



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

**Ninth Board Meeting
Arusha, 18 - 19 November 2004**

**GF/B9/4
Information Only**

OPERATIONS UPDATE

Outline: This note provides an overview of the progress made by the Operation Team since the last Board meeting in June 2004.

Part 1: Introduction

1. The Secretariat has concentrated its efforts and energy to accelerate and improve the quality of its work throughout the life cycle of the grants, from proposal development to grant negotiation and signing, implementation of performance based disbursement, as well as Phase 2 renewals.
2. Proposal guidelines and forms have been reviewed and improved to ensure that the best and most sound proposals are funded by the Global Fund. Clarifications for the technical review panel are well managed within deadlines.
3. Major progress has been towards the signing of Round 3 and Round 4 grants resulting in increased disbursement of funds, and tangible results can be seen in the number of people benefiting from services and receiving treatment.
4. Lessons learned over the past few years led to a differentiated approach to grant management, and the level of effort is determined by the complexity of the grant and the environment as well as the degree of risk related to management of funds and capacity to achieve results. Our principles to build on existing mechanisms and minimize transaction costs have been further affirmed through our operations, and our commitment to harmonization materialized in many countries and contributed to strengthen partnerships and efforts such as the UNAIDS-led "3 Ones".
5. Challenges still remain, and human capacity is a major one. In addition to the flexibility provided by the grants to accommodate upcoming support needs, partnerships have been built to focus on building an early warning system and facilitating better coordinated approaches to help grantees achieve results and deliver services to people who need them most.

Part 2: Results-based Disbursement and Quality Assurance in Grant Management Processes

1. Achieving and documenting results is at the heart of what the Global Fund should be evaluated against. The first rounds of grants, however, were approved and signed before any framework for establishing core indicators and measuring results had been developed. In the absence of these, the Secretariat has managed the grants based on a regular exchange with PRs and reviews of progress based on disbursement requests.
2. Meanwhile, the Secretariat has devised and the Board has approved a highly transparent, rigorous and consistent performance measurement system. Each new grant will now have an attachment to its grant agreement which sets out clear performance targets central to the stated aims of each grant. Disbursement request will report on progress towards these targets. A grant performance report will be the foundation for the score-card which determines a go/no-go recommendation for the Board's Phase 2 decisions. This system is now being put in place, and we have reached the reassuring point where we can say that no grant will receive Phase 2 funding without having been thoroughly evaluated based on a clear set of performance indicators and no grant is being signed without such agreed performance indicators.
3. In order to ensure a more standardized way of doing business an *Operational Policy Manual* was developed. This document has for the first time set out all operational policies relating to the key areas of portfolio management, from grant signing and first disbursement to performance-based funding and the Phase 2 renewal decision. The Manual is already strengthening and systemizing the way we do business and helps in conveying clear and consistent messages to recipients. All new portfolio management staff are being trained using it and it will help in improving efficiency, clarifying roles and responsibilities throughout the cycle of Global Fund activities.

4. A key emphasis of the Secretariat in recent months has been to move away from a one-size-fits-all approach to portfolio management to a style that is more tailored to the specific contexts in which we work. This will enable us to simultaneously serve recipients better – by devoting more resources to situations before they turn into problems – as well as allow us to manage the Global Fund's risk exposure better.
5. Key to this is an early warning system which is under development to enable the Secretariat to identify situations that are more or less risky in order to mobilize partners so that issues are addressed before continued financing is endangered. The work on developing this system is also drawing on lessons learned from both other financial institutions and the private sector.
6. A framework for analyzing risks has been developed. It examines factors that are intrinsic to the Global Fund financing (e.g., related to grant size and composition, and the performance of a grant) and to the context in which the Global Fund is financing. This framework will further assist portfolio management staff in adapting their work with CCMs, PRs, and LFAs to recognize the Global Fund's risk exposure. It will further serve as the basis for the development of a series of changes to the standard approach to portfolio management.
7. An objective framework will help identify risky situations so that portfolio managers can best tailor responses to the reality of the context of the grant. The framework can also best serve as the trigger that can be used to initiate the involvement of the Operational Partnerships and Country Support team as well as the Services and Policy team.
8. These teams will work with other partners, galvanizing the necessary support to deal with identified problems. Overall these systems will help avoid unnecessary transactions with well-performing grants while ensuring that non performing grants receive the support that they need from the Global Fund and other partners.

Part 3: Strengthening Proposal Development and Technical Review Processes

1. The Guidelines for Proposals were reviewed and amended in consultation with all stakeholders. The amendments to the guidelines reflect in particular Board mandated changes, feedback from technical partners and users as well as the TRP's need to obtain more contextual and in-depth information about proposed intervention strategies and their rationale.
2. The amendments to the Guidelines have been reflected in the Proposal Form which is shorter, clearer and more user-friendly. The next Call for Proposals will be supported by a simpler and more accessible IT platform.
3. Progress on Round 4 clarifications has been satisfactory with 59 components having been submitted and only 10 outstanding. Outstanding clarifications are tracked closely by the Secretariat, and technical partners are providing support to CCMs to finalize the clarifications. For example, Stop TB is working closely with Portfolio Management teams to develop a support plan and has already assigned staff to assist countries. It is expected that all countries will be able to successfully clarify their components in time, before the 14 December 2004 deadline.
4. In preparation for the next call for proposals technical partners are supporting countries with proposals that have been rejected repeatedly, and UNAIDS and WHO are working with the Secretariat to brief their staff and thus strengthen their capacities to support countries.

Part 4: Portfolio Update

1. As of 4 November, 297 grant agreements have been signed in 128 countries, including 67 out of 69 approved Round 1 proposals and 93 out of 100 approved in Round 2.
2. In collaboration with partners, particular efforts have been made to meet the 15 October deadline for the signing of Round 3 grant agreements. As of 4 November, 63 Round 3 grants were signed within the allocated time frame. Assessments and negotiations for recently approved Round 4 grants are well under way and 3 grants have already been signed.
3. Seven Round 3 grants have been provided a three-month extension by the Board due to extenuating circumstances outside the control of the PR. These Round 3 grants must therefore be signed by 16 January 2005, and comprise grants for Angola, Iran, Myanmar (two grants), North Korea, Sudan and a Multi-Country Americas program. The remaining three grants resulted from the appeal process and were approved only in March 2004; they are not concerned by the 15 October deadline.
4. In accordance with the Global Fund's policy on performance-based disbursement, a total of USD 648 million has been disbursed for 196 grant agreements in 101 countries. This is close to 76% of the projected disbursement of USD 850 million by 31 December 2004. Roughly 49% of funding has been disbursed to Sub-Saharan Africa, 19% to East Asia and the Pacific, 14% to Latin America and the Caribbean, 11% to Eastern Europe and Central Asia, and 4% to North Africa and the Middle East and 3% to South Asia.

Current Financial Status of the Global Fund						
<i>\$ figures in millions, as of 5 Nov 2004</i>						
		Current grants				
	Approved	2-Year Approved¹	2-Year Signed²	2-Year Disbursed³	Mean % Disbursed⁴	Mean Time Elapsed⁴
Round 1	Apr-02	\$ 558	\$ 545	\$ 293	61%	71%
Round 2	Jan-03	\$ 859	\$ 779	\$ 248	40%	47%
Round 3	Oct-03	\$ 639	\$ 543	\$ 107	30%	11%
Round 4	Jun-04	\$ 1 039	\$ 6	\$ 0.11	10%	5%
Total		\$ 3 094	\$ 1 873	\$ 648	45%	47%

¹ Proposals approved by the Board (5-year terms, with initial approval covering years 1-2)

² Grant agreement signed by the Secretariat, committing funds for 2-year term of grant

³ Amount transferred to recipients - disbursed incrementally based on performance

⁴ Calculations based on grants which have received one or more disbursements

5. According to the disbursement table (above) overall disbursements are roughly on track, with a mean 45 percent of 2-year committed at a mean 47 percent of the time period of those two-year commitments passed. However, as the table shows, there are substantial discrepancies between rounds.

6. Younger grants (Rounds 3 and 4) are naturally over-disbursed as each grant receives a first disbursement covering two disbursement periods to provide the grants with a running cash-buffer. Rounds 1 and 2, however, are somewhat under-disbursed (Round 1 has disbursed 61 percent of the committed funds over a period constituting 67 percent of the two-year period of the grant, while for Round 2 the figures are 41 percent and 47 percent, respectively). There are two main reasons for this under-disbursement: the first reason is underperformance. As the first progress report "A Force for Change", which analyzed the 25 grants which by the end of April had been in operation for a year, showed, disbursements tend to closely follow performance. There are a certain number of grants which are currently underperforming. These grants are currently being the focus of increased attention by the Secretariat. The specific nature and extent of this underperformance will be fully detailed in the Phase 2 review process. The second reason is procurement delays. A number of recipients have time-consuming procurement rules, and for a certain number of grants, grant activities have been held up while waiting for drugs and other commodities to arrive. For most of these, activities have greatly accelerated once supplies arrived, and in most cases, these grants are likely to catch up with their projected progression before the end of their two-year life.

7. Overall, our current best estimates of people reached are 63,100 people on ARV treatment, 225,000 people treated under DOTS, and 4.7 million insecticide nets distributed. The estimates are preliminary and will be revised with our reporting and counting effort by the end of the year. We plan to jointly analyse data with PEPFAR and WHO in early December to come up with consistent results for wider circulation. These will avoid double and triple counting.

Part 5: Phase 2 Renewals

1. In order to strengthen the Secretariat's capacity to meet the pressing need for building capacities and to ensure quality control and consistency in the implementation of Phase 2 Renewals, a project team has been created within the Secretariat.
2. Invitations for Phase 2 Renewals were sent to CCMs in early October 2004 to submit requests for continued funding for 31 grants that had reached a 16 month milestone by 1 October 2004. Grant Performance Reports (GPRs) for each of the grants have been prepared and sent with the invitations.
3. Objective performance measurement is key to this process. Fund Portfolio Managers engaged with the principal recipients to review the agreed upon indicators to ensure that they are appropriate and provide a solid basis for performance evaluation in Phase 2 Renewal decisions.
4. To ensure a transparent and accountable way of achieving continued-funding recommendations ("Go", "Conditional Go", "Revised Go" and "No Go") for the Board, guidelines to provide an overall performance-rating for each Grant (A, B1, B2, C) as well as evaluation of contextual considerations have been prepared.
5. All activities to be performed throughout the Phase 2 Renewal process have now been mapped out, and support tools that are central to the success of this process such as rules and guidelines, forms and templates, IT tool, quality-assurance mechanisms and deliverables have been developed.

6. These structures and capabilities will become an integral part of the Secretariat's day-to-day grant management through the Operational Policy Manual and training, as rolling out of Phase 2 Renewal becomes a regular event.

Part 6: Managing Implementation Challenges through Partnerships

1. Managing implementation challenges remains an important part of our work. Better coordination and harmonization of efforts with other partners and involvement of local actors in problem solving have played an important role in accelerating slow implementing grants. Diversification of principal recipients has also proven to be an effective means of accelerating implementation. Below are a couple of illustrations.

1.1 Ukraine

i. Following the Secretariat's interventions in managing the difficulties encountered with the grants in Ukraine in January 2004, major progress has been made. The International HIV/AIDS Alliance which was identified as an intermediary grant steward was selected mainly for its perceived capability to rapidly scale-up treatment. To date this has resulted in an increased number of people on treatment from 137 in January 2004 to 575 by 30 September 2004.

ii. Currently there is dialogue with partners to substantially reform the CCM which was suspended. Innovative avenues to obtain strong Government support for this process are being explored. Meanwhile, the International HIV/AIDS Alliance holds bi-monthly stakeholder briefings with key partners and stakeholders.

iii. The Global Fund is actively collaborating with partners like USAID, DFID, World Bank and local NGOs in Ukraine to harmonize programs and create synergies for better capacity building for the Ukraine government and, ultimately, the delivery of more effective and streamlined health services.

1.2 India

i. India is the largest recipient of HIV/AIDS funds in South Asia. The CCM has elected an HIV+ person as CCM Vice Chair representing civil society organizations. The CCM has also included representatives from the various states of the country so that state level input can be considered by the CCM.

ii. In Round 4, an NGO consortium also became a second Principal Recipient under the HIV/AIDS grant. This is first time, an NGO consortium was selected by the CCM to become a PR.

iii. The TB grant is providing DOTS to over 40,000 TB patients and over 100,000 TB patients have been screened.

1.3 Russia

i. Russia reflects its share in the region's disease burden by now being the single largest recipient country in Eastern Europe and Central Asia,

ii. In Round 3, an NGO consortium was awarded a grant for HIV prevention focusing especially on vulnerable groups, and the region of Tomsk in Siberia will implement a Tuberculosis treatment program with wide coverage. Both grants have been signed.

1.4 Mozambique

i. Mozambique began efforts to integrate Global Fund grant funds as part of a Sector Wide Approach agreement (SWAp), pooling all external health funding into common funds for health and

HIV/AIDS. However, the lack of clarity in understanding the concept and hesitation by the Global Fund, as well as slow implementation of the common fund, led to disbursement delays.

ii. The Global Fund conducted an appraisal visit on 14 September 2004 to determine whether the Global Fund's procedures can be adhered to if grants are to function within a SWAp context.

iii. Reporting and other requirements of the Global Fund were then aligned in a manner that will facilitate full participation in the SWAp arrangements. The Global Fund is now better positioned to intensify efforts to coordinate activities within a SWAp in a more harmonized manner, including benefiting from already completed assessments of a SWAp by other donors.

iv. The Global Fund is also now better informed to explore linkages with already existing reporting structures, using agreed performance indicators, and supporting the activities of NGO and other local organizations in the country to maximize institutional capacity for activities prescribed in grants.

1.5 Tanzania

i. After careful consideration of the issues which lead to the program delay for the Tanzania Round 1 malaria grant, an in-country review of the Tanzania National Voucher Scheme was conducted. The Roll Back Malaria Partnership provided two experts on the matter to enable informed decision making and help determine the way forward.

ii. Following the review and a series of consultations between the PR, the Global Fund secretariat and malaria program staff it became evident that major constraints to the grants were mainly due to heavy bureaucracies in staff recruitment, lengthy procurement processes, tax issues and the fact that workplans for the grant were only determined after these hurdles were overcome.

iii. With the support of the RBM experts The Tanzania National Insecticide Treated Nets (NATNETS) program went through a thorough re-programming exercise which resulted in a revised work plan and budget.

iv. The revised plan has been reviewed by the portfolio manager together with the LFA and supported by the Malaria experts who conducted the review. The new budget has decreased by USD 3 million, the voucher distribution will reach 50% of the target coverage region by July 2005 and be able to provide an overall plan for Phase 2 Funding.

1.8 Dominican Republic

i. The Dominican Republic has a Round 2 HIV grant that took 18 months to sign and, after seeing that there had been no progress after the first quarter, the Fund Portfolio Manager requested help within the Operations team.

ii. As an emergency measure to ensure the treatment of people already on ARVs, the Global Fund facilitated the PR sub-contracting the Clinton Foundation to procure the ARVs..

iii. The Global Fund worked with several stakeholders to assess the key constraints, and developed a tight short-term workplan (until January 31, 2005) with specific management indicators. The Global Fund team will assess progress at the end of January and take appropriate action depending on the results.

1.9 Honduras

- i. Honduras has Round 1 HIV, TB and Malaria components and is to initiate the Phase 2 renewal process. However, recent indicators showed that despite an early success in scaling up treatment, all three grants were underperforming. A one-week visit was scheduled to assess the reasons for the delays and discuss options to enhance performance.
- ii. Assessment of the situation revealed that there were human resources and capacity constraints in all three components of the grant. There were no strong national malaria and tuberculosis programs, and there were not enough trained doctors to scale up ARV treatment.
- iii. Honduras is also a country that was establishing anti-corruption measures. The PR, therefore, was keeping a close track of all expenditure processes. However, this caused major delays that compounded with the state bureaucracy, resulting in convoluted procedures and increased times for authorizations.
- iv. However, despite the cumbersome management systems and apparent lack of performance, the municipal efforts that were being put into place and that brought together local governments, NGOs and key stakeholders – were actually developing innovative models of community-based interventions. The changes brought about by the Global Fund grants were visible and were catalyzing new ways of organization at local levels.
- v. The HIV care and treatment component had impressive achievements and close to 2,800 had been put into treatment in less than 2 years. One service at San Pedro Sula – the area of highest prevalence in the country had gone from treating 16 patients per week to treating 50 patients a day.
- vi. The PR's systems were reviewed and ways were identified to make the procedure more flexible and agile while still maintaining the transparency and basic safeguards for the financial monitoring. Support was provided to the PR and CCM to develop a tight workplan and take decisions that would accelerate the performance.

Part 7: Strengthening Partnerships to Achieve Results

1. Recognising that some grants will require more support than others, the Global Fund Secretariat is also accelerating its efforts to support countries by facilitating the involvement of partners in assisting countries to reach their goals and produce results.
2. Major support has been provided by WHO, UNAIDS, the Roll Back Malaria and Stop TB Partnerships. Support to Global Fund processes has been broadened to include bilateral and technical partners such as the Clinton Foundation, DFID, the French Cooperation, GTZ, International NGOs, USAID and ESTHER. The involvement of Private sector partners like Johnson and Johnson, the Global Business Coalition and Merck Support Group is also helping to support implementation at country level.
3. A Memorandum of Understanding between the Global Fund and the Roll Back Malaria Partnership has been negotiated, finalized and signed. A similar MOU with the Stop TB Partnership is under discussion and workplans to support and further operationalise these MOUs are in progress.
4. The Secretariat is collaborating with the WHO's 3x5 team to develop a support plan for Global Fund-funded programs. The collaboration will focus on the provision of technical support for scaling up treatment programs and for Procurement Management Services including pre-qualification of drugs. Countries suggested to benefit from this collaboration include Tanzania, Zanzibar, Malawi, Mozambique, Ethiopia, Uganda, Argentina, Honduras, Haiti, Sri Lanka, East Timor, Serbia, Montenegro, Senegal. India and China were also suggested because of their sheer size, complexity, and burden.

5. UNAIDS' Country coordinators are active in CCMs and support Global Fund grantees at country level like recently in Guinea, Togo and Malawi. Furthermore, UNAIDS is posting approximately 30 Monitoring and Evaluation officers at country level partly to also help Global Fund grantees in the context of the "3 ones".
6. Collaboration plans are being developed with DFID in countries like Uganda, Ethiopia, Tanzania, Zambia, Malawi and Ghana.
7. French Cooperation includes Global Fund processes as part of the briefing of French cooperants prior to being posted in the field. Support to Global Fund processes at country level forms part of their terms of reference.
8. GTZ continues its support to Global Fund processes, and plans are underway to collaborate on establishing an early warning system for technical support and the identification of financial support for CCM development.
9. A Letter of Agreement has been signed between ESTHER and the Global Fund. ESTHER is well positioned to support Global Fund processes through its mandate for facilitating access to sustainable high quality treatment and care for people living with HIV/AIDS. The organization also has established partnerships with governments, health structures and NGOs in countries where Global Fund grants are active. Benin will be the first to benefit from this agreement, while a more comprehensive plan is still under development.
10. One of the major efforts to engage partners in a more systematic approach to ensure that technical support for Global Fund grants is better coordinated was the meeting of the Ad Hoc Working Group on technical support, held on 22 September - 24 September 2004. The Ad hoc Working Group was formed in response to a recommendation of the Eighth Board to address technical support needs as they relate to Global Fund processes and practices and to make recommendations to the Ninth Board meeting. (A full report of the Working Group GF/B9/13 has been submitted for Board decision)

Part 8: Reprogramming to Fund Effective Malaria Treatment

1. Following the initial work reported on during the last Operations Update at the Eighth Board meeting, where a total of 30 countries were reviewed and 28 were identified as needing support to change malaria treatment from chloroquine to ACT, much has been done to move this process forward.
2. The Secretariat has been working in close collaboration with recipient countries and partners including RBM, RPM+, WHO, UNICEF, CDC and USAID to lead the work on assisting countries in reprogramming malaria grants.
3. Out of the USD 90 million approved by the Board for malaria reprogramming, USD 72 million has already been provisionally committed to 15 grants out of 20 grants based on countries projected plans. Fund Portfolio managers are currently following up with the respective countries to ensure that these funds will quickly buy drugs before the next respective malaria seasons.
4. The Secretariat is working with UNICEF to consolidate the quantification of demand for ACT provided by the countries during the reprogramming sessions held in Nairobi. UNICEF is further collaborating with M²S² to follow up with 50 countries to get a global picture and project further demand for ACT in 2005/2006.

6. As part of the support to the reprogramming effort the Secretariat has developed a questionnaire with Roll Back Malaria partners to assess technical support needs as well as the level of country preparedness for rolling out ACTs. The questionnaire is being circulated through regional RBM focal points for Southern Africa, Eastern Africa, West Africa and Central Africa. The focal points will in turn oversee the distribution and collection of the information from countries to better inform the technical support needs for the reprogramming effort.

7. These efforts are however jeopardized by the potential shortage of Artesunate, the raw material for ACT. Joint efforts led by WHO and UNICEF centered around facilitating a better forecasting and a coordinated ordering of drugs in smaller numbers as well as negotiations with Artesunate producers to increase their production.

Part 9: Country Coordinating Mechanisms

1. The policy paper on CCMs that was presented at the Eighth Board meeting has been revised, taking into consideration the discussions and recommendations during the Global Fund Partnership Forum held in July 2004 in Bangkok, Thailand. The revised paper will be submitted to the Ninth Board meeting for consideration.

2. Following a recommendation by the Eighth Board meeting, a CCM measurement framework for the composition and functioning of the CCMs has been developed by TERG, and endorsed by GPC and MEFA. This framework is available as an attachment to the MEFA report (GF-B9-8, Annex 8). The Secretariat will first field test this measurement framework in several countries before using it at the end of 2004 for the collation of baseline data from 128 CCMs. This will include compilation of both quantitative data in terms of composition; and qualitative data in terms of governance processes and levels/extent of participation in Global Fund processes.

3. In addition to collation of baseline data, the Secretariat is currently establishing a CCM database with contact details and roles of members in the CCM. This will be posted on the Global Fund website. Compilation, translation and dissemination of lessons learned by CCMs is being done on an on-going basis.

4. In response to requests from CCMs, the Secretariat is facilitating, in collaboration with partners, sharing of lessons learned and best practices through a series of CCM workshops as well as study tours to well functioning CCMs.