



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

**Eleventh Board Meeting
Geneva, 28-30 September 2005**

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GF/B11/16

Independent Review: South Africa, HIV and TB – Round 1 SAF-102-G02-C-00 – ‘Lovelife’

Outline: This document contains an independent paper audit of the Round 1 HIV and TB grants, LoveLife, South Africa, undertaken by Prof. Rolf Korte and Mr Wilfred Griekspoor.

In July 2005 the Board did not accept the second “No Go” recommendation by the Phase 2 panel of the Secretariat in relation to South Africa HIV & TB Round 1 grants (LoveLife). In accordance with Board procedures the Board must now make a final decision on funding for the grant.

To facilitate a Board decision, at the request of the Chair, The Global Fund commissioned Prof. Rolf Korte and Mr Wilfred Griekspoor to carry out an independent paper based audit, mapping the process, the information provided and analysing the key issues of disagreement between the Secretariat Phase 2 Panel, objecting Board members and the CCM. The object of the review attached was not to provide a recommendation on the decision but to focus and facilitate Board discussion.

To facilitate decision making the Secretariat will provide options for a decision that could be taken in relation to this item in a separate paper.

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Review of the argumentation on Phase 2 financing of the loveLife grant



Documentation for the 11th Board meeting
Geneva, September 28-30, 2005

CONTENTS

- **Background**

- Objectives and Methodology

- History of Events

- Process Findings

- Content Findings

BACKGROUND

- The loveLife grant results from a Round 1 proposal that has been approved by the TRP and the Board at a time when the evaluation criteria were still evolving
- The CCM requested Phase 2 funding in February 2005
- The Secretariat twice made No-Go recommendations for Phase 2 funding, which were rejected by the Board
- Therefore The Global Fund commissioned an independent review of the key topics and arguments so far to facilitate a discussion and a decision during the 11th Board meeting in September 2005

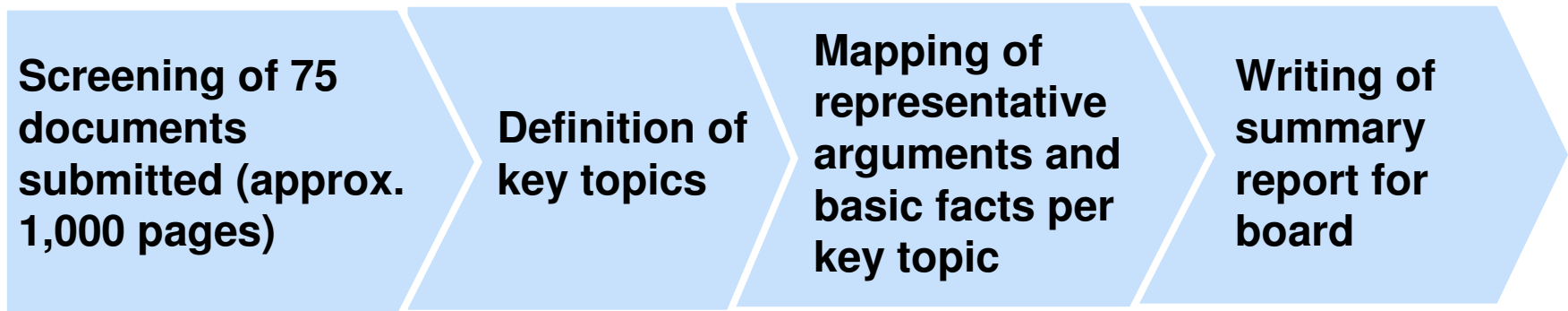
CONTENTS

- Background
- **Objectives and Methodology**
- History of Events
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OBJECTIVES AND METHODOLOGY

- Map the information put forward by the Recipient, the Secretariat and different Board constituencies in the Phase 2 decision making process of the loveLife grant
- Summarize the loveLife Phase 2 decision making history
 - chronology of events and information provided
 - typology of the content
 - analysis of the sources and flow of information
- Highlight areas of agreement and disagreement as well as important areas not addressed so far

ACTIVITIES PERFORMED



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- Background
- Objectives and Methodology
- **History of Events**
- Process Findings
- Content Findings

KEY EVENTS

2002

January

- CCM proposal submitted to Global Fund (31.01)

April

- Board approval for phase 1 of the project

2003

August

- Commencement of activities

November

- Grant agreement signed 08.11 (backdated to August)

2004

May

- Letter from GF to CCM Chair regarding PR/LL confusion

June

- First request for accelerated funding from SR to CCM (29.06)
- GF, CCM, LFA, PR, and LL meeting on cash flow issue

September

- First annual report
- Second request for accelerated funding by SR to CCM (23.09)

December

- Submission of request for accelerated funding by CCM to GF (04.12)

2005

February

- Submission of Request for Continued Funding by CCM (04.02)

May

- 1st No-Go recommendation by Secretariat (2.05)
- Board objection to 1st No-Go recommendation (12.05)

June

- Special Review of financial position of loveLife commissioned by GF Secretariat

July

- 2nd No-Go recommendation by Secretariat (1.04)
- Board Objection to 2nd No-Go recommendation (11.07)

August

- loveLife response to KPMG Special Review (23.08)

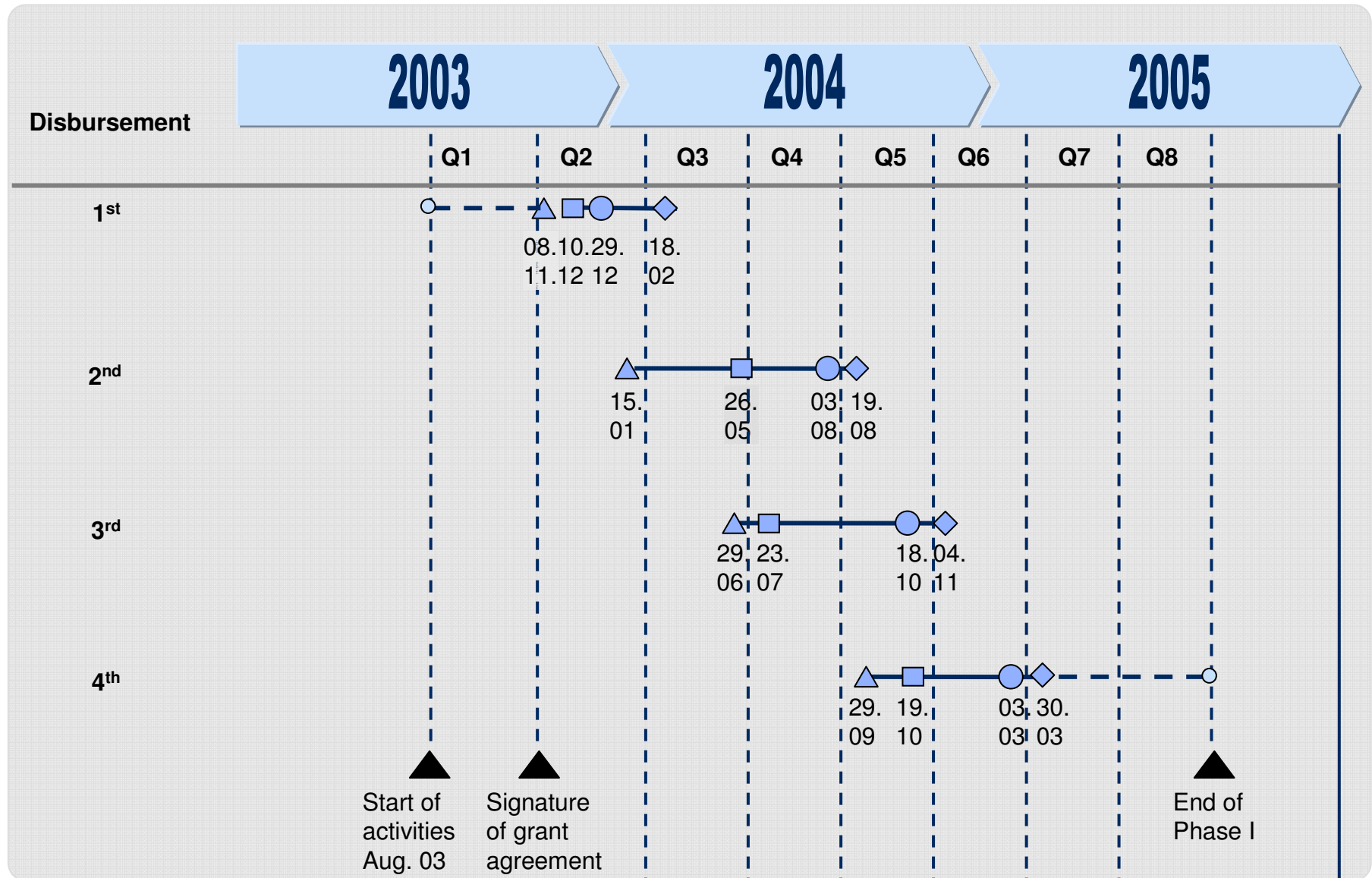
September

- Board meeting (28.-29.09)

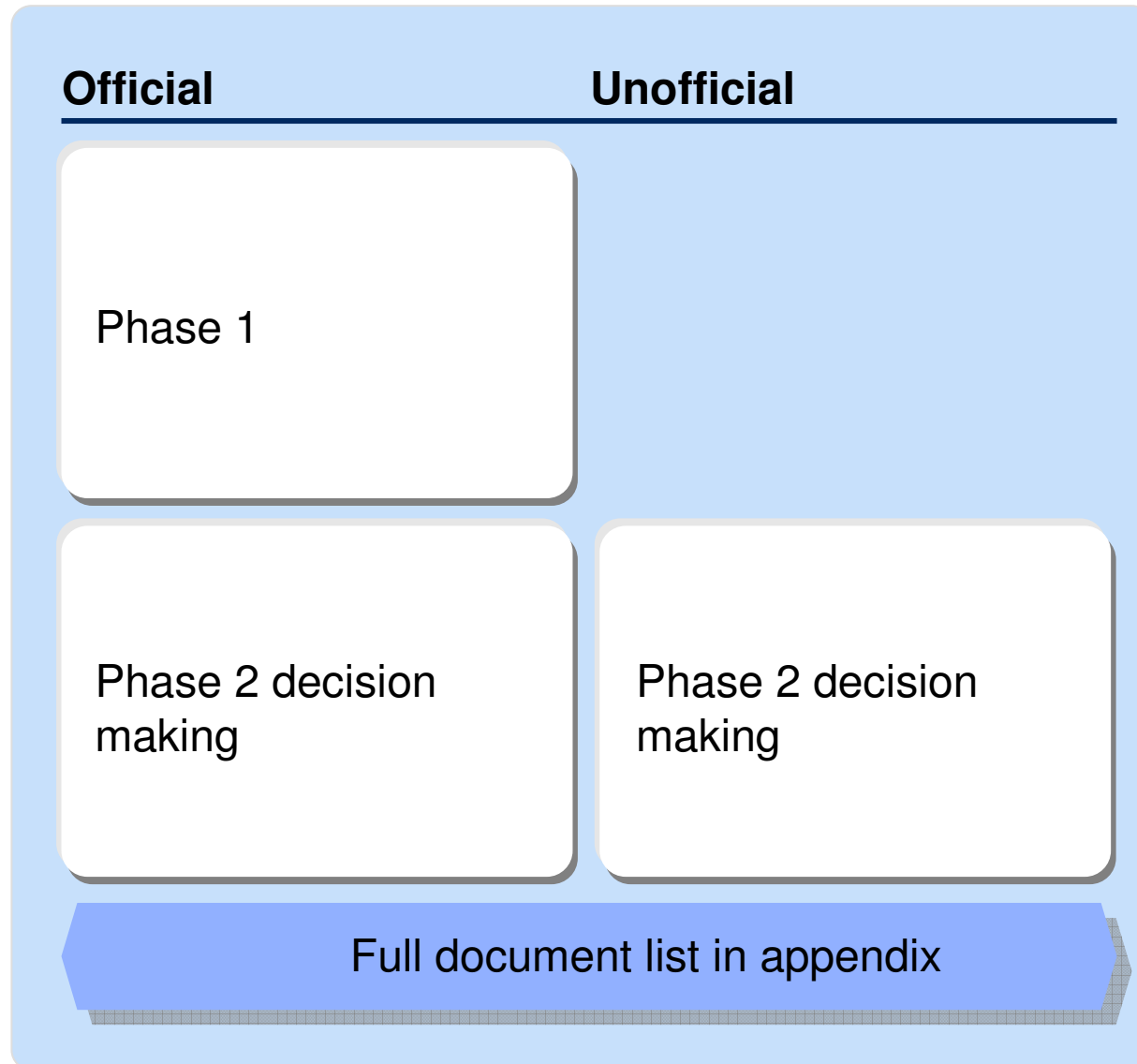
TIMELINE OF DISBURSEMENTS

Compressed disbursement pattern

- ▲ • Request by SR
- • Request by PR
- • Payment received by PR
- ◆ • Payment received by SR
- • Verification by LFA



THREE CATEGORIES OF GRANT SPECIFIC DOCUMENTS

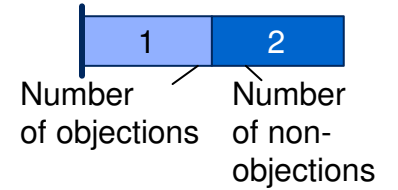


SEQUENCE OF EVENTS REGARDING THE NO-GO RECOMMENDATIONS

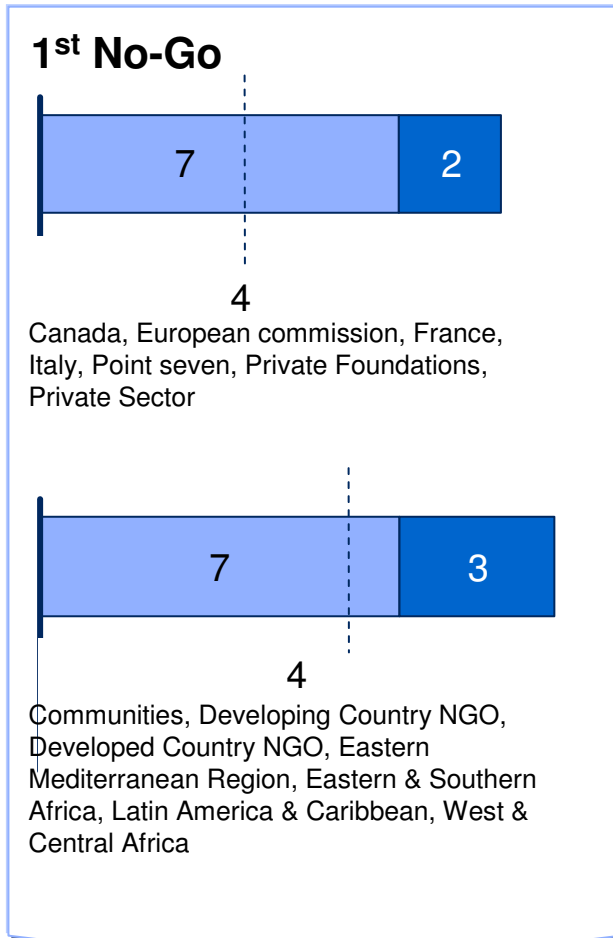
Unofficial document

Date	Document	Comments
May 2, 2005 (communicated to CCM April 29)	1 st Secretariat's NO-GO recommendation	<ul style="list-style-type: none"> Communicated through e-mail/password secured internet page to Board
May 11, 2005	1 st Board objection	<ul style="list-style-type: none"> Communicated by e-mail by Secretariat to Board Supported by 14 objections (7 donors, 7 recipients) see slide Board appreciation)
May 17, 2005	loveLife response to Global Fund scorecard recommendation	<ul style="list-style-type: none"> Unofficial document sent to the Secretariat and most probably to (a selection of) Board members
July 1, 2005	<div data-bbox="606 824 1104 922">Response of Secretariat to Board objection forms</div> <div data-bbox="606 938 1104 1036">2nd Secretariat No-Go recommendation</div>	<ul style="list-style-type: none"> Communicated by e-mail/password secured internet page by Secretariat to Board
July 5, 2005	loveLife No-Go of response to the 2 nd recommendation Secretariat's	<ul style="list-style-type: none"> Unofficial document sent to (a selection of) Board members
July 11, 2005	2 nd Board objection	<ul style="list-style-type: none"> Communicated by e-mail by Secretariat to Board Supported by 9 objections (3 donors, 6 recipients) see slide Board appreciation) and an e-mail supporting the Secretariat's recommendation from US

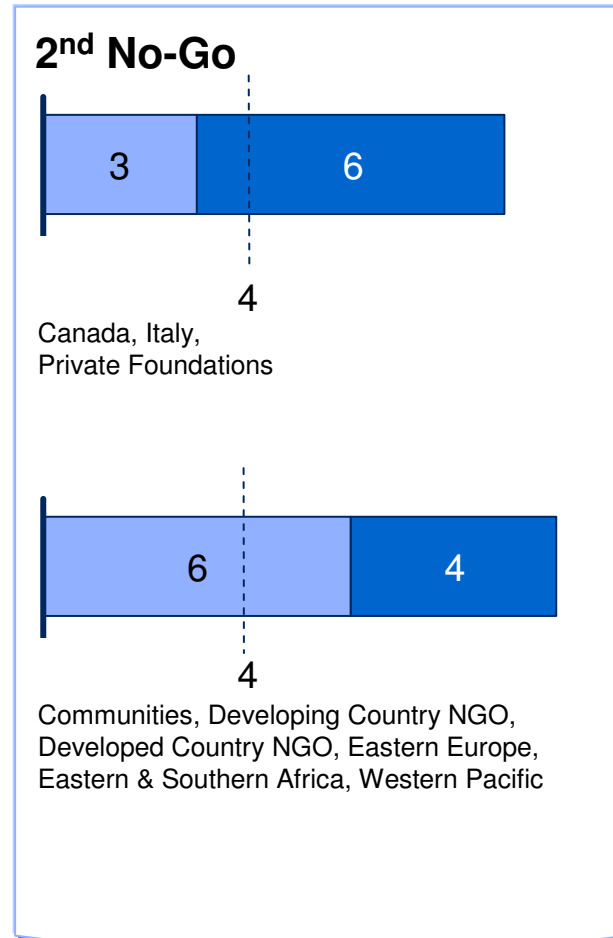
BOARD OBJECTIONS



Donor group



Board objection to Secretariat's 1st recommendation



Board objection to Secretariat's 2nd recommendation

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- **Process Findings**
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PROCESS FINDINGS – CONCLUSIONS

- The Phase 2 Decision Panel has a crucial role within the Secretariat as the custodian of performance based funding
- The Board objection to 2nd No-Go recommendation by Secretariat contains important suggestions for improving the Phase 2 decision making process

CRUCIAL ROLE OF SECRETARIAT'S PHASE 2 DECISION PANEL (1/2)

- **The Phase 2 Decision Panel** of the Secretariat has been put in place by the Board as the **primary guardian of the performance and results based funding** approach of the Global Fund
- **The Panel is composed of senior management members** of the Secretariat: the Chief of Operations, the Director of Strategic Information and Evaluation, the Chief Administrative Officer, and the Chief Financial Officer
- Based on the CCM's Request for Continued Funding and the Secretariat's internal Grant Score Card, the Phase 2 Decision **Panel is independently testing the grant's phase 1 progress towards the overall goals and impact/outcome targets** as defined **in the original proposal** approved by TRP and Board, taking due consideration of contextual factors (discussed with MEFA Committee, 6 - 8 March 2005)

CRUCIAL ROLE OF SECRETARIAT'S PHASE 2 DECISION PANEL (2/2)

- Therefore, the conclusions of the Secretariat's Phase 2 Decision Panel at month 20 in phase 1 **do not necessarily need to conform with earlier communications** or views shared with the PR or subrecipient during Phase 1 by the disbursement-oriented Portfolio Management team in the Secretariat
- In the **absence of a formal Early Warning System** for the loveLife Round 1 grant, the difference in responsibilities between the Phase 2 Decision Making Panel and the Portfolio Management team was not always recognized in objections to the No-Go recommendations by the Secretariat's Phase 2 Decision Panel
- **These objections mostly emphasized on phase 1 coverage indicators** and contextual factors, and paid much less attention to the progress towards the proposal's overall goals and outcome or impact targets


BOARD OBJECTIONS TO NO-GO RECOMMENDATIONS AND SUGGESTIONS FOR PROCESS IMPROVEMENTS

- The **Board objections to the first No-Go recommendation** by the Secretariat's Phase 2 Decision Panel were **mostly related to the specifics of the key topics** described
- In contrast, 7 out of 9 **Board objections to the second No-Go recommendation** were **triggered by the contradictions** between the Secretariat's Phase 2 Decision Panel and subrecipient loveLife, without referring to the content of the arguments in these contradictions; one board objection suggested referring the case back to the CCM for a revised proposal
- The objecting **Board members offered several suggestions to amend and improve the Phase 2 decision making process**
 - Following one or two email-based Board votes objecting to Secretariat's No-Go recommendations, inclusion of an independent outside review of the key issues before the case is presented to the full Board for final decision making (4 objection forms)
 - Replacement of email voting by discussion and voting in the full Board for grants in countries with high HIV/AIDS prevalence (5 objection forms)
 - Early and official inclusion of CCM/PR/SR comments to a draft No-Go recommendation in the Secretariat's Phase 2 Decision Panel evaluation and decision to avoid unnecessary, unwanted and lengthy involvement of the Board in technical arbitrage (implicit in 3 objection forms)

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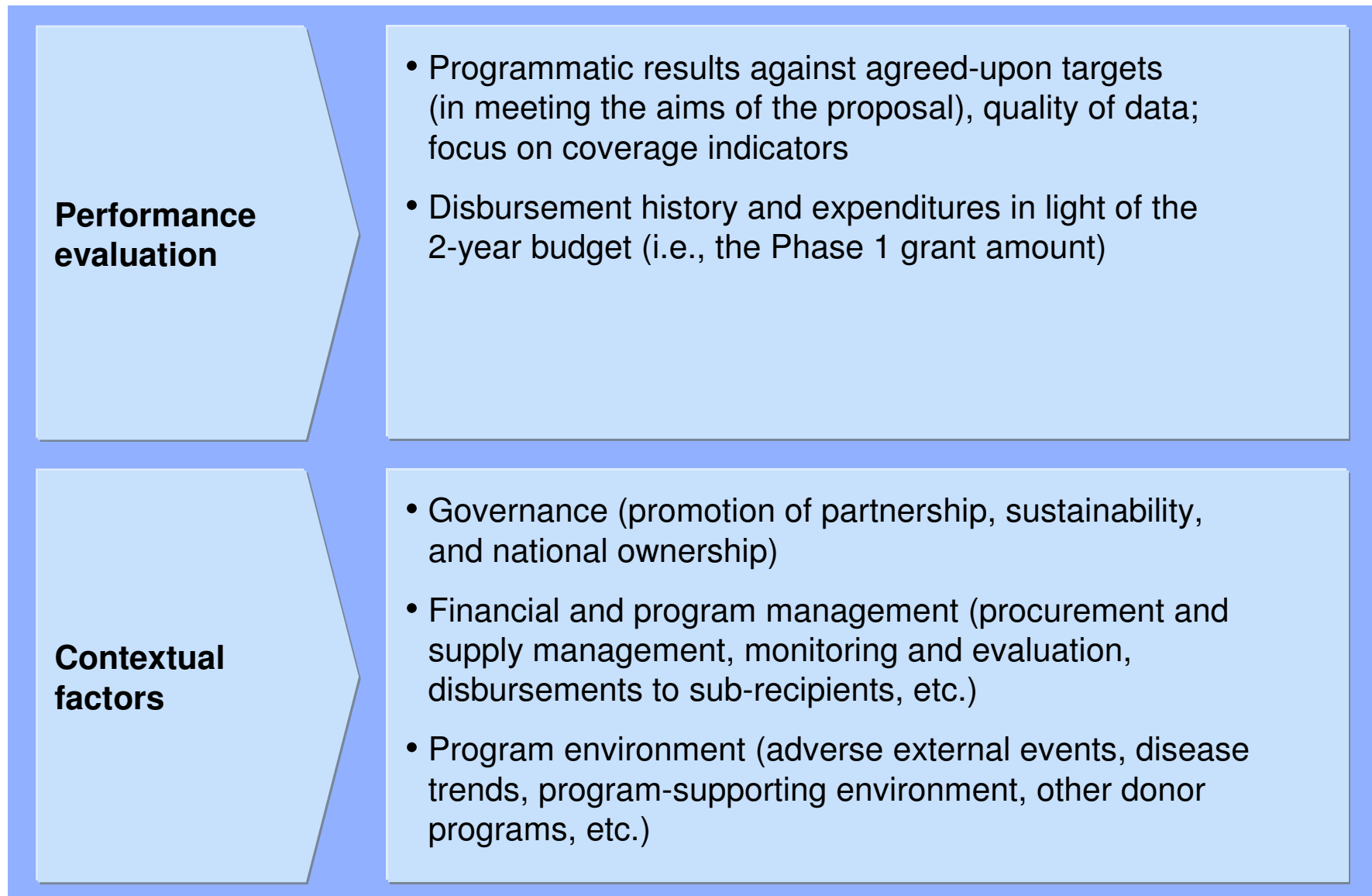
CONTENT FINDINGS – CONCLUSIONS OF THE MAPPING EXERCISE

- On the highest level of abstraction a major disagreement exists:
 - Secretariat's Phase 2 Decision Making Panel judges the overall progress towards the proposal's impact targets insufficient to justify further investment
- 
- loveLife argues that most Phase 1 operational targets were reached or exceeded
- The resolution of this conflict is difficult because both parties seem to have applied different goal definitions from the start
 - Ultimately the case seems to rest on the appropriateness of further investment vis-à-vis the overall results deemed achievable

SETUP OF THE MAPPING EXERCISE

- After screening the large amount of material, the essence of all arguments seemed to be reflected in two documents
 - 2nd Secretariat's No-Go recommendation (with summary of Board objections to 1st No-Go recommendation and clarifications by the Secretariat)
 - loveLife response to Secretariat's 2nd No-Go recommendation (which incorporates virtually all the Board's objections to the 1st No-Go recommendation)
- loveLife has introduced numerous documents through channels outside the official process for Phase 2 decision making, which ultimately entered into the reasoning and the objections of Board constituencies
- In the following pages, a mapping of the arguments has resulted in 11 key topics of which 7 areas of disagreement and 4 areas of agreement. If deemed essential the review team has supplemented the arguments with some basic facts

APPLICABLE CRITERIA IN PHASE 2 DECISION MAKING



KEY TOPICS IN THE LOVELIFE PHASE 2 DISCUSSION

 Key area of disagreement

		Performance evaluation		Contextual factors		
		Programmatic results vs. targets	Disbursement history and expenditure vs. budget	Governance	Financial and program management	External program environment
Specific phase 1 coverage indicators	Overall program targets	Overall grant goals	USD devaluation	Complexity of CCM/PR/SR structure	loveLife financial and institutional sustainability	
		Progress towards reduction of adolescent HIV incidence	Late disbursement		loveLife general and financial management skills	
		Progression towards impact on public sector clinic standards			Program cost effectiveness	
	Specific phase 1 coverage indicators		Performance phase 1 indicators			
			Special issue: chill room construction			

Arguments not directly related to Phase 2 decision making

- Positive change in government position on HIV

GRANT'S OVERALL GOALS

Basic facts

Overall outcome targets in approved proposal and in Grant Agreement (at end of year 5)

- Reduction of HIV prevalence among adolescents by 50%
- 20% of public sector clinics (900) participating in NAFCI program
- 80% of public clinics (3600) meeting basic standards of adolescent care (knock-on effect)

Arguments against Phase 2 funding

- Goal is to **reduce HIV infection** among SA adolescents by improving access and quality of service provided in the public sector through adolescent-friendly clinics²
- There is little evidence of delivery of services of programmatic importance for HIV/AIDS³

Arguments in favor of Phase 2 funding

- Goal in approved proposal – “To improve access and quality of service provision to adolescents, **particularly related to sexual and reproductive health services** as part of a comprehensive national HIV prevention campaign to young people¹”
- To make public sector clinics more “friendly” to adolescents, i.e., to improve access and quality of services provided to adolescents particularly with respect to sexual and reproductive health services¹
- loveLife has performed against set targets – “narrative reports have routinely produced data on service provision related to contraceptives, STI treatment, antenatal and HIV VCT services⁴”

1 CCM Project Proposal

2 Grant Agreement

3 Secretariat 2nd No-Go recommendation

4 loveLife response to 1st recommendation

PROGRESS TOWARDS REDUCTION ON ADOLESCENT HIV INCIDENCE

Basic facts

Target is 50% reduction in adolescent HIV incidence by year 5



Arguments against Phase 2 funding

- The secretariat has substantial concerns regarding the relevance of the services delivered. This is particularly worrying vis-à-vis the major goal of the proposal which is to reduce HIV prevalence by 50% among adolescents¹
 - 57% of services provided in participating NAFCI clinics are related to the provision of non-barrier (non-HIV protective) contraception
 - The non-barrier contraception services employed potentially have an adverse effect on the program's number 1 overall objective
- There is an overall apparent lack of progress in slowing the epidemic in South Africa 2001 - 2004¹



Arguments in favor of Phase 2 funding

- There is tentative evidence of declines in infection rates among teenagers over the past four years - while loveLife does not presume any causality at this stage, it would be a serious indictment of the Global Fund if the momentum towards the tipping point were obstructed by the very Fund set up to accelerate such momentum²

1 Secretariat 2nd No-Go recommendation

2 loveLife response to 2nd Secretariat No-Go recommendation

PROGRESSION TOWARDS IMPACT ON PUBLIC SECTOR CLINIC STANDARDS

Basic facts

The original proposal target is to reach 20% (900) of public sector clinics meeting basic standards for adolescent care by year 2 and 80% (3'600) by year 5



Arguments against Phase 2 funding

- No evidence is provided of knock-on effects of improved standards in non-NAFCI clinics, necessary to achieve the goals of the proposal.¹



Arguments in favor of Phase 2 funding

- There is strong evidence of NAFCI's knock-on effect into the broader health system including incorporation of MOH targets, formal acceptance of NAFCI guidelines, assimilation of NAFCI into the training curriculum, NAFCI support for every DMT, and recruitment of an additional 171 non-NAFCI "youth friendly clinics" in addition to the 260 NAFCI clinics formally participating in the program. These broader effects were not included as indicators for the first Phase because it had been expected that they would only take effect two years into the campaign²

1 Secretariat 2nd No-Go recommendation

2 loveLife response to 2nd Secretariat No-Go recommendation

PERFORMANCE ON PHASE I INDICATORS

NO MAJOR DISAGREEMENT

Performance at the end of Q4/5 on phase 1 coverage indicators ranges from 73 to 245% of targets with exception of chill room construction (43%)¹

SPECIAL ISSUE: CHILL ROOM CONSTRUCTION

Basic facts

- Phase 1
 - Budget for chill room/kiosk infrastructure – USD 1,920,000 or 16% of total
 - Actually spent – 5% (through Q5)
- Phase 2
 - Increase of unit cost by 255% from Phase 1 (102'000 Rand instead of 40'000) – construction prices doubled during the same period.
 - 15% of Phase 2 budget
- Number of clinics equipped with chill rooms/kiosks: 43% of target (86/200)

Arguments against Phase 2 funding

- It is unlikely that the agreed target of 310 will be reached at the end of Phase 1¹
- Failure in chill room construction is important as it impacts on the quality of services provided

Arguments in favor of Phase 2 funding

- “Chill rooms” are an incentive for youth and improve clinic accessibility, but only provide a recreational space for youth and have no role in the provision of clinical services²
- Fully expected that this indicator would be below target based on a strategic decision **made in consultation with (and confirmed by) the Global Fund Program officer**, to prioritize service delivery over further chill room development, due to a 42% reduction of grant budget in Rands²
- If there are concerns about the pace of roll-out or management expenditure, the GF would not have advised loveLife on 10 January 2005 to stick to the original targets and submit a direct request for an advance of funds from its Phase 2 funding³

1 Secretariat 2nd No-Go recommendation

2 loveLife response to 1st recommendation

3 loveLife response to Secretariat 2nd No-Go recommendation

USD DEVALUATION, LATE DISBURSEMENT

NO MAJOR DISAGREEMENT

- The devaluation of the USD has had a negative impact on the funds available to the loveLife program
 - 43% against originally approved budget
 - 13% since signing the contract
- The late receipt by loveLife of the 3 out of 4 grant disbursements have had led to continuous liquidity problems
- Both negative impacts on the Rand funds available to the recipient have forced the loveLife program management to make adjustments to the spending pattern (rate of clinic sign-up, speed of chill room construction)

The issue of the adjustment of spending patterns and targets is presented in the section Financial and Program Management

COMPLEXITY OF CCM/PR/SR STRUCTURE

NO MAJOR DISAGREEMENT

- With the exception of the CCM, all parties expressed or accepted that the governance process and structure is cumbersome, understaffed, and tense¹, as evidenced by for example
 - Late disbursements to loveLife
 - Lack of dedicated staff at PR/Sub-PR
 - Many discussions but no closures on resolving the fundamental foreign exchange and disbursement issues
- The Secretariat, loveLife and the PR (but not necessarily the CCM) agree that a credible and effective improvement to the governance process and the structure is needed as evidenced by
 - Grant Scorecard¹
 - Treasury's willingness to discuss a transfer of the PR role to loveLife (May 2005)²

1 Secretariat's 1st No-Go recommendation

2 Secretariat's 2nd No-Go recommendation

FINANCIAL AND INSTITUTIONAL SUSTAINABILITY OF LOVELIFE

Basic facts

- In 2005 the Global Fund grant accounted for 30% of loveLife’s funding. Together, the South African Government, the Global Fund and the Kaiser Family Foundation provide the mainstay of funding of loveLife**

Arguments against Phase 2 funding

- KPMG’s Special Review identifies various serious financial “going concern” issues regarding loveLife
- The Secretariat has serious concerns about the sustainability of the grant and while acknowledging other sources of information (it) cannot verify that these will provide 2/3 of funding into future, in particular of (the) core NAFCI program¹

Arguments in favor of Phase 2 funding

- KPMG Phase 2 report did not raise issues regarding financial or institutional sustainability, but commented that loveLife in fact assumed the PR’s institutional and programmatic governance role with sufficient skills
- loveLife provided detailed counter arguments to KPMG’s Special Review claiming major flaws in the report

1 Secretariat 2nd No-Go recommendation

GENERAL AND FINANCIAL MANAGEMENT SKILLS



Arguments against Phase 2 funding

- loveLife accounting systems were incapable of tracking costs on a donor-by-donor basis. This makes it difficult for any donor to ensure earmarking of its funds for use for approved purposes only¹
- loveLife has had to effectively borrow funds from other donor funds to meet Program costs, which is regarded as an unsound practice¹



Arguments in favor of Phase 2 funding

- The vast majority (>90%) of staff members are on one year contracts in order to manage funding fluctuations³
- Following the January 10, 2005 advice of the GF Program Officer to keep rolling out to meet original targets in return for advance of Phase 2 funds, loveLife once again scaled up the program, incurring 50% higher expenditure in Q7 than in Q6³

1 Secretariat 2nd No-Go recommendation

2 loveLife response to 1st recommendation

3 loveLife response to Secretariat 2nd No-Go recommendation

COST EFFECTIVENESS OF PROGRAM

Basic facts

- USD 12.0 M have been disbursed in Phase 1
- USD 4.5 M have been transferred from Phase 2 as bridge funding
- USD 5.5 M have been requested to realize the Phase 1 targets
- USD 46.0 M have been requested for Phase 2 for years 3 and 4

Arguments against Phase 2 funding

Arguments in favor of Phase 2 funding

- The issue of cost effectiveness has been often raised in arguments on both sides
- However, none of the arguments addressed the core issue of the relationship between the overall achieved or achievable impact of the program and its cost
- loveLife is in the process of launching a study by an international group of experts to develop a framework for assessing cost-effectiveness¹

TOPICS NOT DIRECTLY RELATED TO PHASE 2 DECISION MAKING

- External program environment
 - Impact of positive change in governmental position regarding HIV/AIDS (several Board objections on Secretariat's No-Go recommendation)

BACKUP

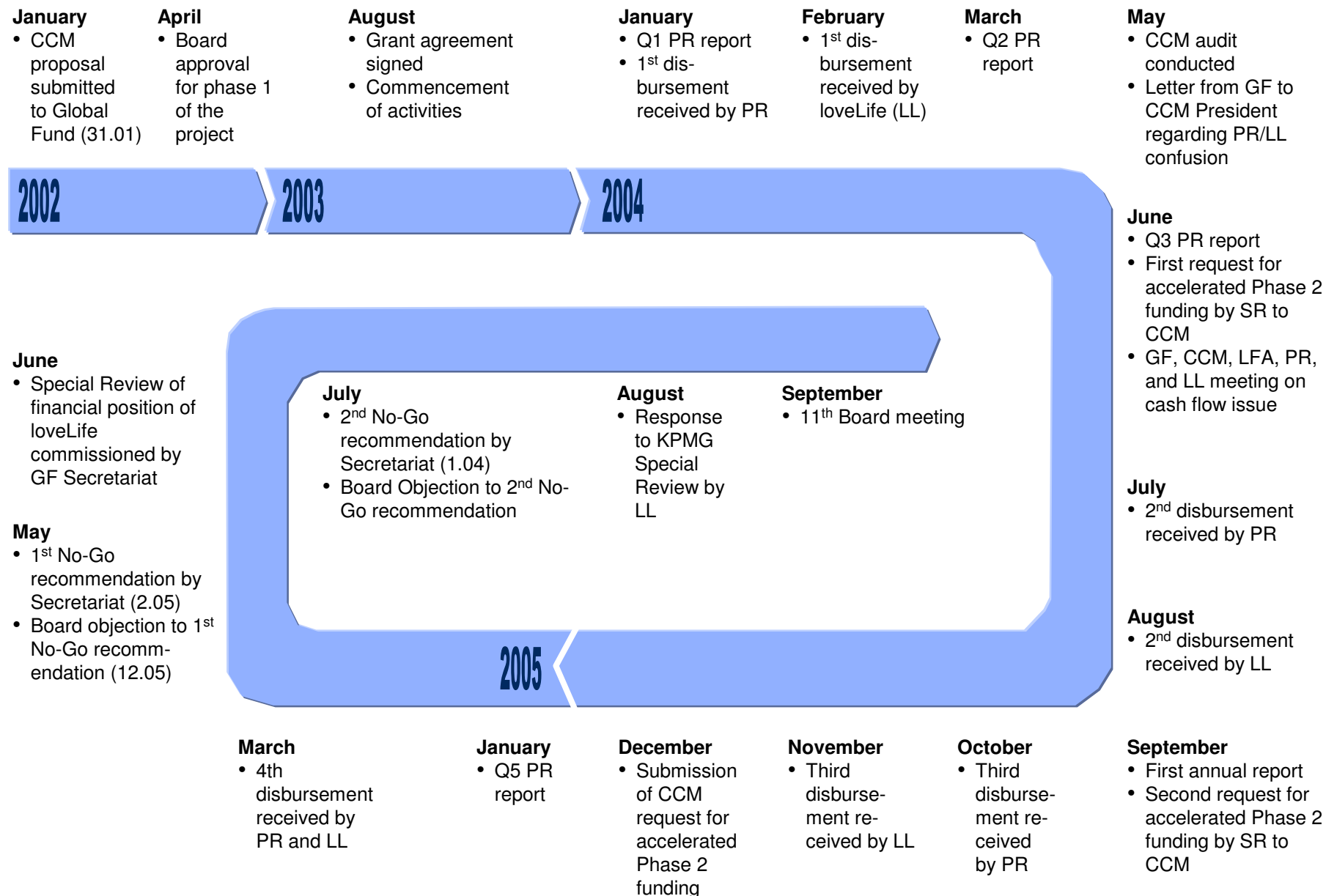
PARTIES INVOLVED IN THE DECISION MAKING PROCESS

Composition specific for loveLife



Global Fund Board	
Global Fund Secretariat	<ul style="list-style-type: none"> • Different responsibilities for <ul style="list-style-type: none"> – Phase 2 Decision Panel – Portfolio Management team – Strategic Information and Evaluation team
Local Fund Agent (LFA)	<ul style="list-style-type: none"> • KPMG South Africa
Country Coordinating Mechanism (CCM)	<ul style="list-style-type: none"> • SANAC (South African National Aids Council) composed* of Government representatives (13 Departments/Offices), civil society sectors (12 sectors), technical members (3) chaired by the Deputy President J. Zuma*
Primary recipient (PR)	<ul style="list-style-type: none"> • National Treasury of South Africa represented* by M. Mphahlwa, Deputy Minister of Finance*, J. Kruger, Chief Director Social Services
Sub-primary-recipient (SPR)	<ul style="list-style-type: none"> • National Department of Health represented by A. Ntsaluba, Director General
Sub-recipient (SR)	<ul style="list-style-type: none"> • loveLife represented by T. Sexwale Chairman of the Board, D. Harrison – CEO

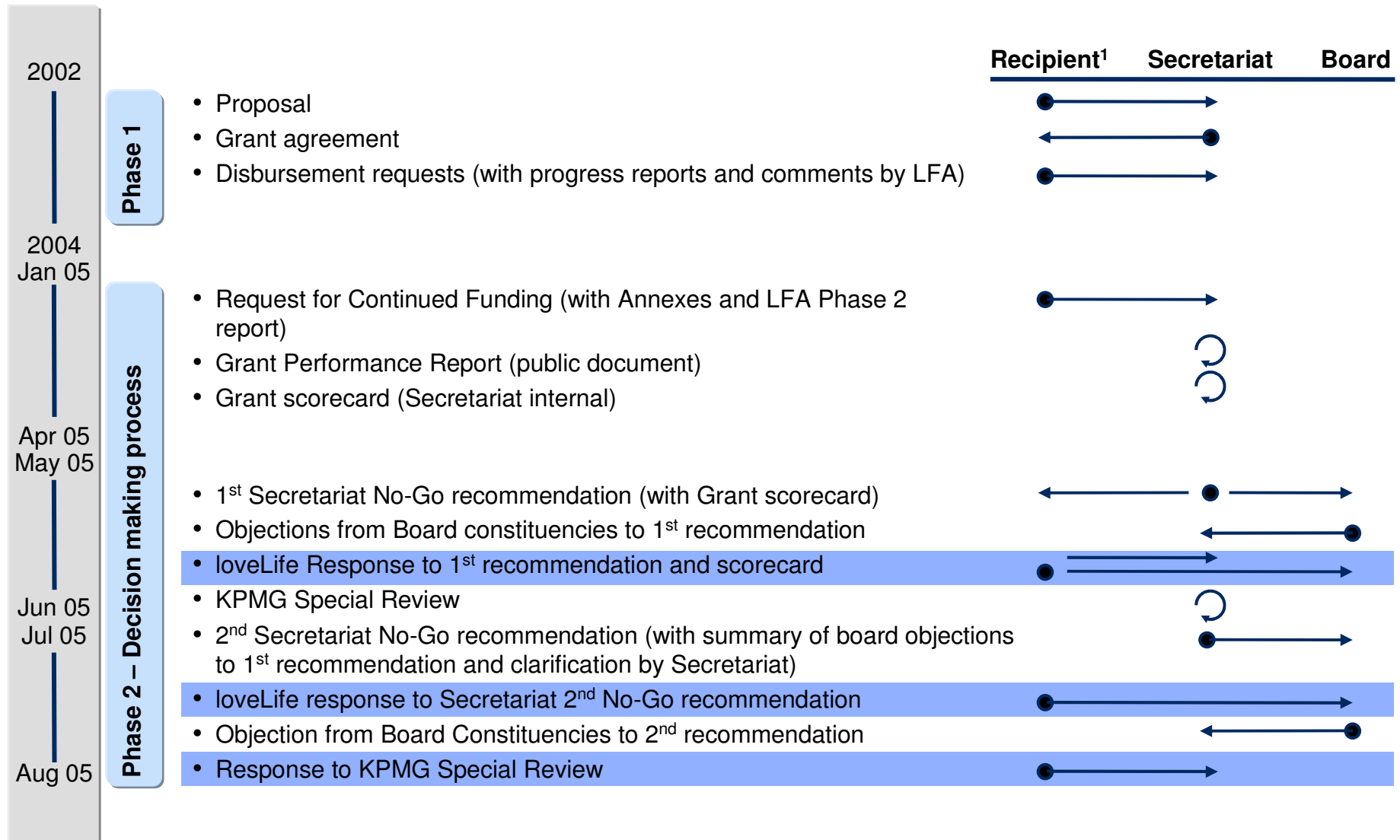
* At time of signature of the Grant Agreement (November 2003)

TIMELINE OF OCCURRENCES BETWEEN JANUARY 2002 AND 2005



OVERVIEW OF DOCUMENT FLOW

 Internal document
 Unofficial document



BOARD OBJECTIONS

✓ Objection received
 — No objection received

	Board Constituent	First No-Go recommendation	Second No-Go recommendation
Donors, private sector and foundation (Donors)	• Canada	✓	✓
	• European Commission	✓	—
	• France	✓	—
	• Italy	✓	✓
	• Japan	—	—
	• Point Seven	✓	—
	• Private Foundation	✓	✓
	• Private Sector	✓	—
	• US	—	—
Developing countries, NGOs and Communities (Recipients)	• Communities	✓	✓
	• Developed Country NGO	✓	✓
	• Developing Country NGO	✓	✓
	• Eastern Europe	—	✓
	• Eastern Mediterranean	✓	—
	• Eastern and Southern Africa	✓	✓
	• Latin America + Caribbean	✓	—
	• South-East Asia	—	—
	• West and Central Africa	✓	—
	• Western Pacific	—	✓

Board objections to 1st and 2nd No-Go recommendation