



GLOBAL FUND
to Fight AIDS,
Tuberculosis
and Malaria

Local Fiduciary Arrangements: Guidelines for Approved Applicants

These guidelines were prepared for Approved Applicants to facilitate preparations at country level for implementation of the approved proposal. **The most urgent task for Approved Applicants is to identify and suggest to the Global Fund Secretariat candidates for:**

- i) a **Principal Recipient**, and
- ii) a **Local Fund Agent**¹

as indicated in the approval letter already sent to all Approved Applicants by the Secretariat. The roles and responsibilities and characteristics of these two organisations are further described in the present document.

Background

At the recent GF Board meeting in New York, the Board confirmed that grants from the GF will only be awarded subject to the condition that sound fiduciary arrangements are in place at recipient level. Sound fiduciary arrangements include good program management capacity, systems for financial controls, capacity and systems for disbursement and accounting of funds, mechanisms for procurement, systems to provide assurance that funds were properly used and reached the intended beneficiaries, systems that ensure transparency, accessibility, and sound reporting capacity. The GF places great importance on a rapid release of funds to recipients, while at the same time adhering to internationally recognised accounting standards and ensuring full transparency for all parties. Fiduciary, program management, and program monitoring systems at the recipient level will be required to assure proper accountability and respond to the needs of ultimate beneficiaries.

Local fiduciary actors in country

Each Approved Applicant will ensure local accountability arrangements at country level as defined above through the identification of candidates for

- i) one **Principal Recipient** (PR), or several Principal Recipients if deemed necessary, to manage implementation, and
- ii) a **Local Fund Agent** (LFA): an experienced public or private entity (local, multilateral or bilateral) which will act on behalf of the Global Fund in-country.

¹ “Local partner organization” in previous correspondence from the GF Secretariat

The **Principal Recipient** should be **part of the CCM** and be responsible for financial management and implementation of the proposal including receiving and disbursing funds to sub recipients, overseeing and carrying out procurement and reporting on progress to the LFA. The PR will be responsible and accountable to the GF, and should act under the general guidance and on behalf of the CCM.

The **Local Fund Agent** is the representative of the GF at country level. The main responsibilities of the LFA include to: i) assess capacity and systems in place at the PR level and to ensure adequate implementation, financial and program accountability and capacity, ii) oversee PR financial accountability and programmatic implementation of the proposal on behalf of the GF, iii) advise the GF on disbursement, iv) support strengthening of financial and program management capacity of the PR as needed, and v) analyse PR progress reports and transmit analysis to the GF and recommend and take action on behalf of the GF when necessary. The LFA will not manage or implement the funded proposal. Implementation will be the responsibility of the PR and other implementing agencies as defined in the proposal.

Key characteristics of the PR

The PR needs to have capacity and systems in place to be responsible for financial management and implementation of the proposal. It should have good, transparent systems as well as the capacity in place and an appropriate legal status to enable it to receive, use, disburse and account for funds and to fulfil procurement requirements. In addition, the PR should have procedures to monitor and report on progress and results at sub-recipient level.

Key characteristics of the LFA

The LFA should be a suitable, independent, credible and experienced organization with local knowledge, experience and presence in the country. It should have the capacity to ensure speedy progress on implementation arrangements including ensuring a transparent and reliable fiduciary system, systems for disbursing funds to local levels and proper M&E at the PR(s). The LFA should also follow-up on the functioning of the national CCM according to the key principles of the GF. The LFA could be a national or international organization with local presence, from the private or government sector. **The LFA cannot be an implementing agency in the proposal.** More specific requirements of the LFA are provided in Appendix 2.

Contracts and Agreements

LFA contract

Once the GF Secretariat has received the name(s) of the suggested LFA and PR from the Approved Applicants, the GF (in consultation with the Trustee) will make an assessment of the suggested LFA. Once the LFA has been approved by the GF, the GF will negotiate and sign a contract with the LFA. **The GF will make the final decision regarding appointment of the LFA.**

Grant Agreement

Once the approved LFA has finalised the assessment of the PR, the GF will negotiate and sign a grant agreement with the PR. Each such agreement will set forth the terms and conditions on which the funds will be made available, including a revised budget and program, statements as to how and when the funds will be disbursed, procurement rules, reporting requirements etc. It will also clearly stipulate roles and responsibilities and obligations of the PR (as part of the CCM) vis

a vis the LFA and the GF. In addition, a disbursement plan for the first year will be negotiated. Subsequent disbursement plans will be revised on a yearly basis. These agreements are further outlined in Appendix 2.

Other

For further information or questions regarding fiduciary requirements, please contact Hernan Rosenberg or Mazuwa Banda at the GF Secretariat on tel. +41-22-791 9452 or fax +41-22-791 9461.

Interim Secretariat
The Global Fund

Specific requirements of the LFA

To meet the GF conditions, the LFA should as a minimum have:

1. Capacity (or access to) at the country (or even local level) to:
 - supervise, advise if needed, and endorse technical decisions by the PR
 - assess the different financial, administrative, procurement, disbursement, M&E, personnel and other such systems of the PR as to their capacity to provide necessary levels of accountability. Although not strictly necessary, the LFA will have similar systems in place that could be drawn upon in case it is determined that the PR requires such support.
 - conduct training in financial management related areas, if necessary to establish or improve existing systems
 - monitor progress of the proposals both financially and technically, and provide suggestions to the GF Secretariat for corrective action if and when needed
2. An established presence in the country, preferably also at the specific local level of the proposal
3. Experience in handling internationally funded projects, either as the manager or in a similar supervisory function and of a magnitude commensurate with the proposal
4. Contacts with local accounting or auditing firms that may be needed to support proposals from this perspective

Although not strictly necessarily international in nature, the LFA is likely to be an internationally known entity with experience in the above subjects and with a strong local presence. While cost is not the only factor, it will be a consideration in the selection. Furthermore, local presence is a *sine qua non* condition, as local laws and commercial habits need to be well understood to properly advise the GF.

