

 DECEMBER 5-6, 2023

MEETING OF THE BOARD OF DIRECTORS

ZANZIBAR, TANZANIA

BOD/2023/12 DOC 08

FOR INFORMATION

LESSONS LEARNED FROM MISUSE OF FUNDS CASES

Please note: In accordance with the GPE Transparency Policy, documents are public only after their appraisal by the relevant governance instance. Governance officials may circulate documents to their constituency for consultation purposes, except for documents of a confidential nature.

Objective

1. This document seeks to ensure that lessons are effectively learned from misuse of funds cases. It provides a summary of lessons learned from closed misuse of funds cases from October 2018 to present, as identified by grant agents and the Secretariat.

Background and overview

Below is a summary of lessons learned from grant agents. Lessons learned are shared with the Board, all existing and new grant agents, and with Secretariat staff responsible for reviewing and monitoring of GPE grants. It is noted that the findings do not imply any gaps in GPE's current policies and procedures.

- 1. Whistleblowers should be encouraged and protected:** Whistleblowers should be encouraged through grant agents maintaining open and accessible communication lines, so that anyone with information regarding corrupt practices can report this, and effective follow-up can take place.
- 2. Cash transfers need particular oversight:** It is essential to have strong program management and oversight, including building capacity of staff and implementing partners, on programs involving cash transfers.
- 3. Make use of third-party monitors:** In conflict affected environments where access to project locations is challenging, or where grant agents do not have strong country presence, it is important to deploy Third Party Monitors or other local fiduciary agents for verification purposes.
- 4. Procurement practices should be strengthened:** It is important that procurement practices are well carried-out. These include: educating bidders on grant agents zero tolerance for procurement fraud; appropriate packaging of procurements to

accommodate bidders of various categories of capacity; monitoring market prices to ensure that they are not inflated; ensuring that advance payment guarantees be verified before contract signature; having clear documentation on roles and responsibilities of the procurement team.

- 5. Working with partner countries to strengthen legislation** – where applicable, grant agents should consider opportunities to work with country partners to enhance relevant legislation, for example strengthening the Public Finance Act and its associated implementation policies.
- 6. Enhancement of effectiveness of procedures in grant agent offices** – where applicable, grant agent country offices can improve their own internal oversight mechanisms, including in-house procurement expertise and training, and reviews of risk identification and mitigation procedures for misuse of funds cases.

Below are additional lessons learned from the Secretariat's perspective:

- 1. Risk of under-reporting of misuse cases:** Given GPE's portfolio size and geographical mix, and the relatively limited number of misuse cases reported, there is a substantial risk of under-reporting by grant agents. Consideration should be given to grant agents making a formal declaration on an annual basis that they have disclosed all known and reportable cases of misuse.
- 2. Grant agent's oversight of sub-recipients should be carefully managed:** Sub-recipients or the implementation partners of grant agents, are widely used in implementing GPE programs. It is important that proper oversight is conducted for all sub-recipients, including the process of their selection, due diligence of capability, contracting and management. The institutional capacity assessment of the grant agent when it was accredited to handle GPE funds ensures that appropriate policies and procedures are in place, but it is important that the grant agents continue to adhere to their own policies and procedures around sub-recipients as this is an area of risk for GPE funds.