

Principles of the Local Fund Agent (the “LFA”) Procurement Method¹

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i. Differentiation: The importance of having high performing LFA assurance service providers in place that offer competitive prices differs according to the types of portfolios for which the LFAs are providing assurance services. While the Global Fund requires high performing LFA entities that are able to deliver consistent quality in all its portfolios, high risk and value portfolios that are critical for achieving the Global Fund’s strategic goals and impact have an enhanced need for high quality assurance services compared to other portfolios with relatively lower risks/disbursement/impact levels. Therefore, the principle of differentiation should be adapted for the LFA procurement method meaning investing more resources in achieving value-for-money LFA contracts where they can make the greatest difference, i.e. in High Impact and Core portfolios.

ii. Ensuring value for money through monitoring LFA performance and costs: Given the magnitude of grant funding the Global Fund disburses and the associated risks as well as the relatively large volume of required LFA assurance activities in many portfolios, it is key to ensure that the Global Fund contracts high performing LFAs that offer competitive prices for their services. LFA performance and cost as well as the efficient use of Secretariat resources are determining factors for defining the LFA procurement procedures. LFA performance over time is measured through the Global Fund’s LFA Performance Evaluation Tool. The cost element is based on considerations such as, the percentage amount of annual LFA budget vs. annual disbursement value; the volume of the LFA contract and available market and benchmarking data.

iii. Encouraging the diversity of LFA service providers: The Secretariat shall continue to encourage a diversity of participants, including civil society, in LFA procurement (such as Requests for Proposals (RFPs) and Requests for Information (RFIs)) while upholding the requirements for high quality LFA service delivery and expertise at competitive costs. While such efforts are already under way, the Secretariat will seek to strengthen these.

iv. Unique contracting arrangements: Six year Framework Contracts shall be signed with LFAs containing the terms and conditions governing the LFA work as well as the requirement to comply with all the LFA guidelines and procedures described in the *LFA Manual* and available on the external LFA website (including for example *LFA Conflict of Interest Procedures*; an *LFA Communication Protocol*; *Procedures for the Engagement and Approval of LFA Experts*; etc.). The terms and conditions contained in the LFA Framework Contracts are generic and do not change significantly over time. These contracts do not contain any cost information or obligations, including financial, for the Global Fund to engage LFAs in any country. The Framework Contracts include termination provisions at the Global Fund’s convenience, and do not assign countries or portfolios upon signing. Country/portfolio-specific LFA Work Plans, which define the annual list of LFA services, experts and costs, are negotiated on a yearly basis with each LFA and thereafter form an integral part of the LFA Framework Contracts. The latter solely provide a legal umbrella under which

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the country-specific annual LFA Work Plans and Purchase Orders are issued. In case a new supplier wins an LFA tender, a Framework Contract will be signed. If an LFA service provider with a Framework Contract already in place is selected following a tender process, a new Framework Contract will not be signed as the country-specific work plan will be governed by the existing Framework Contract. The Framework Contracts will be signed for an initial term of six years and their renewals will be automatic.