



Independent observer  
of the Global Fund

## Is the Global Fund fiscal agent's model fit for purpose or ready for a review?

The Global Fund to fight HIV, TB, and malaria invests in more than 127 countries, some of which are ranked among the most corrupt countries, according to the [corruption perceptions index](#) by Transparency International. To mitigate financial risks, the Global Fund sometimes contracts a fiscal “agent to act as an enhanced control function within the implementers to oversee and verify expenditures of grant funds through a pre-expenditure review and sign-off process. [Fiscal agents] are also appointed to build the financial management capacity of the Principal or sub-recipients”, according to the Office of the Inspector General (OIG) 2017 report on Global Fund [Grant Management in High-Risk Environments](#).

An investigation by the OIG in [Liberia](#) published in April 2022 revealed that among expenses evaluated by the OIG, 91% were non-compliant expenditures and/or tainted by various types of wrongdoing. All these expenditures were approved by the fiscal agents. In responding to the report, the [Executive Director's message](#) stated the local measures the Secretariat took or intended to take which included changing the local fiscal agent team in January 2022 and recovering the taxes and other ineligible expenditures from the Government. However, the message was silent on any possible recovery from the fiscal agents.

Such responses imply that the Liberia situation was an anomaly in an otherwise well-functioning model. However, as other OIG reports have shown, this is not necessarily the case.

Does the fiscal agent model work well?

Fiscal agents are a feature in implementation in countries or grants that present insufficient controls. There were 23 fiscal agents supporting grants in 2017, [according to the OIG audit on grant management in high-risk environments](#)

. Thus, the fiscal agents allow the government to remain implementers instead of the Global Fund turning towards international non-governmental organizations (INGOs) or the United Nations agencies. This is the main positive side of the presence of the fiscal agents who work on a grant together with other control mechanisms like Local Fund Agents (LFAs). Having a government implementer as a PR can help with country ownership.

Other less appealing aspects exist.

In Liberia, the OIG found the “Fiscal Agent oversight ineffective, and its personnel engaged in conflicts of interest and misappropriation of grant funds. The [OIG audit in Nigeria](#) published in March 2022 and reported on in this GFO in article 7 (Audit of Global Fund Grants in Nigeria) [\[A1\]](#) deplored the lack of consistency of the fiscal agents’ work while finding that the fiscal agents have indeed helped mitigate the risk against irregular procurements and financial discipline. But several recent OIG reports in countries with fiscal agents found a long list of ineligible expenses approved by the fiscal agents. For instance, the [OIG investigation in Sierra Leone in 2020](#) found that the fiscal agents erroneously approved procurement and payments; moreover, “contracts between the Global Fund and its Fiscal Agents do not include a requirement either to detect fraud, or to report actual or suspected fraud to the Global Fund” as the report said.

While these OIG investigations in Liberia, Nigeria or Sierra Leone concern government implementers, the OIG also found a lackluster performance with a grant managed by a well-known INGO in the [Democratic Republic of Congo](#) in a report published in 2020.

Main characteristics of the fiscal agent model

The fiscal agents are selected by the Secretariat and paid by the country’s grants. While the contracts nor their key performance indicators are not public, OIG reports offer a few glimpses. The OIG report in DRC states that the agents cost about 11% of management fees. In Liberia, the financial risk mitigation from the year 2014 to 2021 cost \$3,002,189.

Fiscal agents are part of the Global Fund first line of defence, i.e., they are on the front line of defending the Global Fund resources against wrongdoings. Fiscal agents’ work includes daily checking and confirming that invoice reviews and approval processes have been correctly followed. On the other hand, the OIG is part of the third line of defence: its audit or investigation frequency depends on the risk facing the grants and on the amount of the grants. Consequently, higher-risk countries and those with higher grant amounts are more likely to be audited than others with lower risk or less amounts. When the OIG audits or investigates an implementer supported by a fiscal agent and found ineligible expenses among those cleared by the fiscal agent, only the implementers must reimburse the Global Fund; the fiscal agents are not held financially accountable.

Fiscal agents are selected by the Secretariat and “imposed” on the grants to mitigate financial risks. Thus, the relationships between implementers and fiscal agents are not always harmonious or marked with goodwill and cooperation.

In that context, according to the OIG, fiscal agents are supposed to build the capacity of the implementers without binding milestones or exit strategies in their contracts. In other words, the Global Fund Secretariat expects the fiscal agents to put themselves out of work at their own pace and of their own volition. This requirement is a conflict of interest. Few fiscal agents actually built the capacity of the implementers. For example, fiscal agents have been in Liberia since 2014. Obviously, there appears to be very little to show in terms of capacity building of the local implementers. An observer might question whether it is possible legally and financially for the implementers to head-hunt the fiscal agent’s local staff and recruit them as employees to increase the staffing of the Principal Recipient’s financial team.

An evaluation or review of the model is overdue

In addition to the limitations of the model highlighted by the OIG, Aidsplan as an independent observer has heard rumors of alleged wrongdoing, abuse of power, and non-performance leading to delays in grant implementation or collusion by fiscal agents in other countries. Aidsplan has also heard that some implementers do not cooperate with the fiscal agents and may purposefully send incomplete documentation to increase the workload of the fiscal agents. Of course, Aidsplan is not in a position to verify this and nor is it the role of Aidsplan to do so.

Nevertheless, the Global Fund assurance framework, including fiscal agents, cannot be one-size-fits-all the high-risk countries. Liberia, for example, has a recent past of civil war, a weak health system made even more fragile by Ebola, a high level of corruption and impunity (the country ranks 136 among 180 countries); the country is also highly resource-constrained: for instance in 2019, about 10,000 civil servants' [salaries were reduced](#) as the government tried to harmonize pay scales. [Less than 7% of the country's roads are paved](#), according to the United States Agency for International Development (USAID), meaning that, for example, supportive supervision outside the capital city can be challenging especially during the rainy season.

Thus, elements of assurance that work well in some countries may fail to work satisfactorily in other countries.

The OIG report on high-risk environment published five years ago highlighted some of the limitations of fiscal agents as well.

It is important to consider the context and to be innovative while finding ways to protect Global Fund resources. For instance, depending on the country is it possible to pay daily supplement allowances (DSA) by mobile money instead of cash to mitigate the risk of fraud? Are there best practices that can be adapted from other global health institutions that also invest in the same countries? Or from other countries that successfully graduated from the fiscal agents' support?

It is important that the OIG or the upcoming evaluation function of the Secretariat reviews whether the fiscal agent model is still fit for purpose or adjustments are necessary for the model to work optimally.

Note from the editor: An in-depth article on the OIG's investigation report into fraudulent and abusive practices in Global Fund grants in Liberia will be published in the GFO in June.

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