



Independent observer
of the Global Fund

OIG Says Current Application Process Impairs Board Decision-Making

The current grant applications process constrains the Board's ability to set policy and strategy, and to make funding decisions that meet Global Fund objectives. This is one of the observations in an audit report issued by the Office of the Inspector General, "The OIG Review of the Global Fund Grant Application Process." (This is the third of three articles in this GFO issue on the OIG report.)

The OIG report identified four factors that constrain the Board:

1. There is no in-built review mechanism to readily allow the Board to ensure that maximum funding is directed to fight the three diseases where most needed.
2. There is no structured forum for a full, systematic dialogue between the Board and the TRP, especially on policy issues.
3. There is little scope for the Board to provide assurance on the financial soundness of the proposals it approves for funding, since budgets are fully considered only after Board approval.
4. There is no single Board forum for discussion of the results and impact of Global Fund activities, including the impact of policy recommendations made by the Board itself.

Funding directed where most needed

The Global Fund's framework document says that the Fund will give priority to countries with the heaviest disease burden. In its report, the OIG said that the current arrangements and the practice of approving TRP recommendations "en bloc" reduces the Board's ability to put policy into practice. A good proposal is likely to be approved, whatever its country of origin or the disease burden in that country.

Systematic dialogue

The TRP reports to the Board through the Board's Portfolio and Implementation Committee (PIC). The OIG said that "given the importance of the TRP to the Board and to the Global Fund as a whole, there is scope for regular substantive discussion of the TRP's work by the Board in plenary, or as a 'committee of the whole,' rather than solely by delegation to the PIC, which represents little more than half the Board members."

The OIG pointed out that although the Board's own policy and strategy decisions on behalf of the Global Fund tend to be formulated first within its Policy and Strategy Committee (PSC), this committee has no formal link with the TRP, despite the impact that the PSC's work has on all areas of Global Fund activity, including proposal management and review. According to the OIG, the absence of a consultative forum involving the TRP and the PSC disadvantages both entities.

Financial soundness

The OIG said that proposals reach the Board without having been subjected to full financial scrutiny. Proposal budgets, logistics (including procurement) and financial management arrangements are only fully considered during the grant negotiation period, after Board approval. The OIG said that these are all crucial issues, often presenting problems during Phase 1 of grant implementation.

The OIG said that it is debatable "whether this is a sound or efficient practice, on the basis of which the Board makes funding decisions on proposals, given that key elements of due diligence have yet to be carried out. This reinforces the case for budget scrutiny to be conducted before proposals reach the TRP."

[Editor's note: In Round 9, financial analysis support was provided routinely for the TRP's review of proposals whose lifetime budgets exceeded \$100 million. The TRP has recommended that, in future, financial analysis support be provided for all proposals. See "TRP Observations Concerning Round 9," in GFO #112, at www.aidspace.org/gfo.]

Board forum for discussion

According to the OIG, good financial governance practices require that the success of previous activities be taken into account when considering whether to provide new money, but this does not happen in the rounds-based application process. The OIG said that TRP recommendations are approved for funding by the Board on the understanding that previous performance has been taken into account by the TRP, but, in practice, the TRP does not have time for more than the briefest assessment of previous performance when reviewing rounds-based grant applications.

Therefore, the OIG said, the Board currently lacks a sound basis on which to engage in a stock-taking exercise of its own on the relationship of funding decisions to performance. As well, the OIG noted, the Board has not had an opportunity to evaluate many of its own policies, including those that have a direct impact on the grant application process.

See also the two previous articles in this issue. "The OIG Review of the Global Fund Grant Application Process," April 2010, is available at

