

# **LFA Manual 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**

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

The Office of the Inspector General (OIG) safeguards the assets, investments, reputation and sustainability of the Global Fund by ensuring that it takes the right action to accelerate the end of AIDS, tuberculosis and malaria as epidemics. Through audits, investigations and advisory work, the OIG promotes good practice, reduces risk and reports on abuse.

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

Through its safe and secure whistleblowing and reporting channels, the OIG encourages all to speak out against fraud, abuse and human rights violations.

The scope of work for the OIG includes all systems, processes, operations, functions and activities of the Global Fund and of the programs it supports.

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

The OIG may also act in an advisory role to further the Global Fund's mission and objectives.

The activities of the OIG include:

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

OIG audit and investigation reports are published in full on the [Global Fund OIG website](#). Audit and Investigation reports usually include corrective actions agreed with the Global Fund Secretariat to improve processes and systems.

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

The OIG is divided into three teams: the Audit and Advisory Unit, the Investigations Unit and the Professional Services Unit.

#### **1. Audit and Advisory 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 Global Fund Secretariat looking at themes such as the funding model, internal financial controls and sourcing.
- The Unit can also be commissioned to conduct ad hoc advisory work at the request of the Global Fund 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 Recipients, sub-recipients, Country Coordinating Mechanisms, suppliers, service providers, Global Fund staff and LFAs. The OIG usually receives allegations of wrongdoing through its [ISpeakOutNow](#) reporting channels which include a hotline and an online reporting function. Allegations can also be referred through the Global Fund Secretariat or any individual, including LFAs. The OIG adheres to a [Whistle-blowing Policy](#) which guarantees confidentiality and anonymity to any potential complainant who comes forward with information about fraud or abuse.

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

Before deciding to conduct an investigation, OIG staff will screen the allegation to determine the most appropriate action. If the OIG decides to open a case, it will be assessed by an investigator, often involving the relevant Global Fund Country Team and sometimes the LFA. If the OIG decides that the allegation does not justify a full investigation, it will refer the matter to the Global Fund Secretariat in what is known as a Closure Memorandum.

### **3. Professional Services Unit**

The Professional Services Unit is the operational team that ensures that the OIG runs smoothly and efficiently. The unit leads all systems and policy-related changes and management and ensures adequate resources to fulfil the OIG mission.

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

There are several instances where LFAs may interact with the OIG:

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

At the core of the LFA role is to identify and assess risks to the performance of Global Fund grants. As a result, LFAs are expected to identify and report any red flags related to wrongdoings that they come across as part of their normal verification work (e.g. theft of money/health products; personal use of grant funds/assets; fake invoicing/fake events (e.g. trainings); counterfeit drugs; irregularities in tender processes; bribery/kickbacks; abuse of power for personal gain; human rights violations; sexual exploitation/abuse/harassment; conflicts of interests; etc.).

##### **b) LFA role in OIG audits or investigations**

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.

In the planning stage, the OIG team typically requests a meeting with the LFA so that the OIG can assess the LFA's understanding of the portfolio and associated risks and to allow the LFA to share with the OIG their views on the key risks of the portfolio and to provide related information about the LFA work and findings as well as documentation, such as LFA reports. This engagement also enables the OIG to understand and assess both the coverage and quality of LFA assurance and explore areas of complementarity and reliance on LFA work, in line with the IIA Standards.

In order to facilitate the discussion, the OIG usually shares ahead of the meeting with the LFA an agenda with the topics they would like to discuss. The LFA can opt to prepare a presentation to facilitate the discussion during the meeting with the OIG. Sharing the responses to the topics of discussion in advance of the meeting with the OIG, for example in form of a presentation, can help to focus the discussion on pending questions and/or issues to clarify. While there is no obligation for LFAs to provide a presentation, the OIG usually requests that the LFA provides all the final LFA reports completed during the period that is audited along with the relevant terms of reference. As relevant and feasible, the LFA should reference/map the reports to the agenda topics provided by the OIG.

During the period of the audit or investigation the OIG team may request further information relating to the LFA services or consult the LFA on emerging issues and findings. The LFA should provide to the OIG specific LFA reports and/or working papers, as requested. The LFA may be invited to attend the audit debriefing meetings organized by the OIG. Lastly, once the draft report is issued, the OIG may invite the LFA to review it and provide feedback.

Over the course of an advisory (or Secretariat audit), the OIG team may request LFA involvement in the form of participation in short surveys or brief meetings of the OIG team with select LFAs should the advisory (or Secretariat audit) scope cover specific topics that have been covered by LFA work.

The engagement of the LFA in OIG country audits or investigations as described above is not renumerated by the Global Fund.

In situations where the scope of the OIG requests exceeds the above-described engagement of LFAs, the LFA should identify this and agree with the OIG prior to the service the associated Level of Effort and costs and pay for such services through a dedicated Purchase Order issued by the OIG (such costs are not included in the annual LFA work plan). Such services include, for example, the OIG requesting the LFA to perform additional analysis/verifications above and beyond what the LFA has readily available from prior LFA service provisions; to help organize meetings with in-country stakeholders; or to otherwise assist the OIG in conducting the audit/investigation.

### **c) Following up on agreed management actions resulting from OIG work**

Following an audit or investigation, the LFA may be requested by the Global Fund Secretariat to help follow up on and verify the implementation of one or more agreed management actions which resulted from the OIG audit and/or investigation. The exact scope of such LFA reviews is determined on a case-by-case basis between the LFA and the Global Fund Secretariat and the related Level of Effort and costs are included in the annual LFA work plan. There may be situations where the OIG will also be involved, such as if the required follow-up work is related to i) recovering misused funds or ii) refining further the initial OIG findings, if necessary.

### **d) LFA training by the OIG**

The OIG may participate in LFA training sessions from time to time to share experiences and emerging trends in risks and issues and to help LFAs to be better equipped to perform their role 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. Should the Country Coordinating Mechanism and/or the Global Fund conclude that no entity incorporated locally can be appointed as Principal Recipient, the Global Fund may, on an exceptional basis, agree to an arrangement whereby the country office of a non-national entity (e.g., multilateral organizations such as UN entities or international NGOs (INGO)) assumes Principal Recipient responsibilities<sup>1</sup>. In these cases, the Global Fund may sign a grant agreement with a multilateral

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<sup>1</sup> Situations may include a) national entities not having the required capacities to implement Global Fund grants; b) countries where the Additional Safeguard Policy (ASP) applies; c) countries in conflict; or d) when currency controls or currency risks jeopardize the ability to ensure sufficient resources are available for grant implementation

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.

The Grant Agreement with a non-national entity Principal Recipient may include plans for developing the capacity of one or several national entities and a timeline for transferring Principal Recipient responsibility to them.

Multilateral organizations and INGOs typically operate in many different countries and with internationally applicable arrangements for financial management and reporting. The Global Fund has agreed on a number of provisions specifically addressing the situation of multilateral organizations and INGOs 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 organizations or INGOs. 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 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](#) and the Guidelines for Grant Budgeting (both available on the Global Fund's website) for guidance on non-national entities as implementers and on headquarters support costs/indirect cost recovery for such entities.

## **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 of several Global Fund grants.

The terms and conditions in the grant agreements with UNDP have been negotiated at country office and headquarter levels.

UNDP grant agreements differ in some respects from the terms and conditions in other grants, some key issues are highlighted below.

*Use of internal regulations:* Alongside the terms and conditions set out in the UNDP Framework Agreement, UNDP uses its own internal regulations, rules and procedures in implementing the grant<sup>2</sup>. These include its Financial Regulations and Rules, the UNDP Programme and Operations Policies and Procedures (POPP) on contracts and procurement,<sup>3</sup> and the UN Staff Regulations and Rules. The organization also applies its existing travel and subsistence policies to its own staff.

*Capacity assessment:* As described in Section C of the LFA Manual, the specific areas to be covered in each capacity assessment are 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, a capacity assessment, tailored as necessary by the Country Team, may be conducted as per the [LFA Guidelines for Capacity Assessments](#). Questions related to functions fulfilled by UNDP Headquarters are excluded, as the focus is on the capacities and systems of the relevant Country Office. 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); and
- 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 UNDP Framework Agreement, UNDP as Principal Recipient undertakes to cooperate fully with the LFA to permit the LFA to carry out its functions, including by submitting all reports and disbursement requests to the Global Fund through the LFA, submitting copies of all required audit reports, permitting the LFA to perform ad hoc site visits, and cooperating with the LFA as otherwise specified in writing by the Global Fund. UNDP should also update the Global Fund's Price and Quality Reporting tool<sup>4</sup>. However, certain limitations apply. For example, UNDP's Program Books and Records are subject exclusively to internal and external audit in accordance with UNDP's financial regulations, rules, policies and procedures<sup>5</sup>. Also, the LFA would not have direct access to UNDP personnel.

In practice, the LFA might not have access to UNDP's supporting documentation such as invoices, staff and other contracts, quotations or cost estimates. However, the LFA should have access to printouts of expenditure and project cash balance from Atlas, the organization's global enterprise resource planning platform. The LFA should 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.

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<sup>2</sup> See UNDP-Global Fund Grant Regulations Article 2(a).

<sup>3</sup> Refer to <https://undphealthimplementation.org/functional-areas/procurement-and-supply-management/overview/>

<sup>4</sup> Refer to <https://undphealthimplementation.org/functional-areas/procurement-and-supply-management/price-and-quality-reporting-pqr-system/>

<sup>5</sup> See Article 7(b)(i) of the UNDP-Global Fund Grant Regulations

*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 financial statements, as audited by its external auditors and an annual statement of income and expenditure, certified by its internal Comptroller<sup>6</sup>. In countries managed under the Additional Safeguard Policy, the Global Fund may request a special purpose audit on the use of Global Fund resources<sup>7</sup>.

The Global Fund may directly conduct any reviews of suppliers and of Sub-recipients which are not part of the United Nations System. The scope of such reviews is linked to the Global Fund verifying compliance with the terms of the relevant grant agreement<sup>8</sup>. In this regard, the Global Fund may seek access to the relevant Sub-recipient's or Supplier's financial information, manuals, supporting documentation, audit plan and audit reports.

## **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 relevant sections in the [Guidelines for Grant Budgeting](#).

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 the type of costs which are allowed to be funded under the policy on headquarters support costs / indirect costs and what is required of PRs in terms of reports and details on headquarters support costs/indirect costs charged to the grant.

Disbursements follow the usual Global Fund processes, please refer to the [PUDR Instructions](#).

<sup>6</sup> See Article 7(b)(iv) and 7(c) of the UNDP-Global Fund Grant Regulations.

<sup>7</sup> See Article 7(b)(ii) of the UNDP-Global Fund Grant Regulations.

<sup>8</sup> See Article 4.2 of the UNDP Framework Agreement.

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. 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 upper ceiling as prescribed in the Operational Policy Note<sup>9</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.
- 4.

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.

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<sup>9</sup> Annex 1 to the Policy sets out the maximum percentage rates for international non-governmental organization Principal Recipients and sub-recipients, Additional Safeguard Countries, etc.

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>10</sup> As always, the scope and 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 Multicountry Grants**

Multicountry grants are designed to accelerate the end of the HIV, TB and malaria epidemics and to strengthen health systems by tackling regional bottlenecks and cross-border issues. They have the potential to achieve impact in particular settings, especially where bottlenecks cannot be resolved by a single country grant.

Depending on the source of funding, multicountry grants supported by the Global Fund can be funded i) by country allocations intended to increase efficiency of investments; ii) by both country allocations and catalytic funding; or iii) solely by catalytic funding. A multi-country proposal is submitted through a Regional Coordinating Mechanism (RCM) or Regional Organization (RO).

The Global Fund 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 include activities and interventions that cannot be funded effectively through a country allocation.

Multicountry grants generally follow the same requirements as country grants, with some special considerations related to political, legal or other aspects. For example, there may be 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 multicountry grant.

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<sup>10</sup> Please refer to Section C of the LFA Manual for more information concerning Funding Request and Grant Making.

In practice, the Principal Recipient is usually located in one of the countries but may in some rare cases also be located outside of the countries in which grant activities take place. In turn, the LFA is ideally located in the same country as the Principal Recipient, or in one of the countries covered by the multicountry grant. In rare cases, the LFA may be located outside the countries covered by the multicountry grants and fly in, as needed, to perform LFA services. Some multicountry grants may be challenging in light of their geographical features: for example a group of island states may require complex travel and logistical arrangements which may influence the level of effort and travel-related costs for the LFA.

In general, the LFA's role in these grants is determined by the same considerations as for other Global Fund grants, such as the portfolio categorization (i.e., High Impact, Core, Focused), risks, level of funding, etc. 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 challenging in some cases. Close communication with the Global Fund Country Team is critical, as much as the LFA's interactions with the Principal Recipient, sub-recipients, partners or other stakeholders which require careful coordination and management.

The Principal Recipient and LFA will use the usual guidelines and templates for their reports to the Global Fund. However, some consideration may need to be given to the specific aspects of multicountry 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.

Other considerations include reporting timelines and planning of deliverables. 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 proactive in addressing these challenges.

As is the case for other grants, it is critical for the LFA to liaise and agree with Global Fund Country Team on the timing, scope of work and budgetary requirements ahead of expected services to be delivered in relation to multicountry grants.

## **F5 Additional Safeguard Policy**

The Global Fund may invoke its [Additional Safeguard Policy](#) (ASP) when there are significant portfolio or disease-specific risks that compel the Global Fund to take the primary role in prescribing and deciding the implementation arrangements for a particular portfolio or disease component.

The ASP can be invoked in full or in part whenever “existing systems to ensure accountable use of Global Fund financing suggest that Global Fund monies could be placed in jeopardy without the use of additional measures”<sup>11</sup>. The ASP is primarily focused on addressing material issues that arise when program implementers (e.g., Principal Recipients and Sub-Recipients) have demonstrated a lack of capacity or failure to effectively deploy, implement and/or safeguard Global Fund grant funding and assets as a result of factors within and beyond the control of existing implementers in a particular country (e.g., civil unrest, an influx of displaced persons, governmental instability, and inadequate national program capacity).

Examples of triggers of the ASP include political instability or lack of a functioning government; poorly developed or lack of civil society participation; lack of a transparent process for identifying appropriate implementing partners; identified fraud or misuse of Global Fund financing and/or any other funds; and recent or ongoing conflict limiting the capacity for the Country Coordinating Mechanism to conduct a transparent selection process for implementers.

The decision to invoke the ASP for a particular portfolio is taken by the Global Fund Executive Director based on the recommendation from the Head of the Grant Management Division and may be prompted by Global Fund Secretariat assessments; findings of the Office of the Inspector General; reports from the Local Fund Agent; external auditor reports and assessments from partners or other sources assessing risk factors in a particular portfolio.

The specific additional safeguard measures put in place are adapted to the risks and circumstances of each concerned portfolio. They may include the Global Fund directly selecting the Principal Recipient, in consultation with the Country Coordinating Mechanism and other partners; and the Global Fund selecting or making the final decisions on the nominated sub-recipients and implementing entities. Additional risk mitigating measures may include the installation of fiscal/fiduciary agents, a restricted cash policy, use of the Global Fund Pooled Procurement Mechanism and other measures as specified in the [OPN on Risk Management](#) and the [Global Fund Guidelines on Financial Risk Management](#).

The LFA may be requested to assist the Global Fund Country Team, by assessing the risks of a particular country portfolio and recommending appropriate risk mitigation measures and/or conditions and, as requested, oversee ASP mitigation measures such as in-depth assessments of the PR and SRs and review progress on conditions to revoke the ASP status.

## **F6 Challenging Operating Environments**

Challenging Operating Environments (COEs) refer to countries or unstable parts of countries or regions, characterized by weak governance, poor access to health services, limited capacity and fragility due to man-made or natural crises. COEs may be experiencing either acute or chronic instability which will be considered in tailoring the country approach. COEs are critical to the Global Fund mission as they account for a third of the global disease burden and a third of Global Fund investments. However, COE portfolios often face heightened programmatic and implementation challenges.

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<sup>11</sup> For more information, please refer to the [ASP Policy](#).

The list of country portfolios classified as COE is determined for every allocation period and reviewed annually with the possibility to add countries based on updates to the external risk index (ERI)<sup>12</sup> and emergency status. Once a country is categorized as COE, it will remain in the list for the corresponding allocation period.

The approach for managing COE portfolios is guided by the following principles defined in the [COE policy](#) with the aim to maximize access to essential services and/or coverage:

- i. *Flexibility* to allow a tailored grant management approach to ensure responsive and timely Global Fund investments and effective service delivery;
- ii. *Partnerships* with development, humanitarian, private sector and non-traditional partners to address implementation weaknesses and ensure impact of Global Fund investments; and
- iii. *Innovations* and new approaches to maximise results in COEs.

For information on how these principles can be applied during the grant life cycle, please refer to the [OPN on Challenging Operating Environments](#).

The management of a COE portfolio does not necessarily require more assurance work but rather smart assurance approaches that are rigorous and yet adapted to the challenges presented in the given country and grant context. The volatile nature of the contexts in which grants are being implemented in many COEs, require risk management and assurance responses that are flexible and tailor-made to each country specific situation. This means that based on its risk analysis the Global Fund Country Team has full flexibility to adapt the level of LFA verification and the scope of LFA service Terms of References to the needs of the COE portfolio.

For some COEs this may result in a reduction of the LFA scope of work while in others a shift of focus of LFA work may be required, depending on the Country Team's consideration of a number of factors, including the volume of funding, the availability and capacity of partners/assurance providers in country, the existence of early warning systems, the LFA's access PR/SR information and program locations, etc. For LFAs that operate in COEs close communication, timely information sharing, planning and coordination with the Global Fund Country Team are particularly important to ensure that LFA assurance services are appropriately adapted to the risks of the COE.

Please refer to Annex 3 of the [OPN on Challenging Operating Environments](#) for more information on engaging assurance providers, including LFAs in these contexts.

## **F7 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

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<sup>12</sup> The ERI is a composite index that is derived by compiling data from 10 authoritative indices and is updated annually by the Global Fund.

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 certain 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.

For more information on the role of Fiduciary/Fiscal Agents, please refer to the [Global Fund Guidelines on Finance Risk Management](#).

## F8 Pooled Procurement Mechanism

The Pooled Procurement Mechanism (PPM) is a key tool used to implement the Global Fund's Market Shaping Strategy<sup>13</sup>. 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 PPM enables the Global Fund to aggregate order volumes from participating Principal Recipients to leverage the Global Fund's market spend in order to i) secure quality assured products; ii) better Value for Money through best pricing and delivery conditions; iii) reduce lead times for critical health products by engaging with manufacturers using framework contracts; and iv) contribute to sustainable markets for core life-saving health products<sup>14</sup>.

While the participation in the PPM is in principal voluntary, Principal Recipients must comply with defined PPM registration requirements. In certain circumstances the Global Fund may require the use of PPM as a risk mitigation measure (please refer to Section F5 above). The decision to participate in the PPM may be made at any time during the grant making or implementation.

When using the PPM, the Principal Recipient is still responsible for quantifying and forecasting the need for health products<sup>15</sup>, and prepares and submits a purchase requisition which is reviewed and approved by the Global Fund. Once the Price Quotation is signed by the PR, the Purchase Order is issued on **wambo.org** and becomes the legally binding agreement between the Principal Recipient and the designated Procurement Service Agent (PSA).

PSAs 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.

The Global Fund's online procurement platform, wambo.org, offers buyers access to different procurement channels, including the PPM, for health products and selected non-health products used primarily for HIV, tuberculosis and malaria health programs. Implementers can search for quality products and submit and track orders and invoices. It can improve market visibility, simplify transaction management, and improve procurement lead times, while increasing access to quality and value-for-money products.

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<sup>13</sup> <https://www.theglobalfund.org/en/sourcing-management/market-shaping-strategy/>

<sup>14</sup> Please refer to the OPN on PPM for the list of products

<sup>15</sup> Documented in Health Product Management Tool

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

When a grant uses the PPM, 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>16</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 Global Fund Country Team as part of the annual work planning.

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<sup>16</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 this 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 Grant Implementation

<https://www.theglobalfund.org/en/funding-model/implementation/> contains important tools and guidance documents, including:

- Principal Recipient Reporting
- Financial Management
- Grant Guidelines and Guides

The Global Fund Access to Funding website includes information on special arrangements and requirements for regional and multi-country applications:

<https://www.theglobalfund.org/en/applying-for-funding/>

Information on Sourcing and Management of Health Products can be found on this Global Fund website <https://www.theglobalfund.org/en/sourcing-management/>