

# RESULTS WITH INTEGRITY

THE GLOBAL FUND TO FIGHT AIDS,  
TUBERCULOSIS AND MALARIA

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## INTRODUCTION

The Global Fund was set up in 2001 to save lives. In the ten years since its creation, it has funded the detection and treatment of 7.7 million cases of TB, the distribution of 160 million insecticide-treated nets, and the maintenance of a growing number of people - today 3 million - on antiretroviral therapy.

Working in partnership with 325 Principal Recipients and over 3,000 sub-recipients across 145 countries, the Global Fund has disbursed more than US\$13 billion for lifesaving programs. Global Fund financing has contributed significantly to major successes against the three diseases during the past decade: AIDS deaths have decreased worldwide from 2.1 million per year in 2001 to 1.8 million in 2009; HIV incidence has dropped by more than 25 percent in 33 countries since 2001; TB incidence has fallen globally as well as in 5 out of the 6 WHO regions; and the lives of 750,000 children have been saved from malaria since 2001.

*The Global Fund, by the very nature of its mandate, works in countries and environments which present high levels of risk*

When the Global Fund was established, it took into account lessons learned from 40 years of development experience to create a system based on country ownership, performance-based funding, transparency and accountability. These four principles were considered the best way to ensure efficiency, results, ownership and sustainability.

The Global Fund, by the very nature of its mandate, works in countries and environments which present high levels of risk - countries where programmatic and oversight capacities are weak, or where financial controls are inadequate, or those commonly defined as "fragile" states.

Along with its commitment to transparency, the Global Fund has had, from the beginning, an uncompromising attitude toward misuse of funds. The focus on transparency and accountability led to the creation of a structure which includes six layers of programmatic and fiduciary controls (Section 1).

The Global Fund has transparently communicated to the world any finding related to irregular expenditures at the country level - publicizing to date US\$ 43 million in fraudulent, unsupported, or ineligible expenditures by Principal and sub-recipients (Section 2).

Instances of suspected or confirmed fraud have received a swift and determined response, with programs suspended or terminated in a number of countries, and a relentless pursuit of recovery of misspent funds (Section 3).

Finally, in the last two years, the Global Fund has been reinforcing its fraud detection and risk-management processes, with particular attention to the role of Local Fund Agents and fraud-prone activities at the country-level (Section 4).

The Global Fund continues to evolve and improve the way it anticipates and mitigates this risk to ensure that the bulk of its funding continues to reach its intended beneficiaries.

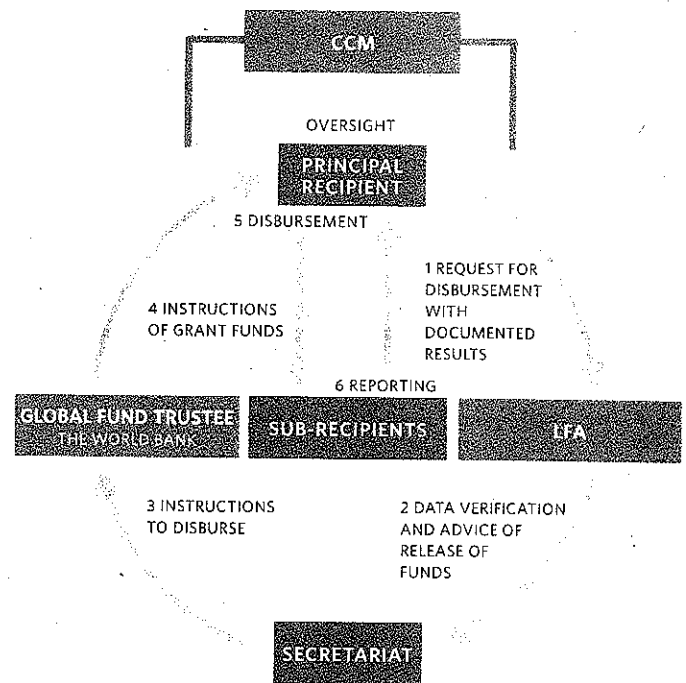
## SECTION 1 THE GLOBAL FUND'S ESTABLISHED FRAUD-PREVENTION POLICIES

By nature of its mandate, the Global Fund sometimes operates in countries with weak programmatic and oversight capacity and inadequate financial controls - including post-conflict and fragile states. In order to mitigate these realities, the Global Fund's systems and processes institute strict controls over the allocation, management, and oversight of grant funds, with six layers of assurance:

- 1 Principal Recipient's internal control mechanisms;
- 2 Independent in-country verification and oversight mechanism (Local Fund Agents);
- 3 Annual external independent audit of Principal and sub-recipients;
- 4 Secretariat monitoring of grant implementation (including imposing additional safeguards where risks are deemed to be high);
- 5 Work of the Office of the Inspector General<sup>2</sup>, including audits and investigations;
- 6 Oversight provided by governance organs - the Board and its Committees.

Within these layers, Global Fund policies ensure that strong risk management and fraud prevention procedures are enacted every step of the grant lifecycle, as outlined below.

### GLOBAL FUND GRANT PROCESS



### PROPOSALS

- Proposals are submitted to the Global Fund by Country Coordinating Mechanisms - entities composed of a range of government, civil society, and private sector representatives; they are evaluated by an independent Technical Review Panel in Geneva reporting directly to the Global Fund Board;
- Proposals are thus developed to address countries' specific situations and priorities, and are funded through an objective and independent process.

<sup>2</sup> The Office of the Inspector General was established by the Board of the Global Fund to Fight AIDS, Tuberculosis and Malaria in July 2005. The Office of the Inspector General operates as an independent unit of the Global Fund, reporting directly to the Board. The Office of the Inspector General provides the Global Fund with independent, objective, and credible assessments of the performance of the Global Fund's operations. The Office of the Inspector General also provides the Global Fund with independent, objective, and credible assessments of the performance of the Global Fund's partners.

## GRANT NEGOTIATIONS

- Following Board approval, Local Fund Agents<sup>3</sup> conduct in-depth capacity assessment of the Principal Recipients that the Country Coordinating Mechanism has nominated to implement the activities funded by the grant. The assessments concentrate on: fiduciary controls; program management capacity; pharmaceutical health and products managements; monitoring and evaluation systems; and the management of sub-recipients;
- The process of grant negotiations (lasting approximately eight to ten months) is led by the Global Fund with support from Local Fund Agents; it includes in-depth reviews of proposed budgets, indicators, and expected results, and careful assessments of processes at Principal Recipient and sub-recipient levels to adequately manage funds and programs.

*Countries where governance factors are considered to pose particular risks, the Executive Director can impose a policy of additional safeguards. These countries are subject to extraordinary controls and restrictions*

- For countries where governance factors are considered to pose particular risks, the Executive Director can impose a policy of additional safeguards. These countries are subject to extraordinary controls and restrictions, including the Global Fund approving sub-recipients, additional reporting requirements, and, in some cases, a no-cash policy, which prohibits in-advance cash transfers to sub-recipients that pose a particular risk (such as government entities in authoritarian regimes).

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## GRANT MANAGEMENT

- Once a grant has been signed, Local Fund Agents conduct regular (three- or six-monthly) financial and programmatic verifications which inform Secretariat funding decisions, and alert the Secretariat to risks, including, for example, risks related to weak fiduciary controls or unusual spending patterns;
- Local Fund Agents are in turn evaluated by the Secretariat on an ongoing basis through a Performance Evaluation Tool, and every two years through a mid-term evaluation; they are strengthened or replaced when performance is sub-standard<sup>4</sup>;
- Work in the Secretariat is coordinated by a Fund Portfolio Manager working with a team of finance, procurement, legal and monitoring experts to analyze performance and make informed grant management decisions;
- Disbursements take place on a pre-agreed schedule – but only if the program is reaching predefined objectives. In line with its performance-based funding principles, in 2010-2011 the Global Fund has disbursed, on average, 88 percent of the amount requested by Principal Recipients<sup>5</sup>; in a significant number of cases (18 percent of the total), the Global Fund disbursed half or less of the requested amount – usually because of poor grant performance, low absorption capacity or risk mitigation. In 2010, more than 25 percent of regular disbursements<sup>6</sup> experienced delays longer than a week – usually because critical documents (including *audit reports*) were not provided by the Principal Recipient, or because of further requests for clarifications;

<sup>3</sup> Local Fund Agents provide independent and objective advice that enables the Global Fund to make quality and timely decisions. There are currently nine Local Fund Agent organizations (including audit and consulting organizations, a non-profit institute and an UN organization) with 131 in-country teams.

<sup>4</sup> Local Fund Agents have been replaced in 11 countries in the last two years, and a further ten put on performance improvement plans in 2010 (effectively put on notice).

- Principal Recipients are responsible for the oversight of sub-recipients, and this oversight is scrutinized by the Local Fund Agent and the Secretariat on a systematic basis. In high-risk countries – and in other countries if the Secretariat deems it appropriate – Local Fund Agents see their mandate extended to scrutinizing sub-recipients;
- Principal Recipients and sub-recipients are subjected to annual audits conducted by independent national auditing agencies (separate from the Local Fund Agents).

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#### ADDITIONAL SCRUTINY

- All grants are subjected to annual on-site data verification exercises, in which sample results reported by Principal Recipients are confirmed through physical checks by the Local Fund Agent;
- On the request of the Global Fund, Local Fund Agents undertake additional verification and assessment work throughout the grant lifecycle tailored to the risks in the program, Principal Recipient and country contexts;
- Every year, 20 countries are selected by the Secretariat to undergo in-depth data quality audits through which the Global Fund tests country-wide monitoring and reporting systems;
- Finally, the Office of the Inspector General (introduced in 2005) undertakes independent audits and investigations. To date, the Inspector General has completed – or is conducting – audits or investigations in 33 of the 145 countries where the Global Fund has grants. The Inspector General executes a number of scheduled audits every year in addition to investigations based on information about possible wrongdoing. In addition, the Inspector General in 2011 has planned a number of “*diagnostic audits*” (lighter reviews at the country level aimed at establishing whether grant management by the Principal or sub-recipients presents high risks of fraud). Audits and investigations by the Office of the Inspector General are comprehensive and resource-demanding, with teams of up to 30 auditors working for weeks in countries to go through documentation of grants;
- Any detection of suspected or confirmed fraud through the mechanisms described above is immediately communicated to the Global Fund’s Inspector General. Additionally, the Inspector General’s whistle-blower policy allows any person observing irregularities to approach the Inspector General’s office anonymously via mail or phone.

*Any detection of suspected or confirmed fraud through the mechanisms described above is immediately communicated to the Global Fund’s Inspector General.*

## SECTION 2 FRAUD-RELATED ISSUES IN THE GLOBAL FUND PORTFOLIO (FEBRUARY 2011)

*The Global Fund's zero tolerance to fraud (taking determined action to prevent fraud and address it every time it is uncovered) cannot translate into a zero tolerance to risk*

Reducing the burden of the three diseases entails working in countries with severe governance challenges and carries inherent risk; the Global Fund's *zero tolerance to fraud* (taking determined action to prevent fraud and address it every time it is uncovered) cannot translate into a *zero tolerance to risk*. While the Global Fund strives to mitigate risk as much as possible, it also does so in a cost-effective manner, careful not to "spend five dollars to protect one dollar"<sup>7</sup>.

Despite the broad range of verifications and controls described above, misuse of funds at times does occur within the Global Fund portfolio – and the Global Fund is currently seeking restitution of some US\$ 43 million in fraudulent, unsupported, or ineligible expenditures<sup>8</sup>. The table below shows a breakdown of the amount:

COUNTRY (OR PR)	FRAUD	UNSUPPORTED	INELIGIBLE	UNACCOUNTED INCOME/DRUGS	OTHER	TOTAL
UGANDA	-	-	-	-	1,600,000	1,600,000
MALI	4,300,000	-	-	-	-	4,300,000
DJIBOUTI	145,893	4,262,288	857,827	-	-	5,266,008
MAURITANIA	6,755,000	-	-	-	-	6,755,000
CAMBODIA	-	222,706	-	1,362,466	-	1,585,172
CAMEROON	33,455	2,199,530	3,370,322	-	-	5,603,307
ZAMBIA	13,000	5,808,446	4,998,389	-	-	10,819,835
TANZANIA	-	-	-	819,000	-	819,000
HAITI	-	519,326	1,253,869	704,730	-	2,477,925
DRC	-	1,110,107	933,586	-	-	2,043,693
PHILIPPINES	-	-	2,021,280	-	-	2,021,280
<b>TOTAL</b>	<b>11,247,348</b>	<b>14,122,403</b>	<b>13,435,273</b>	<b>2,886,196</b>	<b>1,600,000</b>	<b>43,291,220</b>

The table below summarizes the amounts disbursed by the Secretariat and reviewed by the Office of the Inspector General in Mauritania, Mali, Djibouti, and Zambia:

COUNTRY	SELECTED SAMPLE AUDITED BY THE OIG	TOTAL DISBURSED BY THE GLOBAL FUND TO COUNTRY	TOTAL UNSUPPORTED, FRAUDULENT, OR INELIGIBLE
MAURITANIA	US\$ 9.6 million	US\$ 16.5 million	US\$ 6,755,000
MALI	US\$ 11 million	US\$ 57.5 million	US\$ 4,300,000
DJIBOUTI	US\$ 17.4 million	US\$ 18.4 million	US\$ 5,266,008
ZAMBIA	US\$ 112 million	US\$ 280 million	US\$ 10,819,835

<sup>7</sup> In the words of a Global Fund Board Member, 22nd Board Meeting, December 2010.

<sup>8</sup> The Inspector General uses the following definitions: **Fraud**: money or property sought to be obtained for personal financial gain through deceptive or false means; **Unsupported expenditures**: expenditures of grant funds made for which supporting documentation is lacking, insufficient or illegitimate; **Ineligible**



## SECTION 3 THE GLOBAL FUND'S RESPONSE TO SUSPECTED OR CONFIRMED INSTANCES OF FRAUD

In response to fraud, the Global Fund has taken swift and context-specific action:

- Relevant grants in Mali, Mauritania, and Zambia were suspended in December 2010, September 2009 and August 2009 respectively<sup>9</sup>, with disbursements, expenditures and activities frozen until further notice, and only lifesaving treatment allowed to continue;
- One malaria grant was terminated and two TB grants were suspended in Mali in late 2010. A further suspension of an HIV grant was announced in February 2011;
- Djibouti, Mauritania and Mali, among other countries<sup>10</sup>, have been placed on the Global Fund's list of "Additional Safeguards" countries, allowing for increased direct scrutiny of activities at the Principal Recipient and sub-recipient levels;
- As described above, the Global Fund has demanded repayments of US\$ 43 million, of which US\$ 4.5 million has already been recovered;
- Evidence has been provided to local authorities in Mali, Mauritania and Zambia in support of criminal investigations<sup>11</sup>.

## SECTION 4 AN AGENDA FOR ACTION: IMPROVING FRAUD DETECTION AND PREVENTION

### 4.1 REVIEWING RISK IN THE GLOBAL FUND PORTFOLIO

- In light of fraud levels identified by the Inspector General in a number of countries, the Global Fund is reinforcing its mechanisms for the identification and mitigation of risk within its portfolio.

#### 4.1.1 SYSTEMATIC RISK-ASSESSMENT

As part of the reform program already started in 2010, the Global Fund is strengthening the Local Fund Agent's scope of work to focus even more on identifying fraud risks and actual fraud in Global Fund programs, at the Principal Recipient and sub-recipient levels. The findings and recommendations from the Inspector General<sup>12</sup> are helping to re-shape the role of Local Fund Agents. The following actions are ensuring the Global Fund and its Local Fund Agents are taking a more rigorous and systematic approach to risk management, including the fraud prevention:

*The Local Fund Agent scope of work has been updated to further strengthen their focus on fraud risks and actual fraud.*

- 1 The Local Fund Agent scope of work has been updated to further strengthen their focus on fraud risks and actual fraud. As part of this, Local Fund Agents will increase their focus on the assessment of fiduciary controls as part of their Round 10 assessments and Phase 2 reviews in 2011.
- 2 Local Fund Agents are conducting annual country and Principal Recipient risk assessments. The key output of the risk assessment is a *Principal Recipient Priority Risks Management Plan*, summarizing the main risks (including fraud risks) in the portfolio and recommended actions required by the Global Fund, Principal Recipients, Country Coordinating Mechanisms and other partners to manage the key risks and prevent fraud. The risk assessments ensure that the Local Fund Agent's work in each country is shaped by the

<sup>9</sup> The Global Fund has also suspended or frozen grants in Ukraine, Uganda, Chad and the Philippines.

<sup>10</sup> Papua New Guinea and Côte d'Ivoire were also added to the list because of weak financial management systems making them vulnerable to misuse.

specific risks in the implementation environment. Risk assessments for the countries that are now included in the Global Fund's new "Country Team Approach" will be completed by June 2011.

3 The Global Fund is requesting Local Fund Agents to perform more in-depth monitoring of high-risk activities. This includes assessing sub-recipients' capacities and controls; spot checks at service delivery points; closer review of training plans and related expenditures; review of pharmaceutical procurement and tendering processes; and conducting forensic audits.

4 The Global Fund, in collaboration with the OIG, has organized training events for Local Fund Agent experts that reviewed best practice in identifying fraud and assessed program activities that are prone to fraud. Further events are planned for 2011.

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## STRENGTHENING RISK MANAGEMENT AND FIDUCIARY CONTROLS IN NIGERIA

Because the Global Fund works exclusively through country-based structures, one of the greatest challenges facing the Fund is that of translating its *zero tolerance to fraud* into practical approaches at Principal and Sub-recipient level.

The Global Fund's Country Team for Nigeria has recently conducted a two-day Orientation and Risk Management Workshop in Abuja for staff of Principal Recipients, Sub-recipients, and relevant partners. The objectives of the workshop were to help participants identify key risks in Global Fund-related programs, develop preventive risk management measures, strengthen fiduciary controls, and develop effective *accountability frameworks* for programs in Nigeria.

*Accountability frameworks* summarize how implementers go about complying with Global Fund requirements, achieve quality, value for money, and sustainable impact; they also describe how implementers work to prevent misuse of Global Fund grant funds and ensure the

implementation of Secretariat, Local Fund Agents, and Inspector General recommendations.

The outcome of the workshop was a *risk-management plan* addressing cross-cutting risks per program and functional area - namely HIV, Malaria, Tuberculosis, Finance, Monitoring and Evaluation, and Procurement and Supply Management. The plan will now be monitored by the Country Coordinating Mechanism, the Global Fund, and the Local Fund Agent; and the Global Fund may approve the 'reprogramming' of grant funds for the purpose of strengthening fiduciary control systems: Principal Recipient's financial management and accounting, pharmaceutical and non-medical procurement processes, Sub-recipient management and monitoring, and management of high-risk activities involving cash transactions.

In the coming months, the Global Fund will be exploring the replication of such workshops across other countries in the portfolio.

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### 4.1.2. FOLLOW-UP ON THE INSPECTOR GENERAL'S FINDINGS AND RECOMMENDATIONS

In 2011, as in previous years, the Secretariat will continue its systematic follow-up on the Inspector General's findings and recommendations, ensuring that appropriate changes are brought to country-level structures and procedures as a response to audits and investigations. As of September 2010, the Secretariat was following up on 12 OIG audit reports with a total of 432 recommendations. Of the 12 reports, listed below, seven are

country-specific (311 recommendations) and five are audits and reviews aimed at improving processes and systems within the Global Fund Secretariat (121 recommendations).



The Global Fund has been relying on UN agencies (chiefly the United Nations Development Programme (UNDP) but also the United Nations Children's Fund (UNICEF) and the United Nations Office of Project Services (UNOPS) to manage grants in some of the portfolio's high-risk, low-capacity countries. In the last few years, the Global Fund's Inspector General has been seeking increased access to the various UN agencies' books, audits, and investigations, which are currently protected by UN rules.

High-level discussions between the Global Fund and UNDP have led to a commitment by UNDP to bring the issue to its board meeting in September 2011, granting access rights to the Global Fund equivalent to those of a UN member state. From discussions between the Global Fund and UNDP at the highest level, it appears unlikely that UNDP will be granting wider access rights to the Global Fund.

The Global Fund's Inspector General has made it clear to the Finance and Audit Committee of the Board, and to his counterpart in UNDP, that access equivalent to that afforded to member states would not be sufficient

for the provision of programmatic and fiduciary assurance by his office; the Inspector General is seeking wider access, e.g. access to working papers, witnesses, etc.

At one of its upcoming meetings in 2011, the Global Fund Board will need to decide on the minimum level of access it would deem acceptable in the Global Fund's continued relation with UNDP. Based on this decision, the Global Fund leadership and the Inspector General will engage in direct discussions with the UNDP leadership and the Office of Audits and Investigations, in order to agree on the best way forward.

In addition to the Inspector General's access to UNDP audits and investigations, a resolution will need to be found to operational access (by the Global Fund Secretariat and the Local Fund Agent) to grant-related documents, materials, financial records, and documents provided to UNDP by its sub-recipients.

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## 4.2 IMPROVED APPROACH TO HIGH-RISK ACTIVITIES

In addition to the country-focused risk-assessment and diagnostic-audits described above, the Global Fund is taking targeted action in a series of expenditure categories prone to particular risk.

**Activities involving cash transfers** for training events - including per diems, travel, meals and expense payments - are posing a high risk of misuse. In December 2010 the Global Fund, in consultation with partners and implementers, requested Principal Recipients around the world to submit detailed annual training plans; training activities which do not comply with approved training plans will no longer be eligible for Global Fund funding. Additionally, Local Fund Agent verifications and scrutiny of training activities have been enhanced to include, inter alia, spot-checks and routine verifications of participant-lists.

**Drug diversion.** The Global Fund Secretariat and the Office of the Inspector General have taken a leading international role in addressing drug theft, working with law enforcement, sister agencies, and drug manufacturers to investigate claims of theft<sup>13</sup>. The Global Fund hosted a meeting of concerned stakeholders (the UN Secretary General Special Envoy for Malaria, the World Health Organization (WHO), the Joint United Nations Programme on HIV/AIDS (UNAIDS), the United States Agency for International Development (USAID)/the President's Malaria Initiative (PMI) & OIG, USG/PEPFAR, UNITAID, the GAVI Alliance, Stop TB Partnership, Roll Back Malaria, ALMA and UNICEF) in Geneva on 17 February 2011 as a first step in agreeing on an action plan to deal with theft and illegal diversion of medicines, initially focusing on malaria, TB and HIV.

Based on information from reported cases and ongoing investigations, some thefts appear to be well-organized, raising the need for concerted action. Long-term solutions to the issue lie in building secure and sustainable supply chains so that products reach the intended end-users. The Global Fund, in coordination with other donors, UN Agencies, grant implementers, drug manufacturers and law enforcement agencies, has embarked on implementing immediate and long-term measures, summarized below, to address the problem of drug theft:

- In countries where theft of drugs has occurred, work to assess the magnitude of the problem and the adequacy of mitigation measures taken so far;

- In countries with systemic issues, work with national authorities to propose short- and medium-term measures to reduce the risk of drug theft while building capacities to strengthen health systems in the longer term;
- Provide support to strengthen national capacity of procurement and supply management systems, including national drug regulatory authorities;
- Finally, the role of the Global Fund-hosted *Affordable-Medicines for Malaria Facility* (AMFm - aiming to remove price disparities for malaria drugs) will be assessed for its impact on drug-related crime.

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## MITIGATING THE RISK OF DRUG DIVERSION IN MALAWI

Drug diversion has been reported as an issue by several donors in Southern Africa, and more recently in relation to ACTs in Malawi's Medical Stores system. In late 2010 and early 2011, in close collaboration with national stakeholders, technical agencies, and main donors, the Global Fund took a number of decisions aimed at mitigating drug-theft risks while ensuring the uninterrupted supply of health products to end-users.

**Bypassing Medical Stores.** Until structures are considered secure, pharmaceuticals and other health products purchased with Global Fund finances will not pass through the Malawi Central Medical Stores (CMS), but will reach end-users through alternative supply systems. For products that were already within the CMS, a number of additional safeguard measures were put in place to ensure proper management and minimize the risk of diversion.

**Addressing other high-risk areas.** A senior-level working group within the Global Fund Secretariat is currently taking stock of a number of Operational Finance Issues and recurring risk trends across the portfolio. Several guidelines and policies are currently being adjusted, to provide a more detailed operational framework for dealing with these specific topics.

**Capacity Building.** The Ministry of Health has developed plans to strengthen CMS structures through an independent Supply Chain Agent in charge of customs clearance, inventory management, quality control testing, warehouse management, and distribution. The Supply Chain Agent is also responsible for building the capacity of CMS staff and the transfer of skills.

**Governance.** Finally, in an effort to reinforce Medical Stores' governance, the Government of Malawi has recently appointed a Board of Trustees for the newly formed Central Medical Store Trust - an independent entity in charge of managing the Stores. Once functional, the Trust will ensure the effective management of the Medical Stores.

Future Global Fund disbursements will depend on progress towards the implementation of the Ministry's plans - including the refurbishment of storage space.

### 4.3 IMPROVED FRAUD PREVENTION AND DETECTION

The Inspector General's findings in Mali, Mauritania and Djibouti have shown that in a limited number of countries, and under specific activities, existing Global Fund systems (described in Section 1) did for an extended period of time not manage to adequately prevent or uncover fraud<sup>14</sup>.

In response to these and other findings, the Secretariat embarked, in early 2010, on a Reform Agenda for a More Effective and Efficient Global Fund<sup>15</sup>, large parts of which focus on improving the Global Fund's approach to risk and fraud (4.3.1). Additional measures have recently been added to the reform agenda in order to further reduce risks of misuse of funds (4.3.2).

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#### 4.3.1 THE GLOBAL FUND'S REFORM AGENDA

The reform agenda is a comprehensive set of reforms across a broad range of Global Fund systems, instruments, structure and operations all aimed at further increasing the effectiveness and efficiency of the organization. The agenda includes four areas directly relevant to fraud prevention:

- Enhanced effectiveness of Local Fund Agents: the Global Fund is strengthening the Local Fund Agent scope of work to improve risk management and fraud prevention; enforcing the skill requirements for Local Fund Agent teams; implementing a rigorous and systematic Local Fund Agent performance management system; improving in-country communications (Global Fund, Principal Recipients, Country Coordinating Mechanisms, Local Fund Agent and other partners); leveraging Local Fund Agent expertise to enhance Global Fund policies and processes; and ensuring value-for-money Local Fund Agent services ;
- Strengthened role for Country Coordinating Mechanisms in grant oversight (including increased transparency and accountability and increased resources) and better management of conflicts of interest for Country Coordinating Mechanism members;
- Enhanced attention to quality assurance, through (i) the introduction of a dedicated Quality Unit (April 2011) to ensure consistency of grant-related deliverables, and (ii) through the codification of standard operating procedures capturing best practices in grant management. The first set of standard operating procedures has been finalized, and over fifty processes will have been codified by September 2011;
- Accelerated implementation of the Country Team Approach<sup>16</sup>, allowing for a better coordination of expertise around grant-management decisions, interactions with recipients, and management of key risks in the programs. With Global Fund staff spending around 150 percent more time on portfolios managed through the Country Team Approach, the Secretariat in mid-2010 moved to reassign 27 staff positions (5 percent of the Secretariat's total workforce) from other units to those involved in country teams. Thirteen country teams were rolled out in October 2010. A further twenty country teams will be established in March 2011, with the aim of arriving at country teams for more than forty countries by June 2011.

<sup>14</sup> It should nonetheless be noted that in the case of Mauritania, it is the Local Fund Agent who detected the fraud and informed the Global Fund.

<sup>15</sup> A full outline of which was presented at the 2010 Replenishment meeting and later at the Sofia Board Meeting in December 2010

#### 4.3.2. ANNOUNCING NEW RISK-MITIGATION MEASURES

Based on discussions and consultations with partners over the last few weeks, the Global Fund has announced a number of additional measures aimed at reducing fraud.

- During the negotiations of Round 10 grants, the Secretariat will be implementing revised Principal Recipient internal control policies (including control over sub-recipients). As a result, a portion of grant funds will be devoted to assessing and strengthening fiduciary controls in countries, instituting special technical assistance programs to support Principal Recipients with fraud prevention and detection skills, contracting out financial management and procurement functions when the Principal Recipients capacity is low, and increasing monitoring of sub-recipients;

- The Secretariat is working to improve its own capacity in relation to fraud prevention and detection – instituting a Global Fund “SWAT team” to deal with identified misuse (this is part of the current restructuring of the Country Programs Cluster) and implementing a Global Fund-wide training program for fraud mitigation and detection for staff, Country Coordinating Mechanisms, and Principal and sub-recipients. The Board also decided, in December 2010, to reinforce the Office of the Inspector General by adding a number of investigators and significantly increasing its budget for 2011.

*A portion of grant funds will be devoted to assessing and strengthening fiduciary controls in countries*

## SECTION 5 CONCLUSION

The Global Fund was set up as an emergency response (some described it as a “war chest”) to fight HIV/AIDS, malaria, and TB. It was to be a lean mechanism capable of rapidly raising and disbursing additional funding through reliance on country systems and a focus on results. Ten years on, the underlying model and principles of the Global Fund continue to be highly relevant to the delivery of health results, and the organization’s assurance framework, under constant improvement, is solid.

Risk, however, will remain an inherent part of the Global Fund’s business. As the Global Fund continues to apply its six layers of assurance to grants and programs, and as the identified amounts of fraud and misspent funds increase, the Global Fund will continue to earn the trust of its recipients and donors through the proactive and transparent way in which it learns, grows, and improves.

It is essential to ensure that the criminal deeds of a few do not undermine the essential support of the Global Fund to the hundreds of organizations and tens of thousands of dedicated people who utilize our funding with efficiency, effectiveness and results.

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