



GLOBAL FUND
to Fight AIDS,
Tuberculosis
and Malaria

3 September, 2002, Geneva

Dear Chairpersons of CCMs,

As promised in my letter of July 30 to all approved and conditionally approved first round applicants to the Global Fund, I am pleased to communicate to you the list of institutions that are currently confirmed as available and suitable to act as the Global Fund's local representative (Local Fund Agent or "LFA") for the first round. I would furthermore like to explain the Global Fund's selection criteria, in accordance with the April Board decision and the priority for speedy disbursements, and inform you about the outcomes of our discussions with a broad range of potential public and private sector LFA candidates. The Secretariat will contact you to discuss the specific selection of LFA for your country.

Our overriding priority is to speed up disbursements of approved grants while ensuring accountability. Given the limited resources of the interim Secretariat and the time required to carry out due diligence on each potential LFA institution, it was deemed necessary to limit the number of institutions that will serve as LFAs for successful first round countries. However, should certain CCMs feel that the proposed LFA candidates would not be able to fulfill the required duties in your country, and have a strong preference for an alternative suitable local entity to serve as LFA, according to the criteria defined below, you may bring this to our attention. The Secretariat will make efforts to investigate these requests. However, please note that any such investigation may unavoidably cause a delay in the disbursement process.

Local Fund Agent (LFA) criteria

For the purpose of identifying a manageable number of suitable and available LFA candidates, the Global Fund Secretariat met with and investigated a broad range of public and private sector institutions over the last months. We have considered the roles and responsibilities of the LFA, and judged the different LFA candidates according to the following list of criteria, in accordance with the April Board decision:

- **Independence**, including potential conflict of interest with Country Coordinating Mechanisms (CCMs) and Principal Recipients (PRs)
- **Country preferences**, as expressed by CCMs to the Global Fund
- **Relevant expertise**, with a focus primarily on overall quality advising as well as financial and programmatic management. We believe that other areas of expertise can be complemented by experts on an ad hoc basis, as well as by other partner organizations
- **Responsiveness to the Global Fund's needs**, including ability to mobilize quickly
- **Proven track record**, including comparable assignments and key staff members
- **Wide geographic coverage**, with a bench-mark of an established presence in at least 6 first round countries
- **Quality of local presence**, including local staff members with relevant expertise
- **Remuneration demands**

Public and private sector Local Fund Agent (LFA) candidates

Among **private sector firms**, we are confident that the audit/accounting firms PricewaterhouseCooper (PwC) and KPMG fulfill the Global Fund's criteria, as outlined above. The Global Fund accordingly expects to contract these firms to serve as LFAs for a significant number of countries for the first round.

For organizations that may be classified as **either public or private**, we believe that Crown Agents, a previously public agency recently converted to a private foundation, is qualified to serve as LFA in a number of African first round countries.

Concerning **public sector entities**, we have had extensive discussions with a large number of multilateral organizations. There is agreement that UN agencies including WHO, UNDP and UNAIDS cannot serve as independent LFAs, since they are particularly well suited to provide support to CCMs and PRs in their implementation of the proposals, as requested by CCMs. UNOPS is available and may be suitable to assume some role in certain countries to assist the first round process.

In very exceptional cases, should no other suitable LFA candidate be available, the Global Fund Secretariat will assume the LFA responsibilities from its offices in Geneva.

The Global Fund has had detailed discussions concerning the different elements included in this letter with the World Bank, in the Bank's role as Trustee to the Global Fund and as mandated by the Board. Those discussions included the possibility of the World Bank assuming an active role at country level to assist implementation of Global Fund approved proposals, including playing all or part of the LFA role in certain countries.

Nominations of Principal Recipients (PRs) by CCMs

The Global Fund Secretariat has until now received nominations for one or more Principal Recipients (PRs) from more than half of all approved applicants. The sooner we receive nominations, as well as the additional information about the nominated PR(s) requested in my last letter to you, the sooner the Secretariat will be able to initiate preparations for the grant agreement with the nominated PR(s). To ensure transparency, we request that all CCMs forward the minutes of the meeting where the decision to nominate the PR(s) was taken.

Throughout the implementation of the approved proposal, the PR(s) will be responsible and answerable to the CCM, and accountable for results to the Global Fund. The PR(s) are expected to interact regularly with all CCM members, and share all financial and programmatic progress reports with CCM members before submitting them to the Global Fund through the LFA. The LFA will be available to receive comments on these reports from CCM members, as well as on any other aspect of the implementation of the proposal.

I trust that all successful first round applicants will understand the overriding urgency for speedy disbursements and appreciate the approach described above. The Secretariat is looking forward to discuss the above list of available and suitable LFAs with you, and to start working with you to conclude grant agreements.

I would once more like to express my sincere gratitude to you for your commitment to scale up national and global efforts against HIV, TB, and malaria.

Yours sincerely,

Professor Richard G.A. Feachem, CBE, FREng, DSc(Med)
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The Global Fund to Fight AIDS, Tuberculosis and Malaria

cc: CCM contact points