Payment for Results

Technical Brief

Grant Cycle 8

Core Guidance

Date published: 22 November 2024
Date updated: 15 December 2025

Table of Contents

1. Introduction

This document provides best practice guidance to Applicants, Principal Recipients (PRs) and Global Fund Country Teams interested in including a Payment for Results modality within a funding request and/or grant. Although this document provides information on all the elements that ought to be considered while designing a grant containing Payment for Results, it should not be read as a compliance checklist. Instead, this document should be read in conjunction with relevant policy documents such as Operational Policy Note (OPN) on Design and Review of Funding Requests and OPN on Make, Approve and Sign Grants.

2. Payment for Results within the context of the Global Fund

Payment for Results (PfR) is a **results-based financing** modality in which the Global Fund makes payments to PRs following the verification of results against agreed performance indicators. This approach allows for the use of grant funds within pre-agreed parameters and is not based on monitoring and managing inputs. PfR can be applied to an entire grant, or a specific component of a grant. Grants applying the PfR modality can be implemented by and through all types of PRs (e.g., government, civil society, multilateral organizations or private sector).

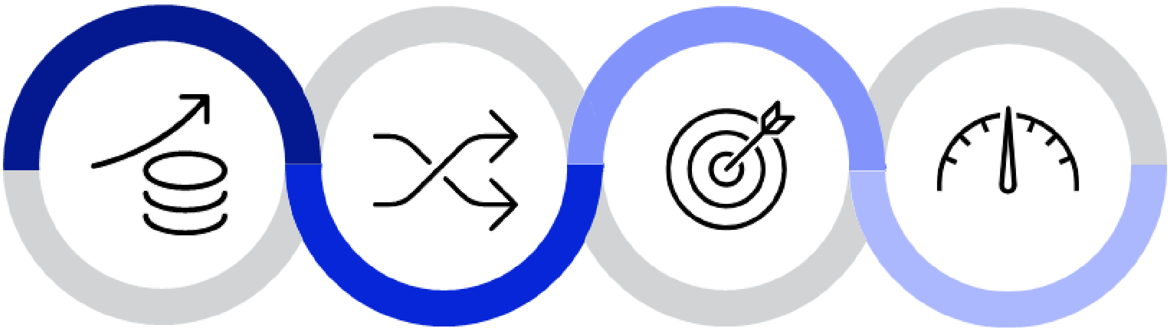
Other results-based financing modalities that may be used in Global Fund grants include **Results-based Contracts** (RBC), which is a similar modality in which a Principal Recipient or sub-recipient (SR) makes payments to SRs/SSRs (sub-sub-recipient) or suppliers based on verification of results against agreed performance indicators.

This technical guidance is focused on the PfR modality. However, parts of the guidance may also apply to RBCs, such as the general approach for designing PfR and risk management and assurance across the grant lifecycle.

3. Expected benefits of using Payment for Results

Figure 1 shows a summary of the expected benefits of using PfR for all or part of a Global Fund grant. First, PfR is expected to help align financial incentives to measures of programmatic success that are important to both the national disease program and the Global Fund. Second, PfR provides PRs with the agency and flexibility they need to meet national and international objectives. Third, PfR enables PRs to focus on quality performance while supporting the accountability mechanisms (e.g., reliable health data) that are critical for the long-term success of the disease programs. Finally, PfR aims to streamline processes (e.g., detailed budgets, financial reporting) to assist the PR and the program in better focusing on its primary objectives.

Figure 1. Expected benefits of using PfR modality



Align **financial incentives** to measures of programmatic success	Give implementers the **agency** and **flexibility** to achieve results	Focus on **accountability** and **quality** of performance and reliable health data	**Drive efficiency** by streamlining processes

4. Designing a funding request or grant with Payment for Results

Designing a funding request or grant using the PfR modality must follow, at a minimum, relevant guidance and policy documents such as Operational Policy Notes (OPNs) on Design and Review of Funding Requests and Make, Approve and Sign Grants.[1] Other key considerations to apply for PfR include, but are not limited to, the following:

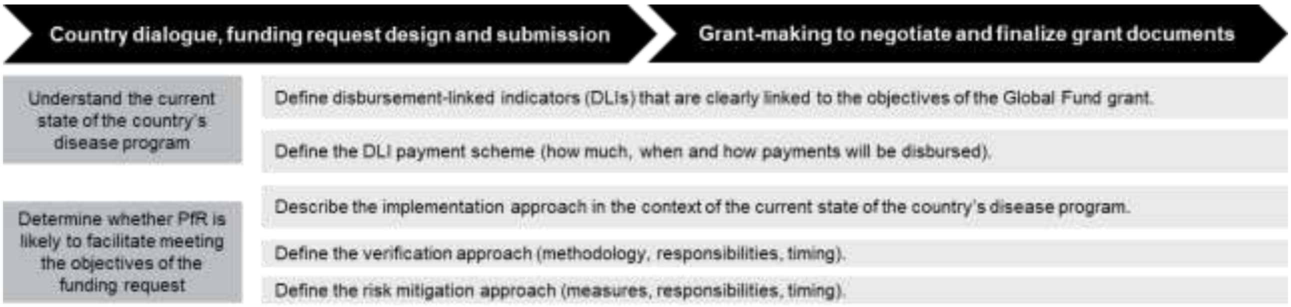
- **Impact-led**: PfR supports achieving impact in an effective and optimized manner for the specific context.
- **Appropriateness**: PfR is suitable given the country context and the agreed objectives for Global Fund support.
- **Sustainability**: PfR leverages local systems, avoids fragmentation and aligns with operational realities.
- **Additionality**: Global Fund grant funds disbursed via PfR are complementary to, and do not duplicate or replace, funds from elsewhere in the health sector.
- **Risk Acceptability**: The risk trade-off is acceptable given the risk management and assurance arrangements in place.

Figure 2 summarizes the elements expected to be covered during the funding request and grant-making stages. Countries considering the PfR modality must discuss this with the Country Team during the country dialogue process and as part of the funding request and grant-making processes. Realistically, it may take more time for an Applicant/PR to develop their first grant containing PfR than developing a traditional input-based grant. However, the expectation is that the upfront efforts associated with a grant containing PfR will decrease over time as Applicants,

[1] Note that this design guidance can equally be applied to adding a PfR modality during the implementation period, through a revision to a grant. In these instances, please refer to the OPN on Grant Revisions for detailed guidance on the relevant processes and approvals required. In addition, for Applicants that are considering including a PfR mechanism within a broader Blended Finance transaction, please refer to the OPN on Blended Finance).

PRs and Country Teams become more familiar with their structure and how best to apply them given the country context. Furthermore, during grant implementation PRs using payment for results modalities can dedicate more attention to programmatic decisions and implementation as they free the time previously allocated to Global Fund financial reporting and reinvestment requests, among others.

Figure 2. High-level view of suggested design process for a PfR-containing Global Fund grant.



Below is a description of the elements that Applicants/PRs should consider when designing a funding request or grant containing the PfR modality. Importantly, this is expected to be a non-linear process. In other words, Applicants/PRs may need to revisit some elements once they have completed others.

4.1 Understand the current state of the country's disease program

As with any funding request, Applicants and PRs must understand the current state of the relevant disease(s) program(s) in the country, as well as the strengths and weaknesses of the health systems supporting the program(s). It is particularly important for Applicants/PRs considering the PfR modality to have a very clear understanding of these elements, as it will be critical for defining disbursement-linked indicators (DLIs) and evaluating whether the implementation strategy is reasonable (see Table 1 below).

Key questions for Applicants, PRs and Country Teams to consider for understanding current state of disease program(s)

- What are the key objectives of the National Strategic Plan or equivalent National Strategy?
- How has the disease program performed over the last two funding cycles? What are the main gaps? What are the key factors/causes behind those gaps?
- What are the main strengths and weaknesses of the health systems (procurement and supply chain, delivery, finance, information and reporting, etc.) used in the disease programs and what key changes are needed to close the main gaps in the response?

4.2 Determine whether PfR is likely to enable the country to meet the funding request/grant objectives

Once the current state of the disease program has been defined, the Applicant/PR works with key stakeholders to agree on the impact they aim to achieve with the grant through the definition of the high-level objectives of the upcoming funding request/grant, building on National Strategic Plans (NSPs) and in line with the Global Fund's 2023-2028 Strategy. Moreover, they identify the key drivers to achieve those objectives. Based on this, the Applicant, PR and Country Team consider whether one or more of these objectives would benefit from a PfR modality. If there is an acceptable chance of the PfR facilitating better programmatic results or enhancing the sustainability of investments through increased ownership, Applicants/PRs can consider including PfR in the funding request/grant.

When considering this option, the Applicant/PR also needs to analyze the in-country factors that are favorable or unfavorable to applying a PfR modality, such as country stakeholder buy-in, status of the programmatic and financial data management systems, reporting quality or the partnership ecosystem and its role in supporting effective PfR implementation. For example, while an Applicant/PR might initially consider PfR to leverage better results in a programmatic area, if the information system is not able to generate reliable data and an alternative solution is too expensive for the size of the grant, it may not be a good option after all.

Below are common examples of when PfR ought *not* be applied. However, these do not immediately disqualify an Applicant/PR from applying the PfR modality. Instead, they are assessed as part of the capacity assessment and relevant technical assistance to build capacity considered to mitigate the risks.

- Implementers with weak data management systems;
- Implementers with weak financial systems;
- Low buy-in or knowledge about PfR in country; and/or
- Lack of implementer capacity to fund contracted activities (without advance funding), if necessary.

Key questions on PfR and funding request/grant objectives

- Is the current funding approach not working, or could it work better (e.g., better value for money)?
- Would PfR work from a design perspective (e.g., is it possible to develop disbursement-linked indicator(s)that is/are aligned with the needs of the disease program)?
- Would PfR work from a practical perspective (e.g., are there adequate systems in place to monitor, report and verify programmatic data)?

4.3 Define disbursement-linked indicators (DLIs)

DLIs must be aligned with the objectives of the program

One of the most important steps in developing a grant containing a PfR modality is defining the DLIs that will be used. They can be outcomes, intermediate outcomes, outputs, processes, policy-related changes, financing-development results or key performance actions deemed necessary to strengthen the performance of the program. In general, one to five DLIs per objective is reasonable. Where possible, indicators should be selected from the core list of indicators in the Global Fund Modular Framework. If the Applicant/PR is using a National Strategic Plan (NSP) application approach, the DLIs should be drawn from the NSP.

At the funding request stage, the list of proposed DLI(s) is included in Section 1 of the Funding Request Form (see Funding Request Instructions) and in the Funding Request Performance Framework. During grant-making this is further refined and detailed as part of grant negotiations with the PR and captured in the grant Performance Framework (please refer to the OPN on Make, Approve and Sign Grants).

Example

If one of the national objectives is to increase the proportion of people living with HIV who have suppressed viral load, consideration could be given to using that outcome as the basis of a DLI. However, consideration could also be given to using viral load testing coverage or the on-shelf availability of key ARVs (process) as additional DLIs linked to that objective.

All DLIs must be SMART

All DLIs must be Specific, Measurable, Actionable, Reasonable and Timebound (SMART).

Consider the trade-off between alignment with impact and ease of measurement when defining DLIs

As a general rule, DLIs that are closer to the impact side (right side) of a logic model are more aligned with disease program objectives but harder to affect and measure (see Figure 3 below). Balancing the trade-off between alignment and feasibility is a difficult yet critical task.

Figure 3. Relative appropriateness of PfR DLIs linked to inputs, processes, outputs, outcomes and impacts

Examples

1. Consider a DLI focused on the reduction in the morbidity associated with TB. Now consider the degree to which the Applicant/PR can affect the value over the timeframe of the grant and measure the results. Given how many factors influence TB-related morbidity that are completely outside the control of the Applicant/PR and the relatively short timeframe of the grant, it seems unlikely the country could achieve a measurable shift in TB-related morbidity that could be attributed to the Global Fund grant. Therefore, while a DLI tied to something close to impact may be perfectly aligned with the stated objectives, it may fall short when it comes to its feasibility. Now consider the other extreme: a DLI focused on the purchase of inputs (e.g., grant staff payment, rent payment, chair purchase) aimed at achieving the same objective. Here, the opposite is true. While it would be easy for an Applicant/PR to affect and measure DLIs related to inputs during the timeframe of the grant, the alignment with the stated objective is less clear.

2. One way of striking a balance between alignment with impact and ease of measurement is to develop DLIs by working from right to left of the logic model. Recognizing that a DLI must be SMART, can you develop a DLI related to impact? If no, what about outcome? If no, what about output? Note that the further left you go, the more DLIs you will likely need to develop to capture a grant objective. For example, let's say the objective within the grant was to "increase the proportion of people living with HIV who have suppressed viral load". As mentioned above, one option is to have a DLI with the number of people virally suppressed. If the disease program in question lacked the information systems needed to monitor viral suppression among people on treatment, you could choose as DLI the viral load testing coverage and the number of people with HIV on ART in a situation where improving ART coverage, retention and access to viral load testing are main contributors to improve viral load suppression. While not perfect, and the limitations of this measuring alternative should be acknowledged, it can be an acceptable alternative.

Consider designing DLIs such that they catalyze improvements in areas of need

It is important to consider whether the Applicant/PR or the Global Fund has an interest in catalyzing specific improvements along the logic model.

Example

Consider again the example of a country that has an objective of increasing the proportion of people living with HIV that have undetectable viral loads. If the Applicant/PR knows that the root cause of this is a weak supply chain, they might choose on-shelf availability of key ARTs as an indicator. The rationale is that this will still likely lead to improvements in viral load levels while directly incentivizing the country to improve the supply chain systems that serve HIV, as well as other diseases.

Target setting

Once the DLIs are defined, the Applicant/PR proposes targets for the funding request/grant. A balance needs to be struck between high programmatic impact and the feasibility of meeting the targets. If the target is too skewed towards high programmatic impact, there is a risk of fewer disbursements than planned if results do not materialize. On the other hand, if the target is too skewed towards feasibility of meeting the target, there may be insufficient progress towards targeted national and international goals.

Key questions on designing DLIs for Applicants, PRs and Country Teams to consider:

- Are the DLIs aligned with the objectives of the grant?
- Are the proposed targets both ambitious and feasible?
- Are the DLIs aligned with the areas where most Global Fund investment is concentrated?
- Are DLIs supported by adequate monitoring and evaluation systems that are in place to collect

4.4 Define DLI payment terms (how much, when and how payments will be disbursed)

The payment terms or payment methodology describes the approach for the calculation of the payments, their periodicity, the formula to calculate the payment amount, the triggers for a payment and potential adjustments of payments, including the consequences of underperformance.

In the funding request, the Applicant is requested to input the payment amount associated with the relevant DLI. Further details on the payment scheme such as the timing or the structure of the payment need to be available at the grant-making stage and will be reflected in the grant agreement.

The most appropriate DLI payment scheme will be a function of several things, including the cost of meeting the indicator, the relative value of that indicator, financial constraints and incentive structures. Careful discussion between the Applicant, PR and Country Team will be required.

Applicants/PRs are asked to construct a "DLI matrix" that includes the indicators, payment structure, payment amount and due date. A clear description of the payment process needs to be defined. Below is an overview of trade-offs to be considered when defining the DLI payment scheme.

Estimation of the payment amount

When defining the payment for each DLI achieved, Applicants/PRs and Country Teams can consider different options:

- **Cost-based payments** are based on the expected provider input costs required to achieve a particular DLI:
    - **Costing inputs**. Potential data sources for defining cost-based payments include: high-quality costed NSPs; national disease spending assessments (i.e., the National AIDS Spending Assessment for HIV), current and historical domestic/grant budgets and robust activity-based costing exercises.

  - **Program management costs** which will be contributing directly and/or indirectly to the achievement of the DLI can be included as part of the costing. The minimum fixed costs associated with program management, regardless of the achievement of the DLI, should also be considered and incorporated into the payment structure.

  - **Other considerations:** Cost-based payments should be developed while ensuring costs capture all funding sources committed to achieving the defined outcome or impact with no duplication of costs. All input costs should be defined net of taxes. Human resource costs are net of inflationary adjustments.

- **Adjusted cost-based payments** are based on the cost-based model above with an adjustment factor to incentivize the achievement of the result and/or incorporate a risk factor value-associated implementation. For example, the PR or the Global Fund may decide that indicator "r" is more important than indicator "q" to move towards disease control in a given context. In that case, they will want to create an incentive for relevant country stakeholders to strengthen their efforts further to address the relevant bottlenecks that have prevented the country from moving forward on that indicator. This may be reflected by defining a value for indicator "r" at e.g., 1.2 times the cost for DLI achievement while keeping the value for indicator "q" at 1.0 times the cost for DLI achievement. The sources of costing itself are the same as under the point above.

- **Non-cost-based payments** are determined by a specific value assigned to the DLI and are not tied to provider input costs. These payments should only be used when the DLI is essential to the success of the disease program(s) and when input costs are either unavailable or impractical to collect. A clear, evidence-based rationale for the expected impact, along with a transparent methodology for calculating the assigned amount, must be provided when proposing non-cost-based payments for DLIs. This ensures that the payments are based on objective criteria rather than subjective judgment and can be subject to an audit.

In all cases, the inputs, assumptions (including references) behind the calculations or justifications must be provided by the Applicant/PR and assessed by the Country Team. The proposed payment and calculations are approved as part of the overall approval for PfR as defined in the OPN on Make, Approve and Sign Grants and OPN on Revise Grants.[2] The Global Fund's Country Teams should ensure that the payment under all DLIs follows the allocation utilization period principle.

[2] Results-based financing section of the OPN on Revise Grants is forthcoming.

Upfront payment vs no upfront payment

Upfront payments at the start of the implementation period may be necessary for some PRs.

Example

A PR may need to purchase 20 molecular diagnostic instruments before they can expand viral load testing in the country. If their DLI is linked to viral load measurements in rural areas, they may not be able to do this without an upfront payment to cover the cost of the instruments and training. Similarly, the PR may need grants funds at the start of the grant to kick off implementation as the national budget allocations do not usually get to the national entities until the second quarter of the year. On the other hand, if a PR is continuing an old program that has no new, material cost drivers, an upfront payment may not be necessary. In some cases, the upfront payment may be as high as the Year 1 budget plus some buffer.

It is important to balance the PR's need for working capital with the need for sufficient incentive for the PR to deliver on the DLI.

Example

If the upfront payment is very high (e.g., 60% of the payment agreed for a specific DLI), the PR may have less incentive to deliver on the DLI than it would have if the upfront payment were lower (e.g., 20%). This can be mitigated to some degree by introducing payback clauses within the grant. For example, if the PR fails to meet some threshold of the DLI (e.g., 50% of what was agreed upon), they must return some proportion of the upfront payment. The details need to be explicitly described within the grant agreement (e.g., the overage payment plus penalty will be deducted from next year's disbursement).

One option to consider is to agree on a DLI related to a result to be produced by the program/PR ahead of the start of the grant and that does not require significant investment but is critical to the successful implementation of the program (e.g., a policy action, a change in implementation arrangements or approval of standard operating procedures).

From a practical standpoint, if an upfront payment at the beginning of Year 1 is needed, the Year 2 and Year 3 payments will account for any upfront payments made. Note that if an upfront payment is made, its value will be deducted from the payment against the relevant DLI that would have been made had there not been any prepayment.

Example

Assume an Applicant/PR has defined a DLI as, "Number of people living with HIV receiving anti-retroviral treatment who have been shown to have a suppressed viral load by the end of the reporting period." The agreed payment terms are the following: For each person virally suppressed the Global Fund will pay the country US$1,000. The expected target for year 1 is 5,000 people. For cash-flow reasons, the Applicant/PR may require an upfront payment for a total of US$500,000. The country achieves 100% of the target. Based on this, the payment made to the Applicant/PR based on their performance during the reporting period would be US$4,500,000 ((US$1,000/unit) x 5,000 units) – US$500,000 = US$4,500,000).

Scalable vs non-scalable payment

Note that payment need not be all-or-nothing (non-scalable). In some cases, the DLI may be structured such that payment is proportional to the percentage of the goal met (scalable). The default is that the payment is scalable. However, in some instances this may not make sense.

Example

A grant contains the following DLI and target: by December 2025, the country will have 200,000 people living with HIV on ART (20% more than the baseline year). At the end of 2025, the country reaches 180,000 additional people on ARV in comparison with the baseline. A non-scalable payment would mean that the PR does not get any payment as they did not meet the target.
A scalable payment would mean that the PR would get a payment for the difference between the baseline and the achieved result. The unit payment is to be decided in the payment terms (i.e., x amount per additional person on ARVs or x amount for each additional 1000 people on ARVs).

Combined or independent DLI payments

Note that DLIs can be structured such that they are independent of each other (i.e., if DLI A is achieved, the corresponding payment is made) or dependent on each other (i.e., payment for DLI A and B are only made if both DLI A and B are achieved). Unless there is a very compelling reason, payments of funds for DLIs are independent of each other.

Reward payment

Applicants/PRs can also consider including in the funding request or grant a "reward payment" when a significant goal is achieved. For example, grant funds can set aside a final disbursement as a reward for malaria elimination.

Other considerations related to DLI payments

Beneficiary equity: Some populations (e.g., men who have sex with men, sex workers, rural, poor) are harder to reach and serve than others for a variety of reasons. Given this, the cost of providing services to those populations tends to be higher than the general population. If this is not considered when defining the DLIs, the Applicants/PRs might concentrate their efforts on populations that are easier to reach and serve, which in turn will increase inequity. To combat this, DLI payments must be defined in such a way that Applicants/PRs are incentivized to provide services to populations that tend to be harder to reach.

Example

If the direct cost of providing TB treatment in an urban area is U while the direct cost of providing TB treatment in a rural area is R, consider structuring the DLI payment such that the payment for each urban person treated is 1.0 x U while the payment for each rural person treated is 1.5 x R. Doing this will encourage the Applicant/PR to more equitably provide treatment to all.

Non-linearity of specific costs: The marginal cost of reaching and serving a person is not always linear. For example, it will likely cost less to move a country from 70-70-70 to 71-71-71 for

HIV than it would to move a country from 90-90-90 to 91-91-91. For that reason, the marginal costs of services in a given region or country are expected to increase over time.

Payment to SRs: The PR can pay SRs (or the SR can pay the SSRs) based on the standard, input-based process or based on a DLI. The PR-SR DLIs can be the same DLIs as the Global Fund-PR DLI (i.e., the PfR DLI) both in definition and payment structure, or it can be different. Regardless, incentives ought to be considered.

Health Products: Applicants and PRs may include the cost of health products in the DLI payments if they want to directly manage procurement. However, if Applicants and PRs want the Global Fund to make direct payments to purchasing agencies through the available procurement channels (e.g., the Global Fund's wambo.org or Stop TB's Global Drug Facility) to purchase health products, they should create a separate, input-based budget line dedicated to the purchase of health products. The Grant Confirmation in such cases will need to ensure that the standard terms of the Global Fund Grant Regulations (as amended from time to time) and the Global Fund's operational policies apply to the input-based elements of the grant.

Implications of catastrophic grant performance: The Global Fund and the PR should discuss and agree on the implications of catastrophic performance, whether it was 'avoidable' (poor program implementation) or 'unavoidable' (e.g., civil war). For example, if the PR does not achieve X% of Indicator A by Year N, Y consequences will happen.

In the case of an avoidable catastrophic performance, in very exceptional circumstances, it might make sense to provide sufficient funding to maintain core staff and functions so as not to have material adverse effects on the program.

Key questions on defining DLI payment terms for Applicant/PRs and Country Teams to consider:

- Is a cost-based payment or value-based payment more reasonable given the objective?
- Does a portion of the payment need to be made upfront? If yes, what proportion makes the most sense?
- Is an all-or-nothing payment or a proportional payment more appropriate given the objective?
- What does the payment process look like (who, what, when, where, how)?
- Do the DLIs provide the right incentives to deliver on the program?

4.5 Describe approach to implementation

The PR designs the implementation approach and arrangements to meet the DLI target, including what will be done (e.g., the different activities), who will do it (e.g., roles and responsibilities) and how known weaknesses related to implementation will be addressed. Note that the way a grant or program is implemented informs the payment.

The approach to implementation is discussed during country dialogue and described in the funding request. If relevant, the Applicant/PR can refer to their NSP.

The implementation arrangements are clearly and comprehensively described in the Implementation Arrangement Map. The PR, based on consultation with country stakeholders, considers and includes information on the management, communication and oversight program for the investment. This considers, among other things: a description of how progress against the DLIs will be monitored and shared with key stakeholders; how, if necessary, corrective measures will be decided and implemented; and how strong collaboration will be maintained with key stakeholders playing a pivotal role in achieving the DLIs.

Key questions on describing approach to implementation for Applicant/PRs and Country Teams to consider:

- Is there a defined implementation approach?
- Is this approach reasonable for achieving the objectives/DLIs?

4.6 Risk management and assurance in the PfR context

Risk management and assurance are critical for all Global Fund grants. For PfR (and results-based financing in general), the approach follows the standard processes across the grant life cycle with some adaptations to cater to the PfR context. Specific adaptations to the standard risk management and assurance process include:

Tailored assessments

A tailored assessment of the PR's capacity is conducted for PRs using PfR for the first time. The assessment will cover elements such as capacity to provide quality data on the results for the DLIs, public finance management strengths and gaps or integrity/ethical policies and controls. In a narrow set of cases (e.g., a DLI where payment is made for malaria elimination), a tailored assessment may not be necessary.

Capacity gaps or inadequacies do not, alone, constitute disqualifying barriers to undertaking a role in the PfR grant. Special consideration needs to be made for using results-based financing modalities as an opportunity to build capacity in local systems and institutions. Consequently, any gaps in capacity must be explicitly articulated and mitigated with due consideration for efficiency and country context.

Verification approach

The verification approach is a central element of a PfR grant. The Global Fund will review and approve the verification approach (which includes the verification methodology, the verifier, etc.) for PfR during grant-making. During grant implementation, the Global Fund will take disbursement decisions based on the verified results and the payment terms agreed.

Verification arrangements are DLI-specific and consider the nature of the indicator, the type of data that can be used to verify the specific achievement and the institutional arrangements required to provide the needed verification. The Applicant/PR and Country Team must review the cost of verification and agree on how the control and verification costs will be covered (e.g., domestically or through Global Fund resources). The verification strategy must balance the risk of over-payment due to over-reporting with the costs of controls and verifications.

If the evidence of the results generated by the PR is sufficiently reliable (e.g., not vulnerable to intentional error such as fraud), with a low risk of over-reporting and subsequent over-payment, then verification can be limited to the Global Fund (usually through the Local Fund Agent) reviewing completeness and compliance (and, if relevant, timeliness) of the evidence.

At the funding request stage, Applicants need to explain how the accuracy and reliability of the reported results will be ensured. At the time of grant-making, the details of the verification arrangements and systems are agreed between the PR and the Country Team. The main elements of the verification approach should be described in an annex (usually Schedule V) to the Grant Confirmation and included in the monitoring and evaluation plan.

The verification approach should be described for each DLI. At a minimum this includes:

- The list of DLIs (*what*)
- The name of the organization responsible for providing relevant data for the DLIs (*who*)
- The name of the party responsible for verifying the achievement of the relevant DLIs (*who*)
- The source (i.e., information system) of the data used to verify the results
- The frequency at which the reporting and verification processes will occur (*when*)
- The tools and/or approaches to verify the achievements (e.g., data quality review, Local Fund Agent spot checks, review of data within the information system) and the cost of the verification process (*how*)

The consequences of reporting errors outside the margin of error reported and the threshold at which the consequences occur (e.g., above 5% overreporting) should also be described.

When the Local Fund Agent is not the verification entity, the Global Fund may require an assessment of the entity to evaluate, among others, its experience with similar work done before, its independence and perceived or actual conflict of interest in the context of a hierarchy of national implementing parties such as Ministries of Health or other Governmental entities. The Global Fund may reject the verification entity if it is considered not suitable.

Audits

Similar to the input-based grant, the audit approach and the auditor for a grant using PfR are approved by the Global Fund as per the Global Fund Guidelines for Annual Audit of Global Fund Grants.

Risk analysis

As part of its review and approval, the Global Fund undertakes risk acceptance consideration of residual risks related to the PfR proposal.

Most operational risks associated with grant delivery remain relevant in a PfR context. However, PfR also generates unique risks (see table below) that must be managed. The table below outlines many (though not all) common PfR-specific risks.

Table 1: Common PfR-specific risks

PfR-specific risk	Root causes
Over-pricing	Inaccurate or unreliable programmatic data that informs the DLI baseline Inaccurate or unreliable cost or market assumptions
Under-pricing	Poor understanding of the funds required to meet the DLIs
Overpayment	Poorly designed DLIs (e.g., link between funds and results too weak; result could have occurred regardless of PfR intervention) Implementer over-reports delivery (due to poor processes or intentional override) Verifier fails to detect over-reporting (due to poor capacity or intentional override) Payment advances too large and recovery from implementer not possible
Costly assurance	DLI/result verification requires excessive documentation, is too frequent, involves too many actors or covers too large a sample size
Funds not available in time	Payment schedule does not adequately support funds needed to perform Payments dependent on verification and verification is heavy and/or delayed
Over- or under-targeting	Inaccurate or unreliable programmatic data that informs the DLI/result baseline or target
Weak incentives	Poor stakeholder engagement in PfR model design Poorly designed selection of who receives PfR payments Poorly designed DLIs (e.g., link between funds and result too attenuated.) Inaccurate or unreliable cost or market assumptions Payment schedule (e.g., timing and size of advances or payments for interim milestones) does not adequately support funds needed to perform Inputs-based assurance not waived
Perverse incentives and unintended consequences	Poorly designed DLIs (e.g., motivates neglect of certain difficult-to-reach populations) Over- or under-pricing of DLIs Poor selection of who gets paid under PfR Weakly designed oversight or verification model which can be abused
Unsustainable/ parallel systems	DLI verification requires excessive documentation, is too frequent, involves too many actors or covers too large a sample size Payment schedule (e.g., timing and size of advances or payments for interim milestones) does not adequately support funds needed to perform

Many of these risks can be mitigated by carefully designing each of the elements of a PfR-containing grant. Strategies to mitigate those risks include:

- Selecting appropriate DLIs that balance proximity to impact with the feasibility of impacting and measuring the DLI.
- Setting DLI targets that balance feasibility of reaching the target and reaching national and international goals.
- Defining payment terms that balance feasibility and incentives.
- Defining implementation strategies and arrangements that are appropriate and actionable; defining verification plans that balance the cost of verification with the cost of potential overpayment; and including the appropriate terms and conditions in the relevant grant agreement.

Example

Because payment is contingent on the verification of results, data availability and quality are of great concern. Although there have been improvements in the past three years, the verification process regularly takes longer than expected due to the data not being centralized. This has the potential to cause challenges at the programmatic level since delays in payment will reduce the cash on hand available to pay staff.

Mitigation strategies

- PR to develop a clear process for how data will be submitted and collated. The timeline will acknowledge the limitations of the current systems.
- PR to notify the Global Fund in a timely manner if a delayed payment is expected to hinder its ability to continue their activities.
- PR to work on improving the availability and quality of data by investing in a data analyst.

The Applicant/PR works with the Country Team to identify the top risks, the root causes, and the risk mitigation and assurance approach.

Key questions on risk management and assurance for Applicant/PRs and Country Teams to consider:

- What are the key (high potential impact, high probability) risks?
- What are the risk mitigation strategies and assurance steps that will be used?
- Are the identified risks acceptable to the Global Fund?
- What technical capacity and level of independence is required to ensure effective verification, and which organization is best positioned to fulfill this function?
- Does the verification approach describe the key elements listed above?
- Are the costs of verification reasonable?

5. List of Abbreviations

DLI	Disbursement-linked Indicator
NSP	National Strategic Plans
OPN	Operational Policy Note
PfR	Payment for Results
PR	Principal Recipient
RBC	Results-based Contracting
SR	Sub-recipient
SSR	Sub-sub-recipient