

Transparency and Accountability at The Global Fund

The Global Fund was founded on a set of core guiding principles ranging from governance to grant-making. One of the key founding principles is a strong commitment to Transparency and Accountability. Since its creation, the Global Fund has been a pioneer; implementing practical systems that balance the demand for accountability with the need for efficiency. This includes working with recipient countries to identify a small number of key indicators to measure progress and ensuring that, where possible, Global Fund reporting requirements are consistent with existing processes.

The Global Fund's commitment to transparency is clearly illustrated by the broad and comprehensive range of information available on its website. Donors and other stakeholders can easily find information on how the funds raised are allocated and spent. All approved proposals, signed grant agreements and grant performance reports are available for review, as are documents presented and discussed during Board meetings. The public is also able to track progress of local programs by reviewing grantee reports. The Global Fund has one of the most comprehensive websites of its kind.

Office of the Inspector General

As part of its commitment to transparency and accountability, the Global Fund recognizes the significant role and importance of an independent and objective Office of the Inspector General (OIG). In July 2005, The Global Fund Board of Directors established the OIG and the first Inspector General was hired later in the year. The office's primary responsibility is to provide the Global Fund with independent and objective oversight to ensure the integrity and effectiveness of its programs and operations, including compliance with established policies and procedures. In addition, the OIG:

- o allows the Global Fund to protect its assets and prevent and detect fraud, waste, abuse, or mismanagement of its resources; and
- o reports directly to the Global Fund Board, not the Secretariat, ensuring the integrity and effectiveness of Global Fund programs and operations.

New Policy for the Public Disclosure of Inspector General Reports

- o At its recent meeting in November 2007 the Global Fund Board announced the appointment of a new Inspector General, John Parsons, and approved a new policy for publicly disclosing reports issued by the OIG.
- o The new policy requires that the Inspector General posts all final reports on the Global Fund's website no later than three working days after they are issued.
- o In the case of some reports, the Inspector General has the discretion to recommend, based on limited exceptions listed in the disclosure policy, that restrictions on publication be applied.
- o The restrictions would require the approval of the Global Fund's Board, following advice from the organization's Legal Counsel and review by its Finance and Audit Committee.
- o While restrictions can be approved by the Board, the presumption is that this would occur rarely and that reports would normally be made public.

Local Fund Agents

The use of Local Fund Agents (LFA) is another accountability mechanism designed to provide appropriate oversight while respecting local implementation. LFAs are independent organizations that act as the Global Fund's eyes and ears on the ground and play an important role in assessing the financial management systems

and capacity of grant applicants, the performance of grants and the reporting of results. The LFA works closely with the Global Fund, in particular with the relevant Fund Portfolio Manager, to provide the following services.

- Assess the Principal Recipient's capacity to implement grants, review proposed budgets and work plans and assist the Global Fund in grant negotiations.
- Evaluate grants after 18 months (Phase 2) – a critical point in the grant's life cycle – and support the Global Fund as it decides whether to continue funding beyond the first two years of the grant.
- Assist the Global Fund with closure of grants.
- Ad hoc assignments undertaken at the request of the Global Fund, such as investigations relating to suspected misuse of funds.

The Global Fund is currently bringing together various risk management and oversight functions into a comprehensive risk assessment and management framework. The Global Fund has also recently undertaken a process of re-tendering its LFA contracts to improve the overall quality of these agents. The new LFA contract will contain more explicit requirements on the monitoring of Principal Recipients and sub-Recipients.

Enhanced Financial Reporting

In an effort to provide more detailed financial information on all grants, especially at the sub-Recipient level, in 2008 the Global Fund will be implementing an Enhanced Financial Reporting system. This system will collect financial information from grant recipients to:

- improve financial accountability and transparency;
- enhance the application of performance-based funding;
- respond to requests for information from the Global Fund Board, donors and other stakeholders; and
- take an essential first step in gathering information for value-for-money and cost effectiveness analysis.

The main tool used by this system is the Enhanced Financial Reporting form, which will be completed annually by Principal Recipients and verified by the Local Fund Agent. The form is designed to capture standardized financial information from all grants based on annual budgets, expenditures and analysis of variances. The form is also intended to be completed at the same time as national and grant reporting cycles in order to minimize out-of-cycle reporting. Guidelines and reporting forms were sent to all Principal Recipients at the end of November 2007.

Under the new system, all grants have to report every 12 months as well as at the time for Phase 2 renewal, which is usually 18 months into the life of the grant. The information will be submitted to the Local Fund Agent for review. ■