



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

**Tenth Board Meeting
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OPERATIONS UPDATE

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

Part 1: Introduction

1. The Secretariat has continued to accelerate and improve the quality of its work throughout the life cycle of grants, from grant negotiation and signing, implementation of performance-based disbursements, to Phase 2 Renewals.
2. Almost all Round 3 grants were successfully signed within the 12-months deadline prescribed by the Board, and the Secretariat has made major progress towards signing Round 4 grants. Disbursements have continued to increase, and the Global Fund reached the one-billion dollar disbursement mark in mid-March. Tangible results are evident in the number of people benefiting from services and receiving treatment.
3. Development of the Phase 2 Renewal process was crucial in enabling the timely review of proposals for continued funding beyond the initial two year commitment. An internal review process was finalized and has been used to evaluate and provide recommendations for 36 grants. This newly-established process has been integrated into daily grant management activities.
4. A primary challenge in the near future is to further develop and finalize the early warning and response system, which will enable the Secretariat to proactively address slow-moving grants in a timely and comprehensive fashion. The early warning and response system will form an integral part of the differentiated approach to grant management that the Operations Unit has been striving towards in light of lessons learned.
5. The Secretariat continues to emphasize the need for partner support to facilitate successful implementation of grants, and has focused on collaborating with and improving coordination with partners. Harmonization is critical in our effort to build on existing mechanisms and minimize costs for recipients.
6. The Operations Unit has almost completed its recruitment and hiring effort. Additionally, roles and responsibilities within the Operations Unit have been reviewed to enhance efficient responses to operational needs.

Part 2: Portfolio Update

Grant Agreements and Disbursements

1. As of 6 April 2005, 267 grant agreements have been signed in 124 countries. 68 of 69 approved Round 1 proposals have been signed. Negotiations with the Democratic People's Republic of Korea (DPRK) were cancelled because requirements under the Additional Safeguards Policy were not met. 98 of 100 Round 2 proposals have been signed. The outstanding malaria grant agreement in Malawi will be signed in the next month, and the HIV/TB grant in South Africa will be signed by June 2005. For Round 3, 71 of 72 proposals have been signed. The remaining unsigned grant, the Andean Regional Project on Malaria Control, was given a three-month extension from its 19 March 2005 deadline. Two Round 3 grants, DPRK TB and Iran HIV/AIDS, were cancelled after obstacles could not be resolved.
2. Assessments and negotiations for Round 4 grants are well under way. Of the 78 approved proposals, 30 have been signed. The Operations Unit expects to sign all remaining Round 2, 3, and 4 grants by the end of June 2005.
3. To date, a total of US \$1.1 billion has been disbursed, out of a total commitment in signed grant agreements of \$2.3 billion. The US \$1 billion disbursement milestone was

passed during the Stockholm Replenishment Conference in mid-March. Of the disbursed amount, roughly 55% of funding has been disbursed to Sub-Saharan Africa, 16% to East Asia and the Pacific, 11% to Latin America and the Caribbean, 9% to Eastern Europe and Central Asia, and 4.5% to North Africa and the Middle East and 4.5% to South Asia.

4. The Secretariat aimed to disburse US \$2 billion by the end of 2005, and thus has achieved 54% of that target. To evaluate disbursement progress, the Secretariat examines the proportion of disbursed funds against total committed funds, and compares this with the proportion of time elapsed since the signing of grant agreements. The current rate of disbursements reflects forecasts provided at the Ninth Board Meeting, with 52% of signed grant values disbursed at an average elapsed time of all signed grants of 54%.

Disbursements by Round						
<i>\$ figures in millions, as of 05 Apr 2005</i>						
Round	Approved	2-Year Approved¹	2-Year Signed²	2-Year Disbursed³	Mean % Disbursed⁴	Mean Time Elapsed⁴
Round 1	2-Apr	\$ 572	\$ 562	\$ 407	75%	90%
Round 2	3-Jan	\$ 859	\$ 829	\$ 418	52%	62%
Round 3	3-Oct	\$ 634	\$ 619	\$ 175	35%	27%
Round 4	4-Jun	\$ 1,020	\$ 253	\$ 65	33%	10%
Total		\$ 3,085	\$ 2,263	\$ 1,065	51%	54%

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. The average amount of elapsed time between Board approval of a proposal and grant signing, and between grant signing and first disbursement, has improved. For Round 1, the average time required from Board approval of proposals to grant signing was 351 days, and the average time from grant signing to first disbursement was 73 days. For Round 2, the average time between Board approval and grant signing decreased to 285 days and average time to first disbursement after grant signing to 60 days. The average time taken from Board approval to grant signing for Round 3 grants increased slightly to 319 days; however the period until first disbursement dropped to 44 days.
6. Currently for Round 4 grants, the expected average time between Board approval and grant signing is 253 days and 27 days between signing and first disbursements. These current delays are due to the extensive time commitment required by the development and introduction of the Phase 2 Renewal process. Additionally, a number of grants are currently under-performing and require more attention from the Secretariat and partners.

Principal Recipient Expenditure

7. Expenditure levels of Principal Recipients are also positive. Figures calculated in March 2005 reveal that of the approximately US \$1.1 billion disbursed to countries, Principal Recipients have spent or further disbursed approximately US \$550 million. The discrepancy between the disbursed and expended/further disbursed amount is due to the fact the Global Fund ensures that PRs always have a buffer amount of resources for three months of program implementation. Additionally, the amount remaining in PR bank accounts includes resources that have already been committed to procurements and commitments entered into but not yet delivered and paid for.

Results

8. After conducting joint data sharing and analysis sessions with partners [including WHO, UNAIDS, the World Bank, and the US President's Emergency Plan for AIDS Relief (PEPFAR)] and Global Fund PRs, the Secretariat announced portfolio-wide results in January 2005. Results for 2004 show that Global Fund grants provided:
 - 130,000 people with ARV treatment for AIDS;
 - more than 1 million people with voluntary HIV testing;
 - 385,000 people with treatment under the DOTS strategy for tuberculosis control;
 - more than 300,000 people with highly effective artemisinin-combination treatments for malaria; and
 - 1.35 million families with insecticide-treated mosquito nets.

A full analysis of results is provided in our progress report, "*Investing in the Future: The Global Fund at Three Years.*"

Part 2: Phase 2 Renewals

Summary of the Phase 2 Renewal Process

1. The Secretariat designed and currently uses a multi-layer review process that involves various actors both within (cross-departmental) and external to the Secretariat and culminates with the Phase 2 Panel's assessment. This process is intended to ensure the quality and robustness of Secretariat recommendations to the Board.
2. The Phase 2 Renewal process - as well as the tools, guidelines, forms and templates, quality assurance mechanisms, and deliverables that were developed in the latter part of 2004 to support that process - have become an integral part of daily grant management.
3. In March 2005, the TERG reviewed and assessed the Phase 2 Renewal process. The TERG provided positive feedback; this was confirmed by MEFA during a meeting later the same month.
4. By the time this report was written, the Secretariat had finalized and submitted 36 performance reviews and recommendations to the Board for approval. One grant has been sent to the TRP for review as a "Revised Go" (Indonesia Malaria). The Phase 2 review has been postponed for four grants (all in Sri Lanka), in light of the tsunami disaster.
5. Of the 36 finalized grants, the Board has approved the Secretariat's recommendation to continue funding for 32 proposals (as "GOs" or "Conditional GOs") and to not commit additional funding for one proposal. The required number of objections was received for

the other three recommendations to not commit additional funding, and the Secretariat re-examined its recommendations and considered the Board constituencies' objections, as established in a Ninth Board Meeting decision. After its second review, the Secretariat maintained its initial recommendation to not extend funding for two proposals, and changed one of its recommendations in light of additional information.

Lessons Learned

6. In addition to the TERG and MEFA assessments, the Secretariat undertook an internal review of its Phase 2 Renewal process to highlight lessons learned and potential steps to be implemented for improvement in the immediate future.
7. One of the issues examined was the TRP's role during the Phase 2 Renewal process and whether or not it should be involved in reviewing recommendations to not commit additional funding or in other cases. This will be presented for decision to the Board during the 10th Board Meeting.
8. The need for a more rigorous and systematic review of expenditures and budget proposals for Phase 2 was also recognized. As of March 1, Grant Score Cards presented to the Board contained program expenditure information. The Secretariat has also issued revised guidelines to LFAs for Phase 2 assessments to ensure they conduct a more systematic and detailed review of expenditures during Phase 1 and the reasonableness of Phase 2 budgets. The Secretariat has also spent time explaining expectations to the LFAs in order to improve the quality of their review reports.
9. In these first few months, the Phase 2 Renewal process has sometimes been hampered by the delayed submission of CCM Requests for Continued Funding. Workshops and country visits have been held with CCMs to raise their awareness of the importance of their roles during the Phase 2 Renewal process, and to improve the quality and timeliness of their Requests.
10. The Secretariat also now recognizes that the Phase 2 Renewal process occurs relatively early in a grant life cycle, with information required from CCMs and PRs by month 18 of the grant term. This timeline is necessary to allow the Secretariat to provide the Board with a recommendation during month 20 of the grant term, as mandated in current Board policy. As a consequence, only performance data from the first 15 months of a program is available at the time of the Secretariat's review. In some cases, such as where reporting is on a semi-annual basis or in instances when the LFA cannot verify results in time, only 12 months of data is available. Within the current operating framework of the initial two-year financial commitment, it is not possible to undertake the review for Phase 2 funding at a later point in time or to extend the review process to include performance data from later months
11. Internally, the Secretariat now includes the wider participation of resource persons with defined Terms of Reference in the Phase 2 Panel meetings. This is to ensure that each recommendation is made with the best possible understanding of the grant and its context.
12. In developing its recommendations, the Secretariat considers performance achieved in a 'holistic' context, viewing a program's ability to achieve the intent of the original approved proposal, rather than only focusing on performance of individual elements included in a proposal. This approach has meant that the Secretariat has recommended to not commit additional resources to some proposals that have achieved results in some areas.

Part 3: Development of the Early Warning System

1. Since its restructuring in May 2004, the Operations Unit has emphasized moving away from a one-size-fits-all style of portfolio management, to an approach that is more tailored to specific contexts. This differentiated approach will serve recipients better, as more resources can be devoted to situations before they turn into problems. At the same time, the Global Fund's exposure to risk will be better managed.
2. Integral to this differentiated approach is the early warning and response system. This system will enable portfolio management staff to adapt their work with CCMs, PRs and LFAs according to the level of risk exposure. It will enable well-performing grants to continue business-as-usual, while ensuring that non-performing grants receive necessary support from the Global Fund and other partners in a timely fashion. As the poor performance of some grants has shown during the Phase 2 Renewal process, assistance to PRs and CCMs needs to be mobilized well in advance of that review.
3. A framework for analyzing risks has been developed and incorporated into the Grant Management Tool, and will serve as the 'alert component' of the early warning and response system. The framework uses two main sets of criteria: risk factors that are specific to Global Fund financing, like grant size, and risk factors that are specific to the context in which the Global Fund is operating.
4. These criteria form the basis of a number of triggers, that if activated, would automatically raise "alert flags" (which have three escalation levels: yellow, orange, and red). Triggers are based on factors like the time it takes to complete or undertake defined steps of the grant life cycle, the period of elapsed time between proposal approval and grant signing, the approval of required assessments, or the period of elapsed time between grant signing and first disbursement. Other warning signs include low disbursement rates and low performance ratings.
5. Each grant's criteria can be different, and therefore, the timing and escalation of each country's "alert flags" can also differ.
6. Once an alert flag is triggered, there is a standard process for response that will be based on the level of escalation. This response process could include steps to involve certain specialized staff, diagnose or conduct a comprehensive appraisal of the problem or risk that has been triggered, mobilize partner involvement, or hold country communications. An action template of steps to be undertaken and respective responsibilities is currently being finalized and incorporated in the IT tool. This system will allow the escalation and de-escalation of the response based on certain conditions. It will also document decisions and track action taken.
7. Partner support and involvement will be integral to the success of this system. Discussions with partners about their participation and contribution in responding to problems encountered during grant implementation have taken place. The Secretariat hopes to work with partners to develop a mechanism that can assist partners in coordinating and providing technical assistance to specific needs of the grant.

Part 4: Strengthening Partnerships to Achieve Results

1. While efforts to further and more systematically involve partners will accelerate in the coming months, the Global Fund has undertaken significant efforts in recent months to collaborate with partners and better-coordinate interventions in recipient countries.
2. In February of this year, the Global Fund and the Office of the Global AIDS Coordinator (OGAC - PEPFAR) organized two days of consultations between Fund Portfolio Managers and their PEPFAR colleagues. The aim of the meeting was to promote country-level collaboration and for the staff of both organizations to familiarize themselves with the respective institution's structure, mandate, strengths and constraints. Members of both organizations recognized the urgent need to coordinate planning efforts, implementation strategies, implementing partners, monitoring and evaluation plans, and reporting requirements.
3. Since the February meeting, regular communication with in-country PEPFAR staff has been established. Meetings with in-country PEPFAR staff is becoming a regular feature of Fund Portfolio Manager missions to countries, and joint-missions have been planned with OGAC staff based in Washington. In Tanzania, the Global Fund and PEPFAR have recently coordinated their treatment responses to HIV/AIDS; Global Fund financing will support the purchase of first line ARV treatment and OGAC will support second line treatment.
4. The Secretariat has also increased collaboration with the Department for International Development (DfID) of the United Kingdom. The Director General of DfID, Mr Masood Ahmed, plans to visit the Secretariat in mid-May 2005. At that time, he will be able to meet with portfolio management staff and discuss how to coordinate efforts in specific countries to improve their implementation.
5. Fund Portfolio Managers are working to improve collaboration with DfID colleagues in-country. Close collaboration has already been established in Uganda, Mozambique and Swaziland. In Nepal, funding devoted to HIV/AIDS from both sources has been pooled into a common fund. One management structure implements both grants. This arrangement helps avoid overlaps in funding. Similarly, in China, one management structure is implementing the Global Fund and DfID grants, using identical reporting requirements and the same monitoring and evaluation plan. In the Ukraine, DfID funded the capacity development of the CCM, considered a key priority by donors and the recipient country, through UNAIDS. The possibility of closer collaboration is also being considered for grants in Ethiopia, Ghana, Kenya, Malawi and Tanzania.
6. The Secretariat held two workshops on the new Global Fund proposal guidelines and forms for Round 5 with World Health Organization staff. Additional presentations and discussions took place with WHO TB and HIV/AIDS staff in Geneva, WHO AFRO malaria staff, and a group of consultants who are currently providing support to countries in the preparation of proposals.
7. The Global Fund supported and participated in the Roll Back Malaria Partnership Board Meeting that took place in early April 2005. The meeting addressed major bottlenecks in the access to commodities like ACTs and insecticides. Additionally, the Global Fund is working in partnership with the World Bank, WHO, UNAIDS, UNICEF, USAID and ESTHER to deliver a series of training courses on managing the procurement and logistics of HIV/AIDS drugs and related supplies in Africa and other regions. Two training programs for 160 persons are planned for April and May of this year.

8. Major efforts are currently underway to improve the coordination of technical support for Global Fund grants. The Secretariat met with UNICEF's HIV/AIDS advisors to discuss how to better support Global Fund grants. Discussions are also underway with UNAIDS for the provision of technical support, particularly for monitoring and evaluation capacity of HIV/AIDS grants in the Caribbean. In collaboration with the Secretariat, UNFPA is preparing a workshop to discuss how its Y-Peer Network can provide technical support to Global Fund projects that are focused on youth in the Eastern European region. The Secretariat also has a number of initiatives for the provision of technical support in the Latin American region. Work is in progress with PAHO's Advisory Committee on HIV/AIDS and several agencies including CDC, UNFPA, UNICEF to mobilize timely technical support for slowly-performing grants to help them prepare evaluations for the Phase 2 Renewal process. In early April, the Secretariat participated in a meeting in Brazil that brought together the majority of the Latin American HIV/AIDS grantees to better chart technical support needs for the region. Other partners who attended this meeting were GTZ, UNAIDS and DfID. Plans are underway to hold a similar meeting for HIV/AIDS grants, and later for TB and Malaria grants, in the Caribbean.

Part 5: Examples of Harmonizing and Coordinating with Partners

1. Managing implementation challenges remains an important part of our work. Better coordination and harmonization of efforts with other partners and the involvement of local actors in problem solving, have both played an important role in accelerating implementation of slow-moving grants. Below are several illustrations.

2. Swaziland

The HIV/AIDS prevalence rate in Swaziland has risen to 42%, the highest reported prevalence rate in the world. The country is facing a humanitarian crisis and will require extensive support from the international community to respond. A prevalence report issued recently shows a modest decline in infections in the critical age group of 15 – 19 year olds.

A joint UNAIDS and Global Fund mission between Dr. Peter Piot, Executive Director of UNAIDS, and the Global Fund Team Leader for Southern Africa, was undertaken in mid-March. The mission aimed to obtain first-hand knowledge of the capacity of communities to cope with its staggering prevalence rate, to follow-up on progress and the challenges of implementing the "3 ones," and to support the strengthening and expansion of national partnerships to achieve greater harmonization and increase the resource absorption capacity of relevant authorities.

During the mission, partners agreed on the urgent need to harmonize efforts to ensure that their response was rationalized and best-fitted to support the National Emergency Response Council for HIV/AIDS' (NERCHA) response to the epidemic. These integrated efforts will focus on strengthening the capacity of communities to deliver a range of services to respond to HIV/AIDS, encouraging the integration of prevention into all interventions, and using a single monitoring and evaluation framework to measure progress and assist in managing interventions. Particular focus will be placed on maximizing the effectiveness of existing resources and in addressing medium and long-term needs in the areas of human resources and capacity.

3. **Uganda**

The Global Fund currently has four grant agreements signed in Uganda and one remaining grant agreement that has yet to be signed, approximately totaling US \$370 million. Implementation of all grants has been slow, and particular concern was raised during the Phase 2 review of the Round 1 HIV/AIDS grant.

Global Fund staff have been working with in-country partners in-country to accelerate the implementation of these slow-moving grants. Efforts intensified after a recent mission by Secretariat senior adviser and portfolio management staff in March 2005. This progress and commitment was documented in a joint Aide Memoire. The possibility of channeling funding into a common pool is currently being assessed.

4. **Tanzania**

Tanzania is a major recipient of Global Fund resources, with three signed grant agreements and two remaining grant agreements that have yet to be signed, approximately totaling US \$492 million.

Tanzania's Principal Recipients have experienced difficulties in the implementation of the grants from earlier Rounds. Portfolio management staff recently assessed bottlenecks and explored areas in which they can harmonize efforts with partners.

During a mission to Tanzania during March 2005, stakeholders committed support for the Global Fund grants and OGAC activities. Donors are to coordinate efforts to support implementation of each other's grants in-country. DfID will provide direct support to relevant NGOs, and CDC expressed willingness to support the technical committee of the CCM.

5. **India**

India currently has 7 grant agreements for HIV/AIDS, tuberculosis and malaria, which provide positive examples of inter-agency coordination.

The World Bank and the Global Fund have been collaborating closely concerning grants for HIV/AIDS and tuberculosis in India, and similar coordination of efforts will be pursued for interventions against malaria. USAID will fund WHO to provide necessary technical support for malaria grants of the Global Fund and the World Bank. DfID is funding UNAIDS to provide technical support in North-Eastern states where Global Fund HIV/AIDS programs are also being implemented by the National AIDS Control Organisation. Support from the Clinton Foundation in six states with high prevalence rates are complementing programs funded by the Global Fund and discussions are ongoing to minimize duplication. DfID is providing technical support, both directly and through WHO for efforts against tuberculosis.

6. **Moldova**

Moldova has a Round 1 HIV/TB five year grant agreement for approximately UD \$11 million. Funds have been used to complement comprehensive efforts by the donor community against HIV/AIDS and tuberculosis.

Laboratories were reconstructed and renovated with funding from USAID through a project being implemented by the American International Health Alliance (AIHA). Global Fund financing is being used to replace outdated equipment for the facilities and to train

TB specialists. Activities have been implemented in close coordination with the World Bank Health Investment Fund project and national and regional institutions. The World Bank finances the Secretariat of the CCM and the budget for M&E activities.

Part 6: Launch of Round 5

1. Following the deliberations of the Eighth and Ninth Board Meetings, the Board approved the Guidelines for Proposals on 17 March 2005 and launched a Call for Proposals for a Fifth Round funding.
2. The Guidelines and Proposal Form were revised to incorporate experience gained in previous Rounds. Revisions were introduced within the HIV/AIDS and tuberculosis components for proposals to include collaborative HIV/AIDS-related activities where HIV/AIDS drives a tuberculosis epidemic. Other changes include a clarification of health-system strengthening activities (previously the 'Integrated' component). Such interventions must be linked directly to the fight against any or all of the three diseases. Requirements for effective CCM functioning as determined during the Ninth Board Meeting have also been included in the new guidelines.
3. The Secretariat has undertaken extensive efforts to ensure the user-friendliness of the forms and application procedures. WHO staff has been trained to assist applicants with the preparation of proposals. Proposals have been developed in two different forms, MS-Word and PDF. These have been subject to extensive testing to ensure their usability. In addition, the Secretariat has provided information for potential questions from applicants on its website.

Part 7: Country Coordinating Mechanisms

1. Efforts to strengthen the functioning and performance of CCMs have been ongoing. CCM Guidelines have been revised to include Board requirements and have been translated into six official languages. These have been forwarded to all relevant CCM Chairs, members and focal points where contact details were available.
2. Substantial efforts have been invested to expand the database of contact details for the nearly seventy CCMs. This information will be available on the Global Fund website.
3. In order to facilitate a clearer understanding of the roles and responsibilities of CCMs, two regional workshops have been held this year, in Zambia and India. Seventy-five CCM members participated and developed action plans to strengthen their respective CCMs and implement more inclusive and participatory processes.

Part 8: Continuing to Strengthen the Operations Team

Recruitment of New Staff

1. The Operations Unit has continued to address its human resources needs. After the Board approved a number of positions for the Operations Unit for 2005, the Secretariat prioritized addressing the staffing shortages within the regional Cluster teams. The recruitment of this staff is now almost complete. For example, 44 of 48 positions within the portfolio cluster have been filled. This includes all team leaders, 8 new program officers, and a vast majority of Fund Portfolio Managers. Interviews for the remaining

four portfolio positions have been completed, and we expect to have all positions filled in the near future.

2. Emphasis was also given to staffing the Portfolio Services and Policy (PSP) team, and a number of people have been successfully recruited for the finance and procurement posts.
3. Attention will now be focused on ensuring that the Operational Partnerships and Country Support (OPCS) team is adequately staffed. This will be imperative to enable successful finalization and implementation of the early warning system.

Operations Retreat

4. In January 2005, the Operations Unit undertook a 2-day retreat to address operational challenges to grant management and staffing issues within the Unit. The objective was to enhance the need for cooperation as 'one Operations team' when responding to grant management problems and to develop solutions for identified challenges. Conclusions agreed upon during the retreat, namely to facilitate cooperation and to resolve bottlenecks, have either been implemented immediately or have been taken up by a post-Retreat working group to further develop and implement solutions.

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