

## SECTION F – SPECIAL CIRCUMSTANCES

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## F. SPECIAL CIRCUMSTANCES

This section looks at situations in which the LFA will either need to undertake specific services or adopt a modified approach to standard LFA services.

### F1 Interactions with the Office of the Inspector General (OIG)

#### What is the Office of the Inspector General?

The Office of the Inspector General (OIG) works to ensure that the Global Fund invests the world's money in the most effective way possible in the fight against AIDS, tuberculosis and malaria. Through audits, investigations, oversight and consultancy work, it makes objective and transparent recommendations to promote good practice, reduce risk and condemn abuse.

Established in 2005, the OIG is an independent yet integral part of the Global Fund. It is accountable to the Board through its Audit and Ethics Committee and serves the interests of all Global Fund stakeholders. Its work conforms to the International Standards for the Professional Practice of Internal Auditing and the Uniform Guidelines for Investigations of the Conference of International Investigators.

The OIG believes that every dollar counts and has zero tolerance for fraud, corruption and waste. Through its whistle-blowing channels, the OIG encourages all to come forward to point out any irregularities that prevent Global Fund resources from reaching those who need them.

The OIG has its own dedicated section on the Global Fund website: <http://www.theglobalfund.org/en/oig/>

The mission of the OIG is to provide the Global Fund with independent and objective assurance over the design, effectiveness and quality of controls or processes in place to manage the key risks impacting the Global Fund's programs and operations.

The Inspector General has the authority to:

- Access all books and records maintained by the Global Fund
- Access all books and records relating to grants funded by the Global Fund, whether maintained by grant recipients or LFAs; access the sites where these records are kept and where the programs are implemented, as permitted under applicable arrangements
- Seek any information required from any personnel involved in the Global Fund's projects and require such personnel to cooperate with any reasonable request made by the OIG
- Obtain independent professional advice and secure the involvement in its activities of outside people with relevant experience and expertise, if and when determined necessary

All systems, processes, operations, functions and activities of the Global Fund and the programs it finances are within the scope of the OIG's review, evaluation, and oversight. The OIG may also act in an advisory role to further the Global Fund's mission and objectives.

The activities of the OIG are:

- Internal audit
- In-country reviews
- Assurance validation
- Inspection
- Investigations
- Counter-fraud measures and awareness training
- Consulting activities and advisory services.

The OIG's core products are audit, investigation and Board reports. These reports are available publicly on the [Global Fund OIG website](#).

Audit and Investigation reports usually result in recommendations or corrective actions which have been agreed with the Secretariat to improve processes and systems at the Global Fund.

### **How is the OIG structured?**

The OIG is divided into three teams: the Audit Unit, the Investigations Unit and the Strategy and Policy Unit.

#### **1. Audit Unit**

Through its audits, the OIG provides assurance on the effectiveness and efficiency of the Global Fund and identifies actions that will enable the organization to achieve better results.

The audit unit conducts three main types of assurance work:

- Country level audit reviews designed to inform key risks to the grant portfolio, including examining cross cutting themes such as data reliability, financial and fiduciary aspects and value for money obtained for health products.
- Internal audits which involve analyzing the processes and systems at the Secretariat looking at themes such as the funding model, internal financial controls and sourcing.
- The Audit Unit can also be commissioned to conduct ad hoc advisory and consulting work at the request of the Secretariat or the Board

#### **2. Investigations Unit**

The OIG Investigations Unit examines wrongdoing within Global Fund programs. This behavior may concern anyone involved in the programs, for example, individuals working for Principal Recipient, sub-recipients, Country Coordinating Mechanisms, suppliers, service providers, Global Fund staff and LFAs themselves.

The OIG usually receives allegations of wrongdoing through its [whistle-blowing hub](#) which includes a hotline and a specific online reporting function. Allegations can also be referred through by the Secretariat or any other individual including LFAs. The OIG adheres to a [Whistle-blowing Policy](#) which guarantees confidentiality or anonymity to any potential complainant who comes forward with information about fraud or abuse.

The Investigations Unit will examine any allegation of fraud or abuse in a Global Fund financed project which falls within its scope namely: corruption, fraud, coercion, collusion, non-compliance with laws, grant agreements or supplier code of conducts, human rights violations or product issues.

Before deciding to conduct an investigation, OIG staff will screen the allegation to determine its seriousness and credibility, the estimated threat to Global Fund programs and funds, whether it is within the OIG's scope, the cost and the size of a potential mission among other criteria. If the OIG decides to open a case, it will be assessed by an investigator, often involving the relevant Fund Portfolio Manager and sometimes the LFA. If the OIG decides that the allegation does not justify a full investigation, it will refer the matter to the Secretariat in what is known as a Closure Memorandum.

### 3. Strategy and Policy Unit

The Strategy and Policy Unit is the operational team that ensures that the OIG runs smoothly and efficiently. Included within this unit is support staff covering office management, information technology, business processes and communications as well as policy and strategic advice for the OIG.

#### What are the main interactions between the OIG and LFAs?

There are several instances where LFAs interact with the OIG. Some of these have been mapped out in what is called the [OIG Stakeholder Engagement Models](#). These models, which exist for both audit and investigation processes, summarize the main interactions between the OIG and its main stakeholders.

Below is more detail concerning some specific interactions between the OIG and LFAs:

##### a) LFA risk assessment and identification of suspected wrongdoing

The LFA role is increasingly focused on the assessment and management of risks to Global Fund grant performance. As a result, LFAs are expected to identify and report on high-risk activities in grants, for example: cash transfers, procurement, payroll, or any red flags related to wrongdoing that they come across as part of their normal verification work.

##### b) LFA as a subject of an audit or investigation

As mentioned above, the OIG's scope of work covers all aspects of Global Fund activities, including those of the LFA. This means that an LFA may be subject to an OIG audit or investigation.

##### c) LFA role in support of an OIG audit or investigation

During OIG audits, the LFA will usually be consulted as part of the process and asked, for example, to provide documents or information. The OIG will develop the terms of reference for such consultations and is responsible for any LFA-related charges. LFAs may also be invited to join the debriefing session following an OIG audit mission. LFAs are not remunerated for their attendance.

During OIG investigations, the LFA may also be asked to support the work of an investigation by, for example, developing and providing contextual documents. As with audits, the OIG will develop the terms of reference for such consultations and pay appropriate fees.

##### d) Following up on agreed actions resulting from OIG work

Following an audit or an investigation, the LFA may be asked by the Secretariat to help follow up on an agreed action. The OIG will usually be involved if this follow-up work involves a) recovering misused funds or b) refining further the initial OIG findings if necessary. The exact scope of such LFA review will be determined on a case by case basis between the LFA and the Global Fund after actions have been agreed; the related Level of Effort and budget should be integrated into the annual LFA Work Plan.

##### e) LFA training by the OIG

The OIG may participate in LFA training sessions from time to time to raise awareness of risks and to help LFAs to be better equipped to detect fraud and abuse in Global Fund financed programs.

## **F2 Multilateral Organizations or International Non-Governmental Organizations as Principal Recipient**

The general Global Fund policy is that Principal Recipients should be local stakeholders from the public or private sector or civil society. Locally-incorporated international non-governmental organizations are considered local stakeholders and are thus generally acceptable as a choice of Principal Recipient.

Should the Country Coordinating Mechanism conclude that there is no local stakeholder qualified to be Principal Recipient, the Global Fund may, on an exceptional basis, agree to an arrangement whereby the local office of a non-national entity assumes Principal Recipient responsibilities.<sup>1</sup> In these cases the Global Fund may sign a grant agreement with a multilateral organization. This is generally expected to be a temporary arrangement with a local entity phasing in as Principal Recipient once its capacities have been strengthened.

Multilateral organizations, as well as international non-governmental organizations typically operate in many different countries and with internationally applicable arrangements for financial management and reporting. This can pose challenges of its own and the Global Fund has agreed on a number of provisions specifically addressing the situation of multilateral organizations and international non-governmental organizations operating as Principal Recipients. In all cases, it is critical that the LFA liaises closely with the Global Fund in setting the scope of work for key services and discussing any questions or challenges the LFA might be facing in undertaking its verification work.

The Global Fund may use different terms and conditions for the framework agreements signed with multilateral or international non-governmental organizations. These terms and conditions may differ in some respects from other grants signed with national Principal Recipients. For example, some organizations may use their own internal regulations, rules and procedures in implementing the grant and may conduct their financial audits of program expenditures using their internal and external audit practices. These terms will be agreed with the Global Fund at the signature of the Framework Agreement. This is illustrated below using the United Nations Development Programme (UNDP) as an example.

For further information on this subject, please refer to relevant sections of the Operational Policy Manual, notably the guidance provided on non-national entities as implementers and on headquarters support costs/indirect cost recovery for international non-governmental implementers.

### **F2.1 Multilateral Organization as Principal Recipient: Example of the United Nations Development Programme (UNDP)**

The United Nations Development Programme (UNDP) is the United Nations' global development network. It acts as the Principal Recipient in a number of Global Fund grants.

The terms and conditions in the grant agreements with UNDP have been negotiated at headquarter levels. They differ in some respects from the terms and conditions in other grants, as highlighted below.

*Use of internal regulations:* UNDP uses its own internal regulations, rules and procedures in implementing the grant<sup>2</sup>. These include its Financial Regulations and Rules, Procurement Manual and the UN Staff

<sup>1</sup> See *Operational Policy Manual*.

<sup>2</sup> See Global Fund grant agreement for UNDP Article 2a

Regulations and Rules.<sup>3</sup> The organization also applies its existing travel and subsistence policies to its own staff.

*Capacity assessment:* As described in section C, the specific areas to be covered in each capacity assessment will be agreed between the Country Team and LFA on a case by case basis. The LFA uses the standard capacity assessment tools for the assessment. When UNDP is selected as Principal Recipient, during the capacity assessment typically only the incremental capacities and systems to successfully implement a specific proposal are reviewed. This might include:

- The capacity (staff and implementation structure) of the country office to take on the additional work load to manage the Global Fund grant;
- The capacity of the UNDP country office to manage aspects of the Global Fund-supported program which are different from usual UNDP activities (e.g., disbursements to sub-recipients; procurement of medical products).
- An assessment of the grant implementation arrangements and UNDP plans to build the capacity of national entities to take on the Principal Recipient role in the future.

*Access to reports and records:* As stipulated in the grant agreement, the United Nations Development Programme as Principal Recipient undertakes to cooperate fully with the LFA, including by submitting all reports and disbursement requests to the Global Fund and the LFA, submitting copies of all audit reports required to the Global Fund and the LFA, permitting the LFA to perform ad hoc site visits and cooperating with the LFA as otherwise specified in writing by the Global Fund. UNDP also commits to update the Global Fund's Price and Quality Reporting tool. However, certain limitations apply. For example, the grant agreement does not specify that the LFA will be able to review program books and records or have access to personnel.

In practice, the LFA might not have access to supporting documentation such as invoices, staff and other contracts, quotations or cost estimates. However, the LFA will have access to printouts of expenditure and project cash balance from Atlas, the organization's global enterprise resource planning platform. The LFA will also have access to workshop documentation and lists of participants, as well as detailed assumptions on forecasting and quantification methods as in the Procurement and Supply Management Plan.

*Audit:* UNDP will conduct financial audits of program expenditures in accordance with its internal and external audit practices. It will also provide the Global Fund with a copy of its biennial financial statements, as audited by its external auditors and an annual statement of income and expenditure, certified by its internal Comptroller<sup>4</sup>. Conversely, in countries managed under the Additional Safeguard Policy the grant agreement requires annual audits of program expenditures, and also allows for the Global Fund to request a special purpose audit on the use of Global Fund resources.

Where the Principal Recipient is a multilateral organization with a sub-recipient that is not a multilateral organization, there are no restrictions on access to the sub-recipient's financial information, manuals, supporting documentation, audit plan and audit reports.

<sup>3</sup> Article 27a of the Global Fund grant agreement for UNDP.

<sup>4</sup> Article 7c of the Global Fund grant agreement for UNDP.

## F2.2 International Non-Governmental Organizations as Principal Recipient

The Global Fund has agreed special arrangements with head offices of some international non-governmental organizations, which mainly cover issues around headquarter expenditures and audit arrangements. Where applicable, the Country Team will make the relevant agreement available to the LFA.

### Headquarters Support Costs/Indirect Costs

When the legal structure, reporting line and historical relationships demonstrate strong headquarters involvement, the Principal Recipients might be eligible to request for headquarters support costs/indirect costs in its budgets to compensate for services provided by the headquarters (including regional offices and parent organizations) located in another country, in order for the in-country organization to fulfill its activities.

When undertaking any work related to headquarters support costs and indirect cost recovery, LFAs should refer to the Operational Policy Note on headquarters support costs/indirect cost recovery for international non-governmental implementers in the Operation Policy Manual, as well as relevant sections in the guidelines for budgeting and reporting in Global Fund grants.

The policy applies to *international* non-governmental organizations, i.e. it does not apply to nationally-run organizations which do not have headquarters outside of the country of implementation. Guidance concerning indirect cost recoveries for national non-governmental organizations is provided in the *The Global Fund Guidelines for Grant Budgeting and Annual Financial Reporting*.

Headquarters support costs/indirect costs are generally budgeted as percentage rates; the Operational Policy Note sets out the maximum rates permissible, which vary for health products, sub-recipient funds and other direct costs incurred by the Principal Recipient. The policy also defines services which are allowed to be funded under the policy on headquarters support costs / indirect costs, such as financial accounting, treasury management and reporting support; management support and oversight; IT support; internal audit and procurement services. Costs related to the headquarters' own public relations, marketing, proposal development and fundraising activities are not eligible for funding.

The Principal Recipient should provide a narrative description of the services to be provided by headquarters and confirmation that it agrees to comply with the requirements for the use of headquarters support costs/indirect costs. These requirements include:

- Rates charged must be in accordance with the detailed budget;
- All costs charged must form part of the organizations' Annual Financial Statements, which are subject to external audit;
- Accepting headquarter support costs commits the organization to providing timely support to the country office should weaknesses be identified in management and administration of the grant; and
- The organization commits to providing the Global Fund with all necessary information to confirm that funds have been charged as agreed and to confirm that the agreed services have been provided.

In case headquarters support costs/indirect costs are requested, the budget should normally contain no direct costs related to regional offices or headquarters. An exception might be made where the activity is more cost-effective if done by the headquarters or regional office rather than locally. In such cases the Principal Recipient must justify why these costs or activities are not part of services already covered by the indirect cost recovery and must provide a detailed description of the activity, detailed budget and evidence that it is not included within the indirect cost recovery amount.

The Principal Recipient must provide the Global Fund with an annual report of headquarters support costs/indirect costs charged to the grant, at the Principal Recipient and sub-recipient levels.

Disbursements follow the usual Global Fund processes.

In principle, the audit requirements are the same as for other grants; however the Global Fund may agree special arrangements to audit the headquarters-generated expenditures centrally. In such cases the in-country auditor would look only at local expenditures. Please refer to the Global Fund's audit guidelines.

During grant making, the LFA may be asked to assist in ensuring compliance with the policy on headquarters support costs and indirect cost recovery, which may include checking that:

1. The indirect cost recovery budget is in line with the maximum percentage as prescribed in the Operational Policy Note<sup>5</sup>;
2. The budgeted services under indirect cost recovery are eligible;
3. There is a detailed narrative description of services that are being charged as indirect cost recovery, including the commitment to provide the services mentioned in the policy as eligible.

Where additional direct headquarters costs are provided for in the budget, the LFA may be asked to review the detailed budget and provide recommendations to the Global Fund on the justification for and reasonableness of the proposed costs.

During grant implementation the LFA may be asked to confirm whether the costs that are being charged are in compliance with agreed rates in the budget and as a percentage of actual cash expenditure, and review any additional direct headquarter costs, as applicable.

### **F3 Pass-through Principal Recipients**

A pass-through Principal Recipient is not engaged in grant implementation directly, but receives the grant funds from the Global Fund and passes them to another entity (a sub-recipient), which is responsible for implementation. For example, in some countries the grant is signed with the Ministry of Finance, but implementation falls to the Ministry of Health or other entities as sub-recipients.

The implementation arrangement map, described in section D3.7 of the LFA Manual, depicts the arrangements, including the flow of Global Fund monies and the program activities' implementation. The specific grant or program implementation arrangements will inform the Country Team in its determination of the type and scope of LFA services it will request, including on which implementers to focus. As is generally the case, any service and the related scope of work must be agreed between the LFA and Country Team before the work is performed.

Typically, if the Principal Recipient is a pass-through Principal Recipient and one or more key sub-recipients are undertaking the implementation, the LFA will need to focus its activities on these sub-recipients in order to provide effective review, verification and reporting on grant performance.

This means for example that the LFA may need to undertake a capacity assessment of the key sub-recipient(s) concerned in the substantive areas for which they are responsible.<sup>6</sup> As always, the scope and

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<sup>5</sup> Annex 1 to the Policy sets out the maximum applicable rates for international non-governmental organization Principal Recipients and sub-recipients, Additional Safeguard Countries, etc.



depth of the assessment, including whether an assessment in one or all functional areas is required at sub-recipient level must be agreed with the Global Fund prior to commencing the assessment.

For example, if the nominated Principal Recipient is a Ministry of Finance, with the Ministry of Health managing the programmatic aspects of the grant, the LFA might be asked before grant signing to assess the financial management and systems of the Ministry of Finance, while other areas of the capacity assessment may be applied to the Ministry of Health. If, however, the Ministry of Health assumes the responsibility for the financial management of the grant (i.e. the Ministry of Finance is acting as a pass-through Principal Recipient) then the LFA might more likely be asked to assess the financial management and systems of the Ministry of Health.

The LFA may also need to undertake verification activities at the sub-recipient level during grant implementation. In addition, the LFA may need to verify whether there are adequate systems in place to ensure that the flow of funds through the pass-through Principal Recipient is appropriately controlled and efficient.

## F4 Multi-Country and Regional Grants

The Global Fund supports a number of multi-country and regional programs. A number of special arrangements exist for multi-country and regional applications, as published on a dedicated site on the Global Fund's website<sup>7</sup>.

A **multi-country proposal** is submitted through a regional coordinating mechanism or regional organization. It is a combined application from small island economies and/or other small countries that would typically not apply as individual countries due to inherent administrative inefficiencies. It is normally submitted through a Regional Coordinating Mechanism and the countries within a multi-country application typically do not apply as individual countries.

The Global Fund also supports strategically focused **regional applications** from a group of countries within the same geographic region aimed at addressing common issues such as cross-border interventions and structural barriers that impede access to services (e.g. harm reduction, advocacy and policy, drug resistance, migrants and displaced populations, etc.). Typically this kind of application will only include activities and interventions that cannot be funded effectively through a country allocation due to their inherently regional nature.

Multi-country/regional proposals that are approved by the Board are signed into multi-country/regional grants.

Multi-country or regional grants can pose particular challenges for all stakeholders, including the Global Fund and the LFA. In practice, the Principal Recipient is usually located in one of the countries but may also be located outside of the countries in which grant activities take place. In turn, the LFA may be located in the same country as the Principal Recipient, in one of the countries covered by the multi-country/regional grant or may fly in as needed to perform LFA services. Some multi-country grants may also be particularly challenging in light of their geographical features: for example a group of island states may require complex travel and logistical arrangements which may complicate and slow down the work of the Principal Recipient,

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<sup>6</sup> Please refer to section C for more information concerning access to Global Fund funding and grant making.

<sup>7</sup> <http://www.theglobalfund.org/en/fundingmodel/regionalmulti/>

the Global Fund and the LFA. This may also significantly influence the level of effort and travel-related costs for the LFA.

The LFA's role in these grants is the same as its role in any other Global Fund grant. However, the LFA's performance of its function may pose some specific challenges and monitoring and reporting might require an added measure of flexibility from the LFA. The work will typically require coordination and communication across different national and regional entities and institutions, different legal, political and health systems and possibly different time zones and official languages. Access to key areas of grant activity may prove problematic. Close communication with the Global Fund is critical, and creativity in problem solving may be required. Similarly, the LFA's interactions with the Principal Recipient and any sub-recipients, partners or other stakeholders will require careful coordination and management.

The Principal Recipient and LFA will use the usual templates for their reports to the Global Fund. However, some special consideration might be given to the specific aspects of multi-country/regional grants. For example, in the context of a Principal Recipient's capacity assessment, there might be a need for an in-depth analysis of the Principal Recipient's management, communication and information systems to operate across borders and with a diverse set of institutions. This might include assessing the Principal Recipient's awareness of all the administrative aspects of working regionally, such as national differences in treatment protocols, existing regional-based agreements between countries, applicable laws and customs regulations, etc.

Flexibility regarding the usual timelines for deliverables and the use of tools may also be needed: for instance, if agreed with the Global Fund, the LFA may need to adapt the relevant tools to allow for proper reporting on its activities across key areas of grant activity. For example, sub-recipient (and sub-sub-recipient) reporting to the Principal Recipient may be delayed due to logistical difficulties especially in a group of small island states, with scarce transport and poor communication and infrastructure. The LFA needs to be highly proactive in addressing these challenges. In addition, there may be a need for flexibility with regard to level of effort (for example, an On-Site Data Verification may require extended periods of time for travel between sites as the LFA is dependent on potentially limited transportation schedules).

It is important to be mindful of specific risks that might arise in the context of multi-country and regional grants. For example, difficulties in accessing key service delivery points may pose additional risks to successful grant implementation and should be factored into the LFA's approach to monitoring performance in the grant.

As is the case for other grants, it is critical for the LFA to liaise and agree with Fund Portfolio Manager/Country Team on the timing, scope of work and budgetary requirements ahead of expected services.

A specificity of multi-country/regional grants is that many times there is a need to develop a specific regional M&E plan, aligned with the national M&E plans of the countries that are part of the common project.

The Principal Recipient may also propose a specific framework to measure impact and outcomes among the targeted population groups by the multi-country grant and inform progress towards the grant's goals, instead of national programmatic impact/outcome results.

## F5 Additional Safeguard Policy

For countries which are considered to pose significant risks, the Executive Director can impose a policy of additional safeguards. These countries are subject to extraordinary controls and restrictions.

Please refer to the Operational Policy Note on the Additional Safeguard Policy.

The Global Fund may invoke its Additional Safeguard Policy when the existing systems to ensure the accountable use of Global Fund financing reveal conditions that suggest that Global Fund monies could be placed in jeopardy without the use of such additional measures.

Examples could include significant concerns about governance; the lack of a transparent process for identifying a broad range of implementing partners; major concerns about corruption; a widespread lack of public accountability; recent or ongoing conflict in the country or region of operation; political instability or lack of a functioning government; poorly developed civil society participation or lack of participation by civil society; financial risks such as hyperinflation or devaluation; or lack of proven track record in managing donor funds.

The policy may be invoked at the recommendation of the Grant Management Division within the Global Fund based on information provided by the Local Fund Agent, Country Team assessments or reports from partners or other sources. The Local Fund Agent may be asked to assist the Country Team by assessing the risks of a particular grant and proposing appropriate safeguard measures.

The specific additional safeguard measures put in place are adapted to the risks and circumstances of each concerned grant. They may include the Global Fund itself selecting the Principal Recipient, in consultation with the Country Coordinating Mechanism; the Global Fund approving sub-recipients; additional reporting requirements; tailored procurement arrangements; and, in some cases, a no-cash-policy, which prohibits in-advance cash transfers to sub-recipients that pose a particular risk.

In addition, the Local Fund Agents may be required to provide additional services to the Global Fund with respect to that grant, for example undertaking more in-depth capacity assessments - and subsequent verifications - of the Principal Recipient and sub-recipients.

## F6 Fiscal/Fiduciary Agents

In some countries the Global Fund may contract Fiscal Agents or Fiduciary Agents as an additional safeguard for high-risk grants, to support the Principal Recipient and/or sub-recipients in the financial aspects of implementation. Fiscal/Fiduciary Agents work with and support directly the Principal Recipient, providing a broad range of financial management services to the Principal Recipient in implementing the activities funded by the Global Fund to ensure that all financial management and procurement activities are conducted in accordance with the grant agreements.

These arrangements aim to ensure effective controls are in place on the use of grant funds, mitigate the risk of fraud and misuse of grant funds, contribute to the continuity of program implementation in high risk environments by ensuring that safeguards are in place, and ensure policies are adequately designed and effective, that financial records are properly maintained and that reporting to the Global Fund is accurate, timely and in line with the grant agreements and the Global Fund's policies and regulations.

The Fiscal/Fiduciary Agent's scope of work is tailored to each country and grant situation. However, the specific duties typically include:

- Ensuring the existence and implementation of a financial management procedure manual in line with generally accepted principles and practices;
- Cash management and verification of financial transactions;
- Financial management at the sub-recipient level;
- Ensuring that the Principal Recipient keeps up-to-date books of account etc.;
- Ensuring accurate and timely preparation of financial reports. This includes verifying aspects of the Progress Update/Disbursement Request such as the reconciliation and cash balances.

Where a Fiscal/Fiduciary Agent is in place, the LFA may not be required to undertake financial verifications as usually provided. The Global Fund will make this decision on a case-by-case basis. This could for example mean that the LFA plays a more limited role in reviews of Progress Update/Disbursement Requests, focusing more on the programmatic than the financial aspects. It may also mean a limited assessment of financial management and systems of a Principal Recipient where an existing Fiscal/Fiduciary Agent arrangement will apply to the grant. Likewise the LFA's role in the review of non-health procurement and financial verification before cash transfer may be changed. If applicable, the amended Scope of Work will be discussed between the Country Team and the LFA.

In exceptional circumstances, the Country Team may request the LFA to assess the performance of the Fiscal/Fiduciary Agent with regards to its terms of reference. In such case, the exact scope and extent of the LFA work will be agreed with the Country Team.

It is essential to maintain a good coordination and clear segregation of roles and responsibilities between the LFA and the Fiscal/Fiduciary Agent. In case of doubt, questions regarding this should be discussed with the Global Fund.

## **F7 Pooled Procurement Mechanism**

The Pooled Procurement Mechanism<sup>8</sup> is part of the Global Fund's strategic plan to optimize grant performance by addressing bottlenecks associated with the procurement of health products. It provides support to countries to facilitate timely procurement of medicines and health products during grant implementation, and improve access to these critical health products for their populations.

For more detailed information, please refer to the Operational Policy Note on the Pooled Procurement Mechanism.

The Pooled Procurement Mechanism enables the Global Fund to aggregate order volumes from participating Principal Recipients to leverage the Global Fund's market spend in order to secure quality assured products and obtain best pricing and delivery conditions for critical health products through framework contracts with suppliers. In addition, pooled procurement is expected to promote a sustainable market for key health products.

<sup>8</sup> The Pooled Procurement Mechanism was in the past referred to as "Voluntary Pooled Procurement" or VPP. With the name, some of the operating modalities of the mechanism changed, though the overall objectives generally remained the same.

Participation in the Pooled Procurement Mechanism is in principal voluntary, though in certain circumstances the Global Fund may require its use as a risk mitigation measure. The decision to participate in the Pooled Procurement Mechanism may be made at any time during the grant making or implementation and is formalized through a registration letter.

When using the Pooled Procurement Mechanism, the Principal Recipient is still responsible for quantifying and forecasting the need for health products<sup>9</sup>, and prepares and submits procurement requests to designated Procurement Service Agents, copying the Global Fund and LFA.

Procurement Service Agents are external providers contracted by the Global Fund to perform procurement and delivery services for Principal Recipients participating in the Pooled Procurement Mechanism. Procurement Service Agents will, among other things, conduct order processing and tracking, coordinate required quality control testing and input data on behalf of Principal Recipients into the Global Fund Price Quality Reporting Tool.

Procurement requests can be submitted any time. However, the Principal Recipient must ensure that there is adequate time between the submission of the request and the desired delivery time. A track and trace tool allows the Principal Recipient to track the status of the pharmaceutical product orders including expected delivery dates. The LFA is granted access to this tool upon request.

Funds for the procurement of goods through the Pooled Procurement Mechanism are not disbursed to the Principal Recipient. Instead, the Global Fund will directly pay manufacturers through procurement agents and the Principal Recipients will be informed accordingly. However, it is important to note that funds used through the Pooled Procurement Mechanism are part of the annual funding decision and Principal Recipients must include required funds and past expenditures for purchases through the Pooled Procurement Mechanism into the progress update and disbursement request for the relevant implementation period. The LFA may be requested to review the Pooled Procurement Mechanism financing requirements as part of the PU/DR review.

When a grant uses the Pooled Procurement Mechanism, procurement and supply management-related services requested from the LFA will typically be adjusted to focus on residual risk areas. This may in practice translate into a reduced focus on verifying procurement expenditures and processes and an increased focus on some of the following aspects:

- review of the quantification and forecasting of health products planned for procurement in order to advise the Global Fund on any related risks<sup>10</sup>, possibly combined with stock verifications;
- tracing of orders and the delivery of the products up to service delivery points;
- spot checks, e.g. verifying at the central medical store that the products were delivered ‘on time and in full’, checking that the health products purchased originate from the WHO-certified manufacturers which were contracted to produce the products, etc.

As is the usual practice, the LFA services to be provided and the specific scope of work should be agreed between the LFA and Fund Portfolio Manager/Country Team as part of the annual work planning.

<sup>9</sup> Documented in form of the agreed list of health products to be procured under a grant.

<sup>10</sup> E.g. the forecasted quantities reflect realistic needs and are based on actual consumption data to reduce the risk of stock-outs and overstocks etc.

## Reference Documents

Information on the Office of the Inspector General is available on the dedicated site

<http://www.theglobalfund.org/en/oig/>, including

- Charter of the Office of the Inspector General and the Stakeholder Engagement Model for Audits and Investigations
- Whistle-blowing Policy and Procedures
- Audit and Investigation Reports

The Global Fund dedicated website for Operational Policies, Guidelines and Tools

<http://www.theglobalfund.org/en/documents/operational/> contains important tools and guidance documents, including

- The Operational Policy Manual
- The Global Fund Guidelines for Grant Budgeting and Annual Financial Reporting
- Guidelines For Annual Audits of Global Fund Grant Program Financial Statements

The Global Fund Access to Funding website contains information regarding special arrangements and requirements for regional and multi-country applications

<http://www.theglobalfund.org/en/fundingmodel/regionalmulti/>

Information on procurement support services can be found on the Global Fund website dedicated to procurement and supply management <http://www.theglobalfund.org/en/procurement/>