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Why not use local LFAs?

The Global Fund has introduced the concept of Local Fund Agents (LFAs) to be the Fund's eyes and ears on the ground, to provide help in assessing arrangements for implementation, to endorse requests for disbursements, and to cover the entire life-cycle of the proposals. But is this really what LFAs should be doing? And why is it necessary for this role to be played by Western-owned firms?

LFAs are a very good idea, but the proposed implementation is not the best way to go. The Fund's plan is a replication of the organizational thinking that has bedevilled development for the past several decades. The plan is a lot like the "project cycle" that has permeated the official development assistance community for decades, and in this writer's view, has constrained success in development and will now constrain success of the Global Fund.

The primary challenge for the Global Fund is to be able to demonstrate that grant funds are being accounted for and are being put to good use with valuable results. This requires that the problem of widespread weaknesses in accounting and reporting be addressed. Local LFAs, rather than large expensive foreign-owned ones, would be a very good way to do this, in conjunction with a secure and easily accessible database.

But the LFAs are being asked to do very little of this, and to do too much of a wide range of other project-oversight activities.

LFAs should be selected based on their capacity to do the work, and their reputation for integrity and professional performance. It should rarely be necessary to select an LFA that is based outside the beneficiary country, or even outside the local community.

The local LFAs have four things to do:

The first is to ensure that all recipients of Global Fund grants have a basic set of records about money spent and results achieved. This is not complicated. It is very basic. It requires a pen and paper and the discipline to write down the information every day, in day books or journals.

The second is to ensure that implementing entities make periodic reports in a simple standard format about the use of funds and about program accomplishments. The LFAs should help as needed to get these reports prepared efficiently and correctly.

Third, the implementing entities and the LFAs together must convert the key summary information into an electronic format and submit it for inclusion in an Internet-based global database that is secure and well-organized, and shows how Global Fund resources are being used. This database should be easily accessible to Global Fund administrators and other interested observers, including people running similar projects elsewhere and potential new supporters of the Fund.

And finally, the LFAs must submit to an intensive program of peer review and oversight.

Initial grant disbursements should be quick and easy with a minimum of red tape and formality. The second and subsequent disbursements and follow-up grants should be contingent upon a local LFA confirming that the entity has good accounting and accountability.

The Global Fund needs to show that its resources are being used well. Without this, the Fund will not succeed in getting the money it needs. The global database, used together with LFA-supported accounting and accountability throughout the implementing entity network, will give the Global Fund a powerful way to demonstrate that the resources are being used quickly and being used well.

And yes, this database and these LFAs can do other parts of the work as well; but they should not be asked to do so until the system just described is working effectively.

Finally, a personal note. When I took the UK Chartered Accountancy examinations in 1965, the first prize was won by a Nigerian. In my corporate career, our offices in developing countries often did better accounting than did our US offices. In my consulting career in developing countries, I have all too often found excellent accounting work that was systemically ignored by international consultants and advisors, to the detriment of development. The Global Fund seeks to be innovative. One way of doing so would be to tap into this enormous pool of professional expertise in developing countries.

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