

Advisory Report

Annexes: Advisory Review of the Sub-Recipient (SR) Selection Process

GF-OIG-26-004
1 May 2026
Geneva, Switzerland

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Annex 1: OIG advisory approach

Purpose

Advisories, in accordance with the OIG Charter, aim at providing value-added input to improve the governance, risk management, and control processes of Global Fund financed programs. Advisory engagements are designed to inform Secretariat decision-making on setting strategic visions, strengthening programmatic delivery, and optimizing operational effectiveness.

Objectives and scope



The objectives and scope of each advisory engagement are defined in close collaboration with the requestor or sponsor, based on a clear understanding of the underlying problem statement. Objectives are framed to reflect the intended outcomes and the key decisions the advisory is expected to inform. The scope may be narrow or broad, depending on the context and needs of the sponsor, and should clearly outline the areas of focus – whether in terms of review, analysis, stakeholder engagement, or recommendations. This clarity ensures alignment between the OIG and the sponsor on the parameters of the engagement and a shared understanding of what constitutes success, thereby enhancing the relevance and value of the advisory work.

Description of the “as-is”



To effectively address the problem statement, OIG advisory engagements begin by developing a comprehensive understanding of the pain points and areas for improvement within the current state across all areas in scope. This involves the collection and analysis of both quantitative and qualitative data, which may include reviews of internal and external documentation, interviews with Secretariat subject matter experts, internal surveys, and the development of data models. To validate findings and test hypotheses regarding potential areas for improvement, the current state is typically assessed against recognized best practices, performance benchmarks, peer organizations, and insights from external experts. This comparative analysis strengthens the credibility of the advisory and supports the formulation of targeted, high-value recommendations.

Design of the “to-be”

Recommendations developed through advisory engagements are grounded in evidence, aligned with the engagement objectives, and tailored to the specific context of the Global Fund. They aim to be actionable, relevant, and strategically focused –supporting informed decision-making without implying implementation responsibility. Where appropriate, the OIG may outline a high-level implementation roadmap to help visualize potential pathways forward, including key enablers, risks, and decision points. This approach ensures that recommendations are not only insightful but also practical, enhancing their value and usability for the Secretariat.

OIG standards and principles

The OIG delivers advisory services in alignment with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics established by the Global Institute of Internal Auditors (IIA). These standards ensure the quality, professionalism, and integrity of the OIG’s work. The advisory approach is governed by the OIG Charter, Code of Conduct, and tailored terms of reference for each engagement, which collectively enable advisors to operate efficiently and effectively while maintaining high professional standards. These frameworks also serve to safeguard the independence and objectivity of the OIG, reinforcing the credibility and trustworthiness of its advisory outputs.

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Annex 2: Current Global Fund guidance on sub-recipient selection

The overarching principles and requirements are outlined below by relevant extracts:

Regulations and contractual requirements

- “Principal Recipients shall ensure that all other Recipients adhere to the **terms and conditions** of the relevant Global Fund Grant Agreement under which Global Fund Resources are disbursed or financed”^{1,2}
- “Principal Recipient enters into a written agreement with each Sub-recipient, creating **obligations of the Sub-Recipient to the Principal Recipient** that are generally equivalent to those of the Principal Recipient under the relevant Grant Agreement”³
- “if any **act or omission of any of its Sub-recipients** is considered by the Global Fund a violation of the relevant Grant Agreement, is fully responsible for all such acts and omissions as if they were the acts and omissions of the Principal Recipient, including, but not limited to, programmatic performance and accountability for the use of Grant Funds”³
- “For each Program, the Grantee shall take all appropriate and necessary actions to ensure that any Sub-recipient have their respective annual financial audits of Program revenues and expenditures conducted by one or more independent auditors”³
- Principal Recipient “maintains and complies with a system to monitor the programmatic and financial performance of Sub-recipients and assure regular reporting from them in accordance with the requirements of the relevant Grant Agreement.”³

Selection practices and standards

- Principal Recipient “assesses the capacity of each Sub-recipient to implement relevant Program Activities, including, but not limited to, each such Sub-recipient’s capacity and internal control mechanism to adequately manage Grant Funds; makes such assessments available to the Global Fund upon request; and selects each Sub-recipient accordingly in a **transparent and well-documented** manner”, “Contracts shall be awarded, subject only to established exemptions included in written procurement policies and practices provided to the Global Fund, on a **competitive basis**”³
- “Recipients shall uphold the principles of good faith and fair dealing, and follow **standards of good procurement practice**, as well as all applicable rules and regulations regarding fair competition.”¹
- “The **conditions of participating** in a bid shall be limited to those that are essential to ensure the participant’s capability to fulfill the contract in question and **compliance with the relevant procurement law of the Host Country**”³
- “PRs are responsible and accountable for designing and executing a **risk-based IDD** process for SRs and Suppliers”⁴
- “PRs are responsible for **assessing the capacity of sub-recipients**. However, Country Teams can also undertake capacity assessment for SRs or other implementers, as they determine necessary”⁵
- “The Global Fund does not require a competitive re-selection of well-performing sub-recipients for each Implementation Period.”⁶

1 [Code of Conduct for Recipients of Global Fund Resources](#) (Amended February 2021).

2 [OPN Make, Approve and Sign Grants](#) (Approved March 2023, Updated November 2024, Approved by Executive Grant Management Committee).

3 [Grant Regulations](#) (Version 2, Published 2023).

4 [Guidelines on SR and Supplier IDD for PR](#) (Published March 2024, Updated May 2024).

5 [OPN Country Risk Management](#) (Approved November 2023 by Executive Grant Management Committee).

6 [Principal Recipient Handbook for Grant Making 2023-2025](#) (Published August 2023).

Selection outcomes and approvals

- “Principal Recipients are expected to **restrict the number of sub-recipients** to that which is reasonable to achieve maximum impact of the program and prudent management of grant funds”⁷
- “The Global Fund Secretariat **reserves the right to approve** the selected Principal Recipient, whether new or existing. This right extends in some cases to the selection of key Sub-recipients”⁷
- “Sub-recipients are generally selected amongst national entities who typically are already involved in the response to HIV, TB and malaria. To maximize program effectiveness, particularly among most affected communities, Principal Recipients are encouraged to select community-led organizations (CLO) – including those led by key and vulnerable populations – and community-based organizations (CBO) as Sub-recipients, provided they have appropriate capacity”⁷
- “In some cases, the CCM also nominates and finalizes together with the PR the sub-recipients”⁸
- Under the Additional Safeguards Policy (ASP), “The Global Fund may also select or make final decisions on the nominated SR(s) and implementing entities.”^{9,10}

⁷ [OPN Design and Review Funding Requests](#) (Published January 2023, Updated November 2024, Approved by Executive Grant Management Committee).

⁸ [Coordinating Country Mechanism Policy](#) (Published May 2018).

⁹ [OPN Additional Safeguards Policy](#) (Published May 2019).

¹⁰ [OPN Challenging Operating Environments](#) (Published January 2017, Approved by the Executive Grant Management Committee).

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Annex 3: Summary and assessment of recommendations

1 Topic	Description of the recommendation (for GMD action)	Impact ¹	Feasibility ²	Criticality ³	Comments
Clarity of Global Fund relevant key policy documentation	<p>Streamline and cross-reference all sub-recipient selection-related guidance and requirements. This would reduce fragmentation and enable stakeholders to efficiently and consistently interpret and apply Global Fund expectations.</p>	●	●	●	
	<p>Clearly delineate the roles and responsibilities of all parties involved in the sub-recipient selection process. This should include, in addition to the Principal Recipient and at a minimum, the CCM, Country Team, and the LFA. While the role of the Principal Recipient remains central, it is critical that any involvement of other parties in routine or special cases is clearly described in the Global Fund relevant key policy documentation to ensure alignment and accountability, and avoid overlaps or gaps in responsibilities.</p>	●	●	●	<p>More detailed recommendations around the delineation of the role of the CCM in the sub-recipient selection process are provided in section 2.2.</p>
	<p>Strengthen procurement best practices applicable to the selection of sub-recipients. Rather than introducing additional mandatory requirements, Global Fund relevant key policy documentation could be enhanced to include a scaled Capacity Assessment Tool (CAT) in the PR toolkit, that PRs could apply to the SR selection process, proportionate to risk and portfolio context. While Principal Recipients would continue to follow their own internal procurement processes, adapted to national policies, such a tool could help strengthen the consistency and quality of SR selection processes and outcomes across portfolios.</p>	●	●	●	<p>Emphasize the PR ownership. GF will request in its guidance for the PR to develop the actual process.</p>
	<p>In procurement best practices, integrate guidance on the use of service contracts versus sub-recipient contracting for procuring specific services (i.e., as suppliers), which could provide a more efficient and lower-risk alternative.</p>	●	●	●	
	<p>Design and deliver practical tools, principle-based guidance, and standardized templates to assist new or less experienced Principal Recipients in navigating the Sub-recipient selection process effectively.</p>	●	●	●	
	<p>Clarify, within the established frameworks and guidelines, the required standards for documenting the Sub-recipient (SR) selection process.</p>	●	●	●	

1 Relative impact on increasing effectiveness or efficiency of PR-led SR selection process and/or on mitigating identified risks

2 Relative feasibility includes time to implement, level of decision-making and consultations required, level of change management

3 Relative criticality reflects a degree of prioritization recommended for Secretariat's consideration and decision-making

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Annex 3: Summary and assessment of recommendations

2

Topic	Description of the recommendation (for GMD action)	Impact ¹	Feasibility ²	Criticality ³	Comments
Definition of the roles of the CCM and Principal Recipient	Clarify CCM accountabilities during the sub-recipient selection process. Sub-recipient selection is a Principal Recipient-led process. Principal Recipient ownership over the processes of nomination, selection, and contracting of sub-recipients, as well as their authority over the selection outcome, should be emphasized. Unless otherwise approved in writing by the Global Fund, in accordance with the Global Fund’s policies and requirements, the CCM does not prescribe or participate in the SR procurement and selection process (e.g., by participating in process milestones or selecting final SR). Accordingly, the CCM’s role should be clearly communicated avoiding terms such as ‘can’ or ‘may’.	●	●	●	
	In the exceptional circumstances where the GF Secretariat agrees that the CCM is involved in the PR-led selection process, proactively limit the risk of potential conflicts of interest. Encourage that CCM Members who are or plan to become sub-recipients of Global Fund grants withdraw or recuse themselves from CCM oversight responsibility (at least) during the sub-recipient selection process.	●	●	●	
	If deemed necessary through a risk assessment performed by the Country Teams, additional safeguards could be implemented to proactively mitigate the risk of conflict of interest or undue influence from the CCM in the sub-recipient selection process.	●	●	●	More detailed recommendations about the use of assurance mechanisms in the sub-recipient selection process are provided in section 2.3.

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High ● ● ● Low

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Annex 3: Summary and assessment of recommendations

3

Topic	Description of the recommendation (for GMD action)	Impact ¹	Feasibility ²	Criticality ³	Comments
Utilization of assurance mechanisms	<p>Through existing risk assessment processes, Country Teams should proactively estimate the level of risks anticipated in the Principal Recipient-led process of sub-recipient selection. The approach should consider the assessed level of risk for specific portfolios or grants, rather than imposing a uniform, mandatory model across all countries. At a minimum, the Country Team assessment should consider risks around governance, integrity of evaluations and accountability in appeals and contracting. These could be captured in the IRM under in-country governance or procurement. Risk management guidance for Country Teams could be adapted accordingly to encourage a more proactive risk assessment.</p>	●	●	●	Although this may increase the workload for Country Teams, the exercise should remain relatively streamlined for continuing grants, which represent over 80% of cases.
	<p>The nature of risk mitigating measures proposed by Country Teams should be adapted to the level and nature of the risk, and to the country context. Tailoring assurance interventions to the context will ensure that resources are focused where they are most needed, strengthening governance and compliance without creating unnecessary burdens. Different mechanisms are available under existing Global Fund relevant key policy documentation, e.g.:</p> <ul style="list-style-type: none"> • Country Team or LFA review of processes and documents. • Principal Recipient declaration of compliance. • Principal Recipient internal controls and audit function. • Use of independent evaluation committee. • Involvement of the Country CCM Oversight / Ethics Committee. • Selection of sub-recipients by the Global Fund (e.g., under the Additional Safeguards Policy). • Office of the Inspector General (OIG) audits. 	●	●	●	When deciding the most suitable risk management response, the Secretariat should consider potential trade-offs required, specifically on costs and possible delays. This is particularly critical in resource-constrained and time-sensitive grant cycles such as GC8, where proactive planning will be key to avoiding disruptions in implementation.
	<p>Collaborate with Legal and Ethics teams to clearly define internal processes for managing non-compliance cases.</p>	●	●	●	

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High ● ● ● Low

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Annex 3: Summary and assessment of recommendations

4

Topic	Description of the recommendation (for GMD action)	Impact ¹	Feasibility ²	Criticality ³	Comments
Sources of process delays	<p>Encourage and enable Principal Recipients to start the sub-recipient selection as early as possible during the funding request or grant making stages, aligning to the Global Fund grant cycle guidance. Per existing relevant key policy documentation, multiple levers could be utilized or promoted by the Secretariat, and especially Country Teams, to support Principal Recipients, based on the context and needs. Regions, portfolios, grants or Principal Recipients with historical issues with sub-recipient selection should be prioritized for targeted Secretariat oversight.</p> <p>Priorities include:</p> <ul style="list-style-type: none"> • Early dissemination of principles and guidelines to encourage country dialogue, ideally even before allocation letters are shared • Emphasis on early development of implementation arrangements maps and selection of activities • Early nomination of well-performing (and likely to continue) sub-recipients • Requirement for sub-recipient selection plans (including contingency planning) as early as possible in the funding-request or grant-making stages • Emphasis on the utilization of an updated implementation readiness guidance with e.g., milestones, timelines, contingency planning 	●	●	●	The guidelines and requirements should not be prescriptive to enable PR ownership of process and tailoring to local laws and contexts.
	<p>Consider emphasizing the ability of Principal Recipients to retain well-performing sub-recipients without a competitive process, per existing guidelines. Additional tools could be made available to Principal Recipients to facilitate performance evaluations of existing sub-recipients before Funding Request / Grant-making (e.g., guidelines on evaluation criteria).</p>	●	●	●	

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High ● ● ● Low

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Annex 3: Summary and assessment of recommendations

4

Topic	Description of the recommendation (for GMD action)	Impact ¹	Feasibility ²	Criticality ³	Comments
Sources of process delays	<p>Redesign the metrics to track and measure implementation readiness and/or level of disruption of activities at country level to inform management prioritization and decision-making across portfolios.</p> <p>Metric examples include (i) >90% of either the total number of SRs or the total grant value implemented through SRs meeting predefined readiness criteria by the end of Q1; (ii) >50% of SRs selected before grant signing, (iii) presence of any lump sum >10% of the total SR allocated grant budget, (iv) presence of approved ToRs and/or co-signed (between Principal Recipient and sub-recipient) implementation work plan for year one of the implementation period.</p>	●	●	●	
	<p>Grant Management Division to develop a tiered consequence framework (e.g., delayed disbursement, technical assistance, escalation) for PRs that fail to meet implementation readiness metrics.</p>	●	●	●	
	<p>Develop standardized templates and tools to streamline and accelerate Principal Recipient onboarding, including sub-recipient assessment, selection, contracting, and scoring processes.</p>	●	●	●	
	<p>Introduce a competitive selection process after a defined number of consecutive implementation cycles to promote fairness and accountability.</p>	●	●	●	

¹ Relative impact on increasing effectiveness or efficiency of PR-led SR selection process and/or on mitigating identified risks

² Relative feasibility includes time to implement, level of decision-making and consultations required, level of change management

³ Relative criticality reflects a degree of prioritization recommended for Secretariat's consideration and decision-making

High ● ● ● Low

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Annex 3: Summary and assessment of recommendations

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Topic	Description of the recommendation (for GMD action)	Impact ¹	Feasibility ²	Criticality ³	Comments
Risk of not selecting the most suitable sub-recipient	<p>Consolidate and disseminate guidance and best practices to help Principal Recipients conduct sub-recipient selection in line with Global Fund principles and expectations, while maintaining obligations to their own internal policies and local procurement requirements, for the following:</p> <ul style="list-style-type: none"> • context-specific criteria for sub-recipient selection (e.g., these could include a description of eligibility, programmatic, financial and technical areas and criteria adapted to activities in scope, along with thresholds, to support review panel assessment and shortlisting), • sub-recipient capacity assessment tools (e.g., this could be in form of a checklist to assess organizational capacity of the entity and guidance on capacity building plans in case gaps are identified.), • establishing strong sub-recipient obligations (e.g., implementation, management and reporting). 				Critical for country ownership and sustainability, especially for Government SRs mandated to implement RSSH components.
	<p>If deemed necessary through a risk assessment by the Country Teams, additional assurance mechanisms could be implemented to verify the design and execution of capacity assessments and to ensure sub-recipients meet minimum eligibility criteria. In-depth analysis and recommendations on the use of assurance mechanisms are provided in Section 2.3.</p>				This recommendation is linked to the priority recommendations in section 2.3.
	<p>Strengthen Principal Recipient’s CAT assessment (for High Impact and Core portfolios). Principal Recipient procurement capacity assessments (for non-health products and services) should include sub-recipient selection-relevant criteria, e.g., evaluation panel composition, presence of criteria and thresholds, documented procedures for negotiations and appeals etc. in line with the guidance and best practices developed.</p>				This recommendation is linked to the priority recommendations in section 2.1.

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High Low

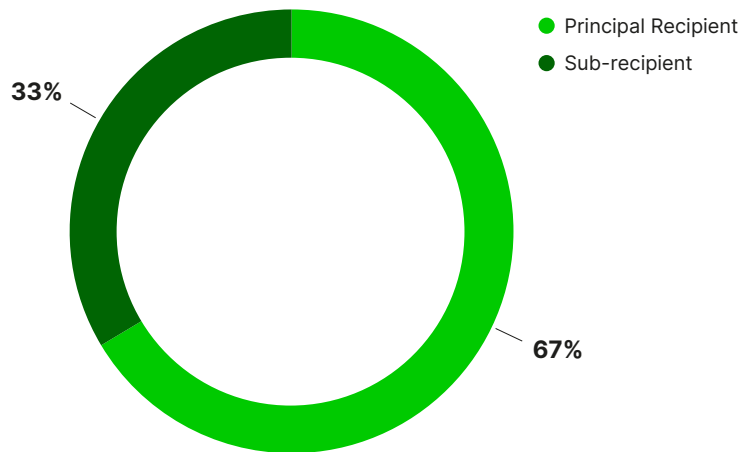
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Annex 4: Overview of the use of sub-recipients in Global Fund grants

Sub-recipients are essential partners in the Global Fund’s grant implementation architecture. They receive funding from Principal Recipients and are entrusted with carrying out specific activities that drive program success.

The scale of their involvement is substantial: during Grant Cycle 6, sub-recipients managed more than 30% of the total budgeted funds¹¹ (see **Figure 1**), highlighting their critical role in translating strategic objectives into tangible health outcomes. By effectively managing resources and implementing activities, sub-recipients help ensure that programs remain responsive and aligned with the Global Fund’s mission.

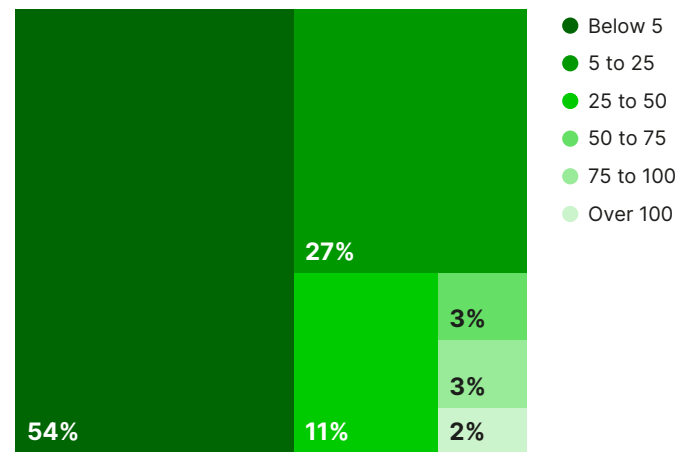
FIGURE 1
GC6 Total budget by implementer (%)



Sources: GOS Extract from June 2025 including the total budgeted amounts for GC6. The Advisory Team has conducted a manual mapping to distinguish between SRs and PRs within the budget allocations.

Based on portfolio data, more than half of all portfolios engage between 5 and 25 sub-recipients during a single grant cycle (see **Figure 2**). This range represents the most common contracting pattern. At the opposite end of the spectrum, only a very small proportion of portfolios, approximately 2%, contract more than 100 sub-recipients, indicating that such extensive engagement is rare and typically associated with highly complex programs.

FIGURE 2
Number of sub-recipients per country portfolio in GC6



Sources: GOS Extract from June 2025 including the total budgeted amounts for GC6. The Advisory Team has conducted a manual mapping to distinguish between SRs and PRs within the budget allocations.

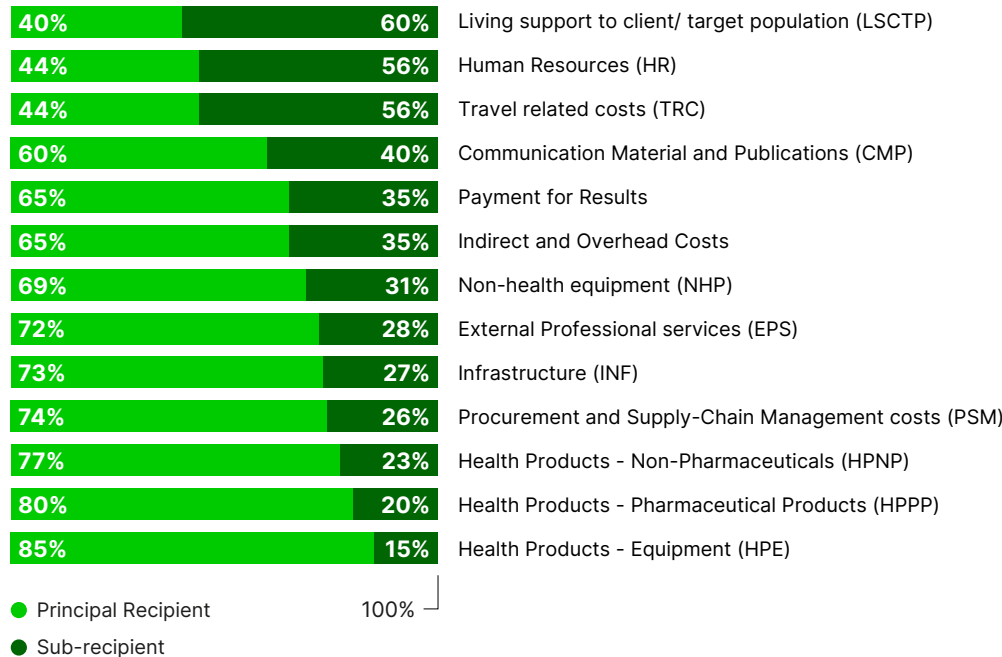
11 GOS Extract from June 2025 including the total budgeted amounts for GC6. The Advisory Team has conducted a manual mapping to distinguish between Principal Recipients and sub-recipients within the budget allocations.

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Annex 4: Overview of the use of sub-recipients in Global Fund grants

Sub-recipients' responsibilities often include delivering services at the community level, ensuring compliance with programmatic and financial requirements, and reporting on progress toward agreed targets. Human Resources (HR) and Living Support to Clients/Target Population (LSCTP) represent the largest cost shares for sub-recipients, indicating their primary focus on direct service delivery. Procurement and Supply Chain Management (PSM) costs and Health Products (both pharmaceutical and non-pharmaceutical) are predominantly managed by Principal Recipients, reflecting their central role in procurement and logistics. Indirect and Overhead Costs are proportionally higher for Principal Recipients compared to sub-recipients, suggesting greater administrative and coordination responsibilities at the Principal Recipient level (see **Figure 3**). This decentralized approach enables greater reach and impact, particularly in diverse and challenging contexts.

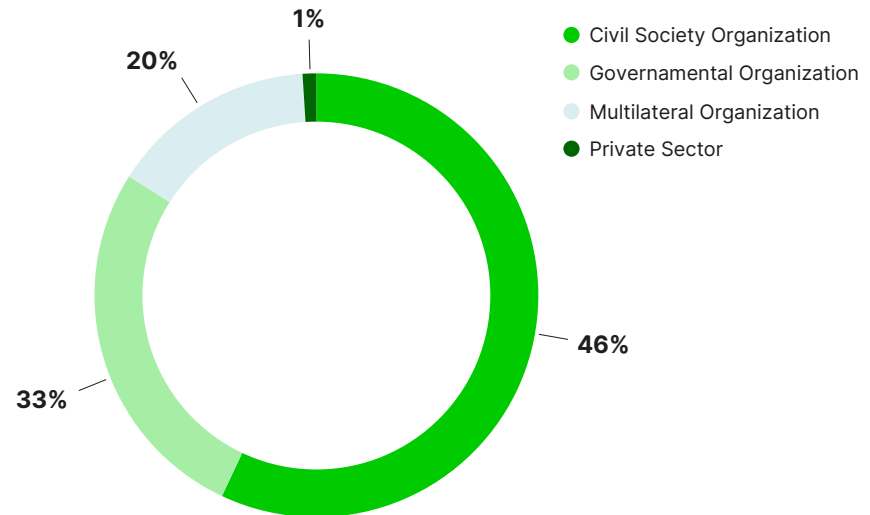
FIGURE 3
GC6 Budget by cost category and implementer share (%)



Sources: GOS Extract from June 2025 including the total budgeted amounts for GC6. The Advisory Team has conducted a manual mapping to distinguish between SRs and PRs within the budget allocations.

The Global Fund's grant implementation model demonstrates a high reliance on government implementers, who account for over half of total sub-recipient funding. This underscores their central role in delivering large-scale health services. Civil society organizations (CSOs) represent 46% of all sub-recipients, reflecting broad programmatic reach and community engagement, and receiving 27% of total sub-recipient funds. Multilateral organizations manage a small but strategically significant share of grants, while private sector participation remains minimal (see **Figure 4**).

FIGURE 4
GC6 Sub-recipient budget by organization type (%)



Sources: GOS Extract from June 2025 including the total budgeted amounts for GC6. The Advisory Team has conducted a manual mapping to distinguish between SRs and PRs within the budget allocations.