



Independent observer
of the Global Fund

The Local Fund Agents:

A Review of changing roles, functions, and performance from 2002 to date

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Preface

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Abbreviations

CCM	Country coordinating mechanism
CTA	Country team approach
EFR	Enhanced financial reporting
FPM	Fund portfolio manager
ICE	In-country evaluation
KPI	Key performance indicators
LFA	Local fund agent
M&E	Monitoring and evaluation
MTE	Mid-term evaluation
OIG	Office of the Inspector General
OSDV	On-site data verification
PET	Performance evaluation tool
PR	Principal recipient
PSM	Procurement and supply management
PU/DR	Progress update and disbursement requests
SR	Sub-recipient
UNOPS	United Nations Office for Project Services

1. An overview

The Global Fund differs from traditional donors by not having a permanent presence in recipient countries. Instead, local fund agents (LFAs) are contracted to assist the Fund in monitoring programs on the ground. LFAs are part of the Fund's in-country architecture, which also includes the country coordinating mechanisms (CCMs) and program implementers (principal recipients and sub-recipients).

The LFA system was developed to provide grant oversight while keeping operational costs at a minimum. Having no physical presence was also meant to show the Fund's commitment to promoting country ownership of programs.

The LFA model is a novel approach to governance. LFAs are, to an extent, an experiment in outsourcing of oversight activities. It is, therefore, important that their operations and performance are monitored regularly, and weaknesses identified and corrected.

This report presents a review of the functions, operations and performance of LFAs, and a brief overview of recent changes as reported by the Global Fund. The findings are discussed under four sections:

Overall description of the LFA system. This is a general description of LFAs, and how they fit in within the Global Fund architecture, and the national health systems of recipient countries.

Functions of LFAs. This section describes the roles carried out by LFAs, both those stipulated by the Fund and those they carry out outside of the Fund's mandate.

Interactions between LFAs and other Global Fund actors. LFAs play a unique role in the Fund's architecture in that they assist the Fund in monitoring the programs on the ground and work closely with in-country actors. This section describes the broad nature of the relationship between LFAs and other actors involved in Global Fund activities. The section also presents a brief discussion of issues around the clarity of the LFA role(s).

Performance of LFAs. A description of the way that LFAs were previously evaluated is presented along with an update on current evaluation methods. A brief review of past LFA performance is also presented.

Writer's note

The information given in the review is limited to what is available in accessible published and "grey" literature, and what is available on the Global Fund website or what is made available to us by the Fund. We recognize that experiences of LFAs vary across regions depending on specifics of their terms of references, and the country contexts. We also acknowledge that a general lack of recent literature has biased this review towards past experience.

2. Review methodology

The review methodology is described to help the reader understand the literature review process.

2.1. Information sources

The main source of information was the Global Fund website (www.theglobalfund.org). We also did a formal literature search in PubMed, and conducted open Google searches (including Google Scholar). Finally, we searched manually through references of retrieved articles to identify other relevant documents.

2.2. Methods of review

Documents were reviewed and the main issues isolated and categorized into four major themes, as follows:

- ❖ Description and operation of the LFA system
- ❖ Functions of the LFAs
- ❖ Relationships and interactions between LFAs and other actors
- ❖ Performance of LFAs

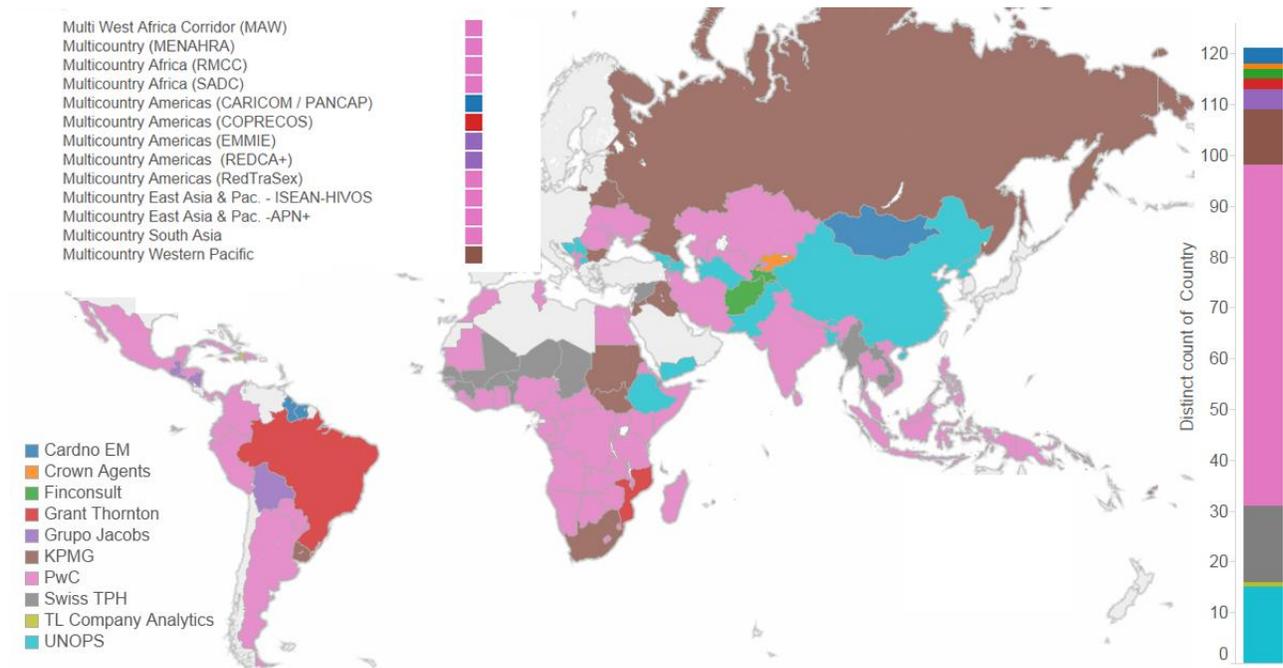
A framework covering the four areas was developed and imported into the qualitative analysis software NVIVO for content analysis. Relevant articles were imported into NVIVO, and coding done under the four areas. When coding was complete, content was extracted under each theme, analyzed and reported. Findings are presented in the next section.

3. Findings

3.1. Description of the LFAs

The review found that the majority of LFAs were international management or auditing firms (Figure 1 and Box 1). These firms were selected for a number of reasons, including a reputation for fairness and impartiality, and experience in financial auditing, as well as expertise in strategic management and risk assessment [1]. However, two LFAs were a notable exception, the United Nations Office for Project Services (UNOPS, a UN body) and the Swiss Tropical and Public Health Institute (an academic institution with a focus on public health).

Figure 1: Global distribution of LFAs (2014)



Box 1: Overview of LFAs (2014)

- ❖ **Crown Agents** is an international firm specializing in financial and supply chain management among other things. It serves as LFA for Kyrgyzstan.
- ❖ **Cardno EM** provides support services to development agencies like the European Union and the World Bank. It works as LFA in 3 countries and on one multi-country grant for the Americas (Guyana, Suriname, Mongolia, CARICOM/PANCAP).
- ❖ **Finconsult** is an accounting firm based in Bosnia Herzegovina that serves as LFA for Tajikistan and Afghanistan.
- ❖ **Grant Thornton (GT)** is another audit **consultancy** firm that serves as LFA for 2 countries and one multi-country grant for the Americas (Brazil, Mozambique, COPRECOS)
- ❖ **Grupo Jacobs** is a new addition to the current portfolio of LFAs. It is the LFA for 4 countries and 2 multi-country grants (Bolivia, El Salvador, Guatemala, Nicaragua, EMMIE, REDCA+)
- ❖ **KPMG** is the LFA with the fourth largest portfolio, covering 12 countries. These include Bulgaria, Uruguay, Fiji, South Africa, and Jordan.
- ❖ **PricewaterhouseCoopers (PwC)** is by far the largest LFA, covering 76 countries, including Kazakhstan, Columbia, Mexico, Malaysia, Nigeria, Kenya, and Viet Nam.
- ❖ **The Swiss Tropical and Public Health Institute's** mission is to improve health systems and access to effective health services worldwide. Swiss TPH is the LFA in 15 countries which include Cambodia, Djibouti, and Senegal.
- ❖ **TL Company Analytics** is also a new addition to the LFA portfolio. It serves as LFA for Haiti.
- ❖ **United Nations Office for Project Services (UNOPS)** provides support in areas such as supply chain management. UNOPS is LFA in 15 countries including Serbia, and Pakistan.

LFAs are selected through competitive bidding to work over a number of years [2]. In 2008 the Global Fund conducted global re-tendering. A two-step process [3] was applied. First, organizations were pre-qualified as potential LFAs from a larger pool of agents that was created via a regional request for proposals. Next, a competitive bidding process was done on a country-by-country basis, with country-specific factors being considered, including the organization's understanding of the context. The Global Fund carries out an annual analysis of the market situation and, based on a number of factors, such as LFA performance, cost, availability of new service providers, determines which countries will be subject to re-tendering. Twenty countries went through the most recent re-tendering process in 2013.

LFA organizations are required to have four key competencies: financial management expertise, program implementation expertise, knowledge on procurement and supply management (PSM), and monitoring and evaluation (M&E) capacity [4]. LFAs may be replaced in a variety of circumstances which include inability to provide the required quality and scope of services, an irresolvable conflict of interest, cost, or other reasons [5].

LFAs are expected to operate in recipient countries. However, alternative arrangements may be made where security concerns exist [3]. Each country has one LFA assigned for all grants. Of the 135 countries receiving Global Fund grants, 118 countries have LFA services provided by 4 of the 10 LFAs (Table 1). PwC appears to be the most successful LFA firm with a presence in 76 countries across all the Global Fund regions. The success of PwC as LFA in over 50% of all Global Fund recipient countries may indicate a more robust operating and reporting model.

Table 1: Number of countries covered by each LFA in 2013

Local Fund Agent	Number of Countries
Crown Agents	1
Finconsult	2
Grant Thornton	3
KPMG	12
Swiss TPH	15
UNOPS	15
PwC	76
Grupo Jacobs	6
Cardno EM	4
TL Company Analytics	1
Total Number of Countries	135

3.2. Functions and operations of LFAs

LFAs are often referred to as the “eyes and ears of the Global Fund” for their oversight functions [6, 7], and the “nose of the Global Fund” for their role in reporting grant-related risks to the Office of the Inspector General (OIG) [8]. They are a vital component of the Fund’s performance-based funding model [7], and are integrated in the country team approach (CTA)¹

¹ The CTA strategy aims to strengthen grant oversight by building direct collaboration between operations staff (LFAs and programme officers) and monitoring and compliance staff (procurement, finance, legal and M&E) (see details in the Global Fund Observer issue 130, www.aidspan.org/index.php?issue=130&article=5).

strategy [9]. They are also considered a part of the overall monitoring and evaluation (M&E) system for the Fund [1].

Specific functions of LFAs include pre-grant assessment of the capacity of the proposed implementers and oversight of program implementation. The information presented in this section includes historical/existing functions and operations of LFAs along with more recent information specific to the Global Fund's new funding model (NFM).

The NFM has three milestones that lead up to grant implementation; (i) ongoing country dialogue where national strategic plans are determined, (ii) concept note preparation, review, and submission and (iii) grant making. In addition, the Global Fund has recently (April 2014) launched an online grant management platform which will be used by the LFAs, as well as by the Secretariat staff, CCM members, and PRs to collaborate on the request, review, approval, and management of funds [10]. It should be noted that the Fund intends that engagement of LFAs will vary by the country and will be dependent on the requirements of the portfolio. In some cases this engagement will be extensive and guided by the requirements of the country team. To protect LFA independence and objectivity, they are not involved in any activities relating to program design or implementation.

3.2.1. Pre grant award capacity assessment

During the initial period of country dialogue, LFAs do not currently have a pre-defined role. This process involves the CCMs, country teams, CSOs, NGOs, relevant government ministries, and other donors. LFAs will only become involved in exceptional cases. Their involvement is limited to attendance of specific meetings as observers only [11]. The main role that the LFAs are being asked to perform in the early stages of grant making, is to assess organizations after completion of the implementation map which is developed by the CCM, before the principal recipients (PR) or key sub recipients (SR) are approved in those roles. The assessment looks at capacity in four areas: financial management, governance and program management (including management of SRs), pharmaceutical and health products management, , and finally, monitoring and evaluation [5, 7].

As part of the NFM, there has been a shift from a compliance-based to a risk-based approach to assessment which covers key implementers and is not only focused on the PRs, as was the case under the Rounds-based system [12]. The scope of the assessment is tailored by the country team to known risks which have been outlined in the Global Fund Risk management Framework (Box 2) and the specific requirements of the NFM grant [13]. This assessment is carried out using the capacity assessment tool (CAT) available on the Global Fund website [11]. Before the grant is signed the LFA may also be requested to review the PR's work plan, budget, and M&E and procurement and supply management (PSM) plans [5].

Box 2: High Impact Operation Risk Profile (2013)

❖ Programmatic and Performance Risks

- Limited program relevance
- Inadequate M&E and poor data quality
- Not achieving grant output targets
- Poor aid effectiveness and sustainability

❖ Financial and Fiduciary Risks

- Low absorption or over-commitment
- Poor financial efficiency
- Fraud, corruption, or theft of Global Fund funds
- Theft or diversions of non-financial assets
- Market and macro-economic losses
- Poor financial reporting

❖ Health Services and Products Risks

- Treatment disruptions
- Substandard quality of health products
- Poor quality of health products
- Inadequate access and promotion of equity and human rights

❖ Governance, Oversight and Management Risks

- Inadequate CCM governance and oversight
- Inadequate PR governance and oversight
- Inadequate PR reporting and compliance
- Inadequate Secretariat and LFA management and oversight

3.2.2. Assessments during grant making

The implementation assessment will be completed by the LFA during this period. If necessary, the LFA will also undertake a tailored review of the concept note budget, indicators, M&E plan, and procurement plan [11]. The details of this review are guided by the country teams. LFAs may also be asked to complete a verification of a range of requirements including key PR information and bank account details before the grant signing [11].

3.2.3. Assessments and verifications during program implementation

LFA teams consist of experts in specific areas; (i) finance, (ii) programmatic and M&E, (iii) pharmaceutical and supply chain management (PSM), and potential legal or non-health procurement specialists. The composition of the teams vary according to the needs of the portfolio[14,15])

PRs prepare progress update and disbursement requests (PU/DRs) periodically. Most countries prepare these reports and requests annually although there may be some instances when they are prepared every 6 months. Based on the Global Fund's request, LFAs verify the contents of the report, and give recommendations to the Global Fund on the disbursement amount. LFAs are expected to submit verified PU/DRs within 10 working days of receiving them [16-18].

The other verification activity is that LFA experts may be asked to visit implementation sites to do what is referred to as "on-site data verification" (OSDV) [8]. The OSDV is designed to verify the quality of programmatic data collected at the implementation site level.

PRs are also required to complete an enhanced financial report (EFR) once every year. In some instances LFAs may be requested to review the process used by PRs, and ensure supporting materials are included as necessary [19].

The role of LFAs under the NFM will be tailored to risks in the grants and depends on the needs of the Global Fund [20]. The intensity of work will be determined by the risk differentiation of the portfolio. In certain cases, the LFA will have light involvement during grant implementation which involves specific tasks in key areas. In addition to the monitoring of PRs, LFAs may be called upon to undertake more duties, especially in countries with a higher risk of grant mismanagement. This may include activities such as monitoring SRs [8, 21]. While review of the auditor-selection is no longer a required activity by LFAs, they are sometimes asked to monitor the selection of PR/SR auditors, and review applications for funding for the operations of the CCMs [15, 22].

3.2.4. Periodic reviews and grant renewal

Historically, under the rounds-based funding, CCMs could seek renewals for grants on a periodic basis. This happened as part of a process of periodic review of grants, which looked at progress towards goals, program results, and determined the additional financial commitment required for the subsequent implementation period [23]. The NFM changes this as grants are, from 2014, expected to be a maximum of three years of implementation, with the possibly up to a year of planning.

Historically, LFAs were required to review a CCM's request for renewal, assess the program results, and make recommendations on the amount of funding required for the next implementation period. This will still be required in countries with existing grants that are not re-negotiated under the NFM.

The grant rating is done using a methodology that combines performance indicators and qualitative assessment of program management [24]. The LFA rating is provisional; the final rating is decided by the fund portfolio managers for each country at the Secretariat. Grant rating is a central feature of the Global Fund’s performance-based financing principle, and is discussed further under Section 3.4.

3.2.4. Other assignments

LFAs may be asked to take on other roles, including supporting investigation into misuse of funds [5] and helping the Global Fund to gather information on aid effectiveness (through portfolio surveys) [7, 25]. In some instances, LFA experts may assist the Fund’s Technical Review Panel (TRP) by conducting independent budget reviews of selected proposal to inform TRP deliberations [7].

3.2.5. Some misconceptions about the roles of LFAs

In 2002, “LFAs” were a new concept. The roles and responsibilities of LFAs have not always been well understood by recipient countries. This has at times been worsened by the dynamic nature of the Global Fund’s strategies for grant management, which have seen fairly frequent adjustments to the terms of references of LFAs [6]. LFAs are not allowed to engage in some activities, including designing and implementing programs, providing technical assistance and helping countries make decisions [3]. This section examines some of the common causes of confusion over the roles of LFAs.

(a) Provision of technical assistance by LFAs

The Global Fund states that the LFAs should not offer any technical assistance to countries, and that they should “maintain sufficient professional distance” in order to act in the Fund’s best interest [3, 26]. On the other hand, LFAs are required to communicate regularly with the other actors [22, 27]. They are expected, for instance, to debrief PRs after completing reviews, and to attend CCM meetings as observers [28].

These contrasting expectations have been variedly interpreted across countries, causing some confusion about the roles of LFAs. In Ethiopia and Nigeria, for instance, lack of clarity on this particular aspect caused tension and poor communication, with LFAs appearing as though they were not supportive enough to the other actors [22, 29].

This previous lack of clarity has resulted in inter-country variations in the way LFAs interacted with others. In some cases LFAs were reported to work closely with the PR, even offering advisory support on various aspects of grant implementation [22, 30]. On the other hand, there is documented evidence of a PR complaining that the LFA refused to give advice on how they should meet the reporting requirements of the Global Fund [22].

In concert with the roll-out of the NFM, the Global Fund clarified the roles of LFAs and independence and objectivity continue to be the key principle of the LFA work. This was reiterated again to all LFAs during three intensive training workshops in late 2013 and early 2014 which covered financial, M&E, and PSM areas [31].

(b) The LFAs are “agents” of the Global Fund

LFAs act as the eyes and ears of the Fund [6]. However, they are not allowed to represent the Fund’s views, make decisions on grants, or give recommendations to PRs [3, 28]. This means they are not agents in the true sense of the word. In an agency relationship, the principal (the Global Fund in this case) grants authority to an agent (the LFA) to make decisions on their behalf, usually because the latter has more knowledge or is in a better position to make the call [32,33]. By not granting such authority, the common problem of agents pursuing self-serving goals is avoided.

Although LFAs are not true agents, their recommendations have a strong bearing on decisions taken by the Fund. The Secretariat leans heavily on the advice of LFAs, for instance, when it comes to assessing grant performance [7]. Indeed, fund portfolio managers (FPMs) often use material and recommendations from LFA reports in their management letters to PRs [27] transforming them into the Global Fund decisions. Where this was done, some may have interpreted that the LFAs operated as the *de facto* decision makers. Another concern that was raised in the past was that the growing number of PRs would increase the Fund’s reliance on LFAs, resulting in delegation of more responsibilities to the LFAs [1]. To counter this, the recent growth and restructuring of Global Fund country teams has resulted in teams with wider skill sets which has resulted in a decrease in the reliance on LFAs.

3.3. Interaction between LFAs and other actors

The Fund’s lack of physical presence in a country comes with several key challenges, including managing relationships between LFAs and other in-country actors. In this section, we describe the nature of relationships between LFAs and these other actors.

(a) Interaction with the fund portfolio managers and country teams

The FPMs act as contact persons for LFAs at the Global Fund [27]. During the earlier years, some LFAs complained of FPMs having unrealistic expectations, saying they were asked to do assignments beyond what was agreed in their contract [1]. With the increasing responsibility and engagement by the Global Fund country teams, relationships between LFAs and FPMs will ideally be transformed into a partnership relationship. This relationship will be one in which the country team works in close cooperation with LFA, and the LFA work is tailored to the risks in the grant/country and responds to the information needs of the Global Fund.

(b) Interaction with other in-country actors

Despite the Fund's efforts to encourage engagement, previous reports of poor communication between LFAs and CCMs in some countries [6, 22] have been described, although in other cases LFAs regularly attended CCM meetings and have improved their communication with in-country actors. [22]. Unlike CCMs, PRs communicate more regularly with LFAs. However, problems were reported where PRs complained of aloofness from LFAs, presumably because they were trying to maintain independence [22]. The communication was described as one-way, where PRs submitted reports to LFAs for verification.

Communication may be a bigger problem in countries where the PR's role is limited to receiving disbursements (common for countries where the PR is a finance ministry). In such a situation, it is possible for the LFA to find itself communicating more with the implementing entity than the PR [34].

A survey (2013) of PRs across 69 countries revealed that some LFAs were perceived as not having the requisite expertise to oversee health programs, while others did not provide adequate technical assistance [35]. Some PRs felt that the role of LFAs should be better defined to reduce confusion. A suggestion that LFA terms of reference should be more context specific was provided.

“An issue that should worry the Global Fund is the technical capacity of the LFA. Our LFA is good on financial issues, but it should strengthen its technical side at least in the three diseases and understand the reality of the health system.” **Government PR** [35]

“The Fund should consider [establishing] local staff (regional). Although we have very good communication with our portfolio manager, a local presence would give more attention and monitor country programs. The LFA functions as an accounting firm, and often does its job without assessing our comments...” **Non-government PR** [35]

(c) Interaction with the office of the Inspector General (OIG)

The LFAs and OIG frequently exchange rely on each other for information related to risk management. The former helps the latter to identify fraud risk and actual fraud in grants which they may come across as part of regular verification work [8]. In the past, LFAs also relied on reports by the OIG to gauge the levels of risk in countries, and these were primarily used to design appropriate PR assessment plans [36]. In current practice, a report that reviews the Fund's investments in the country to date, describes the public health needs, and discusses what risks may impede the success of future investments is prepared by the country team and given to CCMs and LFAs.

In the past, the OIG has documented poor performance by LFAs [37]. These included LFAs undertaking assessments they were not equipped to do, resulting in the LFAs developing

recommendations that were misleading. Other observations about LFAs included failure to conduct on-site data verifications, poor quality of assessments, lack of supportive materials and failure to share assessment findings with PRs [38-40].

3.4. Performance of LFAs

3.4.1. Approaches to evaluating the performance of LFAs

In the past, there have been concerns about the performance of LFAs [2]. This has caused problems with some donors. The US withheld a portion of its commitment until the LFA performance issues were resolved (although other reasons were also cited) [41]. In response, the Board directed the Secretariat to enforce a performance evaluation system and cancel contracts for non-performing LFAs [42]. The evaluation system was designed with three prongs: use of a performance evaluation tool (PET); in-country evaluations (ICEs) and case studies [42]; and mid-term evaluations (MTEs) [43]. The PET is a systematic evaluation method for assessing LFA reports by the Global Fund country teams [9]. Findings were compared across time to assess trends in the performance. ICEs involved case studies of countries selected based on various criteria, including assessment of LFA methods and processes. Finally, MTEs entailed evaluating all LFAs in the middle of the duration of the LFA framework contract, assigning scores, and issuing recommendations following consultations with key stakeholders. It also incorporated results from the PET and ICE evaluations [43]. Although findings from all formal LFA evaluations are not made public, independent assessments looking at various aspects of LFA performance are publically available [44,45].

The LFA PET was revised in July 2013 in response to feedback from LFAs, Global Fund country teams and other stakeholders [46]. Key changes to the PET include a switch from the evaluation of performance for the selected products only, to the periodic evaluation of all services during the assessed period. Today LFAs for small portfolios are assessed at least once a year and for big portfolios at least twice a year. The Global Fund can provide more frequent feedback if necessary. Another important change is how performance ratings for grants are measured. Under the new system, the performance ratings have been revised and are now being compared on a 5-point rather than the original 4-point scale and FPMs have the authority to adjust the automatically calculated rating if necessary providing justification for such manual adjustment. This allows country teams to increase the emphasis on specific areas in the assessment. LFA responses to the PET and proposed action plans will be included in the form and final approval from the FPM/ country team will take into account the LFA comments [46].

3.4.2. Reviewing past performance of LFAs

Most discussions on LFA performance have centered on capacity to oversee the implementation of public health programs. Reports indicated that while most LFAs had good financial management skills, their programmatic capacity was limited [6, 22, 47-49]. During the initial iteration of the Global Fund model, a survey carried out in 2005 advised that the Fund form stronger relationships with technical partners in the country whose health sector knowledge was higher than that of the LFAs [34]. Such cooperation with technical partners continues and over the past several years LFAs have brought on board high levels of disease specific programmatic capacity.

Some PRs complained in the past that LFAs only checked program indicators for accuracy, and that they did not understand how broader factors may contribute to programs performing the way they did [6,20]. They argued that this meant LFAs could not interpret performance within the health system context [22]. In response to feedback from in-country actors, the Global Fund has revised LFA requirements. LFA teams are required to have a specialist with both programmatic and M&E experience who is approved by the Global Fund [21].

Other PRs complained that LFAs applied uniform criteria to small and large implementers, thereby disadvantaging the former [1, 50]. They argued that if LFAs had good knowledge of health systems performance drivers, they would have rated smaller NGO implementers more favorably. This, they added, may have reduced the problem of large NGOs displacing smaller community-based NGOs (there are concerns that larger NGOs are displacing smaller ones as PRs and SRs, thus widening the gap between community needs and the services provided [50].)

Some LFAs felt that quantitative assessment of performance against targets was sufficient, and that in-depth knowledge of the health system was not vital [22]. They felt that the Global Fund should instead rely on existing country systems to obtain information on contextual factors that may influence program performance. However, the Fund is of the opinion that LFAs should have good knowledge on the country context, and a good understanding of the efforts being made to fight the three diseases [51]. While LFAs had the choice of bringing in consultants on program matters, there were fears that this was not always done, resulting in poorly informed decisions [52]. The requirement for a programmatic and M&E specialist on the LFA team will mitigate most of these issues.

The problem of inadequate health expertise was compounded by a high staff turnover for some LFAs. This meant they had to keep recruiting from an already limited pool of candidates, and give new staff training and orientation [6]. Some LFAs complained that the shortage of independent health care personnel in their countries was worsened by the government requirement that they avoid recruiting staff from the public sector to avoid internal brain drain [53].

Some people have criticized the selection of audit firms as LFAs on grounds that they are unlikely to have the public health knowledge required to cope with programmatic issues [1]. In the past, LFAs were reported to have inadequate PSM capacity [34, 49]. Where consultants were brought in, complaints that their work was not well incorporated into the LFA duties were made [1]. Past assessments have also revealed that the PU/DR review processes were poorly documented by some LFAs [6, 49]. Complaints included missing work program reports and poor cross-referencing of information with hard copy files. These weaknesses have been addressed by the inclusion of a PSM specialist as a requirement for all LFAs. A PSM specific workshop was recently held to train LFAs on the roles of the PSM specialist, including in the NFM [54].

During the early years of Global Fund grant implementation, Lu *et al* analyzed determinants of grant implementation in developing countries, and included factors such as country characteristics and type of LFA in their analysis [44]. They found that countries with a particular LFA appeared to have a higher absorptive capacity compared to countries with other LFAs. It was suggested that this higher absorptive capacity could indicate that the LFA was less strict when it came to assessing PR data and recommending additional disbursements, it could have also been a result of the firm's large size and global presence. This could have resulted in better access to experts as well as higher capacity and therefore, more efficient management of grants.

Limitations

Readers should recognize that the information presented in this paper is limited to what published and grey literature the authors could obtain. We have relied heavily on recent uploaded materials on the Global Fund's website (May 2014).

Conclusion

The LFAs allow the Global Fund to oversee program implementation without a direct country presence. They are a key piece of the model of the Fund as a financing mechanism. LFAs help operationalize the Fund's performance-based financing principle through verifying reports and assigning program progress. Aspects of the LFA model which were perceived as unclear and as weaknesses by grant implementers have been recently revised. LFA capacity in programmatic, M&E, and PSM areas has been deliberately boosted. An online platform which is accessible by the Secretariat, CCMs, and LFAs has been developed. It is expected that this platform will improve reporting and communication between the Global Fund and in-country stakeholders. The current revisions to the PET will improve evaluations of LFAs to monitor performance and identify factors that contribute to good LFA performance.

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