

## Editorial

*GFA's international recognition as a dependable partner is incorporated in a set of values which has recently been redefined in a workshop involving all GFA staff. These values focus on excellence, innovation, responsibility, integrity, and staff orientation. GFA's development in relation with financial advisory services for The Global Fund as illustrated in this newsletter perfectly mirrors how these corporate values interact and contribute to economic success.*

*GFA's market breakthrough in the provision of financial management came about when we won the first MCC fiscal agent tender in 2006. From then on, GFA's focus on excellence in project implementation combined with the introduction of innovative and cost-efficient software solutions convinced MCC as a new client. This resulted in a dramatic increase of contracts related to financial management as GFA's work is led by principles of integrity reflected by high objective reporting standards in an often extremely difficult environment.*

*This successful development has drawn the attention of The Global Fund to GFA's competences in financial advisory services and led to the provision of a framework contract. The contract provided GFA with a chance to make its experience and innovative solutions available to a broad set of clients worldwide. Due to its staff orientation, GFA has been able to reach the long-term commitment of highly qualified and interculturally sensitive experts for its services abroad. This is the key to success in meeting the high demands of our clients.*



Klaus Altemeier  
Managing Director  
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## Financial Management for The Global Fund

**The Global Fund is the major multi-donor financier of programs to fight AIDS, tuberculosis and malaria. Since its creation in 2002, approved funding of 22.9 billion US dollars was disbursed for around 1,000 programs in more than 150 countries. In September 2012, The Global Fund entrusted GFA Consulting Group with an indefinite quantity contract regarding financial advisory services. The assistance covers financial and payment agency work, financial verification and management assessments, internal audit services and capacity building.**

The Global Fund to Fight AIDS, Tuberculosis and Malaria is a global multi-donor fund dedicated to attract and disburse resources to prevent and treat the mentioned diseases. It channels 82% of the international financing for tuberculosis (TB), 50% for malaria, and 21% of the international financing against AIDS. The Global Fund grants enable countries to prevent, treat and provide healthcare for people with AIDS, TB and malaria. Set up as a public-private partnership, The Global Fund is almost completely funded by yearly contributions from government organizations and the private sector. At an annual 200 million euros, Germany is one of the largest contributors to the fund with the United States and France in the lead.

The largest private contributor is the Gates Foundation which pledged 1.1 billion US dollars in 2013.

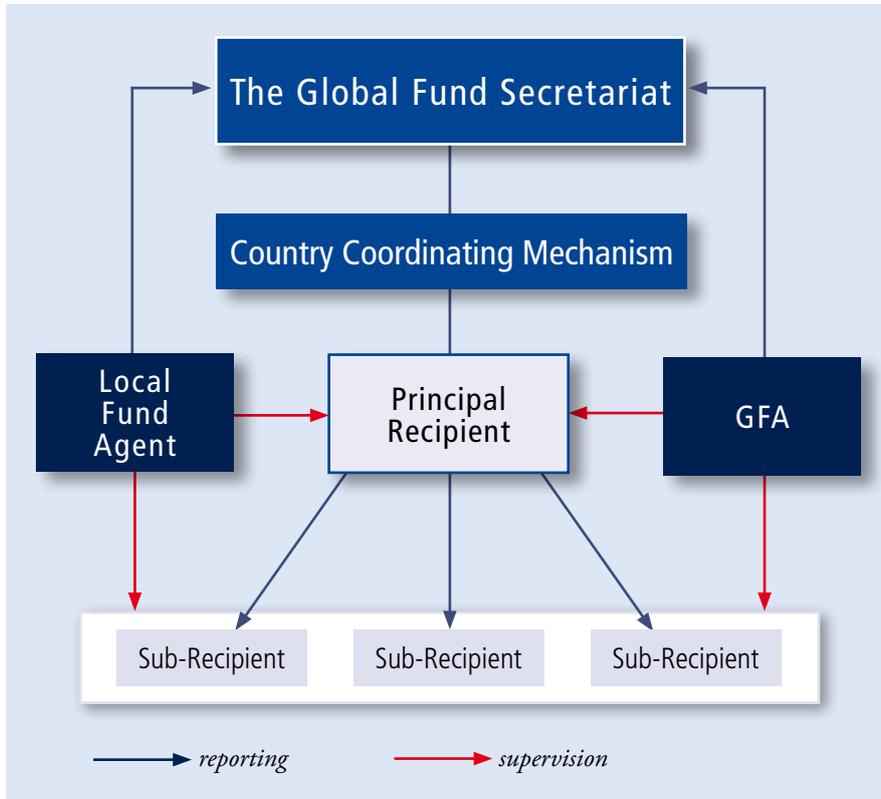
### Funding mechanism and governance

Funding is based on contracts that clearly describe outputs, e.g. number of people treated, number of bed nets distributed, etc. At country level, the Country Coordinating Mechanism (CCM) is composed of key stakeholders in response to the three diseases. The CCM does not handle financing of The Global Fund itself, but is responsible for submitting proposals to the fund. The latter signs a legal grant agreement with a Principal Recipient designated by the CCM. The Principal Recipient receives fund financing directly, and then uses it to implement prevention, care and treatment programs or passes it on to other organizations (sub-recipients) that provide those services. The Global Fund contracts firms to act as Local Fund Agents (LFAs) to monitor implementation. The Global Fund Secretariat based in Geneva manages the grant portfolio: screening proposals, issuing instructions to disburse money to grant recipients and implementing performance-based funding of grants. The Technical Review Panel is an independent group of international experts in the three diseases which meets



Disinfection of nets for malaria prevention

## Financial Management for the Global Fund (continued from page 1)



regularly to review proposals and provide funding recommendations to The Global Fund Board, i.e. representatives from donor and recipient governments, civil society, and the private sector.

Initiatives supported by The Global Fund are much more driven by stakeholders in a specific country than most other international support programs. Therefore, proper fund management and oversight has always been a key governance issue. During 2011, the press and the fund's independent Inspector General's Office, reported misconduct, weak procurement practices, and inadequate operational efficiency. In response to the findings, Germany and other countries blocked financing until governance reforms were completed in 2012, based on an independent investigation. A new funding model has been designed to ensure strategic investment for maximum impact.

### GFA competences and services

When The Global Fund issued GFA the framework contract concerning financial advisory services in late 2012, the com-

pany brought two major assets to the table. One is 25 years of experience with fund and procurement management services for major funding agencies such as the Millennium Challenge Corporation (MCC), World Bank, KfW Development Bank or The Global Fund itself. The other asset is innovative and client-oriented solutions based on the cross-sectoral expertise inherent in GFA's technical and regional departments. An interdisciplinary working group on financial management and procurement was established as early as 2008. Since 2006, GFA has been operating as fiscal and procurement agent in twelve countries funded by MCC which aims at funding projects focused on reducing poverty through sustainable economic growth. Total MCC funds managed amount to 4.9 billion US dollars which make GFA the largest contractor for such MCC services worldwide. At the same time, GFA is the only German consulting firm that The Global Fund has trusted with an indefinite quantity contract to implement Data Quality Audits worldwide. Since 2008, GFA Medica completed 16 assignments worldwide to assess the

performance of national monitoring systems. Additionally, GFA, in a consortium, has been contracted by The Global Fund to provide services as Local Fund Agent in a number of countries in Africa and Latin America.

As far as GFA's financial management services for The Global Fund are concerned, each of the projects is tailored to the specific circumstances of respective diseases, of implementing countries and institutions, and of sector and project objectives. Experts of GFA Consulting Group and GFA B.I.S. have developed, customized and implemented a comprehensive financial management system for the specific needs of The Global Fund. The system is based on Infor FMS SunSystems and has been field-tested in several MCC projects. It comprises accounting, reporting and standard internal control functions that can be quickly and efficiently adapted to the particular needs of the Principal Recipient in a particular country. Fiscal agent services are required to assist principal or sub-recipients by acting as a sub-contractor for their accounting and financial management functions. Basically, the GFA team mitigates the risk of fraud or misuse of grant funds, minimizes complaints, and increases the efficiency of fund management by means of enforcing operational procedures in compliance with Global Fund standards.

Payment or escrow agent services take care of all financial transactions on behalf of the implementing entity, e.g. making payments based on agreed procedures or safeguarding and implementing control mechanisms. Given the specific risk context in which Global Fund grants are implemented, further scrutiny of financial and accounting documents may be required. In addition, existing procedures and systems may need updating in compliance with Global Fund requirements. Moreover, capacity building assistance and training on accounting and financial management is a potential responsibility. Under the Global Fund financial management framework contract, GFA has, so far, won six assignments. Each project is staffed by up to five international long-

term experts and additional short-term consultants. At times, in the case of expansions such as in Cambodia, personnel needs to be increased considerably. Recently, GFA has submitted a proposal for an additional Global Fund framework contract related to procurement agent services. In Cambodia, GFA has been asked to expand financial services to another recipient and to procurement management.

Given the growing trend to combine financial and procurement management, the cooperation with The Global Fund offers great and sustained potential for years to come. The diversity of the challenges ahead is highlighted in the project case studies below.

### **Fiscal & Procurement Agent, Cambodia**

In February 2013, The Global Fund contracted GFA to provide fiscal agent services supporting the Finance Department of the National Centre for HIV/AIDS, Dermatology and SRD (NCHADS) in Cambodia. NCHADS is the Principal Recipient of the HIV/AIDS grant of 83 million US dollars. Grant activities aim at maintaining comprehensive care and treatment, and reducing financial cost for 48,000 people who receive antiretroviral treatment. NCHADS has been successful in extending the outreach to most-at-risk populations. The GFA team primarily strengthens the financial accounting and internal control functions. These services can only be efficient in close cooperation with counterparts whose internal capacities have been improved. The multi-cultural team provides training-on-the-job for local staff. Another major responsibility is to improve internal control measures and ensure compliance with Global Fund standard procedures within the counterpart institution and the sub-recipients.

### **Financial Management, Swaziland**

For a year starting in September 2013, GFA will provide a broad range of financial management services to the National Emergency Response Council for HIV/AIDS (NERCHA) in Swaziland. NERCHA is in charge of implementing activities at province level and with national and international NGOs as sub-



*Measures in the fight against HIV/AIDS, TB and malaria*

recipients. The GFA team started working with the Principal Recipient to ensure that all requests to commit funds or to make payments as part of the grant implementation are carried out correctly. In this capacity, GFA experts oversee, discharge and perform all services necessary to ensure that all financial management activities are conducted in strict compliance with rules, and procedures set out by The Global Fund and the local government.

### **Fiscal Agent, Malawi**

In Malawi, GFA is the fiscal agent supporting the Ministry of Health and the National AIDS Commission as Principal Recipient. The contract for one year that started in June 2013. The objectives of the assignment are to ensure compliance of grant expenses with the agreed budget, procurement and work plan and to strengthen the recipient's financial management in respect with accountability, efficiency and transparency. GFA experts review and approve both the placing of orders when committing funds and the actual payment of expenses with Global Fund grants. They ensure that financial transactions are accurately, completely and timely maintained and that reporting as requested by The Global Fund and the Principal Recipient is based on an automated accounting system. Together with the recipient, GFA as fiscal agent signs

responsible for the commitment and the payment of funds and is authorised as signatory for commitments and actual payments. The experts assist in the budgeting process by providing information for the decision making process. Moreover, they streamline procedures, advise on the elaboration of key documents and suggest capacity development measures to strengthen the recipient's financial management.

### **Fiscal Agent, Georgia**

GFA as fiscal agent has been assisting the Global Projects Implementation Center (GPIC) as Principal Recipient in financial management activities. The GFA team performs all services necessary to ensure that all financial management and procurement activities are conducted in accordance with grant agreements. The objectives of the services for a half-year period from June to December 2013 are to mitigate the risk of fraud or misuse of grant funds and reduce ineligible expenditures. This will ensure the continuity of program implementation in the specific risk environment and safeguard Global Fund investments. GFA experts apply effective controls on the use of grant monies so that all payments are eligible, justified and represent value for money.

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### GFA Facilitates Know-how Transfer from Asia to Africa

Public infrastructure and efficient services are an indicator for good governance and a pre-condition for economic development – in Africa as well as in Asia. The growing demand for hospitals, schools, streets or sanitation facilities pushes local governments to tap communities' tax potentials. In this context, GFA facilitated a know-how transfer from a fiscal decentralization project in the Philippines to a local tax management project in Tanzania. Focusing on the establishment of an integrated tax administration system the GFA team was supported by Philippine IT developers who trained their Tanzanian peers in advanced programming, in the set up of IT help desks and in disaster recovery measures to safeguard sustainability of the project. Both the Philippine and the Tanzanian projects were sub-components of GIZ decentralization programs in the respective countries. In Tanzania, the GFA team developed a revenue management system for local authorities. Between December 2011 and June 2013 the project elaborated an automated, adapted and customized Tanzanian tax management system (iTax) for local governments. The project team cooperated closely with local stakeholders: Five pilot communities, the Prime Minister's Office – Regional Administration and Local Government (PMO-RALG) and the University Computing Center of Dar-es-Salaam. The project elaborated a roll-out concept, partly on the job, partly in-class. In May 2013, PMO-RALG indicated its plan to implement the system in 164 com-

munities in Tanzania. The Fiscal Decentralization project in the Philippines, during 2006-2012, advised provinces, municipalities and local Government units to employ their financial resources efficiently and generate additional income to national transfers. The GFA team introduced a computerized tax tool (Pinoy iTAX) and worked in cooperation with local assessors and treasurers as well as the Bureau for Local Government Finance (BLGF), which supports the idea of local government units adopting the instrument.

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### Safe Future for Montenegrin Children

World Consumer Rights Day on 15 March 2013 gained a special meaning for parents in Montenegro. The Consumer Protection and Market Surveillance project implemented by GFA staged public events on safety features of toys and childcare products and a TV campaign on consumer rights. The EU-financed project distributed flyers with safety tips for parents during a public event in a major shopping mall in the capital city of Podgorica. In another forum, students and shoppers discussed safety problems. These events complemented a TV campaign on consumer rights and product safety. These awareness raising activities are meant to caution parents against toys or childcare articles that can be dangerous for young children. The project started in February 2012 and was completed in August 2013. It aims at closing legislative gaps in order to fully harmonize Montenegrin laws with the EU Acquis and to support Market Surveil-

lance Inspectorates to follow up the new Montenegrin product safety legislation. It develops two IT systems for complaints handling and for RAPEX, the EU warning system on dangerous products. Pilot projects ensure the practical implementation of newly gained expertise.

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### GFA Invests in Green IT

GFA Consulting Group has a proud track record and is a trendsetter in many "green" areas. This is not only the case in GFA-managed projects worldwide but green principles are put into practice at GFA headquarters in Hamburg as well. In 2013, the company has invested 55,000 euros in green IT: Five energy-efficient new servers will replace the current 31 old ones. This will save 88,000 kWh and reduce CO<sub>2</sub> emissions by 38.5 tons every year. Therefore, the GFA initiative is supported by the Hamburg Authority for Urban Development and Environment and its resource protection program for enterprises. The energy savings will recover the investment costs within a period of four years only. Aside from energy and cost savings, the new servers' innovate hardware and software will provide more flexible administration and higher availability and scalability due to up-to-date management tools. Work on new servers started in late May after GFA's new office building was ready for use. The green IT infrastructure will perfectly match the geothermal energy source of the new building which was also planned with sustainability and green principles in mind.

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**GFA vision** – to be the partner of choice for clients in our core service areas.

**GFA mission** – to improve the livelihood of beneficiaries through our professional services.

**GFA core values** – to offer high performance in service delivery, technical excellence in our main sectors, innovative approaches and products, and credibility with our clients when putting projects into practice.