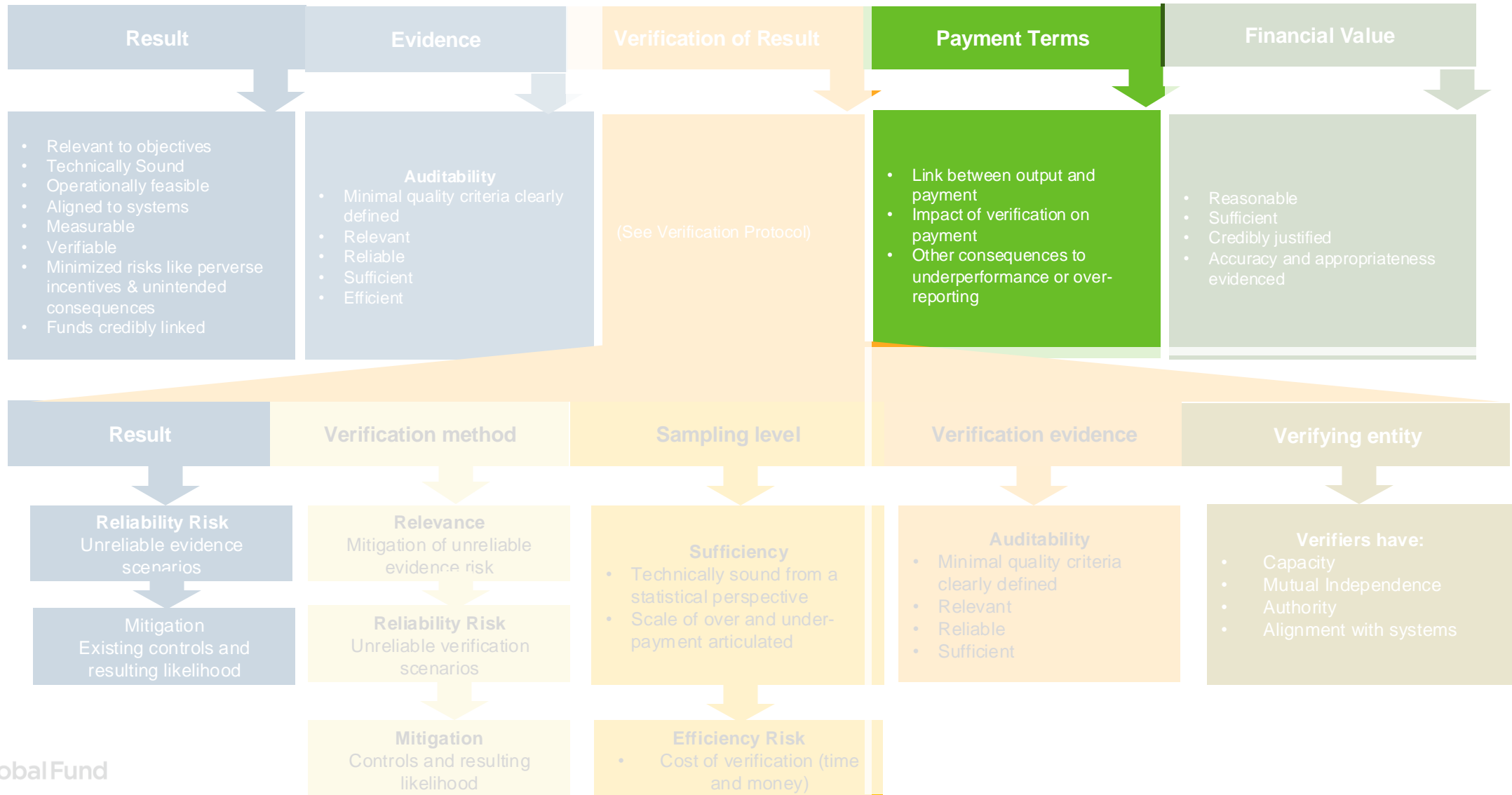
Note: *The stress-test questions provided here are indicative of the reasoning that you should further adopt and develop and are not meant to be exhaustive or comprehensive.*



GF Finance team to review and validate the outputs of this section

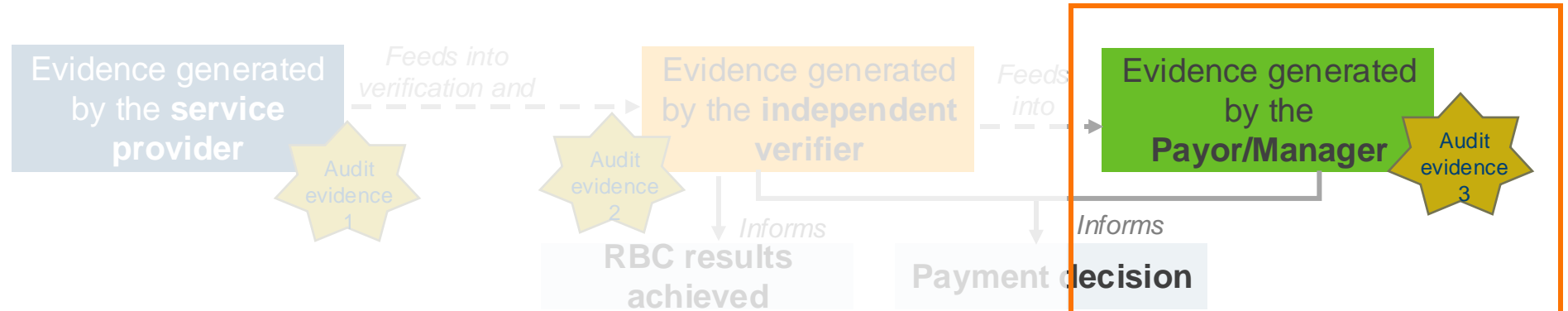
SECTION 4: DEFINING THE PAYMENT TERMS OF AN RBC

Frameworks and process for defining evidence

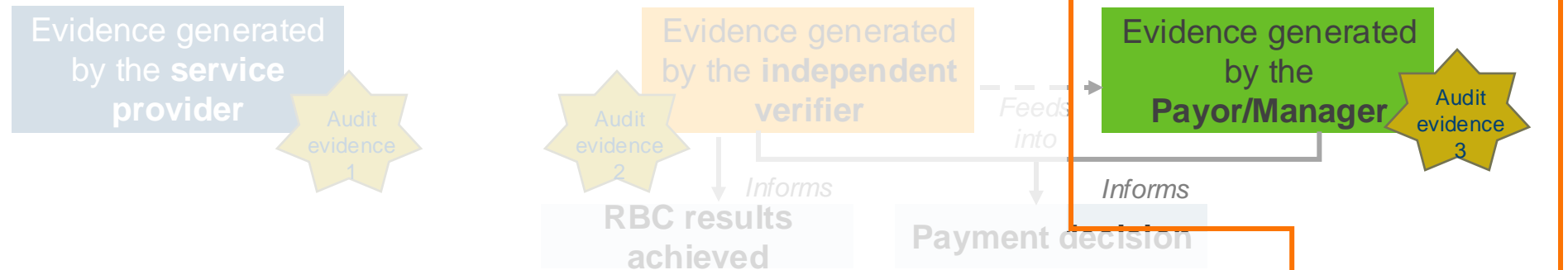


This section (Payment terms) will focus on the green type of evidence: payment evidence

Scenario 1: RBC results achieved are determined by an **independent verifier who verifies service provider evidence**



Scenario 2: The verification of RBC results achieved, conducted by an independent verifier, is **not based on the service provider evidence**

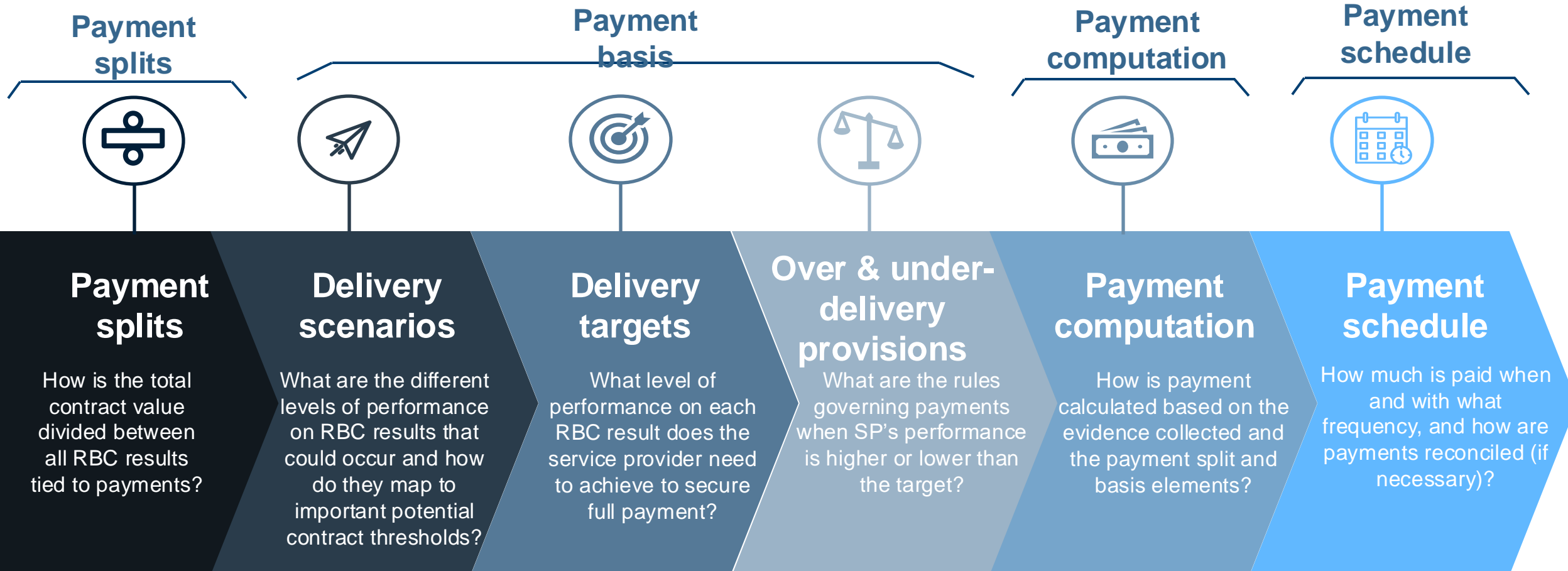


Scenario 3: RBC results achieved are determined by the **payor/RBC manager who verifies service provider evidence directly**



Payment evidence and the need for payment terms

Payment evidence involves **approval of verification evidence** and **calculation of the payment** to be disbursed to the service provider based on the pre-existing contractual terms. To translate payor evidence into payment, RBC payment terms need to be defined:



Payment splits: Criteria for defining payment splits among results



Alignment with objectives	All else equal, the more important the result is to achieving the primary programmatic objectives, the greater the payment split should be.
Cost to deliver	All else equal, the greater the cost to achieve a result, the greater the payment split should be. Paying a much lower price for a result than the cost to achieve it may mean the service provider is not incentivized to achieve the result since the 'reward' will be less than the investment.
Fiduciary risk	All else equal, the less control that a provider has over a result, the lower the payment split should be. Assigning high payment splits to results that are not fully within the manageable control of the service provider can transfer much greater risk to the provider.
Cash flow considerations	Assign greater weight to results that can be achieved earlier and measured periodically to improve the service provider's cash flow
Incentives that the relative weight of result generates	<ul style="list-style-type: none">• The payment split may create a strong incentive for the service provider to prioritize one result but deprioritize the other, which may not be desirable.• For path-dependent results (e.g., a patient needs to first be tested for HIV before being referred for treatment): If the payment assigned to the last result is lower than the expected cost to achieve it, the service provider may feel incentivized to neglect it



- The payment splits you chose may also impact other design decisions within the RBC. For example, low payment value for a given result may reduce the need for more costly verification methods.
- Payment splits cannot be determined in silos. The relative criteria must be compared across results to determine the appropriate splits.

Payment splits: Questions to consider while deciding splits



Alignment with programmatic objectives	<ul style="list-style-type: none">• What is the ultimate programmatic objective of the campaign as mapped out in the Results section of the guide?• How important is the particular result in the achievement of this objective, that is, is the result closer to an activity or an input along the causal framework or closer to an outcome?• How much will the success or failure of implementing the result affect the ultimate programmatic objective?
Cost to deliver	<ul style="list-style-type: none">• How expensive / resource-intensive is the achievement of the result? Does the payment split reflect the cost/effort that the service provider must put in to achieve said result?
Fiduciary risk	<ul style="list-style-type: none">• To what extent can this result be influenced by external factors out of the service provider's control? (e.g., political factors, weather, etc.)• To what extent do these external factors affect the achievement of the result itself?• If these external factors were to affect service provision, what level of fiduciary risk would it transfer to the service provider?
Cash flow considerations	<ul style="list-style-type: none">• How quickly can the result be measured? Can it be measured earlier along the implementation timeline?• Can the service provider be paid quickly for the achievement of this result (in a bid to improve their cashflow)?
Incentives that the relative weight of result generates	<ul style="list-style-type: none">• What kind of incentives (both positive and perverse) does assigning a higher relative weight to this result generate?• Does assigning a higher relative weight to the result generate a perverse incentive for another result?• Does the service provider feel like they can neglect the result, that is, is the relative weight of payment too small in comparison to the effort needed to achieve it?

Fiduciary Review (1/5) – completion guideline

Result	Evidence	Verification of Result	Payment Terms	Financial Value
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	Payment split	Rationale
Result 1:	Insert the final proportion of the contract value (%) allocated to the result	This box is meant to detail the rationale for the payment split allocated to each result. The rationale behind the payment split allocated to each result is strictly separate from the rationale that motivated the selection of the said result and should only be based on the criteria outlined in the previous slide.
Result 2:		
Result 3:		

= 100%

Fiduciary Review (1/5)

Result	Evidence	Verification of Result	Payment Terms	Financial Value
--------	----------	------------------------	----------------------	-----------------

	Payment split	Rationale
Result 1:		
Result 2:		
Result 3:		

= 100%



Payment basis: Delivery scenarios



Unacceptable

- Defining a **minimum acceptable level of performance**, below which the service provider would be considered to have effectively defaulted on their contract obligations.



Good enough

- Defining what level of performance would be **acceptable progress** towards the overall programmatic goals of the RBC.



Realistic best case

- Defining what level of performance is realistically achievable if the service provider operates as effectively as possible in the context.
- Realistic best case should be established considering past performance, service provider capacity (particularly if it is a new provider), and macro- and micro-planning, among other inputs.



Over delivery

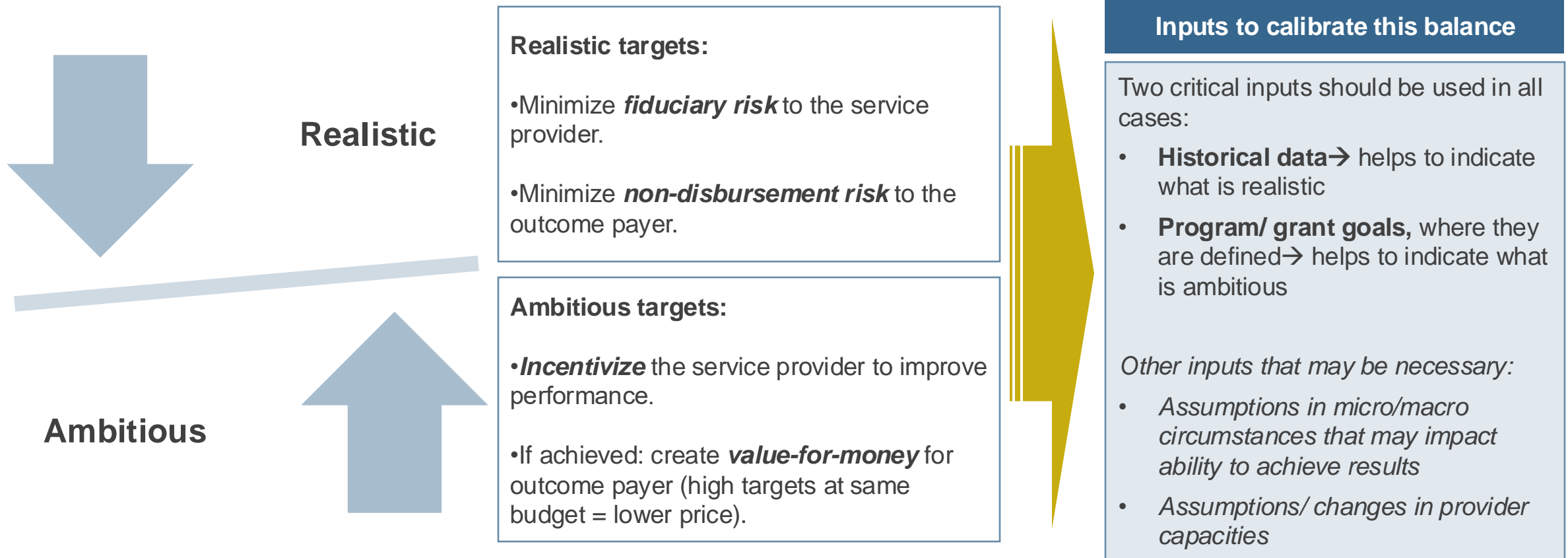
- For some results, the service provider may be inherently able to **achieve more results than expected**. In this case, targets should be set in a way that enables the SP to be **rewarded for their extra efforts**, while ensuring the total amount available per result is enough to pay for results above targets.

Target performance (which = expected payment) should generally be either good enough or realistic best case scenarios → see next slide

Payment basis: Determining which scenario is target performance



Targets for each result should be calibrated to a level that is **realistic but still ambitious**. The exact target-setting approach will vary based on the specific context of an RBC, its objectives, and the available information, amongst other factors. Target-setting should be approached similar to setting any programmatic targets, but with greater rigor since targets are now tied to release of funding.





Payment basis: Common bases



What is the payment basis?

Payment basis refers to the amount paid per unit of results achieved. In the most simple basis (pro rata), all units earn the same payment. In other cases, the payment may vary depending on the level of results achieved or other factors. The most common bases to consider are below.

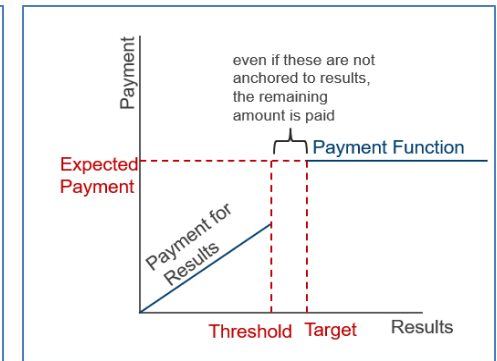
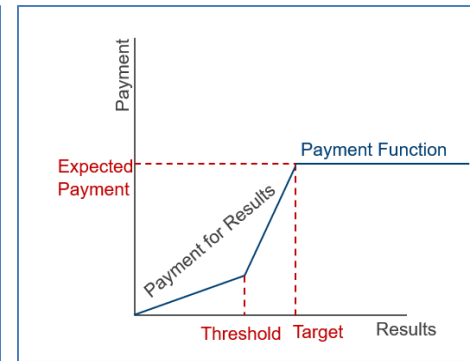
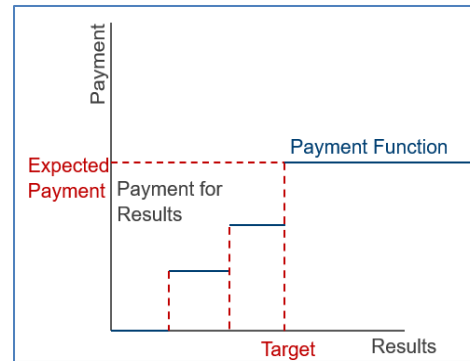
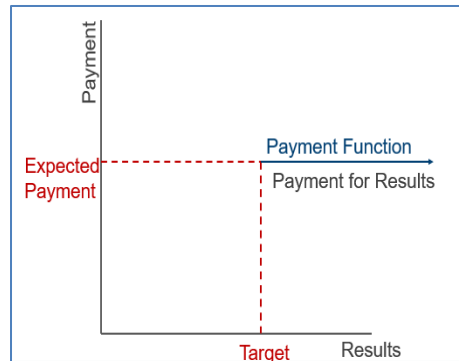
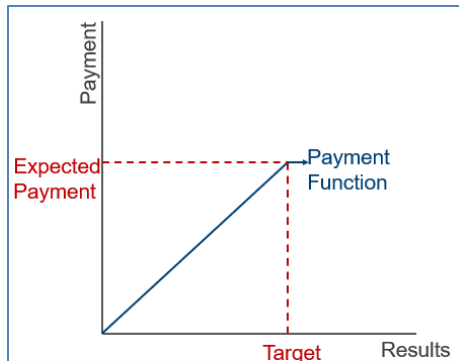
Pro rata: Payment per unit of result

All or nothing: Payment only if all results are achieved

Step: Payment for ranges of results achieved

Price kink: Payment for each result achieved but with a higher price after a threshold

Payment per unit of result up to a threshold above which the entire remaining amount of the result is paid



The same price is paid for all units achieved up to the defined limit for the result.

The full amount of the result is paid only if all the targeted units are achieved. Anything below target will earn zero payment.

The units are divided into ranges and a defined amount is paid for each range, usually with an increasing amount for each level.

Each unit of results achieved earns payment, but at two different prices, which are separated by a defined threshold.

Each unit of result earns payment, but these are only paid out once a defined threshold is exceeded. This allows you to accept a lower-than-expected performance (vs target).

Payment basis: Additional payment bases to consider

Basis of payment	When to use
Setting an acceptable loss/underperformance amount up front, or minimum threshold below which no payment is made	When 100% success is difficult or unlikely We lack strong confidence in our registration numbers or targets
Limiting the scope of “ force majeure ” scenarios	When we have clear insight into contextual challenges and can align on which challenges are within the control of the service provider
Incorporating penalties to deter opportunities to profit on the side or to deter fraudulent reporting	When we are delivering products easily re-sold or repurposed.
Paying a portion for sub-quality work , and topping off to 100% of the result value if a higher quality threshold is achieved	When there are difficult to reach populations, or the last percentage points are increasingly difficult to accomplish
Payment caps: setting caps above 100% that are still within budget flexibilities	When we are not 100% confident in targets or registration numbers and wish to incentivize service providers to seek out populations (explored further in the following slides)
Minimum threshold: setting a lower bound under which no payments are made	When we want to incentivize achievement of a certain minimum threshold, over and above which is bonus
Differential pricing	recognize that some results may be more expensive or difficult to achieve depending on different characteristics (e.g., target population or region). (explored further in the following slides)



Payment basis: Payment caps

A **payment cap** refers to a restriction regarding the maximum payment that will be made for some element of the RBC contract. Common levels to apply payment caps are outlined below.



For the entire contract

There is typically an overall payment cap for the RBC set at the contract value. This ensures the manager has a clear understanding of its maximum liability.



By time

Payment caps can be set annually, semi-annually, quarterly, etc., based on the frequency of verification and payment. This may be useful to ensure that performance is consistent throughout the RBC if that is programmatically desirable.



By result

Payment caps can be set for a specific result or multiple results. This may be useful to ensure that the service provider cannot earn all RBC payment from focusing only on a subset of results.



By sub-population within a result

Payment caps by sub-elements encourage meeting the goals of each of the sub-elements as defined by the RBC and its performance framework (e.g., differential delivery for different sub-populations).

Payment caps can be set at various levels depending on the specific goals of introducing the cap. Common levels are at target (i.e., not allowing for any over-performance) or above target by X% (i.e., allowing for over-performance).

Payment basis: Differential pricing



Differential pricing accounts for the fact that some results may be more costly or difficult to achieve depending on different characteristics (e.g., target population or region). It may be used to **incentivize the service provider to put in the extra effort required to reach the more difficult results by offering a comparable reward (i.e., higher price)**. Examples of when differential pricing may be used are outlined below.



By time

Pricing categories are differentiated based on phases or periods of time

When to use:

Different time periods or phases imply differential effort and costs (for example, the planning phase maybe less resource intensive compared to implementation)



By geographical location

Pricing categories are differentiated based on regions, states or other geographical locations

When to use:

Working in different regions imply having different variable costs (for example, in terms of transport, inputs, distances from cities, etc.)



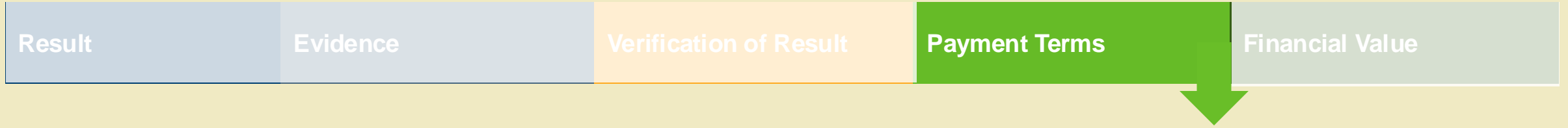
By population categories

Pricing categories are differentiated based on different target populations or sub-populations

When to use:

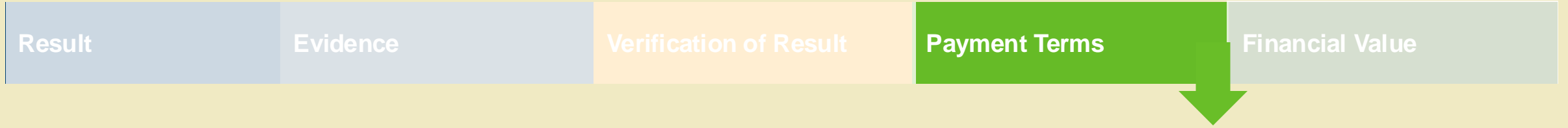
Working with different population or sub-population categories maybe more or less challenging (for example differential literacy levels, openness to the intervention, etc.)

Fiduciary Review (2/5) – completion guideline



Result	Past performance (if available)	Delivery scenarios	Rationale for delivery scenarios	Payment basis
Result 1	Insert past performance of result (if the data is available) to serve as a comparison for setting the delivery scenarios.	Unacceptable: 60% Good Enough: 80% Realistic Best Case: 100% Over-delivery: 105%	Insert justification for chosen delivery scenarios. If past performance is available, this can be used as the justification. In the absence of past, performance detail rationale for chosen scenarios.	Insert information on the payment basis function and justification for choosing the respective payment basis.
Result 2		Unacceptable: Good Enough: Realistic Best Case: Over-delivery:		
Result 3	Fund	Unacceptable: Good Enough: Realistic Best Case: Over-delivery:		

Fiduciary Review (2/5)



Result	Past performance (if available)	Delivery scenarios	Rationale for delivery scenarios	Payment basis
Result 1		Unacceptable: Good Enough: Realistic Best Case: Over-delivery:		
Result 2		Unacceptable: Good Enough: Realistic Best Case: Over-delivery:		
Result 3		Unacceptable: Good Enough: Realistic Best Case: Over-delivery:		



Payment basis: Overperformance scenarios

Two possible alternatives to manage overperformance are outlined below. The scenarios are not comprehensive, and other alternatives could be employed in consultation with the GF CT and PR.

Key considerations informing the option selected

01

For which results do you want to recognize higher than expected performance?

02

Where will the resources come from to pay for these results?

03

How are the remaining resources to be distributed among the service providers to pay for higher-than-expected performance?

Budget based on which prices per result are calculated

Using resources from other goals that were not achieved

Description

In the event that the goals of a result are not met, these resources can be used to pay for exceeding the goals of another result. This transfer of resources can be done between results and between service providers.

*It is important to take into account that in this alternative, each service provider would have its budget guaranteed to meet all its goals until the end

Setting specific targets for over-delivery

Using unspecified resources allocated for the campaign

Description

The PR can divide the miscellaneous funds from the campaign and allocate some portion of these funds to over-delivery.

Payment basis: Underdelivery scenarios



How will underperformance and overreporting be handled?

Underdelivery poses a risk to achievement of programmatic objectives and results. Mitigating the risk of underdelivery involves answering questions such as:

1. What was the underlying scenario that caused underdelivery?
2. What the barriers / challenges to service delivery (if any)? Were these exacerbated in any way?

Underperformance refers to a scenario where the service provider is **unable to deliver the expected results** synonymous with a target or a projected performance level.

Mitigating Underperformance:



Capacity building of service providers to enable them to provide large scale service delivery

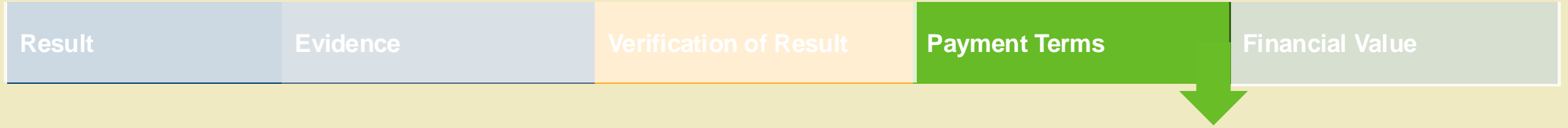


Providing tools and technology that will enable effective service delivery



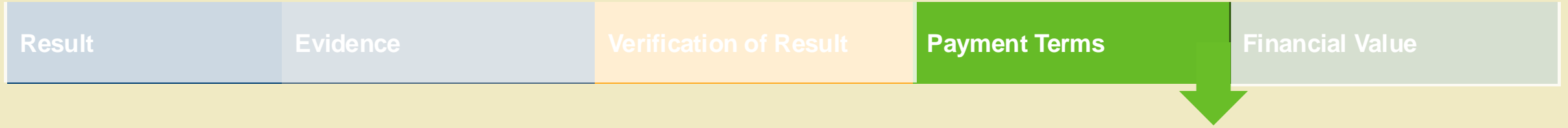
Setting realistic targets and projected performance levels based on geographical and population factors

Fiduciary Review (3/5) – completion guideline



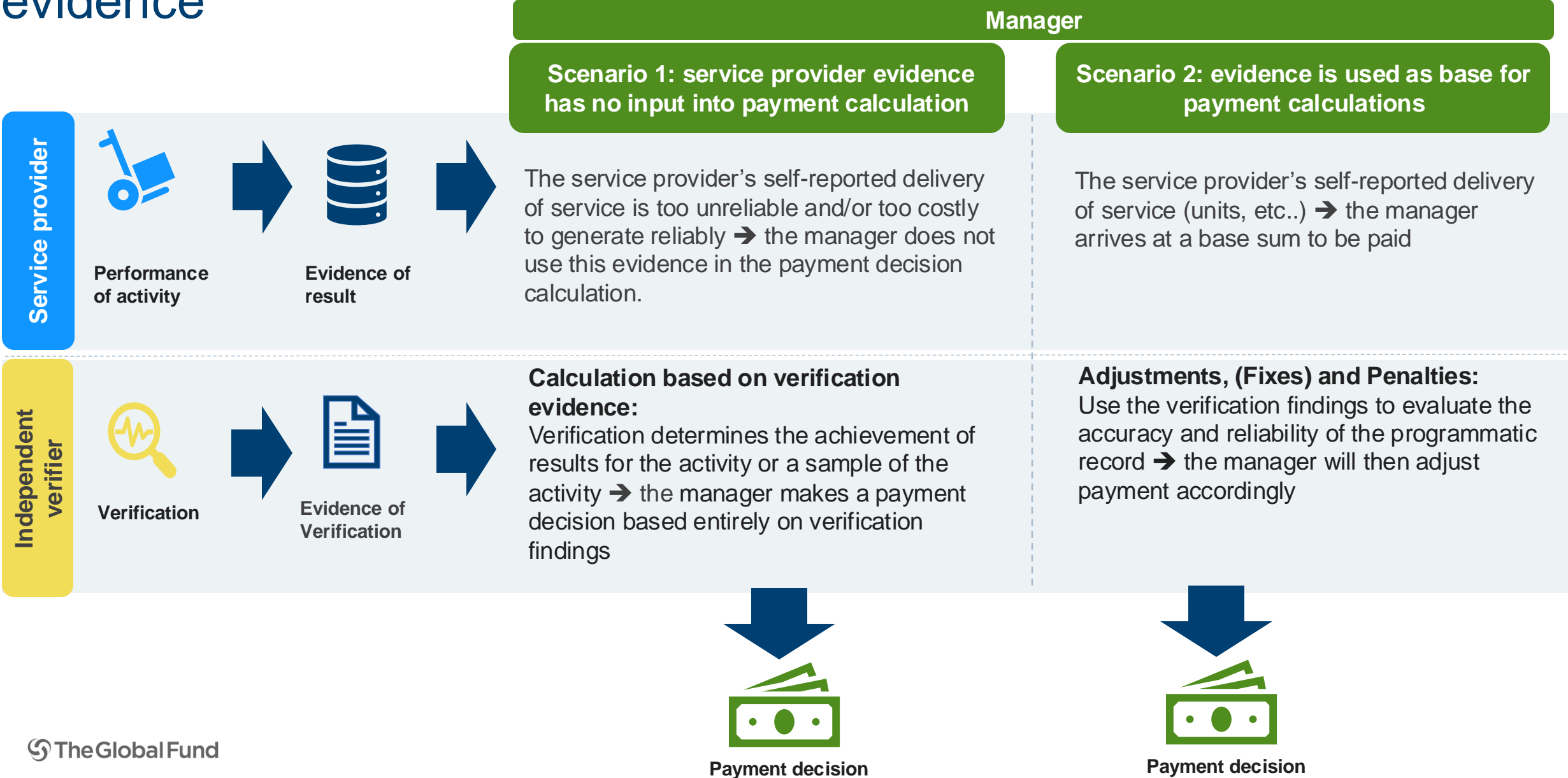
Result	Overdelivery provisions		Underdelivery management	
	Overperformance recognized?	Overperformance management	Underperformance risks	Underperformance mitigation
Result 1	Insert yes/no based on whether overreporting is recognized for the result	If yes, insert how overdelivery will be managed, i.e., what the source of overperformance funding will be	Insert anticipated potential scenarios that may cause underperformance (e.g. technology, capacity, etc.)	Insert mitigation strategies for underperformance scenarios outlined
Result 2				
Result 3				

Fiduciary Review (3/5)

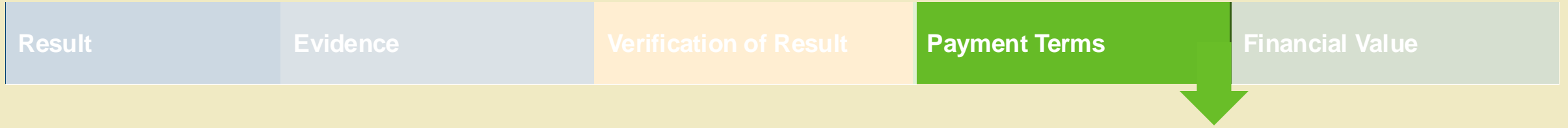


Result	Overdelivery provisions		Underdelivery management	
	Overperformance recognized?	Overperformance management	Underperformance risks	Underperformance mitigation
Result 1				
Result 2				
Result 3				

Payment computation: leveraging service provider and verification evidence

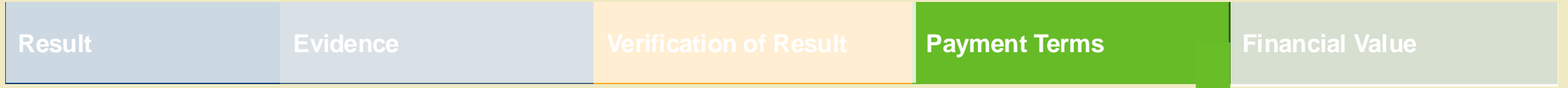


Fiduciary Review (4/5) – completion guideline



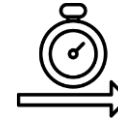
Result	Evidence from service provider used?	Evidence from verifier used?	Payment computation
Result 1	Insert information on any service provider evidence that factors into payment calculation and the method of how the evidence factors into payor evidence and payment calculation. One bullet point must be mentioned for each piece of evidence.	Insert information on how verifier evidence factors into payor evidence and payment calculation. One bullet point must be mentioned for each piece of evidence.	Insert computation of how all the individual pieces of evidence and their calculations tie back together into the final payment computation. This is especially relevant if multiple pieces of evidence are used to determine the payment computation.
Result 2			
Result 3			

Fiduciary Review (4/5)



Result	Evidence from service provider used?	Evidence from verifier used?	Payment computation
Result 1			
Result 2			
Result 3			

Payment schedule



Type of payment

- 01
- Payments for the **results** achieved by the service provider
 - Disbursed upon verification of achievement of results

02

Interim payments, and advances, i.e., payments made upfront achievement of results, either at the start of or during implementation to fund preparation activities, launch capital-intensive activities and mobilize required staff

Frequency of payments

01

Determining the efficient frequency of payments involves **balancing**

- **cash flow needs** of the service provider
- minimizing **risk** of overpayment
- optimizing **verification execution** and costs

02

Advances are always paid before implementation begins. Determining the efficient frequency of interim payments involves considering

- any potential **significant delays** in payments for results that would result in negative cashflow periods for the service provider, putting at risk the implementation's progress
- seeking to **minimize the fiduciary risk** associated with advances for the service provider

Timing of payments

01

For payment, **time needed for the verification** protocol to be completed after the reporting of results is the key element to set the right timing for disbursement to service providers during implementation

02

For advances, the **RBC signature date**, the **implementation start date** as well as the **service provider's agenda** for preparatory activities will help determine the right timing for disbursement

Linkages in timing between verification and reconciliation

01

To ensure the payment schedule is efficient it's important to seek a timeline that is as lean as possible. One way to avoid redundancy is to **not make verification and financial reconciliation coincide**. But, the chosen timeline also needs to account for

- the **level of risk** of the country
- the **structure and risks of the implementation arrangements**
- the **financial capacity** of the service providers

Payment schedule: Types of payments



By default, retain largest possible proportion of payments to the end of delivery, unless there is a need for operating capital or financial incentives along the way.

	Advance payments		Interim (advance) Payments		Final Payments
When do we make the payment?	Before activities have begun or outputs have been delivered		For results achieved during the activities but before reviewing evidence of the final result		After review of all evidence of the final result
Why do we make the payment?	service providers do not have the working capital to launch activities		service providers exhaust the advance payment in delivery of initial activities or outputs		To reconcile payments or to close contract
How do we determine payment frequency?	Advances are paid in the beginning, before implementation kick-off		Interim payments are made based on whether a service provider has enough cashflow to complete implementation and achieve the requisite result		Final payments are made when the payor evidence is generated after review of verification report and achievement of results against targets
Is this payment based on evidence ?	No		Yes		Yes
Is this payment based on verified evidence ?	No	Ideally, all payments against evidence should be verified	If feasible – Manager might make interim payment prior to verification	In reality, independent verification might be too costly and slow down delivery	Yes

Payment schedule: Reconciliation



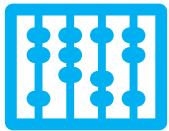
What is reconciliation?

Process in which accounts are settled between service provider and the PR based on comparison of payments disbursed for the results that the service provider reported versus results that were later verified.



When is a reconciliation process required?

A reconciliation process is required for all results for which initial payments (interim payments) are made based on **self-reported information and** when **advances** are given out since only the most reliable and robust evidence is available at a later period (p.g. at the end of the implementation year).



How is the reconciliation carried out?

All reported results and disbursements made based on preliminary evidence for the corresponding period are compiled and compared with the verified results.

Case 1: More results were achieved than those that have been paid so far: PR makes the additional disbursements.

Case 2: More results have been paid than those achieved according to the final verification:

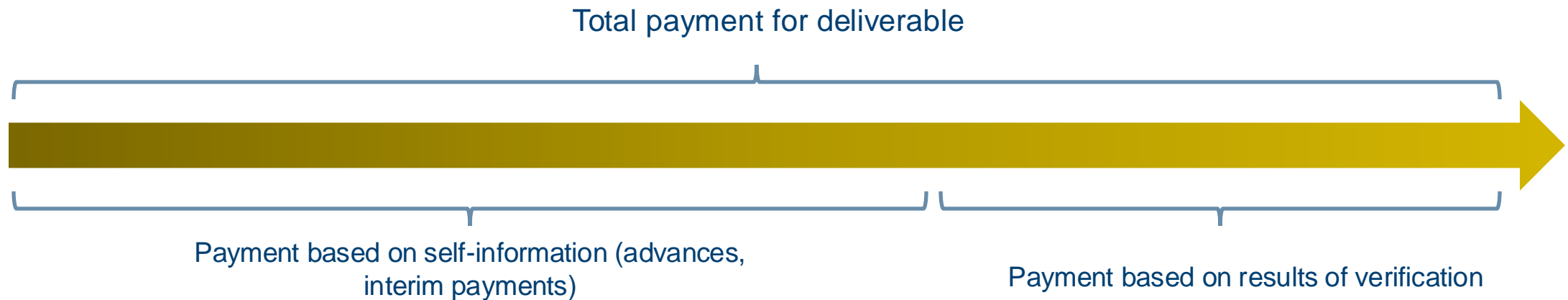
Missing accounts must be adjusted in any of the two ways

- a) On an annual basis, where at the end of each year the reconciliation process, the equivalent of the results that were paid in excess is subtracted from the amount of the following year.
- b) On an annual basis, where service provider return to Global Fund the resources equivalent to the results that were overpaid. This option is activated for the last year of operation.

Payment schedule: Advances and interim payments

Advances are generally paid upfront before any service delivery has occurred, while interim payments are made during service delivery. This generally means that verification has either not happened or is ongoing when these payments are made. Hence, a **reconciliation process must be implemented** when advances or interim payments are used.

Payment for results with advances and interim payments often look like:



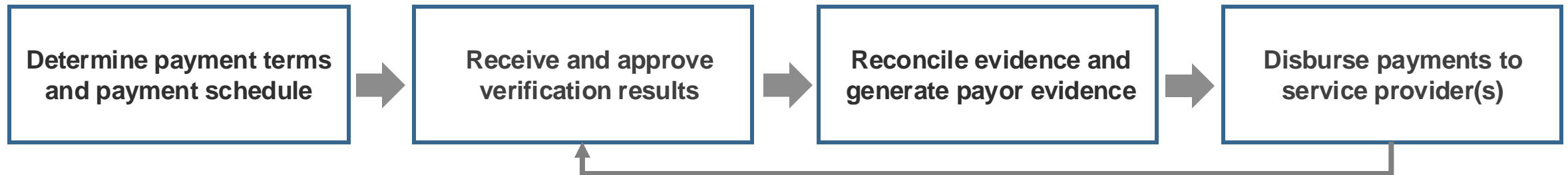
Payment schedule: Creation of a payment calendar



Payment calendar

Payment calendar maps out the time period from when payor receives the verification evidence until when actual payment is disbursed.

A typical payment calendar in a payment cycle consists of the series of steps outlined below. The steps may also be repeated in every payment cycle (as determined by the payment schedule)



Why is it important to create a payment calendar?



- The payment calendar informs the payment schedule, that is, when the payments are to be disbursed (e.g. weekly, monthly, bimonthly, etc.)
- Payment calendars aid in planning for payment disbursement to ensure service providers have sufficient advance and are paid on time
- Payment cannot be disbursed immediately after verifier evidence is generated. The payment calendar helps map out projected time between receiving verifier evidence and disbursing payment, setting stakeholder expectations.

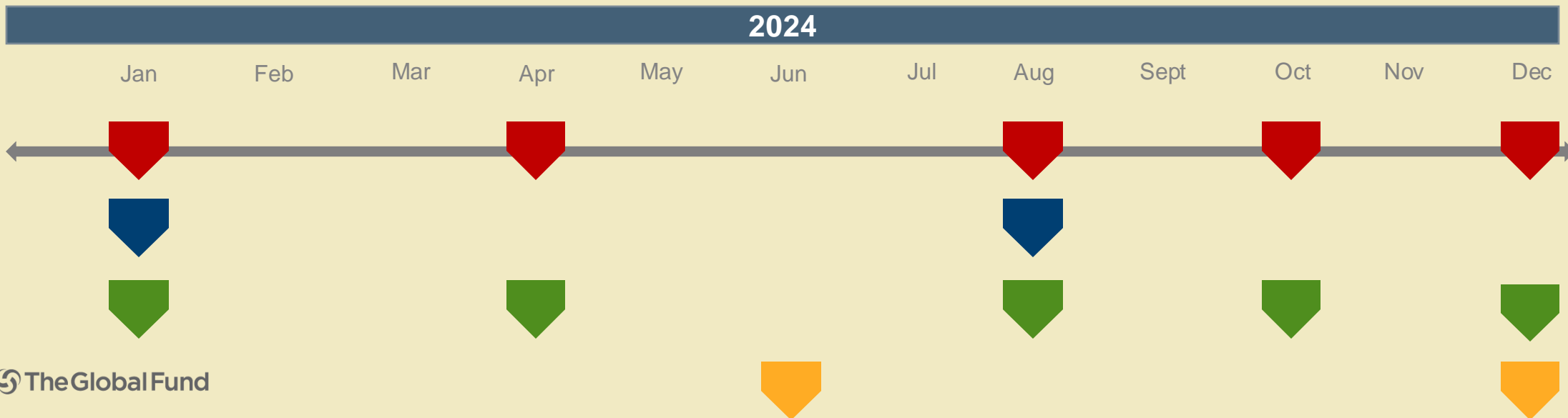
Fiduciary Review (5/5) – completion guideline



Result	Evidence	Verification of Result	Payment Terms	Financial Value
--------	----------	------------------------	---------------	-----------------





Guidance to fill in the template:

1. Each result within the RBC should have its own timeline as not all results take the same amount of time to be verified, and consequently are not paid for at the same time: add multiple labelled pentagons (e.g., “D1” for result 1, “D2” for result 2 etc...) on the timeline, for all elements of the timeline (verification, advances, disbursements, financial reconciliation) following the colour code in the calendar key.
2. In RBC designs where disbursements and verifications are streamlined across all results, it is efficient to combine them in a **single timeline**: add a single unlabelled pentagon on the timeline, referenced in the calendar key as “results verification”, similar to the example below.
3. On the timeline, add icons to include all **RBC milestones** from signature of the contract to final payment of the contract
4. When necessary, you can add text boxes around the timeline to **signal caveats** (e.g., “advance disbursement date to be revised after 1st quarter of implementation”).



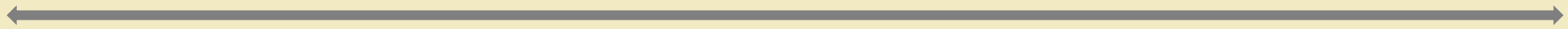
Fiduciary Review (5/5)



-  Result verification
-  Advances
-  Disbursements for RBC results
-  Financial reconciliation

Year

Jan Feb Mar Apr May Jun Jul Aug Sept Oct Nov Dec



Risk assessment associated with all payment terms

The risks being created and mitigated by the payment basis are **context specific**. Political, capacity, technological, and other factors may influence the prevalence and possibility of the risks outlined.

Some examples of potential risks may include:

Common scenarios (non-exhaustive)	
“100% success isn’t worth it – I’ll stop at 80%”	If supplier can earn “enough” for under-performance, and gaining the final small percent takes excessive effort, the basis for payment may disincentivize full delivery
“Too risky, not interested – you should try with that low bidder instead...”	If the risk of not being paid for work done (and expenses incurred) is too high, quality suppliers may not be willing to engage
“You aren’t paying me enough money upfront”	If the calculation is too strict, you may run the risk of not providing the service provider with sufficient upfront capital
“I don’t understand how to succeed...”	If the calculation basis is too complicated, too subjective, or too difficult to understand, the incentives will not generate desired behavior
“I know I’m 3 months late, but that’s what it takes to do this the way you asked”	If the calculation is too strict, then it may provoke the supplier to expend excessive effort, time, and costs to achieve perfection
“A labor strike wasn’t in the force majeure clause; can you pay me anyway”	Claiming events outside of supplier’s control (e.g., force majeure) to justify payments for under-delivery can be limited up front



Factoring in potential risks is integral while deciding the payment terms and the payment schedule

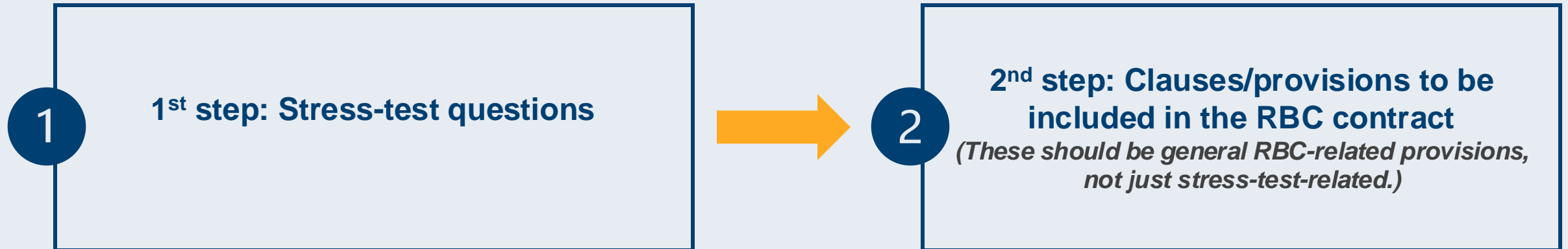
Frameworks and process for defining payment terms



Reflection time

Now that you have completed this section, take the time to reflect on the key takeaways from the different assessments you have performed and the RBC elements you have defined.

Start by **(1)** submitting all the RBC elements you have defined in this section to a **stress-test**, by elaborating scenarios where your RBC design can fail or be challenged, then **(2)** articulate concrete **contractual clauses** or provisions that would help mitigate the likelihood of the failure scenarios you have elaborated:



Example of stress-test questions:

- *Can you imagine a scenario where the service provider is not getting paid at all?*
- *Is there a chance the service provider may suffer from cashflow concerns?*
- *Is there a scenario where the service provider suddenly pulls out of the RBC during the implementation because of the financial stress it creates on their cashflow? Keep in mind the country context and implementation arrangements as you answer this question.*

Note: *The stress-test questions provided here are indicative of the reasoning that you should further adopt and develop and are not meant to be exhaustive or comprehensive.*



GF Finance team to review and validate the outputs of this section

SECTION 5: DEFINING THE FINANCIAL VALUE OF AN RBC



Fiduciary Review 4/4 – F1.4

Result	Evidence	Verification of Result	Payment Terms	Financial Value
--------	----------	------------------------	---------------	-----------------

Method	Credibly Justified
inputs-based budgeting	
competitive tender	
activity-based costing	
policy decisions set by the EGMC e.g., set budget on allocation amounts	
Historical data (if sufficient quality)	
other valid economic analysis	

Input data setting value	Evidence	Relevant	Reliable	Sufficient



GF Finance team to review and validate the outputs of this section

SECTION 6: ANALYSING THE RISKS OF AN RBC

Risk analysis & severity and/or likelihood mitigation

Objective of risk analysis: Understand how the programmatic and fiduciary challenges identified in the previous sections may hinder the achievement of results and explore mitigation strategies

Risk analysis must be conducted along two lines:

Risk Likelihood

Risk likelihood refers to the likelihood that the risk may occur.

Risk Severity

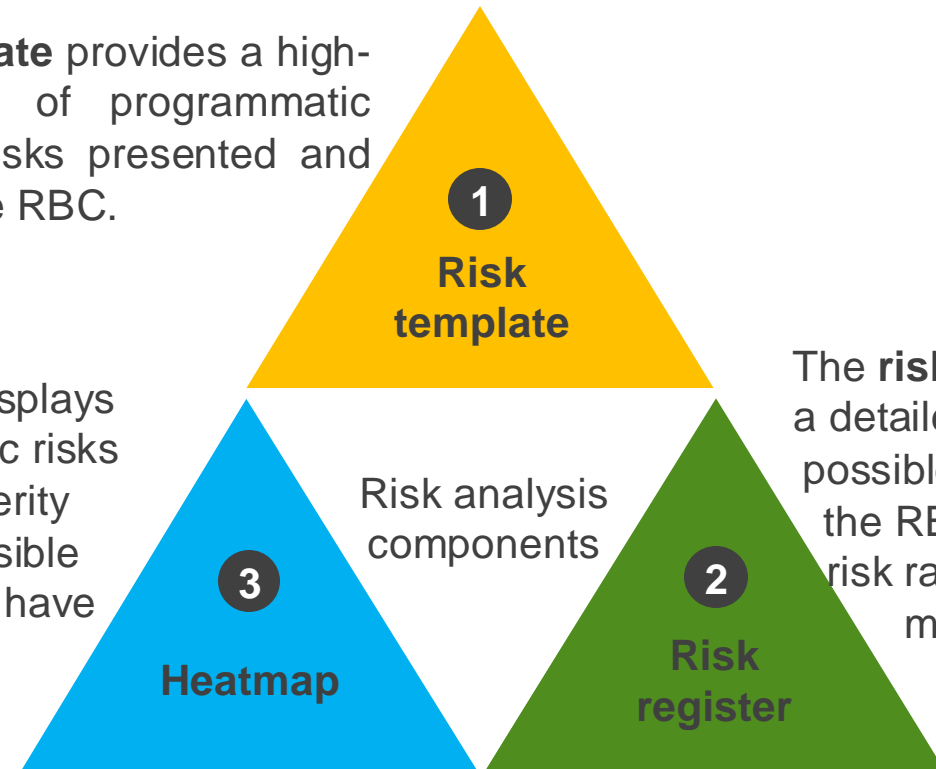
Risk severity refers to the adverse impact in the event the risk materializes.

- Primary concern in risk analysis is severity, followed by likelihood.
- Mitigation involves the reduction to both severity and likelihood.

The **risk template** provides a high-level overview of programmatic and fiduciary risks presented and mitigated by the RBC.

The **risk heatmap** displays the location of specific risks on the likelihood-severity matrix, making it possible to prioritize risks that have a high likelihood and severity.

The **risk register** provides a detailed analysis of each possible risk presented by the RBC, its root causes, risk ratings, and possible mitigation strategies.

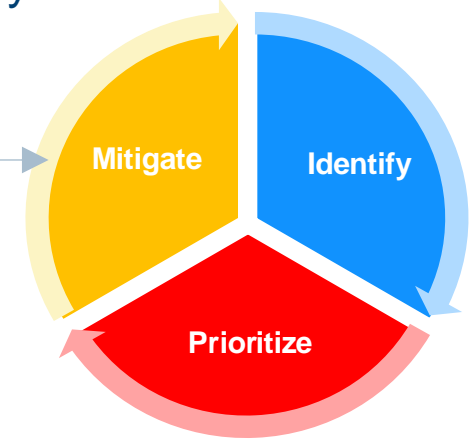


Risk assessment is an iterative process – it requires minimum 2 cycles

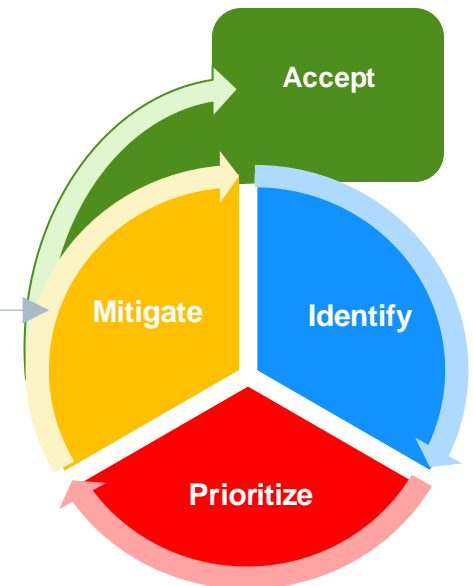
All cycles that will be performed subsequently to the first one will look like the second cycle described here.

1 st cycle
Question A: What are the risks?
Question B: What are the most severe, most likely risks?
Question C: How can we decrease the severity or likelihood of these risks?
2 nd cycle
Question D: Has our mitigation method introduced new risks? - Has it reduced the risk of overpayment at a higher cost than the initial amount at risk of overpayment? - Has it created new loopholes or opportunities for overpayment?
Question E: Are the remaining or new risks severe enough and/or likely enough to concern us?
Question F: Can we further improve the mitigation measure?
3 rd cycle...
4 th cycle...

If the answer is **yes** to both questions E and F, you **must continue iterating** on the risk assessment by conducting another cycle.



When the answer is **no** to either questions E and F, you must now **accept** and articulate the residual risk, which means that you do not conduct any further cycle.



Clear risk trade-off analysis: Risk Department will evaluate the risk analysis, trade-offs, and overall risk trajectory

Risk-rating guide for the severity of assessed risks

High severity	Seriously endangers the beneficiary's health by affecting the entire continuum of care and/or leads to high levels of over-reporting of results.
Medium-high severity	Moderately endangers beneficiary's health by reducing the quality of service for some components of the continuum of care (which may affect the entire continuum) and / or results in relatively high levels of over-reporting of results
Medium severity	Indirectly endangers beneficiary's health by reducing the quality of service for some components of the continuum of care (without affecting the entire continuum) and/or leads to moderate levels of over-reporting of results
Medium-low severity	Does not endanger beneficiary's health and/or leads to minimal levels of over-reporting of results
Low severity	Does not endanger beneficiary's health and/or does not create the possibility of over-reporting of results

Ensure you justify all ratings with the main supporting details of your assessment

CAVEAT : realistically, mitigation strategies will most often reduce the likelihood of a risk, but the severity of a risk is less likely to decrease.



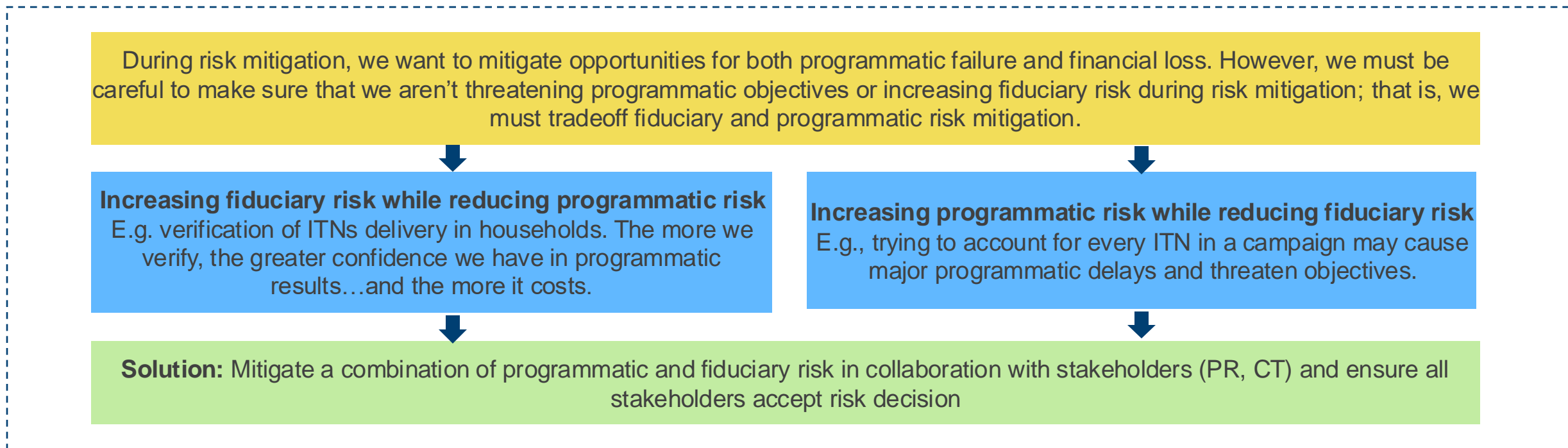
Risk template: Risk-return tradeoffs and drivers (1/2)

Balancing fiduciary and programmatic risks

There are 2 categories of risks to consider in an RBC risk analysis:

- **Programmatic risks:** the services and associated health benefits the intervention aims to create are compromised or fully jeopardized.
- **Fiduciary risks:** the intervention is threatened by financial failure, either through the diversion of financial assets or a lack of cost efficiency.

To effectively manage risks in an RBC, it is essential to evaluate programmatic and fiduciary risks **together**. This way, you can prevent risks from getting worse in one area while minimizing them in another:



Risk template: Risk-return tradeoffs and drivers (2/2)

Deciding upon acceptable risk level

In a perfect world, we hope for solutions that will aim towards zero risk along both programmatic and fiduciary categories. However, **achieving zero risk is impossible: some residual risks will always remain**, and it's essential that you **accept this fact**.



1. Set realistic expectations:

- In most cases, you won't get it perfect
- If you think you've arrived at zero risk, you've likely overlooked something
- You will always be settling for some residual risk. This is expected by GF CT.



2. Strike the right balance between recklessness and perfection:

- You might be increasing fiduciary risk by striving for programmatic perfection, and covertly increasing programmatic risk by striving for accounting perfection.



3. Articulate the residual risk and justify why the course of action chosen is the best despite the residual risk.

- The acceptable risk level is first determined through negotiation with GF CT, then approved by the auditors.



Unmitigable risks: some risks have no effective mitigation strategies and remain with high / medium-high residual risk ratings. For these, the strategy is to articulate the residual risk and gain acceptance from key stakeholders (CT, PR)

Risk template: Risk tradeoff analysis (1/2)

When conducting the risk tradeoff analysis, it's crucial to consider all key programmatic and fiduciary risks to ensure a comprehensive assessment. The following slides outline all the key risks that should be evaluated. The **green** column below indicates where each of these risks is addressed in this guide: leverage this information to perform a comprehensive analysis. Note that not all key risks are covered in this guide, but the guiding principles of risk analysis exposed here are applicable to all of them.

Programmatic risks		
Risk	Definition	Assessment or assessment tools in the HTG (Ctrl + click to follow the link)
A. Not reaching performance targets	The targets set for the results are unlikely to be met by the service provider, which will compromise the impact of the intervention	Payment terms section
B. Weak implementation effectiveness	Programmatic success is compromised by operational, organisational and/or capacity shortcomings	--
C. Poor quality service delivery	The quantitative targets set for the results are met by the service provider, but the quality of delivery compromises the impact of the intervention	--
D. Operational delays	Logistical bottlenecks arise during implementation and compromise the timeline of delivery, verification and/or disbursements within the intervention	Payment terms
E. Unreliable and delayed data	Data collected during the intervention is not representative of the actual results delivery achieved by the service providers	Verification of results
F. Weak separation of duties & accountability	The service provider is not strictly distinct from the entity who operates as an RBC manager and/or independent verifier, which puts the intervention at risk of collusion schemes	Verification of results
G. Lack of sustainability & redundant systems	Existing systems supporting the RBC are not reliable enough to sustain the implementation schedule, and/or create inefficiencies within the program	--

Risk template: Risk tradeoff analysis (2/2)

Fiduciary risks		
Risk	Definition	Assessment or assessment tools in the HTG (Ctrl + click to follow the link)
A. Over-pricing	Collusion and unit costs inflation among providers drive the intervention budget above reasonable implementation costs	Financial value
B. Over-payment	Service providers are receiving payments for results they have not achieved	Verification of results Payment terms section
C. Operational inefficiency: costly controls	The cost of assurance and controls in place to mitigate risks of over-payment is superior to the intervention budget share shielded by them	Verification of results
D. Low absorption	The RBC stakeholders do not have the financial capacity to disburse the grant allocated to the intervention	Evidence
E. Weak financial controls	Existing operational systems do not allow for a clear trackability of grant financial flows within the intervention	Verification of results Assurance model
F. Weak separation of duties & accountability	The service provider is not strictly distinct from the entity who operates as an RBC manager and/or independent verifier, which puts the intervention at risk of financial collusion schemes	Verification of results
G. Financial fraud & diversion of assets	The RBC stakeholders divert inputs and grant financial flows to their own profit by falsifying financial evidence	Verification of results

Risk template: examples of mitigation strategies for key risks

The table below shows illustrates key programmatic and fiduciary risks that may occur during an RBC intervention, in the case of an ITN campaign. It also highlights ways in which you should articulate mitigation strategies specific to each risk identified in context.

	Risk	Mitigation strategy
Programmatic	Not reaching performance targets Volunteers distribute more than the allocated ITNs per household, resulting in low overall coverage	<ul style="list-style-type: none"> Set reasonable targets for both number of ITNs and number of households, by taking into consideration transportation and time requirements Avoid over-incentivizing the attainment of targets Ensure effective monitoring/supervision, which includes strong training of supervisors and a sufficient number of supervisors per volunteers Inform volunteers that verification will take place post the campaign to dissuade them from engaging in any irregularities
	Poor quality service delivery Volunteers deliver damaged nets to meet coverage targets	<ul style="list-style-type: none"> Conduct routine and random spot-checks according to campaign monitoring best practices Add an asset quality check to mop-up activities and equip the mop-up team with replacement ITNs
	Unreliable and delayed data The service providers do not offer adequate training to volunteer staff (e.g., no training on how to properly register households)	<ul style="list-style-type: none"> Review budget and training plans to ensure all preparations and materials are completed on time Incentivize the achievement of results to introduce a motivation for high quality data collection
Fiduciary	Over-pricing Service providers are overpaid due to the lack of assurance provided over the accuracy of operational costs quoted as part of the procurement process	<ul style="list-style-type: none"> Open a competitive bid process to solicit and compare multiple proposals Conduct a review of the proposed contracting process prior to procurement to ensure the approach complies with best tendering practices Create a shadow budget against which to compare unit and costs Review the budget of the winning proposal to ensure estimates are within reasonable margins of the shadow budget
	Over-payment Service providers overreport their results and are thus overpaid	<ul style="list-style-type: none"> Ensure daily/weekly progress reports are submitted by volunteers and corroborated through both routine and random monitoring by supervisors Procure a buffer of extra data collection tablets in case of damages
	Financial fraud & diversion of assets Service providers submit fraudulent receipts in order to unlock larger payment	<ul style="list-style-type: none"> Pay service providers on the basis of results up to a pre-agreed amount determined through the budgeting and procurement processes

Risk register: Design considerations for building a register

- A risk register provides a **detailed risk analysis of programmatic, fiduciary, and other risks** by drilling into the root causes of projected risks and exploring strategies to mitigate the underlying root causes of the risks.
- The risk register should include a **detailed register** with columns defining the risk, exploring the root causes (with individual rows for each root cause), mitigation strategies for the root causes, the residual risk, and the justification for accepting the mitigation strategy and subsequent residual risk.
- The risk register must also have a **summary register** outlining the columns in the detailed register for key outstanding risks with medium or high residual ratings after mitigation.
- **The risk register must build upon the initial risks touched upon in the risk template.** It is best practice to build the risk register (detailed register and summary register) on a spreadsheet software.

Identification		Mitigation	Acceptance	
Risk	Root Cause(s)	Mitigation (for each root cause)	Residual Risk (for each mitigation method)	Risk Acceptance Justification (for each mitigation method)
1				



Prioritization can be assessed through:

- 1) Heatmaps
- 2) Four additional columns for risk ratings (likelihood and severity) and justification for assigning the respective ratings

Risk register: Examples for filling out a register

Some examples of how to fill out the risk register are outlined below:

Over-reporting loop

Risk	Root Cause(s)	Prioritization	Mitigation	Residual Risk	Risk Acceptance Justification
Risk of overpayment due to over-reporting	Identify who and how could generate false over-reporting (by looking for spikes in opportunities and incentives)	Prioritization	Map methods of preventing, deterring, and detecting to each type of root cause	Evaluate relevance, reliability, sufficiency, efficiency of mitigation. (Final version will be the root cause for verification risk assessment)	After final loop, articulate why the scale of the residual risk is acceptable (and why the alternatives are not acceptable) *You might not be able to fully articulate this before completing the next loop

Prioritization can be assessed through:

- 1) Heatmaps
- 2) Four additional columns for risk ratings (likelihood and severity) and justification for assigning the respective ratings

Verification method loop

Risk	Root Cause(s)	Prioritization	Mitigation	Residual Risk	Risk Acceptance Justification
Risk of unreliable verification	This will be populated with the residual risk from the final over-reporting loop	Prioritization	Identify: <ul style="list-style-type: none"> • Methods of deterring root causes • Opportunities to rebalance the trade-offs • If there is no alternative verification method 	<ul style="list-style-type: none"> • Evaluate RRSE • Identify costs and programmatic impact of mitigations 	<ul style="list-style-type: none"> • After final loop, articulate why the scale of the residual risk is acceptable • Articulate the trade-off of mitigation vs. programmatic risk and cost.

Heatmap: Risk prioritization assessment

Methods to capture risk prioritization



Heatmap



In the risk register

The risk prioritization assessment can be integrated into the detailed and summary registers of the risk register by including the four columns shown below:

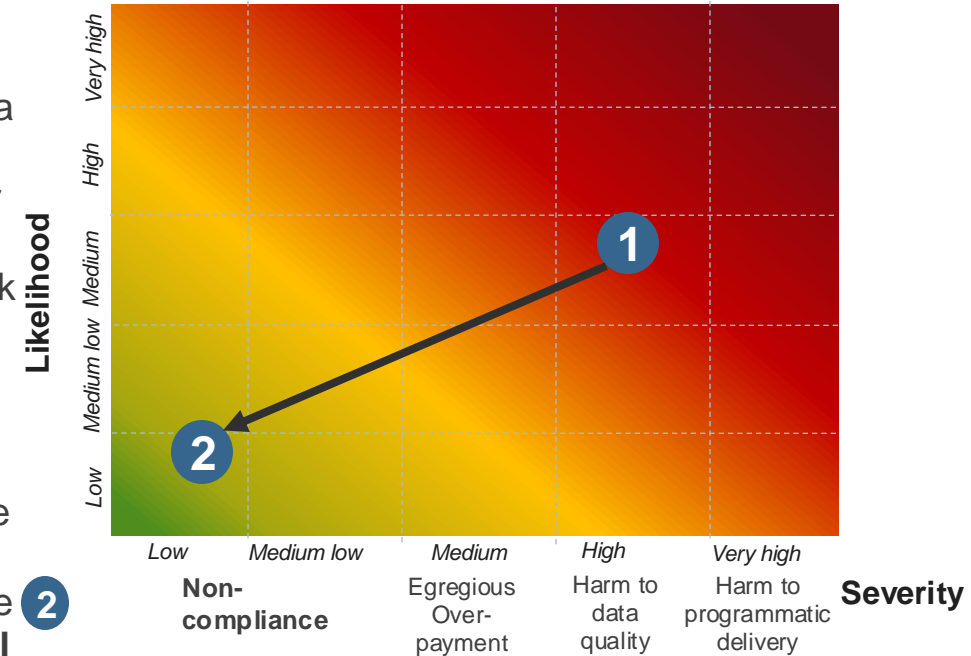
Risk likelihood rating	Risk likelihood justification	Risk severity rating	Risk severity justification
Choose amongst – High, Medium-High, Medium, Medium-Low, Low		Choose amongst – High, Medium-High, Medium, Medium-Low, Low	

The heat map will create a visual that will help stakeholders understand

- The net decrease in risk as a result of the mitigation strategies in the risk register
- The residual risk – we will never have eliminated all risk

The heatmap is a graph showing the risk rating trajectory on a likelihood severity matrix. The **1** on the heatmap represents the **initial risk before mitigation** and the **2** on the heatmap is the **residual risk after mitigation**.

Risk rating trajectory



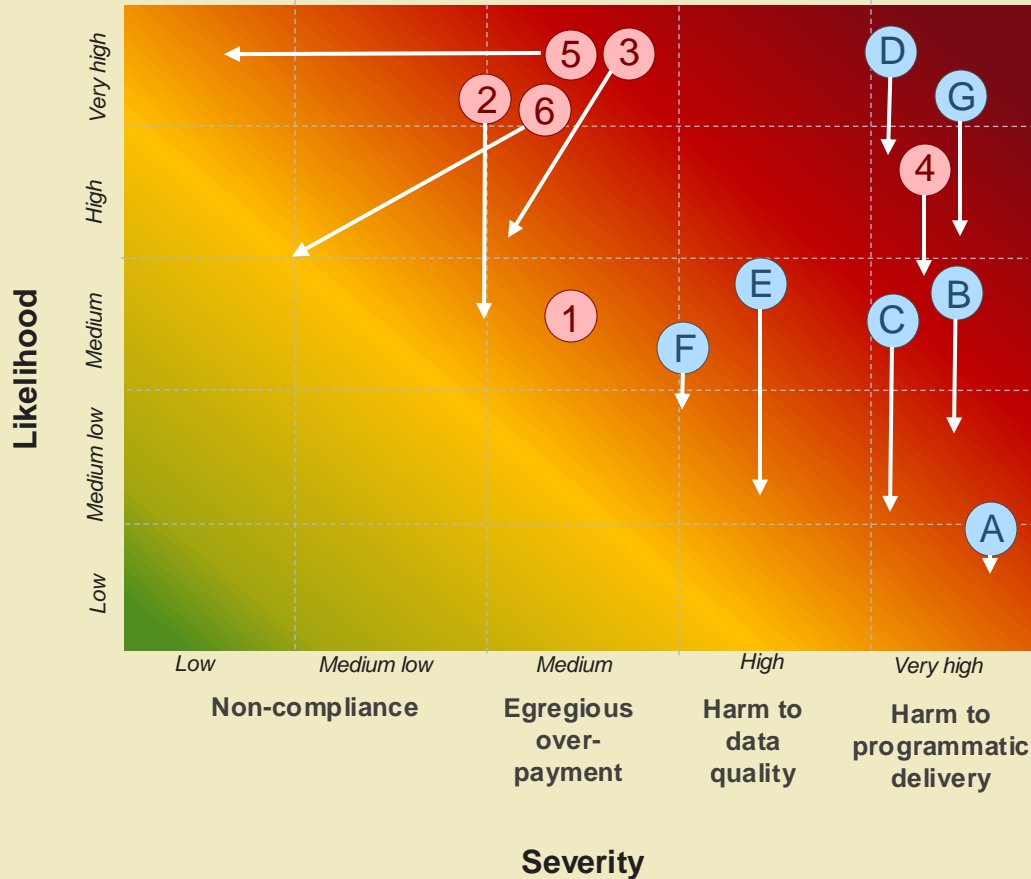
Ensure you justify all ratings with the main supporting details of your assessment



The decision of whether to include the risk prioritization assessment as likelihood and severity rating columns in the risk register or on a heatmap should be made in close collaboration with the PR and Global Fund country team.

Heatmap – completion guideline

Notional Programmatic and Fiduciary Risk Trajectory
Standard Model vs RBC Model



	Risk Type	Risk in ITN Context
Programmatic Risks	A. Not reaching performance targets [†]	Household Coverage
	B. Weak implementation effectiveness [†]	Campaign planning, prep, execution and oversight
	C. Poor quality service delivery [†]	Conformity: Right # of Nets/Household
	D. Operational Delays ^{*°}	Delays generated by Health Zones
	E. Unreliable and delayed data [†]	Data on Coverage, Conformity, and ITN accounting independently verified and timely
	F. Weak separation of duties [°]	Price setting, delivery, verification, and payment roles mutually independent
	G. Lack of sustainability & redundant systems [†]	Accountability & ownership of HZ in campaign delivery
Fiduciary Risks	1. Over-pricing [°]	Price of campaign and associated programmatic verifications
	2. Over-payment	Over-reporting of inflated results
	3. Operational Inefficiency [*]	Waste (e.g., non-value-added process and poorly deployed HR resources)
	4. Low absorption & funds not available in time [°]	Funds and assets made available in time to deliver campaign
	5. Weak financial internal controls [*]	Non-compliance in procurement or financial management at HZ level
	6. Financial fraud and diversion of assets [*]	Diversion of funds due too fraudulent expenditure documents and diversion of nets

Ensure you justify all ratings with the main supporting details of your assessment

* Risks the pilot originally targeted

[†] Risks which improved unexpectedly

[°] Risks future RBC iterations aim to further improve on

Clear risk trade-off analysis: the Risk Department will evaluate the risk analysis, trade-offs, and overall risk trajectory – completion guideline

Risks		Pre-RBC severity of harm	Pre-RBC likelihood of harm	Mitigation Measures	Post-model severity of harm	Post model likelihood of harm	Trajectory	Risk Acceptance Justification
Programmatic Risks	Not reaching performance targets	Rely on the current status quo in-country to rate the severity and likelihood of each of these key risks	Include: (1) RBC design elements, (2) existing programmatic design and/or implementation elements, (3) any additional measures*, if relevant , either RBC design or programmatic elements, that are necessary to complement the RBC in lowering the severity and/or likelihood of the key risks identified in the status quo	Following the Risk-rating guide (Ctrl + click to follow link) rate the severity and likelihood of each key risk after having applied the corresponding mitigation measure	Summarize the change in risk likelihood and severity due to the mitigation measures with specifics by mitigation measure if necessary.	It's important to acknowledge that certain risks' likelihood and severity will not decrease after the application of mitigation measures: the goal is not to eliminate all risks, but to map them out as realistically and comprehensively as possible	Articulate a clear and concise rationale demonstrating that the trajectory of initial risks has reached its final point , i.e., their respective likelihood and severity cannot be further lowered	
	Weak implementation effectiveness							
	Poor quality service delivery							
	Operational delays							
	Unreliable and delayed data							
	Weak separation of duties & accountability							
Fiduciary Risks	Lack of sustainability & redundant systems							
	Over-pricing							
	Over-payment							
	Operational inefficiency: costly controls							
	Low absorption							
	Weak financial controls							
Financial fraud & diversion of assets								

*Additional mitigation measures should always be balanced with budget considerations, and the priority should always be to leverage RBC design features as much as possible

Clear risk trade-off analysis: the Risk Department will evaluate the risk analysis, trade-offs, and overall risk trajectory

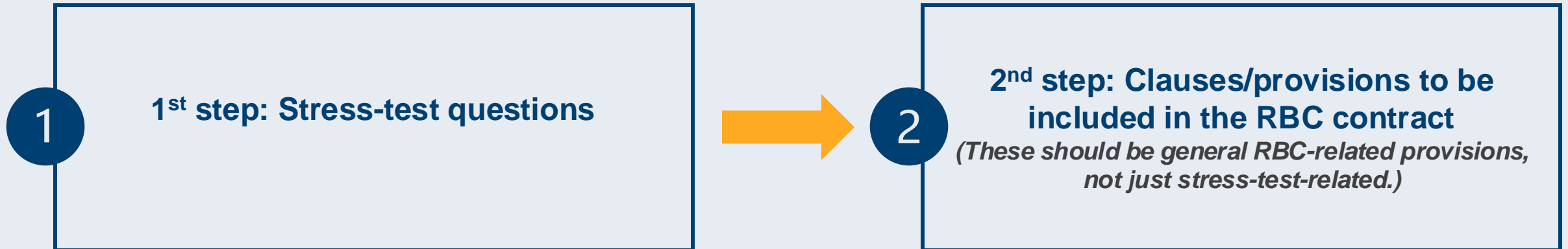
Risks		Pre-model severity of harm	Pre-model likelihood of harm	Mitigation Measures	Post-model severity of harm	Post model likelihood of harm	Trajectory	Risk Acceptance Justification
Programmatic Risks	Not reaching performance targets							
	Weak implementation effectiveness							
	Poor quality service delivery							
	Operational delays							
	Unreliable and delayed data							
	Weak separation of duties & accountability							
	Lack of sustainability & redundant systems							
Fiduciary Risks	Over-pricing							
	Over-payment							
	Operational inefficiency: costly controls							
	Low absorption							
	Weak financial controls							
	Financial fraud & diversion of assets							

Frameworks and process for defining risks

Reflection time

Now that you have completed this section, take the time to reflect on the key takeaways from the different assessments you have performed and the RBC elements you have defined.

Start by **(1)** submitting all the RBC elements you have defined in this section to a **stress-test**, by elaborating scenarios where your RBC design can fail or be challenged, then **(2)** articulate concrete **contractual clauses** or provisions that would help mitigate the likelihood of the failure scenarios you have elaborated:



Example of stress-test questions:

- *Are there any outstanding risks (after the completion of rigorous risk analysis and mitigation) that may threaten programmatic implementation or achievement of results?*

Note: *The stress-test questions provided here are indicative of the reasoning that you should further adopt and develop and are not meant to be exhaustive or comprehensive.*



GF Risk team to review and validate the outputs of this section

SECTION 7: DEFINING THE ASSURANCE MODEL OF AN RBC

Assurance model will evaluate operational realities against design and require solid financial management “hygiene”:

Performance Audit

Checks if :

- execution complied with design,
- if any non-foreseen risks arose, and
- if the modality reached desired objectives

Common actors performing these roles are the PR, LFA, Annual Auditor, External Evaluator, OIG

OBF Modality Requirements	Design	Documentation	Operationally Effective
	Who will assure risks were mitigated to reach objectives?	Who will assure the design is correctly registered in the Contract & Ops Manual?	Who will assure that the evidence of execution led to the desired results?
A. Justification/ Objectives			
B. Outputs			
C. Price & Payments Terms			
D. Implementation Arrangement			
E. Controls and verification of outputs			
F. Risk trade-offs optimized			

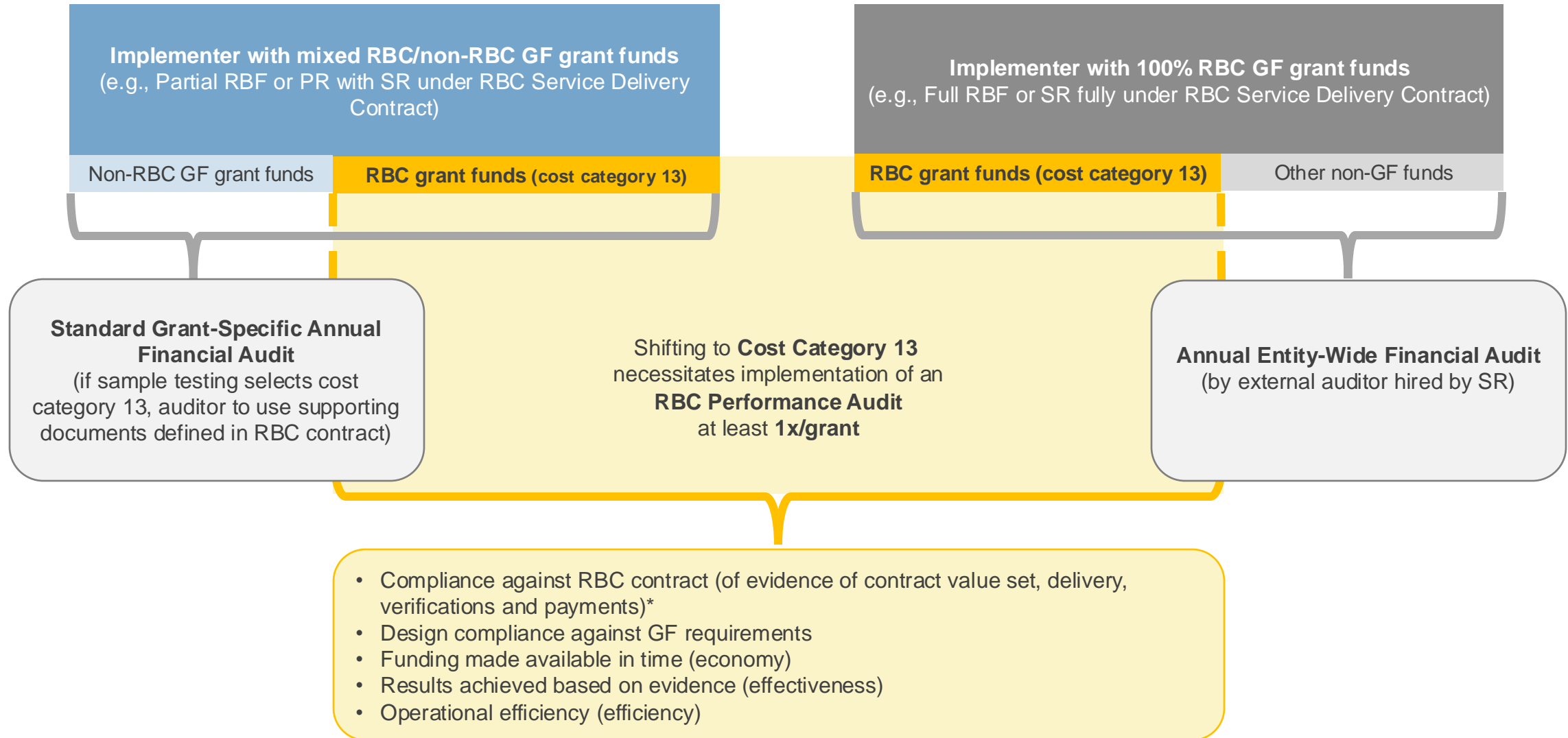
Financial Audit

Independent of the GF—every implementer subjects its own financial management to financial audits.

We simply want (1) obligate it contractually and (2) see the reports to flag any unexpected risks.

Implementor	Auditing Entity	Frequency of Financial Audit
PR [Name]	<input type="checkbox"/> Supreme Audit Agency <input type="checkbox"/> External Audit Firm <input type="checkbox"/> Institutional Inspector General <input type="checkbox"/> None	<input type="checkbox"/> Annual <input type="checkbox"/> 1x every 3 years <input type="checkbox"/> Never
Delivering Implementer [Name]	<input type="checkbox"/> Supreme Audit Agency <input type="checkbox"/> External Audit Firm <input type="checkbox"/> Institutional Inspector General <input type="checkbox"/> None	<input type="checkbox"/> Annual <input type="checkbox"/> 1x every 3 years <input type="checkbox"/> Never

Assurance of RBCs



RBC Assurance Plan

Annex 4: Financial Assurance Plan Template

Financial Risk (QUART classification)	Key Risks	Mitigation actions	Timeline for Action	Implementer Assurance Actors, Steps, Frequency of Reporting			External Assurance Actors, Steps, Frequency of Reporting				Key Assurance Changes Compared to Current Practice	Estimated Change in Cost (US\$)	
				Management	Internal audit	Other	Country Team	Local Fund Agent	Independent assurance provider	Other		Grant	OPEX
Low Absorption and Over Commitment	1												
	2												
	3												
Poor Financial Efficiency	1												
	2												
	3												
Fraud, Corruption or Theft of Funds	1												
	2												
	3												
Theft or Diversion of Non-Financial Assets	1												
	2												
	3												
Market and Macroeconomic Losses	1												
	2												
	3												
Poor Financial Reporting	1												
	2												
	3												

Finance will update Assurance Plan template to account for Performance Audits. Same will be done to Performance Audit TORs.

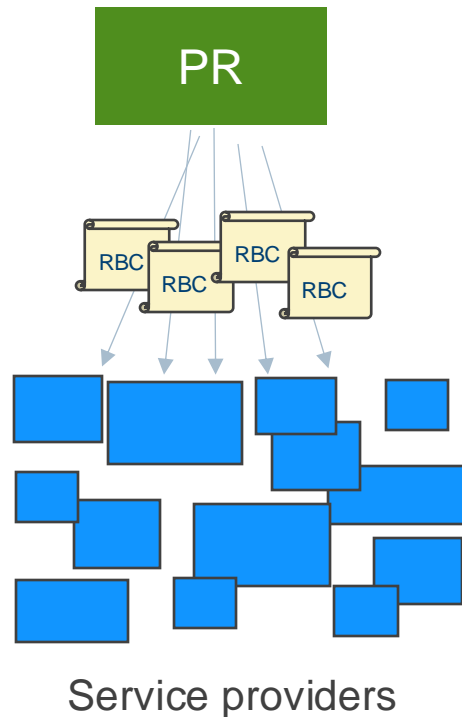
ANNEX 1

IMPLEMENTATION ARRANGEMENTS

Contracting parties – Select the location of the RBC

To achieve programmatic objectives at scale (e.g. to service large populations), often large numbers of implementers are needed. In this case, consider where along the cascade of implementers the RBC should be located.

Model 1: Direct Contracting



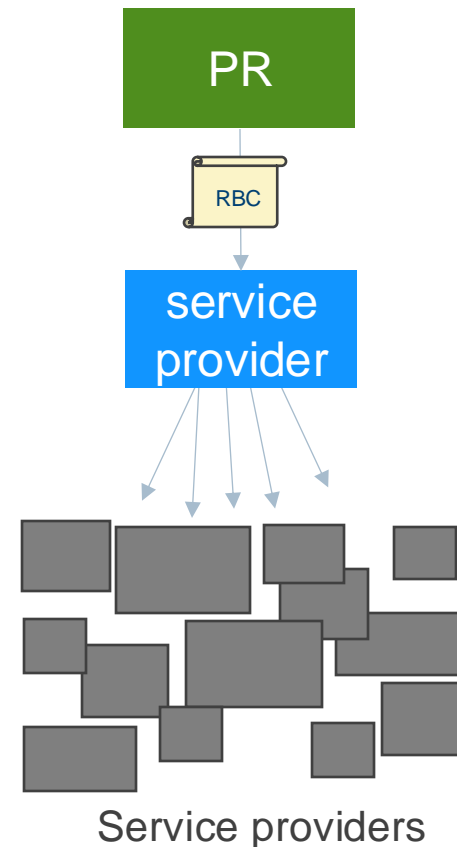
PROS

- More direct oversight
- Greater efficiencies (no middle-man with operational costs—build an internal unit to manage the cohort instead, but use finance and procurement unit across activities)

CONS

- If PR has weak oversight/performance management capacity, this model will not work
- If PR has high corruption culture (e.g., MOH) then the contracting relationship is an opportunity for coercion and collusion
- If there are too many service providers, or they are too far geographically from the PR, the level of effort may be excessive

Model 2: Cascaded Contracting



PROS

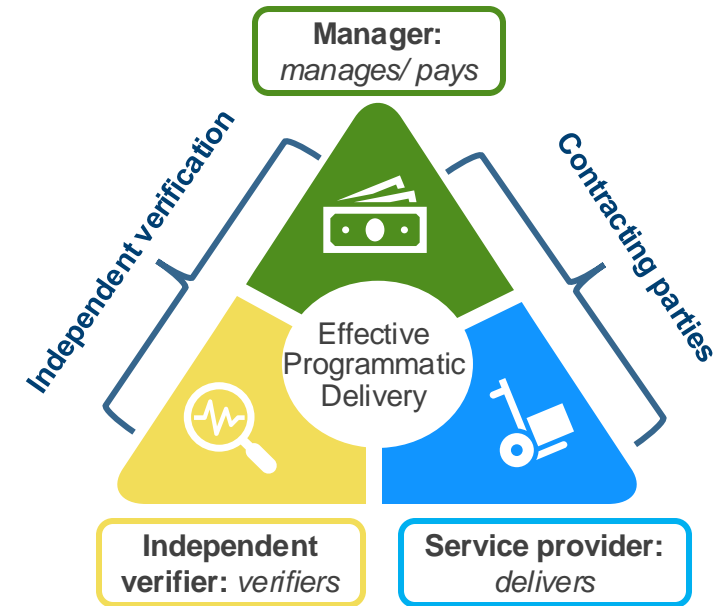
- Enables introduction of a more professionalized and potentially independent intermediary to properly manage implementers
- Possible to cover greater scale of service providers further away geographically
- May enable incorporation results earlier in the results chain (planning and oversight, as done by service provider)

CONS

- Introduces middle-men, thus increasing inefficiency and distancing PR oversight

Independent verifier – Separation of duties

Verification of evidence should come from a **third-party independent of service provider** whenever possible. **To ensure adequate SOD, under no circumstances can:** (1) an actor **both deliver** the services under an RBC and **verify** the evidence or (2) an actor **both deliver** the services under an RBC and **manage/ make payment decisions**.



Separation of duties (SOD)

What is it?

It is a "control" mechanism set up to mitigate conflicts of interest, thus increasing reliability and accountability.

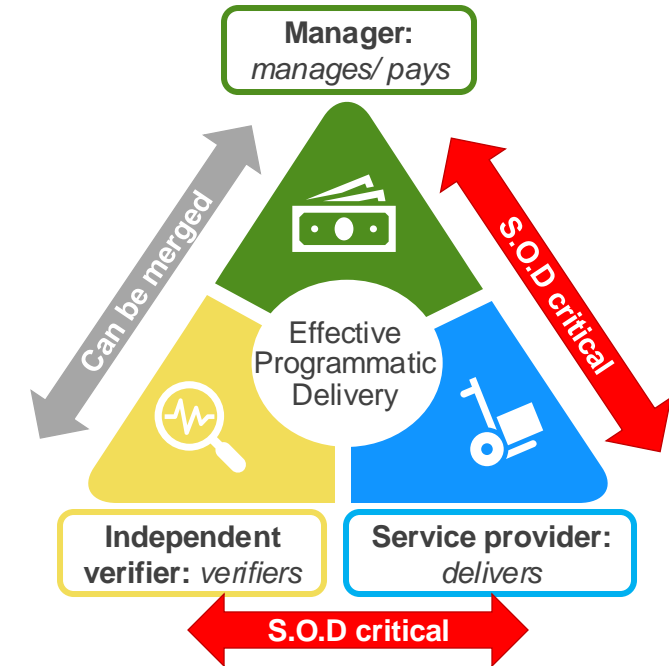
Why do we do it?

If only one party controls all the steps, they can:

- make critical errors left unchecked
- be incentivized to commit fraud (financial and misreporting)

How do we do it?

- Split roles across implementation arrangement to provide 'checks and balances' that mitigate errors and fraud
- Assess and mitigate the likelihood of coercion/collusion

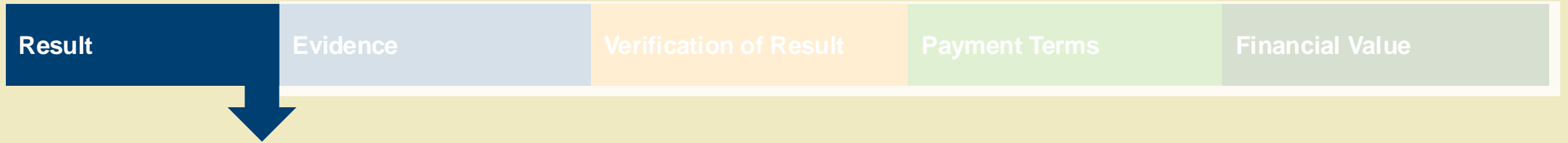


Contracting parties

As you define the results, you will need to consider who is best-placed to play what role. Setting up who does what is called designing the "implementation arrangement".

Role	Responsibilities	Documents required to satisfy GF requirements	Criteria to consider when selecting institutions for this role
Manager	<ul style="list-style-type: none"> Supervises the overall RBC Calculates and makes payment decision based on the audit evidence (from verification) 	<ul style="list-style-type: none"> SOPs with supervision/oversight approach defined Risk-based Performance/ Management Oversight/Supervision Plan Contract (RBC with Supplier) Workplan Reporting Schedule and Templates 	<ul style="list-style-type: none"> Performance management/supervision/oversight capacity – including work planning, managing reporting, spot checks, and follow up of service provider performance, as well as adequate technical knowledge of the service being provided. Capacity of procurement unit to perform independent market analysis (to procure service provider at value for money) Political realities: Is there a political obligation to engage with or through this organization (e.g., the Ministry of Health) Risk of perverse incentives: Is the institution part of/beholden to a known corrupt system (e.g., a division in a MOH within a highly corrupt government)
Service provider	<ul style="list-style-type: none"> Delivers goods and services and the targeted results Produces evidence of the results achieved 	<ul style="list-style-type: none"> SOPs with internal controls (and supervision/oversight) defined Service Delivery Workplan 	<ul style="list-style-type: none"> Nature and scope of results being selected for RBC Capacity to generate results Ability to gain access to the desired target population for the services being rendered Political realities: Is there an interest to use the RBC as an accountability mechanism vis-a-vis this party? Is there a political obligation to engage with or through this organization (e.g., local civil society group); Is there an interest in holding this particular institution accountable for delivery?
Independent verifier	<ul style="list-style-type: none"> Assesses the veracity of the service provider evidence Creates audit evidence that provides assurance over results 	<ul style="list-style-type: none"> SOPs with internal controls (and supervision/oversight) defined Service Delivery Workplan 	<ul style="list-style-type: none"> Execute best practices for programmatic assurance: sampling, etc. Technical knowledge of/ experience with the specific health intervention Independence from the other parties in an RBC Political realities: Is there a political obligation to engage with or through a certain organization (e.g., the Ministry of Health)

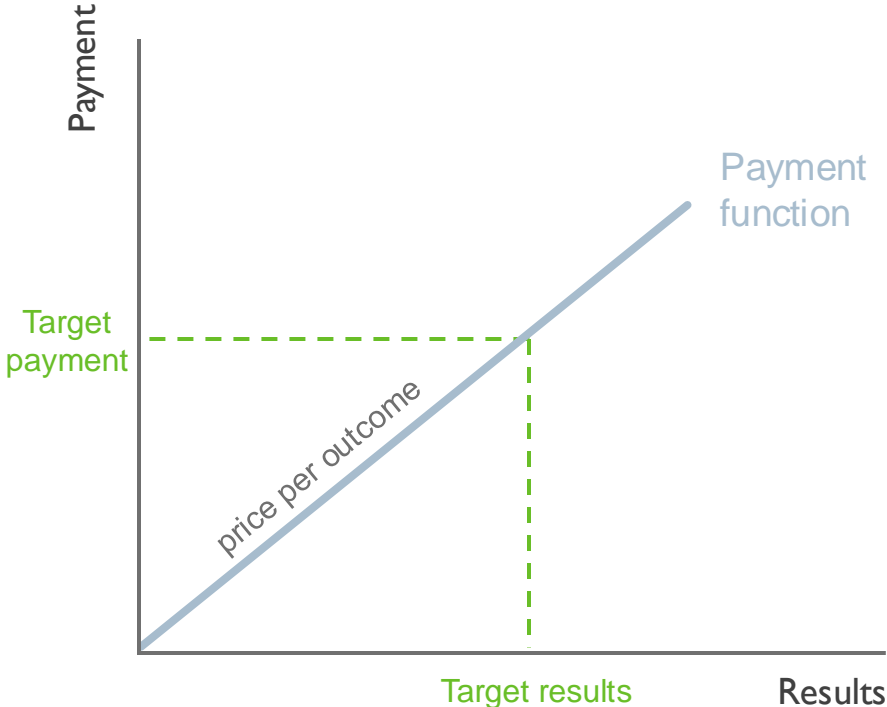
Programmatic Results Framework



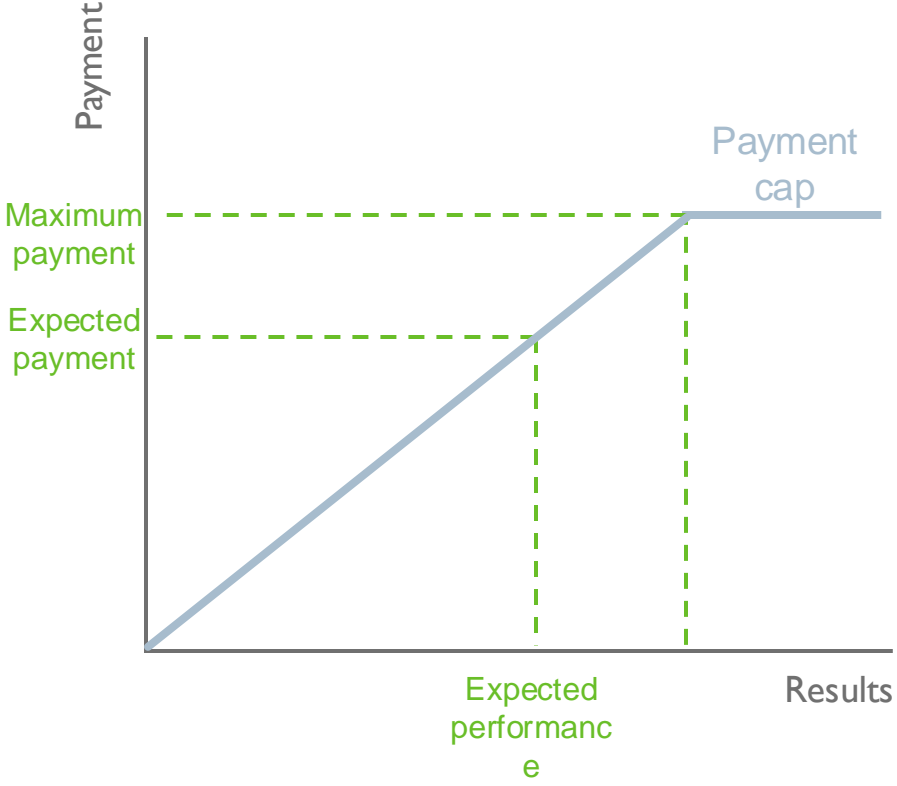
ANNEX 2

PAYMENT FUNCTION

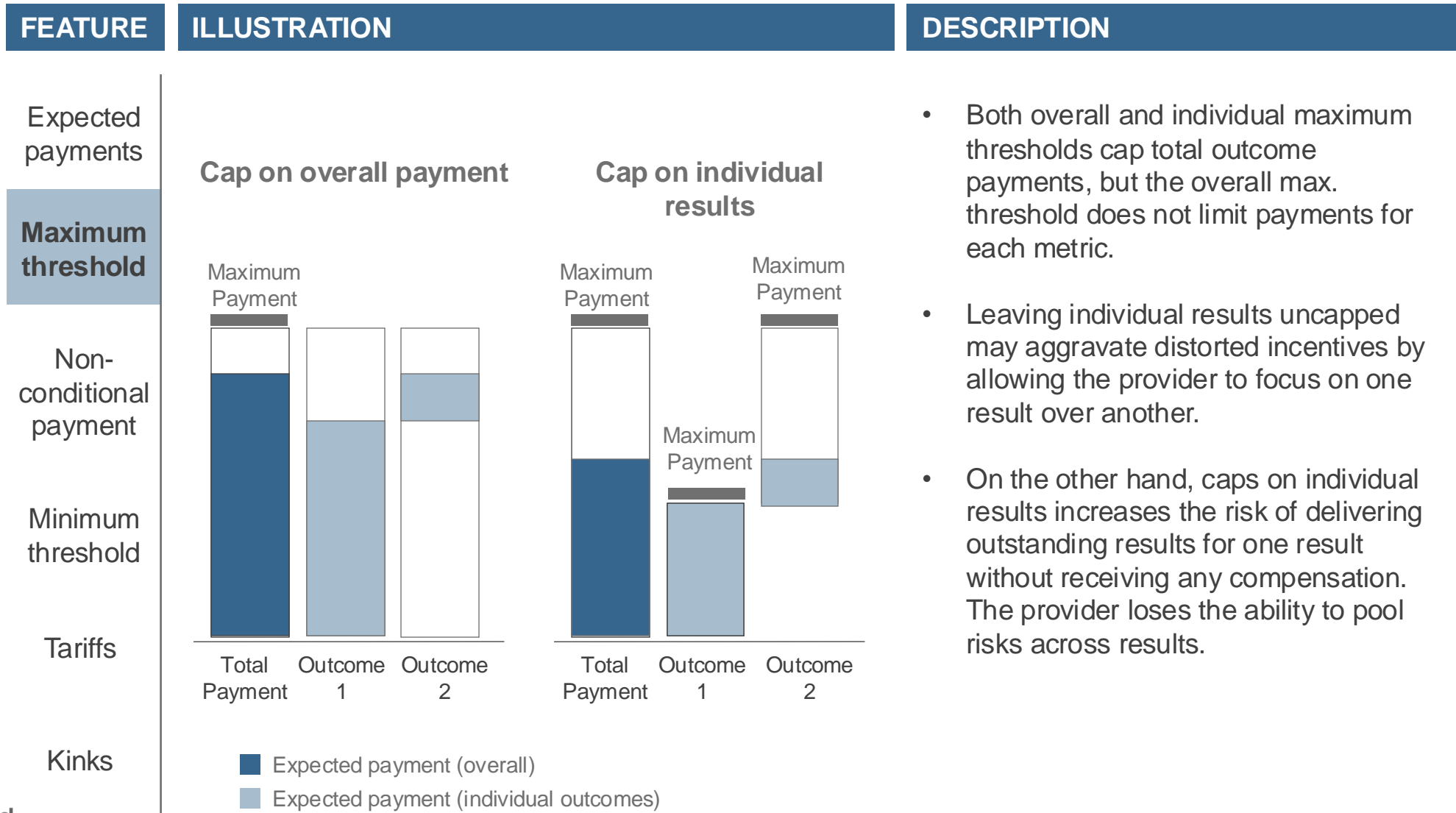
Payment function

FEATURE	ILLUSTRATION	DESCRIPTION
<p>Target payment</p>		<ul style="list-style-type: none"> Expected performance should be set at a level that is sufficiently ambitious to promote improvements over the status quo, but that is also realistic so as not to set the provider up for failure. Set expected performance at an expected payment value that includes the repayment of the principal plus a risk premium.
Maximum threshold		
Non-conditional payment		
Minimum threshold		
Tariffs		
Kinks		

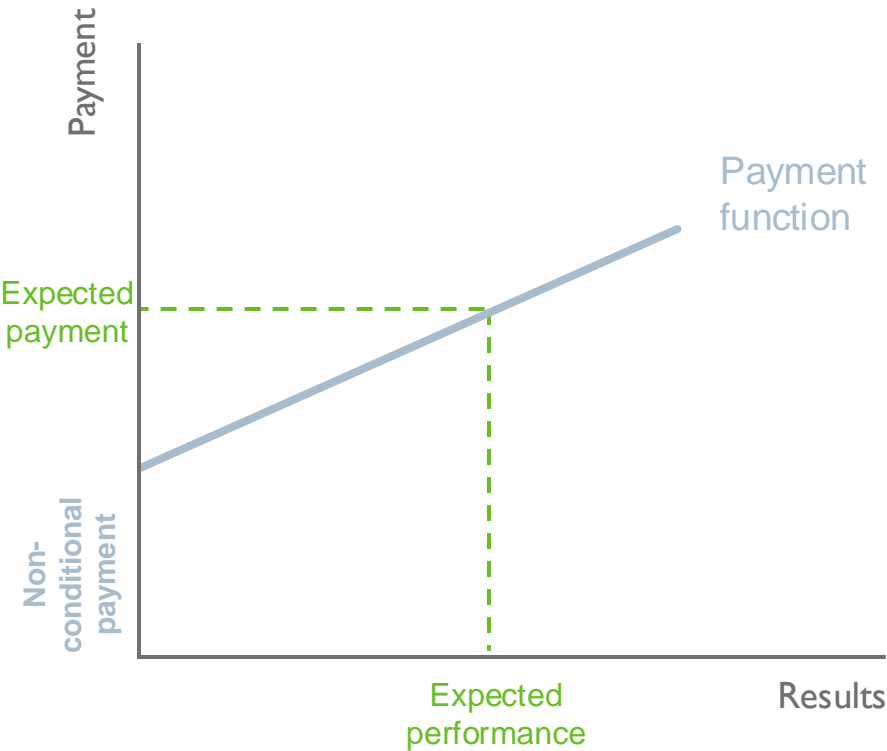
Payment function

FEATURE	ILLUSTRATION	DESCRIPTION
Target payment		<ul style="list-style-type: none"> • A maximum level of results above which no additional payments are made.
Maximum threshold		<ul style="list-style-type: none"> • Maximum thresholds can be included for individual results or for the overall payment (see next slide).
Non-conditional payment		<ul style="list-style-type: none"> • All RBC payment functions have maximum thresholds to protect against unlimited payments.
Minimum threshold		
Tariffs		
Kinks		

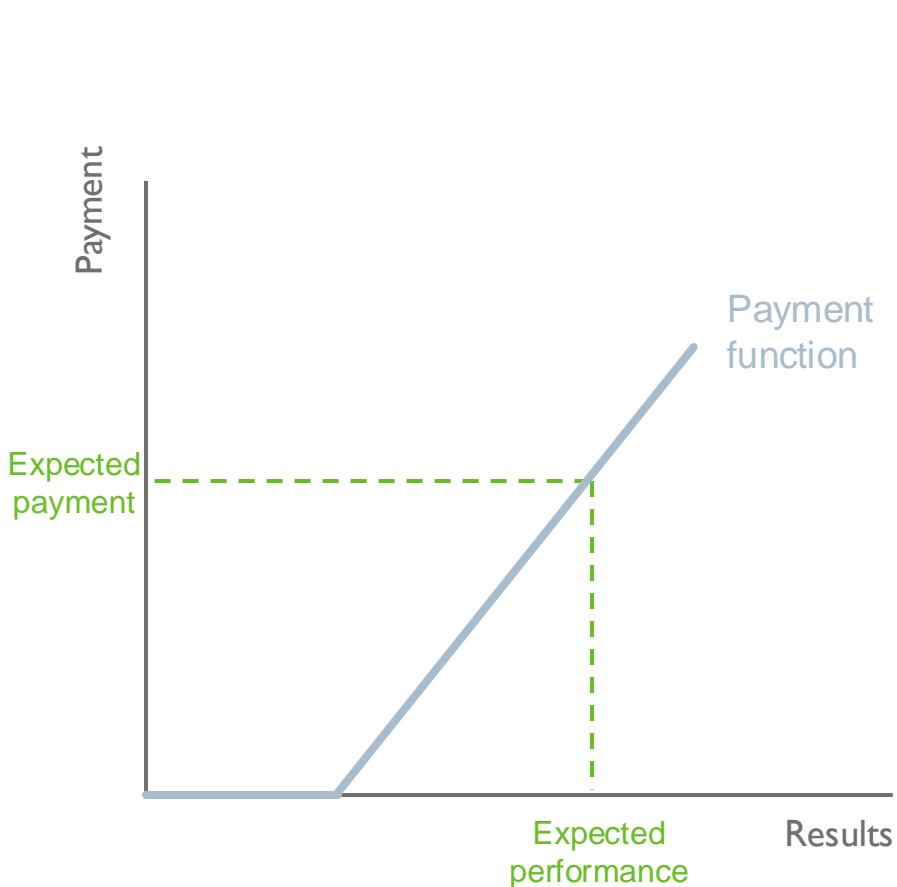
Payment function



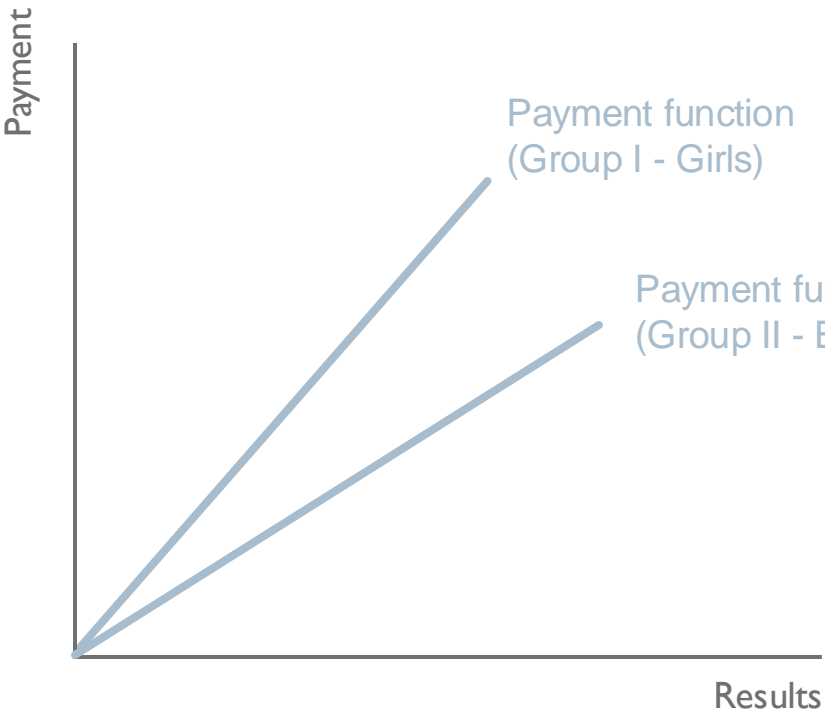
Payment function

FEATURE	ILLUSTRATION	DESCRIPTION
Expected payments		<ul style="list-style-type: none"> • A minimum amount that is paid even if no measurable results are achieved. Similar to an input-based payment.
Maximum threshold		<ul style="list-style-type: none"> • A non-conditional payment gives the provider a guaranteed payment, reducing the non-payment risk under an RBC.
Non-conditional payment		<ul style="list-style-type: none"> • Non-conditional payments affect the intensity of the incentives, making them weaker.
Minimum threshold		
Tariffs		
Kinks		

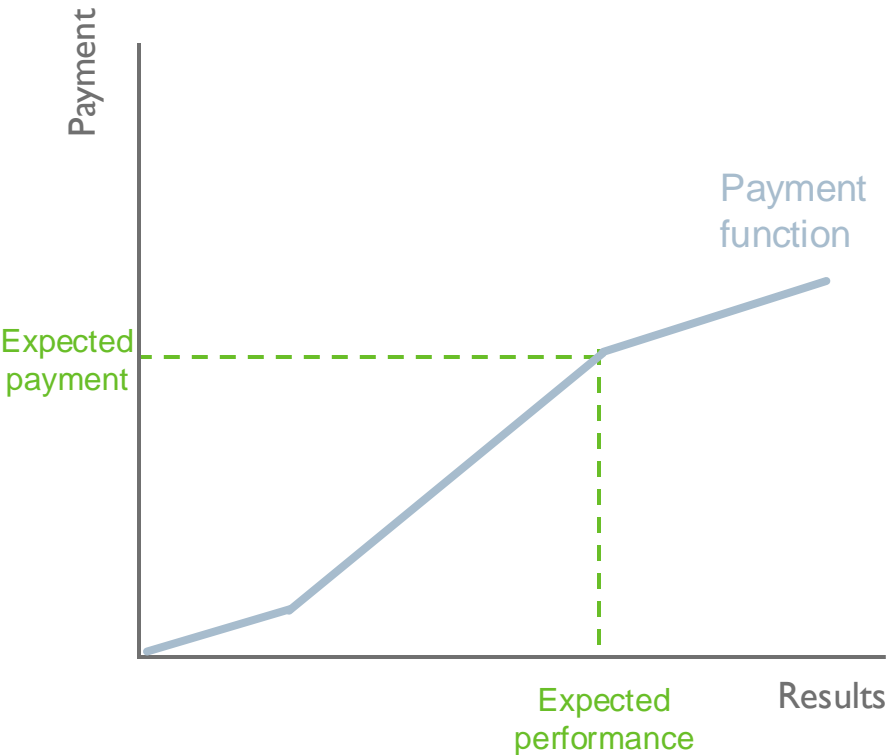
Payment function

FEATURE	ILLUSTRATION	DESCRIPTION
Expected payments	 <p>The graph illustrates the payment function. The vertical axis represents 'Payment' and the horizontal axis represents 'Results'. The function starts at zero and remains at zero until it reaches a 'Minimum threshold'. After this threshold, the payment increases linearly. A specific point on this linear segment is identified as 'Expected performance' on the x-axis and 'Expected payment' on the y-axis. The entire line is labeled 'Payment function'.</p>	<ul style="list-style-type: none">• A minimum level of results below which no payment is made.
Maximum threshold		
Non-conditional payment		
Minimum threshold		
Tariffs		
Kinks		

Payment function

FEATURE	ILLUSTRATION	DESCRIPTION
Expected payments		<ul style="list-style-type: none"> Tariffs introduce different outcome prices (a premium) for different subgroups of the population, which is reflected in different slopes of the function.
Maximum threshold		<ul style="list-style-type: none"> Using tariffs incentivizes the provider to focus on particular subgroup(s) e.g. to compensate the provider for the higher costs of achieving results (and avoid cream skimming), or because the marginal benefits of achieving results for this subgroup are higher.
Non-conditional payment		<ul style="list-style-type: none"> This may only be useful if appropriate subgroups can be built based on observable characteristics.
Minimum threshold		
Tariffs		
Kinks		

Payment function

FEATURE	ILLUSTRATION	DESCRIPTION
Expected payments		<ul style="list-style-type: none"> • Kinks in the payment function reflect different prices depending on the level of results achieved. Without kinks, all levels of results are equally incentivized.
Maximum threshold		<ul style="list-style-type: none"> • In the example, prices are lower for the first and last stage of results achieved. The rationale could be that the first stage of results are considered to be easy to achieve, while the last stage of results are less incentivized in order to avoid ceiling effects.
Non-conditional payment		<ul style="list-style-type: none"> • The latter reduces the incentives for results that are more difficult to achieve and is sometimes used starting from the target payment.
Minimum threshold		
Tariffs		
Kinks		

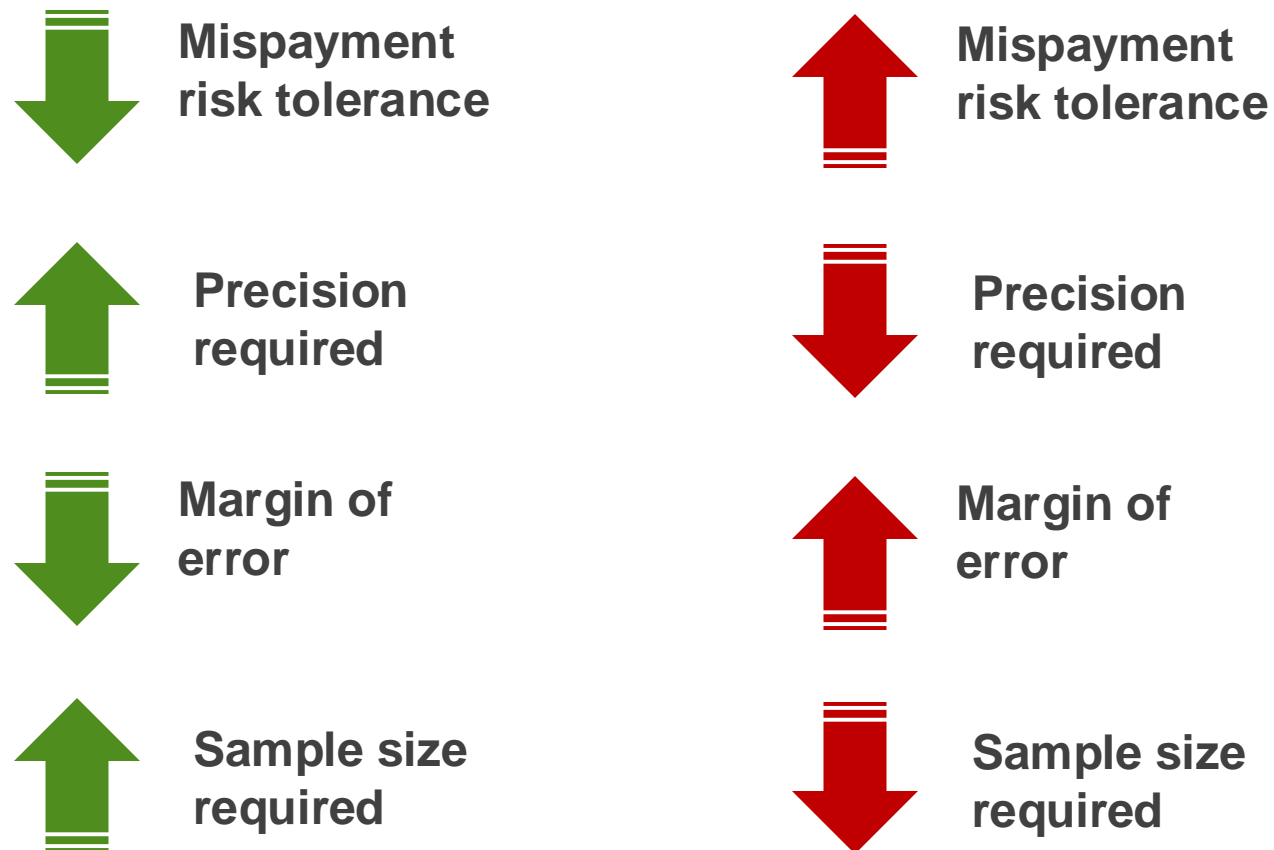
ANNEX 3

STATISTICAL SAMPLING

Selecting verification sample size: Mispayment risk

- The **mispayment risk**, i.e., the risk of over- or under-paying the service provider for the results delivered, depends on the **precision level** chosen.
- Precision refers to the **degree of accuracy** or reproducibility of a study's results.
- Precision is measured by the **margin of error**, which is the **amount of variability** that is acceptable in the estimates of a population parameter based on the sample size.

The risk tolerance towards mispayment is a key factor in determining sample size.



Selecting verification sample size: Verification costs

The sample size is the largest driver of verification costs. Hence, considering the verification cost while determining sample size is very important.



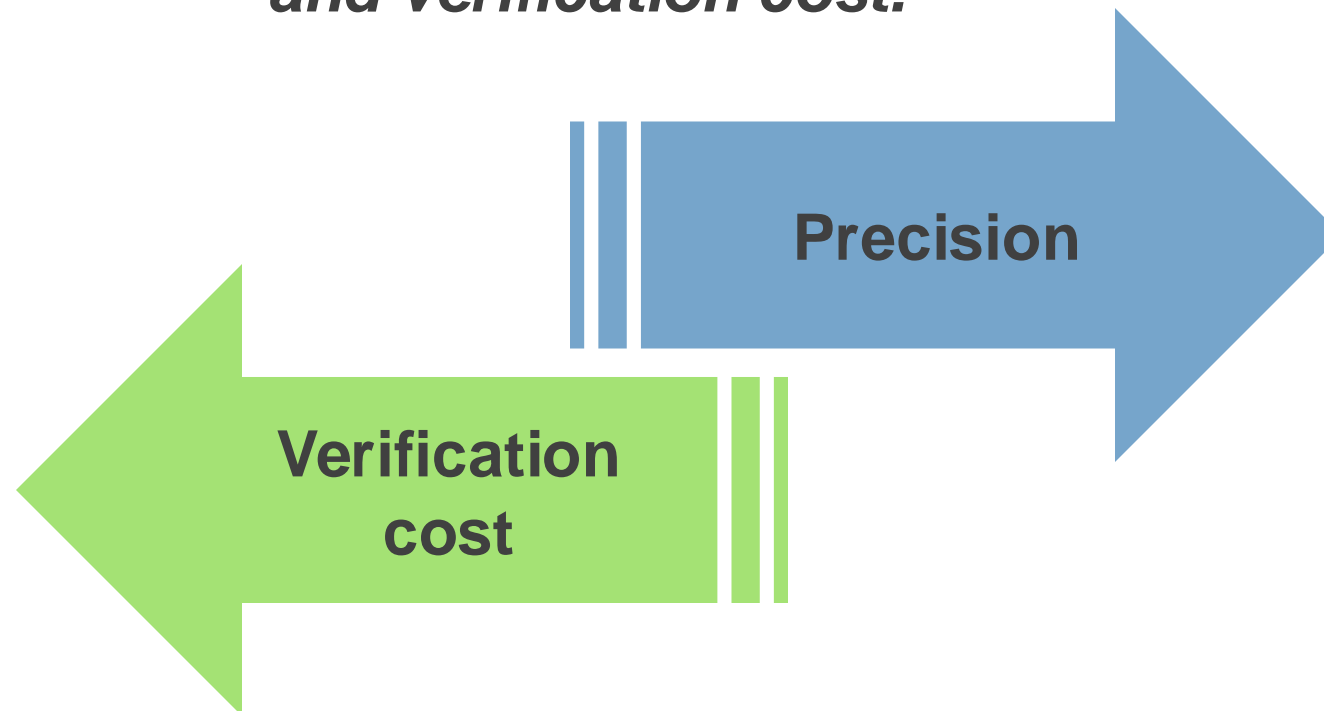
Cost considerations while determining sample size

- 1. Verification budget:** The chosen sample size must ensure to be within the set budget constraints of the verification budget decided by the PR and GF CT.
- 2. Data collection expenses:** The cost of data collection can vary depending on the methods. If survey methods are used, accounting for harder-to-reach areas is important while determining sample size.
- 3. Time and labor:** Larger sample sizes typically require more time and effort to recruit participants, administer surveys, or conduct experiments.

Selecting verification sample size: Payment risk-cost tradeoff

As the sample size increases, precision increases, and mispayment risk decreases, but cost increases.

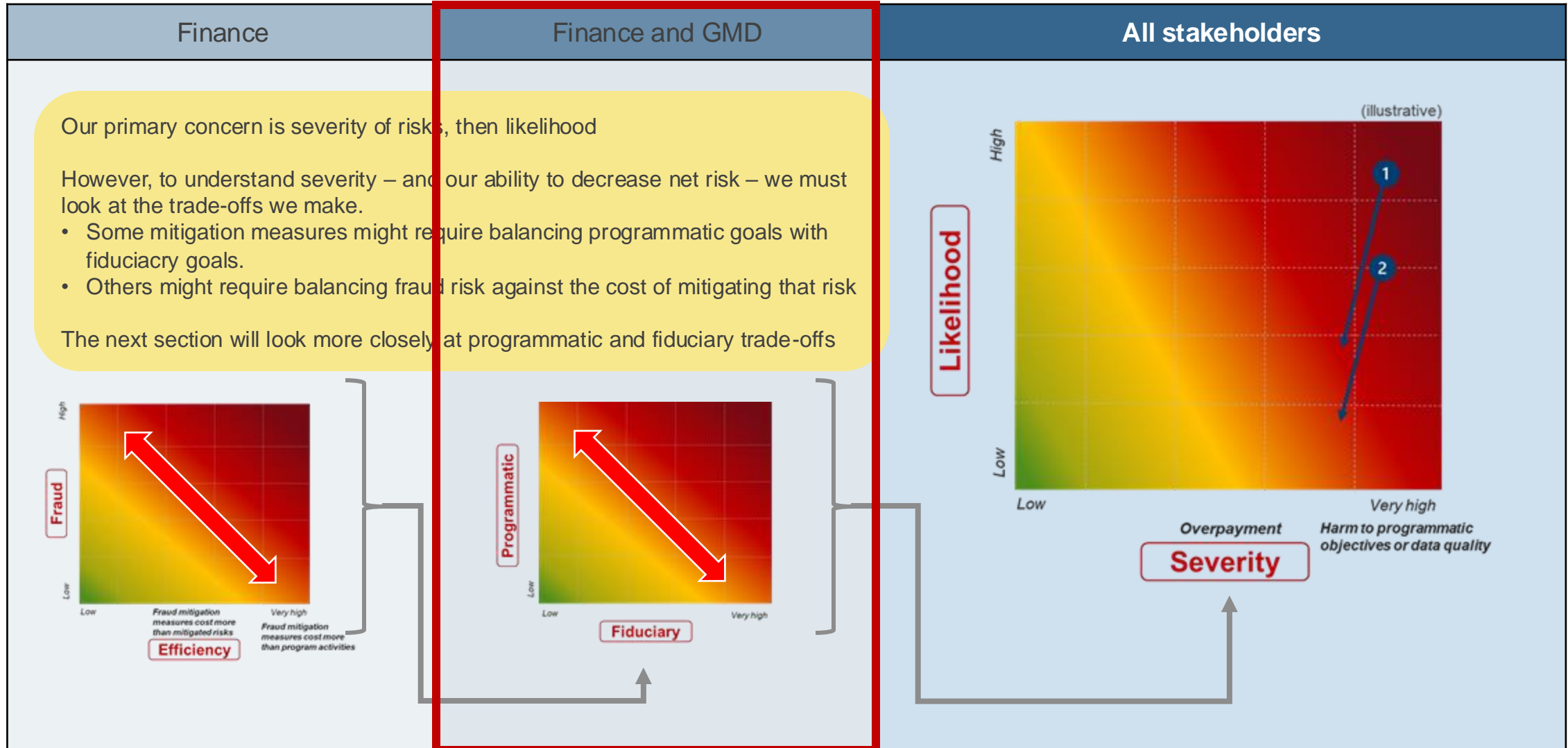
To determine optimal sample size, we must tradeoff precision and verification cost.



ANNEX 4

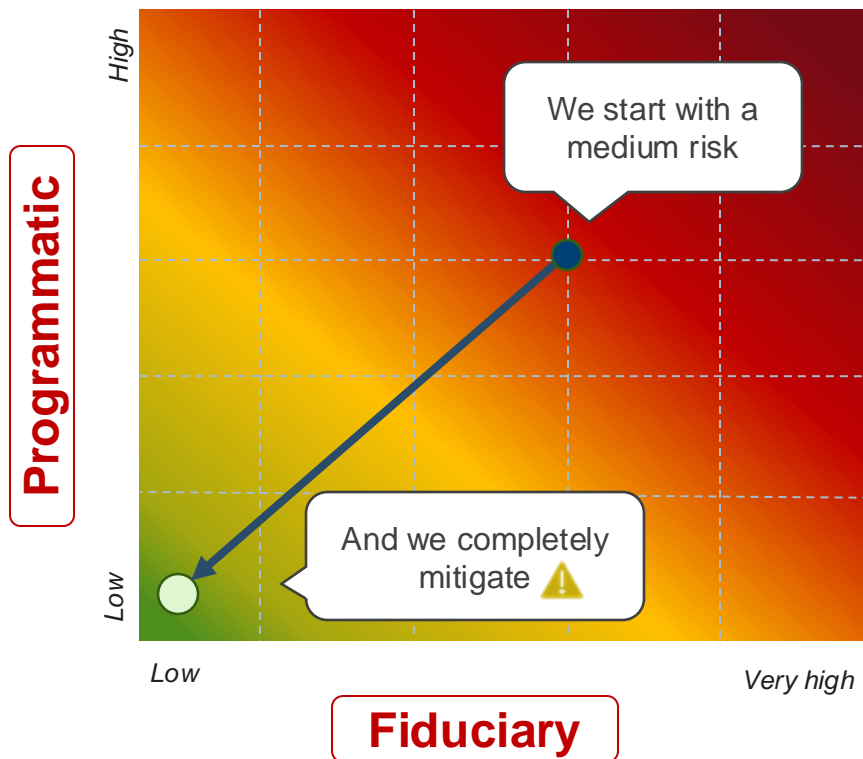
RISK-RETURN BALANCE: TRADEOFFS

What elements drive risk trade-offs?



Risk Return Balance: Trade-offs Deep Dive

Trap – Don't assume you can remove all risk



Ideally when we mitigate a risk, we want to mitigate opportunities for both:

- Financial loss
- Programmatic failure

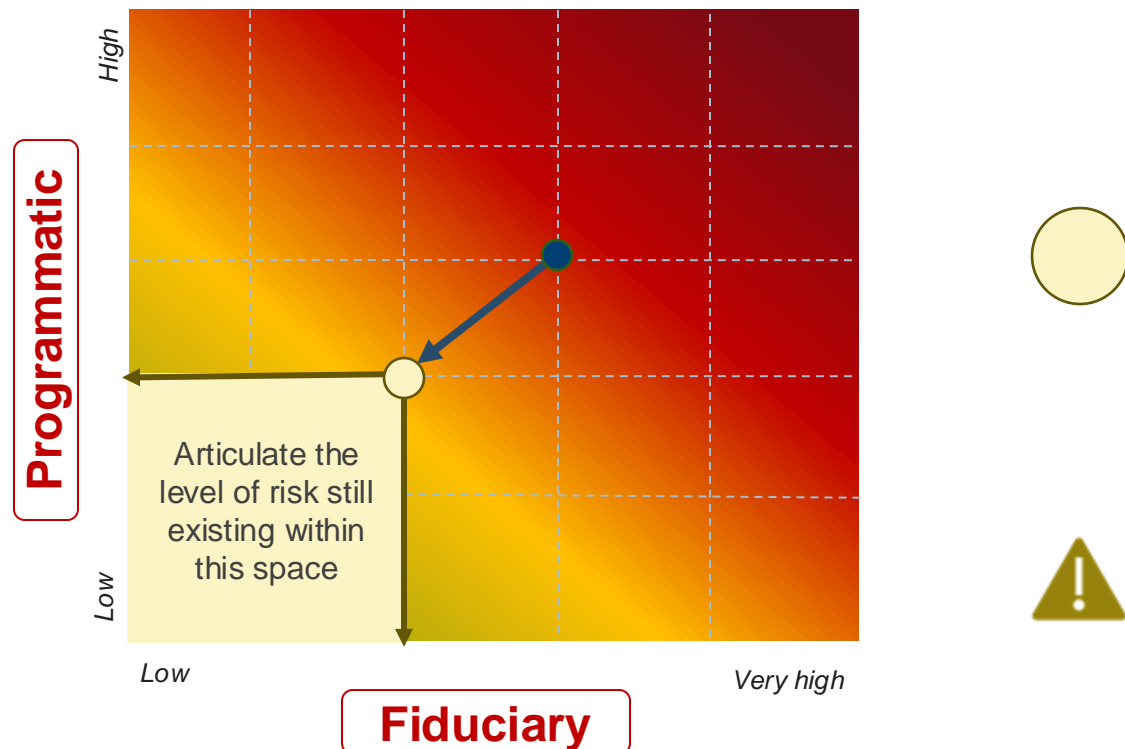
In a perfect world, we hope for solutions that will drive to zero risk.

In reality, this is impossible – if we think we've arrived at zero risk, we've likely overlooked something

We will always be settling for some residual risk. This is normal and will be expected and negotiated with the CT. After, it will be expected and accepted by the *Auditors* – **as long as we clearly articulate that we understand the risk and why we still chose this course of action**

Risk Return Balance: Trade-offs Deep Dive

Risk return dynamic – Understand that you will tolerate residual risk



In most cases, we won't get it perfect

Example: verification of ITN delivery in households. The more houses we verify, the greater confidence we have in programmatic results...and the more it costs.

We can use statistical models to verify a sample and extrapolate the results. There will still be some risk that:

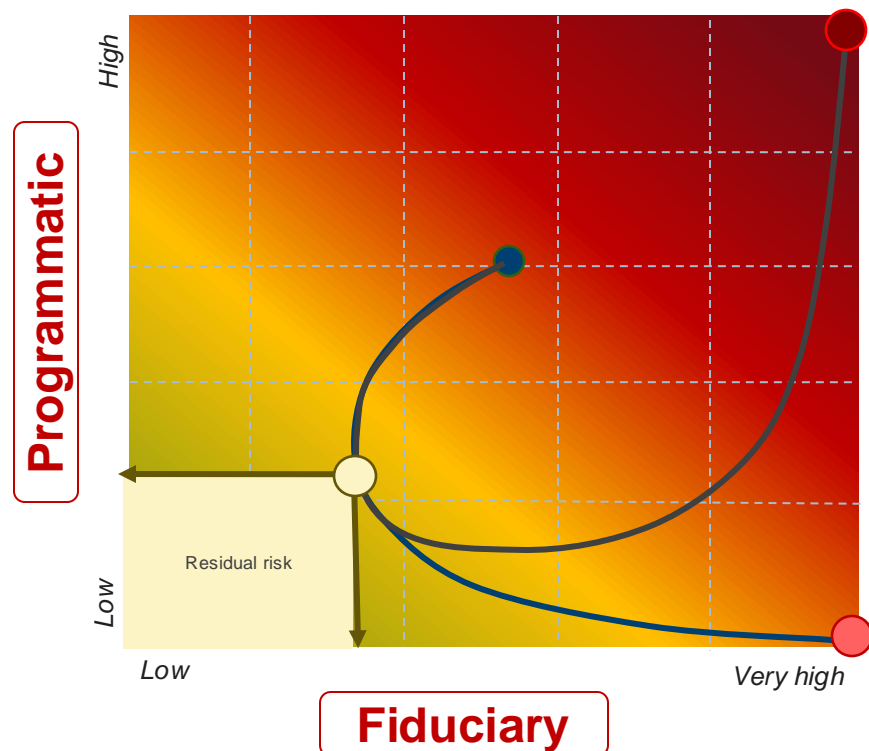
- Some unsampled areas received a higher/lower percentage of ITNs (low/medium programmatic risk)
- We might have over/underpaid in those regions (low/medium fiduciary risk)

How much we choose to sample – and therefore how much risk we choose to tolerate – is negotiated among all stakeholders

For whichever option is chosen, we must articulate why we chose it and define the residual risk

Risk Return Balance: Trade-offs Deep Dive

Trap – Making a risk tolerance decision – how much is enough?



In some cases, we might actually be increasing fiduciary risk by striving for programmatic perfection.

Example: verification of ITNs delivery in households. The more we verify, the greater confidence we have in programmatic results...and the more it costs.

We can use statistical models to verify a sample and extrapolate the results. There will still be some risk that:

- Some unsampled areas received a higher/lower percentage of ITNs (low/medium programmatic risk)
- We might have over/underpaid in those regions (low/medium fiduciary risk)

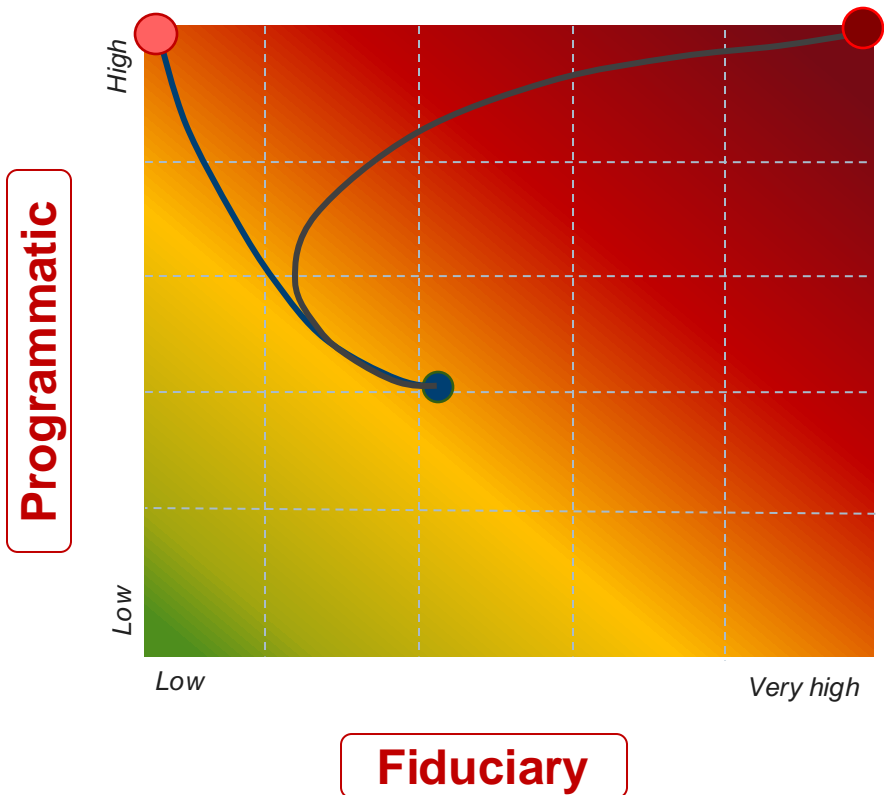
We can sample every single household:

- know with 100% certainty that all ITNs were delivered (low programmatic risk).
- However, this will be extremely expensive – perhaps more expensive than the campaign is worth (high fiduciary risk)

Worse, the added sampling could delay payment disincentivizing service providers to continue in other regions **existential risk to the campaign**

Risk Return Balance: Trade-offs Deep Dive

Trap – No tolerance for loss



In other cases, we might be increasing programmatic risk by striving for accounting perfection

Example: accounting for ITNs loss in a campaign.

We can count every single ITNs as it enters the campaign (in case the manufacturer sent the wrong amount per bale) and balance that against recovered ITNs **major delays** of 2-4 weeks as we count the nets

This could also require increased effort effectively cutting into our financial (efficiency) performance

Or – *We set up an acceptable loss up front**

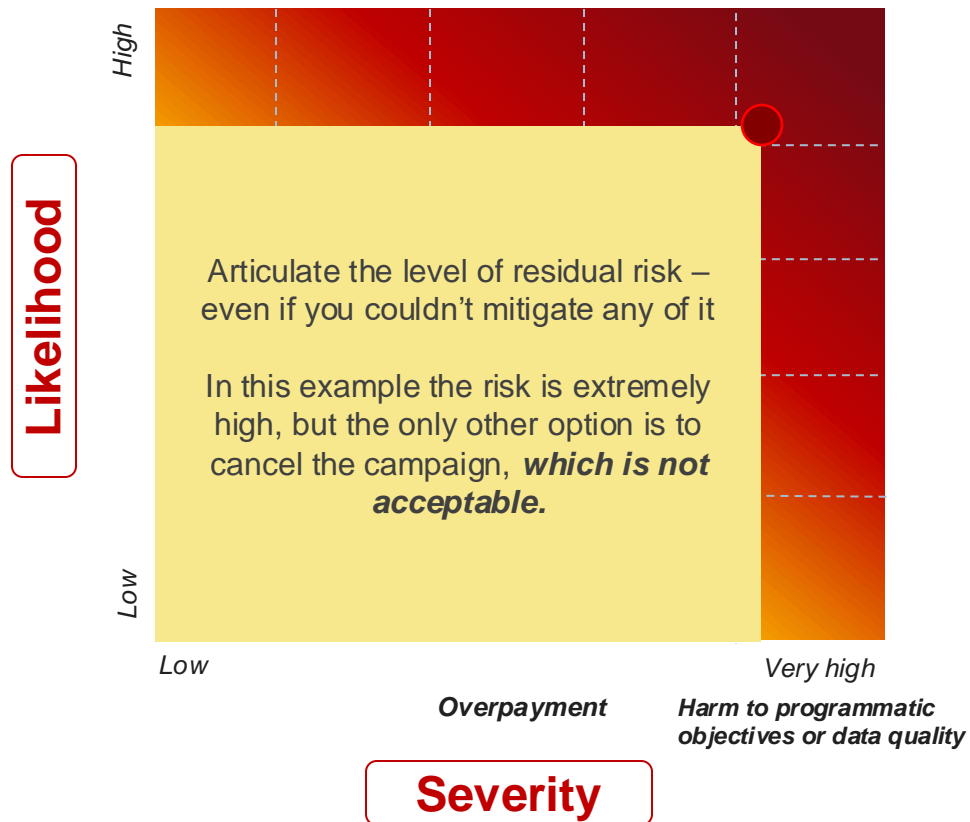
Understanding the multiple factors that could lead to loss:

- Manufacturer/shipping error
- Theft
- Damage
- Loss

We accept #% loss, document our rationale, agree between the PR and the CT and only count ITNs recovered at the end of the campaign

Risk Return Balance: Trade-offs Deep Dive

Reality check – we might not be able to mitigate even major risks



Remember, we have 2 goals in risk assessment:

- Decrease net risk (not eliminate all risk)
- Articulate residual risk

We might not be able to decrease the risk of certain elements of the contract. In this case, the residual risk will be the same as the initial risk

Example: The MoH refuses to hire an independent supplier or an independent verifier. Further, they refuse to accept the findings of any parallel verification.

Follow the same process – document residual risk

Document what mitigation measures were proposed and why they were impossible.

If possible, present residual risk findings to OIG and risk for advice prior to signing. Document their feedback as well.

