



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

tel +41 (0)22 791 1700
fax +41 (0)22 791 1701
email info@theglobalfund.org

30 November 2007

Re: Enhanced Financial Reporting

Dear Madam, Dear Sir

From the 1st of January 2008, the Global Fund is launching *Enhanced Financial Reporting* that is designed to collect additional high-level financial information every year from all recipients of the Global Fund.

This letter explains the purpose of this initiative and provides guidance for fulfilling the reporting requirements. Also included are the English-language versions of the reporting templates and the detailed guidelines for completing them.

PURPOSE

The overall purpose of the Global Fund is to raise additional funds and to disburse them to fight HIV/AIDS, TB and Malaria. An essential principle of the Global Fund is performance-based funding - this applies both to Global Fund recipients and to the Global Fund as an institution.

In its five years of existence, the Global Fund has shown that it is an effective mechanism for raising and disbursing additional financial resources and that country programs are achieving results and making a difference in the lives of people affected by and vulnerable to HIV/AIDS, TB and Malaria around the world. In order to scale up significantly the interventions against the three diseases, the Global Fund needs to raise additional money from existing and new sources; this will depend on our continued ability to report to our donors on how we use the funds and on the achievements of their investment in the Global Fund.

The information collected from *Enhanced Financial Reporting* will be used (1) for external reporting and resource mobilization; and (2) to support funding decisions. The Global Fund needs to be able to report "where the money is going, how it is being spent and by whom". By collecting additional financial information through *Enhanced Financial Reporting*, the Global Fund expects to improve its ability to report on Global Fund supported activities, to increase institutional accountability and transparency and, thereby, to enhance its ability to mobilize additional resources.

Furthermore, by linking financial resources to the achievement of clear, measurable and sustainable results, the Global Fund will be able to strengthen funding and investment decisions (i.e., at the time of yearly disbursements, Phase 2 and RCC).

The Global Fund nevertheless recognizes that *Enhanced Financial Reporting* constitutes an extra reporting requirement on recipients. Hence, we have made the forms "as light as possible" by only requesting a minimal amount of high-level information that should be available from existing accounting and management systems. To ensure this, the Global Fund has conducted a pilot-test in 16 countries which showed that collecting and reporting this information was, in most cases, not overly burdensome, and that the information requested was useful to Grant management.



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REQUIREMENTS FOR ENHANCED FINANCIAL REPORTING

What financial information should be reported?

The financial data requested through *Enhanced Financial Reporting* consists of budgets, expenditures and variance analysis information broken-down by:

- i) standard cost categories (human resources, infrastructure, health products, etc),
- ii) program activity (program objectives and service delivery areas); and
- iii) implementing entity (PR and SRs).

This financial information should be reported for the current Grant cycle year and cumulatively since the beginning of the Grant.

When should it be reported?

Each Grant should report this information at the end of each Grant cycle year (i.e., month 12, month 24, etc.) and at Phase 2 (i.e., month 18).

When reporting on the Grant cycle basis (i.e., month 12, month 24, etc.), the information should be submitted together with the *Progress Update & Disbursement Request (PU/DR)* **within 45 days of the end of the reporting period**. For Phase 2, the information should be submitted together with the *CCM Request for Continued Funding*.

This reporting schedule is designed to be aligned, as much as possible, with existing reporting cycles.

How should it be reported?

The financial information should be reported in the *Enhanced Financial Reporting* template and reviewed by the Local Fund Agent (LFA) prior to submission to the Global Fund Secretariat. The LFA will be required to review the information contained in the *Enhanced Financial Reporting* template and submit the completed template, with relevant comments, to the Fund Portfolio Manager (FPM).

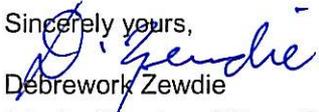
CONCLUSION AND CONTACT INFORMATION

Whereas we recognize that *Enhanced Financial Reporting* constitutes an extra reporting requirement, we are sure that you understand the need for the Global Fund to account transparently for funds received in order for us to seek additional funding that will be used to provide continued and expanded financial support to important country-led programs such as yours.

Lastly, we would like to clarify that *Enhanced Financial Reporting* is distinct from the *2007 Annual Survey of Global Fund Grants* that collects a variety of information that would not otherwise be available for external reporting. This year's annual survey includes a request for similar financial information (limited to budgets); but it is foreseen that, when the information from *Enhanced Financial Reporting* is available, this part of the annual survey will no longer be requested.

We will send a follow-up communication as soon as possible with all documents translated into the six official UN languages and Portuguese. Should you have any queries regarding *Enhanced Financial Reporting* requirements, please do not hesitate to contact the Fund Portfolio Manager for your Grant(s) at the Global Fund Secretariat.

Sincerely yours,


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Interim Director of Operations