

**OPTIONS PAPER ON
OPTIMIZING GRANT PERFORMANCE**

Outline: This paper discusses the strategic issue of optimizing grant performance and presents several measures to optimize the performance of Global Fund grants.

Part 1: INTRODUCTION

A. Summary of the Issue

1. The Global Fund's Framework Document lays out in its principles that the Global Fund is "a financial instrument, not an implementing agency." For this reason, the Global Fund has no local presence and relies heavily on the support of its partners, including for the provision of implementation assistance to countries. The Global Fund is also committed to a performance-based funding model, where resources are linked "to the achievement of clear, measurable and sustainable results."¹

2. Close to eighty percent of the Global Fund's grants demonstrate good performance at the time of Phase 2 review.² However, as would be expected, many grants inevitably encounter challenges during the course of implementation. A number of studies have examined the issue and conclude that obstacles in grant implementation are a key factor that impedes better grant performance.

- a) The Global Fund Tracking Study, which assessed the roll-out of Global Fund-funded projects in a variety of countries, consistently pointed to identifying and engaging the appropriate assistance as a problem for many recipients.³
- b) The most common implementation challenges cited by countries are to do with procurement, the management of sub-recipients and the overall project, financial budgeting and planning, and technical health issues (e.g., treatment protocols).
- c) These types of issues usually become evident to the Global Fund only 4 to 6 months after grant signing (at the time of first reporting) or even later. It is common that at that stage these problems have taken the form of major bottlenecks which significantly limit the progress and performance of the grant.

3. A number of measures are already being taken by the Global Fund to mitigate this situation; they include

- a) Remedial support on specific technical matters (e.g., technical health issues, procurement, finance and budgeting);
- b) The proactive provision of guidelines and training (e.g. for procurement and supply management; monitoring and evaluation);
- c) The development of an Early Alert and Response System (EARS), which uses grant information and works with partners to identify grants in need of assistance and to mobilize the appropriate resources and support;
- d) The presence of a separate line item within proposal budgets for funding for technical assistance (TA) and management assistance (MA), with recipients being encouraged in the proposal guidelines to set aside money for this purpose. Also, if, over the course of grant implementation, further funds for assistance are required, recipients can request to reprogram their budgets in order to free up the money.

4. At the global level, there are a large number of organizations that provide TA: multilateral (UNAIDS, WHO, etc.) and bilateral agencies (U.S. Government, DFID, GTZ, etc.), international NGOs (FHI, MSH, MSF, etc.) and local organizations. At the country level, the organizations present differ greatly in number, type and quality of services provided.

¹ "The Framework Document of The Global Fund to Fight AIDS, Tuberculosis and Malaria."

² As measured by the over 100 grants evaluated to date for Phase 2, with grants rated A (met or exceeded targets) or B1 (adequate performance) in the Phase 2 evaluation considered as good performance. (Internal Secretariat Analysis).

³ London School of Hygiene and Tropical Medicine. "Global Fund Tracking Study: Country Summaries and Conclusions." (August 2005).

5. During the strategic situational assessment of this issue, a number of challenges related to optimizing the performance of grants were identified.

- a) They include architecture-related issues such as:
 - i. The late identification of implementation bottlenecks, which can partly be accounted for by aspects of the Global Fund's architecture (e.g., the short timelines for proposal development and evaluation inherent to the current Global Fund system);
 - ii. Questions about the limits of the Global Fund's mandate – as a financial mechanism – in facilitating assistance;
 - iii. The low level of use of international TA/MA by Fund grantees.
- b) Systemic issues were also identified that go beyond the Global Fund itself, such as:
 - i. Inadequate overall funding for TA/MA;
 - ii. The limited accountability of international agencies for the provision of support;
 - iii. A complex support landscape;
 - iv. Insufficient use of less traditional sources of assistance.

6. In light of this, the PSC and Board have recognized that there is a need to discuss the issue of what the Global Fund can further do – from a strategic perspective – to help optimize grant performance. They have asked that the issue be taken up as part of the strategy effort currently under way. Specifically the strategic question and sub-questions at hand are:

- a) How should the Global Fund – working with its partners – enable countries to improve grant performance, in particular by anticipating and addressing implementation challenges?
 - i. What enhancements/modifications to elements of the Global Fund's grant cycle or architecture (including CCMs, PRs, LFAs) should be considered to help pre-empt, better identify and address implementation challenges?
 - ii. How can the Global Fund better strategically manage its links with country-level partners (existing and new – including government, civil society, business private sector, private foundations and international agencies) to enable implementation challenges to be addressed in accountable and effective ways as they occur? (including the appropriate provision of technical and management assistance)
 - iii. How can the Global Fund respond to real-time feedback from the field – from recipients, governments, civil society, the private sector, customers and critics?

B. Approach to the Issue

7. The first section – diagnosis of the current situation – examines the current circumstances affecting the performance of Global Fund grants. This section presents the key root causes of performance challenges, and discusses the extent to which they are actionable by the Global Fund.

8. The following three sections address each one of the strategic questions posed by the Board and PSC:

- a) Sub-issue 1: enhancements and modifications to the Global Fund grant cycle and architecture;
- b) Sub-issue 2: management of links with partners;
- c) Sub-issue 3: response to real-time feedback from the field.

9. In each section a range of strategic measures that addresses the relevant strategic question is presented.

10. For each strategic measure, the following factors are systematically discussed:

- a) The specific *opportunity for optimizing grant performance*, highlighting the particular bottleneck to address or the potential opportunity to better capture, and how this would concretely enable stronger grant performance;
- b) Description of the potential measure to address the opportunity;
- c) Analysis of the measure's inherent assumptions;
- d) Analysis of the measure's implications.

11. Due to the strong operational focus of the topic of optimizing grant performance, there are a number of non-strategic measures – that can in addition to the strategic measures presented – help address the issue. For this reason, some examples of the types of additional non-strategic measures that might be considered are presented. Being non-strategic, these are mentioned in this strategy paper for informational purposes only and will be taken forward by the Secretariat.⁴

Part 2: DIAGNOSIS OF THE CURRENT SITUATION

1. Grant performance – defined within the current Global Fund system as the “achievement of clear, measurable and sustainable results”⁵ – is a result of multiple interdependent factors.

- a) One key element is the quality of the proposal and the activities and targets it sets out, in terms of its capacity to realistically have an impact against the pandemics.
- b) Another is the ability of the Global Fund architecture to function effectively as designed in enabling and monitoring successful grant implementation.
- c) A final important factor is the ability of recipients to successfully implement the program to effectively reach their targets.

2. In considering the current performance of Global Fund grants and potential measures for improvement, it is important to focus the discussion within the bounds of these key factors.

3. Some of these factors can be addressed and remedied by the Global Fund directly, while others are dictated by more systemic issues, such as systems and capacity in recipient countries, and the actions of partners. This complex interplay of factors creates a variety of root causes for the performance bottlenecks and challenges that countries face in successfully implementing grants. The primary underlying causes of implementation challenges are presented here, with a particular focus on those that can be addressed by the Global Fund.

4. First, there are several issues related to proposal quality and selection. The proposal is the lynchpin of the Global Fund system, serving as the vehicle by which countries gain access to Global Fund financing as well as how the Global Fund determines where its resources are allocated. The quality of proposals received and the way in which they are evaluated has significant repercussions on the subsequent performance of the grant (and ultimately the overall Global Fund grant portfolio). A number of aspects of the current proposal development, submission and evaluation process are not optimal.

- a) The Global Fund's current proposal requirements – from the complexity of the form to the level and type of information requested – are extremely demanding. Completing a proposal often requires the full-time attention for several months of one or more people at the country level, in environments where human resource capacity is already limited. This can lead to negative consequences, such as the development of proposals by “fly-

⁴ This is consistent with the recommendation in the Board-endorsed Guidelines for Option Development that “the options developed should focus on addressing areas where strategic decisions by the Board are required.”

⁵ “The Framework Document of The Global Fund to Fight AIDS, Tuberculosis and Malaria.” It states that “In making its funding decisions, the Fund will support proposals which focus on performance by linking resources to the achievement of clear, measurable and sustainable results.”

in, fly-out” external consultants which are not well-integrated with existing plans, do not accurately take into account country capacity, or are disconnected from realistic implementation considerations (with later impact on grant performance).

- b) The current proposal form and process may not lead to the sufficient up-front identification of implementation risks and obstacles. The incentive for countries is to develop a proposal that will be approved by the TRP, rather than honestly examining and assessing potential obstacles to successful implementation and developing a plan to mitigate them.
- c) The TRP is currently limited in its ability to fully assess the feasibility of a proposal, given the tight timeframes and limited amount of country contextual information available in the proposal review process.

5. Once implementation is underway, the Global Fund struggles with properly identifying performance challenges sufficiently early on. Inherently the Global Fund has a limited “toolkit” to identify problems at the country level, based on its “management from a distance” model as a financing mechanism located in Geneva. Many issues can be relatively easily resolved if caught early on, but in the current system the mechanisms for identification arrive late in the implementation of the grant – such as at the point of the Phase 2 evaluation that determines continued funding. At that point, problems that could have been fairly easily mitigated have grown into larger, more complex problems that seriously hinder effective grant performance and are much more difficult to remedy.

- a) The current Global Fund model may not be sufficiently optimized to enable the management of grants from a distance to be as effective as possible.
 - i. One reason is due to the largely “one-size-fits-all” grant management process. Each grant, regardless of its potential risk or performance to date, carries the same set of requirements and processes that must be completed. This limits staff’s capacity to tailor their management approach based on the particular circumstances of the grant.
 - ii. Furthermore, Fund Portfolio Managers (FPMs) are based in Geneva, undertaking only periodic and short trips to the countries they manage. The meetings they hold and the information they gather during these trips are valuable, but only provides a limited snapshot of country circumstances and grant implementation.
 - iii. The Global Fund has not taken full advantage of the Local Fund Agent (LFA) model, and is in the process of better optimizing their function through improvements in their operational management by the Secretariat.
- b) The Global Fund system relies on partners through the CCM and other channels to help identify and respond to performance challenges. This has not worked as well as intended across the range of countries funded, raising the issue of what the Global Fund can do better within its mandate as a financing mechanism.

6. Even after performance challenges have been identified, the Global Fund is not always able to respond adequately, either through its own mechanisms or by working with partners.

- a) One organizational reason is that there is no consensus or clear definition on what roles and responsibilities the Global Fund has in addressing performance challenges. On one hand, the Global Fund is held accountable for the results of its overall portfolio. However, it is also committed to the principle of country ownership and country-driven processes. It is also limited by its mandate as a financial mechanism as to how much it can or should do to facilitate assistance. These tensions manifest themselves in widely varying views, both externally and internally, of the appropriate role of the Global Fund in addressing grant performance.
- b) In addition, there is a not a well-defined interface between the Global Fund and local technical partners. Currently, these interactions are very ad-hoc, based mainly on

personal relationships between Global Fund staff and local partners. Therefore, when performance challenges come to light, there is no defined process to work with local partners to remedy them.

- c) Moreover, it was originally envisioned that the regional and country-level technical partners would lend their expertise and skills to support the implementation of Global Fund grants, but this has not occurred on a systematic basis. Currently, the support offered by different technical partners is not systematic, and varies greatly in its commitment and quality. In addition, there is no way to hold partners formally accountable neither for the provision of services or the quality of the services provided.
- d) Another factor which complicates an adequate response is the difficulties recipients face in quickly accessing appropriate TA and management assistance MA. The landscape of providers is complex, not always transparent, and differs widely by region and country. It is often supply-driven, based on the particular organizations and their capabilities present in a country, as opposed to being appropriately tailored to the implementer’s specific needs. Furthermore, processes for accessing assistance are burdensome and often have long lead times between the identification of the need and the actual provision of the assistance needed.
- e) Additionally, many recipients hold mixed opinions of the value of TA and MA. Many countries have had experience with poor quality TA and MA, in which high fees (especially relative to local prices and salaries) were paid for a low level of services. As a result, they are often unwilling to spend a portion (however small) of their grant funds on TA and MA.

7. These root causes of performance challenges – both within and outside of the Global Fund’s direct influence – serve as important background for the consideration of the specific measures proposed in the rest of the paper.

Part 3: SUB-ISSUE 1: POTENTIAL ENHANCEMENTS AND MODIFICATIONS TO THE GLOBAL FUND GRANT CYCLE AND ARCHITECTURE

1. In this section, potential measures to optimize grant performance that address issues and opportunities for each major stage of the current Global Fund grant cycle are presented. (See Figure 1).

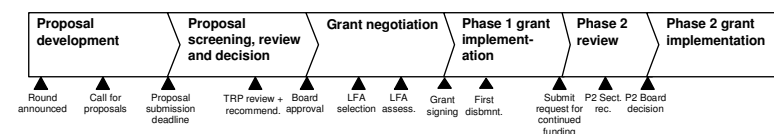


Figure 1: Global Fund grant cycle and key milestones

A. Proposal Development

Measure 1: Establish fixed proposal submission deadline

Opportunity for optimizing grant performance

2. The Comprehensive Funding Policy⁶ dictates that the Global Fund will call at least one round of funding per year. However, the timing of that announcement varies from year to year based in particular on the availability of resources. From the announcement of the call for proposals, countries have on average three months to complete and submit a proposal for funding. This can have multiple negative consequences on the overall quality of the proposal and the ultimate performance of the grant by:

- a) Making it more likely that proposal development is reactive, as contrasted with allowing and enabling it to be an activity that the country can set aside time for in advance to do thoroughly and effectively;⁷
- b) Often leading to the use of external consultants to develop the proposal at short notice, who may be unfamiliar with the country circumstances and capabilities, and who may be more likely to set out an ambitious yet unfeasible project because they are not vested in ensuring its successful implementation.

Description of the potential measure

3. The Global Fund commits to a fixed proposal submission deadline that is the same every year. The timing of proposal review and decision making (i.e. of the round) could also be fixed but need not be.⁸

Assumptions

4. With more predictability of when proposals are due, countries will develop proposals that are more likely to be feasibly implemented, thus leading to stronger grant performance.

5. The move towards a longer-term replenishment mechanism for raising Fund resources allows sufficient predictability of funding to enable the determination of a fixed proposal submission deadline.

6. The Global Fund's architecture and operating processes can adapt to a fixed proposal submission deadline.

7. A fixed proposal submission deadline will facilitate planning for the TRP and their review process as there would be advance notice as to when proposals would be completed.

8. A fixed proposal submission deadline will enable better Secretariat preparation for proposal screening prior to TRP review, by ensuring the appropriate availability of staff and capacity in advance.

⁶ Global Fund. "Comprehensive Funding Policy." "The Board will announce a minimum of one Call for Proposals per calendar year. The Board can adjust this based on need and on resources available. A forecast of the resources available for the Round will be announced at the time that the Call for Proposals is issued."

⁷ This also may create the mindset that the Global Fund is an unpredictable source of funding, and is not reliable to provide financial support for long-term, integrated programs which may be more impactful given the country context. Instead, this may lead to unproductive gaming of the system by countries, such as the submission of proposals duplicating or backstopping existing activities or the development of unrealistically ambitious proposals to access funding.

⁸ Coupled with this, a standardized proposal form would facilitate country planning. It is expected that from Round 6 onwards, the proposal form should not significantly change (barring any new components being added).

Implications

9. The amount of funds available from year to year at the deadline may vary, based on resource mobilization efforts. Any funding limitation should be dealt with in accordance with the Comprehensive Funding Policy and the existing funding prioritization scheme.

10. The optimal fixed date must be determined, taking into account several factors such as optimal timing for recipients and donor contribution calendars. The Global Fund Secretariat and the TRP will then coordinate around the determined date.

Measure 2: Require PSM planning during proposal development process

Opportunity for optimizing grant performance

11. Currently, the proposal form asks for little concrete data on expected procurement. The component budget asks for the funds requested by year for "commodities and products" and another for "drugs" but no detail beyond those categories.⁹

12. After a proposal has been approved, the PR is required to develop a PSM plan outlining the specific products it is planning to procure, tied to detailed budgets and timing, and planned arrangements for procurement. Once complete, it is reviewed by the LFA and then approved by the FPM, often as a condition to allow the first disbursement.

13. However, the development of this PSM plan often takes a long time and may be reviewed in a rushed fashion due to the desire to start disbursing. In addition, LFAs and FPMs may not have the appropriate expertise to judge the PSM plan to ensure its accuracy and feasibility. The time involved could potentially be reduced by focusing the need for a sound procurement plan in the proposal process as opposed to after a grant has been approved.

14. Considering the importance of successful procurement and supply management for effective grant implementation – as well as the large share of total Global Fund resources expended for this purpose – encouraging rigorous up-front planning for and evaluation of a country's PSM plan may lead to better grant performance.

Description of the potential measure

15. A comprehensive PSM plan – outlining exact quantities of essential health products needed, a shipment plan for delivery and distribution including relevant roles and responsibilities of implementing partners, and projected prices by product – will be required to be submitted as part of any proposal to the Global Fund which has a health product procurement element. This plan should be expanded to include products beyond limited source pharmaceuticals with a particular focus on diagnostic products which are often procured and managed separately.

16. This plan will be reviewed by the TRP in the course of their regular evaluation of proposals.

17. After proposals have been approved, an overall demand forecast by product based on the individual countries' PSM plans will be aggregated and communicated to the public to credibly signal the supply needed and the funds available.

⁹ This is in contrast to other organizations, like the Global Alliance for Vaccines and Immunization (GAVI) and the Global Tuberculosis Drug Facility (GDF), which require more information about key products to be procured and planned procurement arrangements in the proposal process itself.

Assumptions

18. The value of incentivizing countries to more comprehensively plan for procurement is worth the additional burden this measure will place on applicants given that not all proposals are approved. The plan itself is important to the implementation of any project, independently of whether the Global Fund finances it.

19. Requiring countries to comprehensively plan in advance for procurement will lead to a more expedited process to disburse funds, a quicker timeline from disbursement to tenders and procurement, and fewer problems due to procurement problems over the course of grant implementation.

20. The PSM plan requires a thorough review by technical experts.

21. The demand forecast will encourage suppliers to make available products in the appropriate quantities with sufficient lead time for product manufacture.

22. The timing of the current evaluation process for PSM plans between proposal approval and disbursement provides an incentive for plans to be quickly approved so disbursements can be released, although they may not yet be up to standard.

Implications

23. The time between the call for proposals and the proposal submission deadline will likely need to be extended to take into account the added requirement.

24. CCMs will have to more systematically involve PRs in proposal development to ensure the appropriate input into the PSM plan. (Conversely, CCMs will have greater transparency into planned procurement arrangements.)

25. The PSM plan may need to be revised from its current form to better take into account key factors and to enable an accurate demand forecasting when integrated into the proposal form. The models of other organizations, e.g. GAVI and GDF, could serve as an important template.

26. The makeup of experts on the TRP and the length of time they have to review may have to be reconsidered to enable appropriate expertise and time for review of the PSM plans.

27. The aggregation of approved grants' PSM plans into a consolidated demand forecast by product has to be done in a timely fashion, either by the Secretariat or by an outside body.

28. The PSM plan as a post-grant approval requirement will be eliminated, thus LFAs will need to defer to the plan as detailed in the proposal for their ongoing role to ensure practice corresponds to the approved plan and Global Fund policies.

29. There may be a corresponding reduction in the price of key products given improved demand forecasting to the market, either at the initiative of manufacturers themselves or outside partners (given that many manufacturers price based on cost for developing countries and given that cost is driven in part by scale of production and the ability for manufacturers to plan proactively for efficient production given required volumes).¹⁰

¹⁰ For example, the Clinton Foundation HIV/AIDS Initiative was able to achieve over a 50% reduction in the price of ARVs and associated diagnostics in part through improved needs-based forecasting, which is in fact less accurate than demand-based forecasting linked to secured funding flows.

B. Proposal Screening, Review and Decision

30. There are several ways that this stage of the grant cycle can be improved. However, the potential measures that have been developed are of a non-strategic nature. Several of the specific ideas proposed are thus presented at the end of this sub-section, in the part on "potential non-strategic improvement measures."

C. Grant Negotiation

Measure 3: Allow a pre-implementation period for low capacity PRs with funding advanced from grants

Opportunity for optimizing grant performance

31. In the current Global Fund system, PR capacity is not a component of the TRP evaluation criteria. While capacity gaps may become apparent in the subsequent LFA assessment, measures to address them usually take the form of "conditions precedent"¹¹ in the grant agreement. In such a case, the PR must work to fill these capacity gaps while simultaneously beginning programmatic activities in order to reach the targets set out in the proposal. As such, low-capacity PRs are almost "set up for failure" from the outset by having to juggle these two daunting tasks, especially considering that Phase 2 review occurs 16 to 18 months from grant signing.

- a) Typical capacity development needs for PRs include training for health workers and program managers, establishing sound procurement processes, and finding and setting up appropriate office space. These tasks can take several months to accomplish and are essential to successful implementation.

32. Furthermore, PRs are usually required to put these capacities into place before the first disbursement is released. As a result, PRs are left to find other sources of funding for their capacity building activities (even if such costs can later be repaid once Global Fund funds are disbursed).

33. Ensuring that a minimum level of capacity is in place before "starting the clock" will directly improve PRs' ability to achieve their targets in the time allotted.

Description of the potential measure

34. Where substantial PR capacity gaps are identified through TRP clarifications and LFA assessments, PRs are given the option of taking a 2 to 6 month pre-implementation period at the point of grant signing to put capacity-building measures in place. The official grant start date (for purposes of determining the Phase 2 review date) will be adjusted to be at the end of this period.

35. The scope of activities to be funded during this pre-implementation period will be limited to filling the specific capacity gaps identified in the TRP clarifications and LFA assessments, such as putting in place a financial data system or hiring additional program managers.

36. CCMs will submit a "gap-filling" plan and budget that details the particular capacity-building activities that will be undertaken in this period, their associated costs and the timeline for achievement.

¹¹ These are legal conditions in the grant agreement that set terms that must be met in order to allow the first disbursement.

37. Funding for this period will be capped at a certain percentage of the total approved grant amount, and will be advanced from the Board-approved funds. Its expenditure will be monitored within the existing performance-based funding framework.

38. If, within the given period, PRs do not successfully put the capacity building measures in place, the CCM will be required to select an alternate PR. This requirement will be incorporated as specific terms in the grant agreement.

Assumptions

39. It is possible to develop and apply a set of robust criteria based on the level of gaps identified in the PR's capacity that can determine eligibility for the pre-implementation period.

40. Most basic capacity gaps can be filled through focused activity by the PR and CCM in 2 to 6 months, to lay the foundation for successful grant implementation.

41. The pre-implementation process can be put into place with reasonably light transaction costs for the Secretariat, CCMs and PRs, without sacrificing oversight.

42. The early identification (and potential replacement) of weak PRs before significant amounts of money are disbursed to them is a significant additional benefit.

Implications

43. It will be necessary to define a set of robust criteria for eligibility.

44. The Board will have to develop a policy allowing for a shift in grant start date when the specific criteria are met.

45. It may be prudent to codify the scope of activities allowable in this period to ensure that they are purely capacity building measures and that they are directly tied to enabling the subsequent implementation of the approved proposal.

46. The appropriate cap for the amount of funding available from the grant will have to be determined in a separate policy discussion.

47. The specific factors addressed and evaluated in the LFA assessments may need to be strengthened to systematically identify specific capacity gaps.

48. CCMs will have to revise their proposed budgets to take into account this pre-implementation advance.

49. Financially it will have a negligible effect because the funds for this will be advanced from the Board-approved grant amount.

Measure 4: Allow TRP clarifications and initial LFA assessments to occur in the period between TRP recommendation and Board approval to diminish current trade-off between speed and quality **(REVISED VERSION OF MEASURE AS REQUESTED BY PSC)**

Opportunity for optimizing grant performance

50. On average, there is a six to ten week period of "dead time" between when the TRP concludes its proposal review and when the Board makes a decision on the recommended proposals.¹² During this time, no action is taken by the Secretariat or the relevant PRs.

51. In Round 4, the average time between grant approval and first disbursement was over 11 months, with approximately a third of that time on average taken up by the TRP clarification process post-Board approval¹³ and an additional 1 to 3 months dedicated to the LFA assessment. While FPMs do initiate grant negotiations concurrently, little progress can be made on that front until the other two processes are completed.

52. At the same time, for the Board-approved corporate priority of "scale up interventions, ensure grant performance, and increase alignment and harmonization," one of the Executive Director's Key Performance Indicators (KPIs) is the average time between grant approval and first disbursement.¹⁴ In 2005, the target was 6 months or less. This was intended to incentivize rapid grant signing and disbursement, but the proposed target does not take into account the non-compressible timelines of the TRP clarification and LFA assessment, which are outside of the Secretariat's direct control and management mandate. As it currently stands, the target creates a perverse incentive to focus solely on the speed of the process, placing strong pressure on FPMs to get grant agreements signed and disbursements started before a thorough examination of potential implementation pitfalls has been undertaken.

53. Allowing TRP clarifications and LFA assessments to start in the period between TRP recommendation and Board approval would diminish the current tradeoff between speed and quality. It will also enable disbursements to occur faster and ensure that potential implementation obstacles and bottlenecks are identified earlier. By converting dead time to active time, CCMs and PRs can start taking steps towards addressing capacity gaps sooner. With this change, the target of 6 months or less between grant approval and first disbursement becomes much more reasonable, and more appropriately reflects the need to balance ensuring the feasibility of a grant with the need to quickly make funding available.

How the measure would work

54. Eligibility for earlier TRP clarifications and LFA assessments:

A final list of TRP-recommended proposals is made available to the Secretariat on the last day of the TRP's review meeting, which includes a categorization of the proposals for use in case of insufficient funding availability. Using this categorization, the amounts of the individual TRP-recommended proposals and the most recent estimate of funding available for the round, the Secretariat will identify the proposals – starting with Category 1-rated proposals – that are in theory able to be funded within the available resource envelope at that point in time. All those

¹² Based on taking the time between the TRP's last meeting date and the following Board meeting for Rounds 2-5. Round 1 is not taken into account due to its unique characteristics of having being extremely rapid and small.

¹³ Global Fund Secretariat analysis (January 2006). Currently, the TRP clarification process can go on for up to 5.5 months within the Board-approved deadline.

¹⁴ For the complete list of the Executive Director's KPIs, see GF/B9/15 "Proposed Performance Management System for the Executive Director of the Global Fund." (December 2004).

proposals, up to the 'available-funding cut-off line' (as defined above), will be eligible for earlier TRP clarifications and LFA assessments.

55. Opt-out basis:

The Secretariat will promptly contact the CCMs and PRs for the eligible proposals, informing them that their proposal has been recommended for funding by the TRP and inviting them to initiate the TRP clarifications and LFA assessments at this time, prior to Board approval. The Secretariat will make very clear that funding is not guaranteed as their proposal has not yet been approved by the Board, which has full decision-making authority regardless of the initiation of these processes. If they so desire, CCMs and PRs can decide to opt-out of initiating the processes at that point, preferring instead to begin them only after the Board's decision.

56. Funding:

Funding for the LFA assessments will come from the Secretariat's LFA services budget.

57. Board decision:

At the subsequent Board meeting, the Board will be presented with the full set of recommended TRP proposals, as is current procedure, for their decision. The Board in every way retains its full fiduciary and decision-making authority with respect to the TRP-recommended proposals, regardless of the initiation of the above processes before the Board's deliberations.

Assumptions

58. The Executive Director's KPI target coupled with the earlier initiation of TRP clarifications and LFA assessments will help ensure a better balance between speed and quality than is currently the case without such earlier initiation.

59. The opportunity to initiate TRP clarifications and LFA assessments for some grants ahead of Board approval can be clearly communicated as not in any way being a guarantee of Board approval and funding.

60. Grant performance can be improved via this measure since it allows the earlier identification and remedying of potential problems.

Implications

61. The Secretariat will need to develop the appropriate processes (eligibility determination, communication to countries, etc.) and communication messaging to support this measure. In particular, clear communications may need to be developed to respond to possible queries from countries not approached to initiate the TRP clarifications and LFA assessments earlier (they may assume that their proposals were unsuccessful, and should be told that the opportunity to initiate these processes is tied to available resources, not only to TRP recommendations).

D. Grant Implementation

Measure 5: Offer a range of key procurement services centrally

Opportunity for optimizing grant performance

62. Challenges in procurement and supply management (PSM) are one of the major bottlenecks in achieving grant performance. Currently, countries experience 5 to 18 months in lead time for

getting essential health products to their countries, measured from the time orders are placed to the actual delivery of products in country.¹⁵

63. It is important to distinguish between procurement and supply management, and the different set of challenges each poses to recipients. The former is defined as the ability to accurately forecast the need for a product and to place orders with a supplier to ensure its timely delivery to the country. The latter involves a country's capacity to manage the physical flow of products once they have reached a country, including delivery to distribution centers at various levels and geographies, ensuring appropriate storage, and accurate inventory tracking. Supply chain management is intrinsically a local responsibility, while procurement can be conducted locally, at the country level, regionally, or internationally.

64. In terms of procurement, countries face some specific obstacles:

- a) *Limited country procurement capacity*, which is put under significant stress by the large amount of new resources the Global Fund has made available in a short timeframe. Between 2001 and 2005, country spending from Global Fund grants for products to combat these three diseases more than doubled, and is expected to double again from US\$600 million in 2005 to US\$1.1 billion in 2006.¹⁶ This represents a major step change in global needs for products that some countries may be ill-prepared to manage;
- b) *Bureaucratic national procurement processes and heavy product review procedures* significantly slow down the time it takes countries to place orders and receive products;
 - i. This is especially complicated by the sometimes *large number of steps through which Global Fund monies flow* at the country level. For example, once a disbursement is released from the trustee account, it often goes to the Ministry of Finance as the central repository of all donor financing, and then to the PR (such as a Ministry of Health). From there, this money may be transferred to several SRs (such as local NGOs). Depending on the country, each SR may use a different procurement agent, who would then pay the suppliers. This results in a complex, long chain of steps before money is actually delivered to the supplier, causing substantial delays and transaction costs at each step and greater potential for financial mismanagement.
 - ii. In addition, the process of *issuing and adjudicating tenders* according to national laws, while it ensures competition, can be time consuming and may or may not correspond to Global Fund policies, e.g. deferring to specified quality standards or purchasing the lowest priced product which meets those quality standards, much less "procurement best practices" (such as conducting longer-term tenders and splitting awards for high-volume products to multiple suppliers) which help ensure competition and a well functioning market.
- c) *Supply shortages across a range of essential health products*, which lead to country inability to acquire, or large delays in receiving, the products to support the interventions outlined in the proposal. In addition, the current decentralized country-by-country procurement model benefits countries placing large orders or countries with existing positive relationships with suppliers. Suppliers may prioritize orders according to these factors, disadvantaging the countries that do not fall into this select pool, although there is little that an individual country can do independently to remedy the situation. These problems prevent PRs from reaching their targets in a timely fashion, leading to sub-optimal grant performance.

65. Concerning supply management, countries have a different set of challenges:

¹⁵ Center for Global Development. "Global Health Forecasting Working Group Forecasting Paper." (February 2006).

¹⁶ Global Fund. "The Resource Needs of the Global Fund 2005-2007." (February 2005).

- a) Often relatively poor data systems to reliably track key metrics such as quantity, delivery times to different districts, wastage, and uptake of essential health products makes effective inventory management and ongoing consumption-based demand forecasting extremely difficult;
- b) Unpredictable donor financing flows which hinders long-term investment in building supply management capacity at the country level.

66. Across both procurement and supply management, corruption or attempts at corruption also pose challenges to grant performance. This has significant effects:

- a) Products of substandard quality or higher price may be prioritized, depending on the supplier and its relationship with procurement officials;
- b) Necessary products may not reach those that they are intended to help;
- c) Making inventory data unreliable and thus complicating effective supply management;
- d) Leading to heavy-handed bureaucratic processes that attempt to crack down on corruption, which makes PSM even more burdensome and time-consuming.

67. Scaling up PSM systems and building lasting PSM capacity takes time, and accomplishing this within the 18 months until the Phase 2 review can be extremely difficult for countries. Without a functioning PSM system in place at the outset, it is very difficult for countries to reach their targets by the Phase 2 review.

Measure 5A: Enable the direct transfer of funds from trustee account to procurement agents/suppliers on behalf of funded grants

How the measure would work

68. Countries would use their existing PSM systems except for one change in the financial flows:

- a) The grant money budgeted for specified essential health products in the initial budget and PSM plan will be retained out of each country's approved grant amount in the trustee account. It will be disbursed directly to the country-selected procurement agent or supplier when payment for country orders is required, possibly at one-year intervals to encourage regular forecasting and ordering.

69. The option will be made available to all recipients, but required for those countries who have identified low procurement capacity (e.g., via LFA assessments or past performance information).

Assumptions

70. The current multi-step transfer of monies from the Global Fund through several holding accounts at the country level impedes the rapid and accountable flow of funds to suppliers which ensures on-time procurement.

71. It is possible without excessive transaction costs for the Global Fund to set up such a system of direct payments to procurement agents and suppliers.

72. Countries' procurement policies will allow this system. In some cases, tenders can not be floated until the funds for the associated procurement are in the account of the procurement agent or central medical stores. Local policies regarding this point will need to be explored in advance of implementing this measure.

Implications

73. No Board-level decision or policy change would be required, as the Framework Document as well as the current procurement policy allow for this type of resource flow from the Global Fund directly to a third party. This option has in fact been possible since the decision on the existing procurement policy in 2002, but has not been actively pursued by the Global Fund or its recipients.

74. Opportunities for potential corruption would be reduced by minimizing the number of channels through which funds flow.

75. There would be increased transparency of information as this measure would enable better tracking of resources and products.

Measure 5B: Facilitate the provision of centralized procurement services (with local procurement capacity building)
[REVISED VERSION OF SCHEME AS REQUESTED BY PSC]

How the measure would work

76. Summary of overall concept:

A centralized procurement service for all or certain essential health products, administered and operated by one or more external procurement agents, would be made available on an opt-in basis (with possibly a couple of exceptions) to all the grants financed by the Global Fund. As part of the offering, support would be available to help build local procurement capacity. This is a model similar to that currently offered by other health funders, such as the Global Alliance for Vaccines and Immunizations (GAVI) and the Global Tuberculosis Drug Facility (GDF).

77. Objectives of measure:

The core objectives of this measure for the purposes of optimizing grant performance are to:

- a. Increase the *speed* of procurement and delivery of products to country;
- b. Help to strengthen *local procurement and supply management capacity*;
- c. Ensure *supply availability and reliability* (especially for limited-supply and/or limited-source products);
- d. Ensure the high *quality* of the products procured.

A secondary benefit, which is not a core objective for the purposes of optimizing grant performance but which is valuable nonetheless, is to obtain more attractive pricing of the essential health products purchased.

78. Services offered:

The services that PRs would be able to benefit from under this measure would be as follows:

- a. *Ability to procure products through a centralized procurement service:* PRs who wish to participate would submit and periodically update a demand forecast of their product needs over the course of grant implementation, which addresses the key relevant PSM parameters. The products would then be purchased on their behalf (with the funds being transferred directly from the trustee account to the procurement agent, as outlined in Measure 5A) and shipped to them according to the quantities, timing, and other parameters agreed.
- b. *Ability to benefit from support to strengthen local PSM capacity:* A range of PSM capacity-building support would be available to PRs. Such support could for example take the form of trainings for country-level managers, help with demand forecasting, assistance with the set-up of procurement and tracking systems, and guidance with product selection and planning.

79. *Third-party services provision with the Global Fund playing only a facilitative/enabling role:* A key principle for this measure is that it is *not* the Global Fund – as a financing instrument only, rather than an implementing agency – that would provide the centralized procurement service; instead, they would be offered by one or more external procurement agents contracted by the Global Fund. Specifically, it is the procurement agent(s) that would handle all order aggregation, supplier tendering and negotiation, product ordering, purchasing and shipping responsibilities. Also, depending on the procurement agent(s) selected, the PSM capacity-building support could be offered directly by them or contracted out to a separate entity.¹⁷ The Global Fund would play only a facilitative or enabling role, for example in defining overall procurement guidelines or in helping to inform aggregate demand forecasting.

80. *Opt-in participation basis, with possible exceptions:*

Consistent with the principle of local ownership, use of the services offered under this measure would be optional, with PRs “opting-in” to use the services if they so choose. At the same time, some limited and specific exceptions to this principle might be considered. A few possible such exceptions are presented below for purely illustrative purposes, with the idea that they might be considered in a later policy discussion if this measure were adopted. (In other words, it is only the *principle* of an opt-in basis with the possibility for some specific exceptions that is proposed under this measure 5B – with the value and specifics of potential exceptions to be discussed subsequently.)

Two possible exceptions to the opt-in principle are as follows:

- a. PRs with limited procurement capacity (as identified through the initial LFA assessment or past performance data) could be required to use the centralized procurement service for all products until they can demonstrate sufficiently improved procurement capacity. In the meantime, these PRs would be required to make use of the PSM capacity-building support offered. Periodic LFA assessments of procurement capacity would examine whether sufficient capacity has been built to allow the PR the choice to conduct procurement on their own if they so desire.
- b. For limited-supply and/or limited source products (such as, for example, long-lasting insecticide-treated bednets and artemisinin-combination therapy), all PRs could be required to procure these through the centralized service, unless they can demonstrate strong country-level PSM capacity for these particular products.¹⁸ A market analysis would be conducted annually for all essential health products, and if supply is concluded to have reached sustainable levels for those that were of limited source, the requirement to procure those products through the centralized system could be lifted.

81. *Key guidelines for procurement*

It will be important to ensure that this measure adheres to a certain number of key principles. Examples (in addition to consistency with current Global Fund procurement guidelines) could include ensuring quality, value for money, reliability, flexibility, consistency with the principle of local ownership, and compatibility with the purchase of products from emerging suppliers and local manufacturers. To ensure adherence to whichever principles are deemed pertinent, the Global Fund would define – and the procurement agent(s) would formally agree to – a set of

¹⁷ For example, GAVI has contracted UNICEF to be its procurement agent, but has a contract with WHO for the provision of specific capacity-building support to countries who require it (such as demand forecasting assistance).

¹⁸ PRs who are able to show sufficient capacity to procure these limited supply and/or limited source products could continue to procure these on their own, but might nevertheless be required to submit a detailed demand forecast for informational purposes. This would have the benefit that a complete aggregate demand forecast across the Global Fund portfolio could then be produced and used to signal manufacturers of limited-supply products as to the total likely demand in order to ensure sufficient global production capacity.

explicit procurement objectives and guiding principles, which would set the framework for the overall activities of the procurement agent(s), and compliance with these would be monitored.¹⁹

Assumptions

82. Ensuring timely procurement, supply availability and reliability, and the strengthening of local procurement capacity are important objectives that can make a substantial contribution to optimizing grant performance; making available the services described above (centralized procurement services and local PSM capacity building) is an effective means to help realize these objectives; and the Global Fund is well placed to play a role in enabling the provision of these services by a third-party entity.

83. Through PSM capacity-building support, countries will be able over time to strengthen their capability to procure effectively on their own.

84. The services can be designed and administered in a way that is compatible with the principle of country ownership (e.g., with an opt-in design for most PRs and products).

85. Procurement agent(s) that are able to cater to a potential large volume of orders can be found, and they will be able to provide the range of services required for centralized procurement. Either they or another entity will be able to provide the required PSM capacity-building services.

86. The Global Fund can play the enabling role described in the previous section with relatively limited changes to the existing Secretariat structure.

87. The Global Fund will be able to demand and ensure that a certain number of key principles are adhered to by the centralized procurement scheme (such as for example quality, value for money, reliability, flexibility).

88. Centralized procurement will be able to deliver a number of benefits beyond the core objectives pursued for the purpose of optimizing grant performance. Examples include:

- a. Access to attractive pricing, thanks to bulk purchasing;²⁰
- b. More secure production of limited-source products, thanks to aggregate demand forecasting;²¹
- c. Reduced product waste, through more rational upfront planning and product delivery;
- d. Improved data on procurement funded by Global Fund grants, thanks to centralized procurement management.

Implications

89. Before implementing this measure, the Global Fund would have to develop a robust feasibility and business plan, that would include an assessment of potential models, operational and policy implications, and costs, on the basis of which a specific model would be decided

¹⁹ GAVI provides an example of how to implement this: It has defined procurement objectives and a procurement strategy and has also set up a “Procurement Reference Group” composed of key partners, Secretariat staff and independent external experts, whose task is to guide and monitor the implementation of the centralized procurement. Specific functions of the reference group include monitoring compliance with the procurement objectives and strategy, as well as providing advice and recommendations to the procurement agent on the tender solicitation process and the evaluation, awarding and structuring of bids.

²⁰ This cost-reduction effect is an added benefit from this measure but not its core objective for the purpose at hand of “optimizing grant performance”. This is because it has less of an impact on grant performance than ensuring speed and availability and helping to build country-level procurement capacity. The issue of potential cost reductions for essential health products due to market-shaping actions will be further explored in the options paper on the strategic issue of “influencing market dynamics.”

²¹ Enabling aggregate demand forecasting, especially for limited-supply products, could serve as a credible source of information to suppliers to encourage them to increase production (due to the scale of Global Fund’s expenditures for these products).

upon. As part of this, the Global Fund should conduct an assessment of the potential legal implications associated with implementing this measure and develop a structure that minimizes any negative legal implications.

90. The Global Fund would have to identify and contract one or more procurement agent(s) to provide the services required.²² It would have to formulate a set of explicit procurement objectives and guiding principles, which would set the framework for the overall activities of the procurement agent(s). It would also have to develop a way of monitoring compliance with these (such as the reference group set up by GAVI). Policies related to the services (such as the opt-in policy) would also have to be developed. The Secretariat would have to equip itself to manage the relationship with the procurement agent(s) on an ongoing basis.

91. Countries may initially require assistance with demand forecasting, which could be provided as part of the PSM capacity building service.

E. Potential Non-Strategic Improvement Measures

92. There are a number of non-strategic improvement measures that go a large part of the way in addressing many of the root causes of performance challenges that were presented earlier. For the sake of completeness, a sampling of these measures which are currently under consideration are briefly presented here. They will however not form part of the strategy discussion.

TRP-related non-strategic measures

93. Strengthening implementation experience on the TRP: To ensure that feasibility of implementation plays a larger role in the evaluation of proposals, the TRP could change its composition or add experts to include more individuals possessing significant on-the-ground implementation experience in a variety of developing country contexts (as cross-cutting or disease-specific experts).

94. Heightening the level of scrutiny per proposal: The current amount of time available for proposal review and the number of experts on the TRP may not allow enough time for as comprehensive of an evaluation of a proposal as desired. Measures such as virtual pre-screening of proposal elements prior to TRP meetings; extending the review period from 12 working days to 20+ days; and increasing the TRP size by one third to one half would all be steps to ensure lower proposal load per member and/or more reviewers per proposal.

95. Developing a risk-adjusted TRP review process based on type and size of proposal: To better reflect the different inherent risks presented by various kinds of proposals, the review process could be tailored by type of proposal (new vs. scale-up), level of funds requested, and/or the past performance track record of the CCM and PR. A customized review process, whether through different proposal forms, variable amounts of time spent on the review, or amount of additional information requested (e.g. from the Secretariat), could be developed to ensure that scrutiny is linked to potential risk.

96. Enabling rapid TRP response to reprogramming: After grants have been signed, it sometimes becomes necessary for grants to change the scope of the original proposal – either at the point of Phase 2 review or during ongoing implementation. However, the current TORs of

²² There is a wide range of potential procurement agents who could provide this service to select from, such as: IAPSO, IDA, UNICEF, Crown Agents, etc. More than one procurement agent could be selected to ensure coverage, competition or choice.

the TRP do not explicitly define their roles and responsibilities in terms of rapidly reviewing these technical changes. Revising the TORs to reflect this function of the TRP and putting in place the necessary enabling measures, such as identifying a “rapid response” subgroup of the TRP to review these requests on a rolling basis, would help to ensure a quick and appropriate response to technical changes.

97. These and additional measures will be considered within the Secretariat as ways to operationally encourage better grant performance.

Part 4: SUB-ISSUE 2: POTENTIAL MEASURES TO BETTER STRATEGICALLY MANAGE LINKS WITH PARTNERS

1. Within the Global Fund's current financing model, the successful performance of grants is heavily reliant on the support offered by partners at the regional and country levels. These partners include multilateral and bilateral agencies, international and local NGOs, and the private sector (both businesses and foundations). In this section, potential measures to improve the two key elements of the Global Fund's links with partners is examined:

- a) How the Global Fund manages partner relationships;
- b) How the Global Fund can better enable partner support.

2. To a large degree, many of the measures proposed in this section are linked. The effectiveness of one is significantly influenced by the adoption and successful implementation of others. Furthermore, some need to be put in place first in order to pave the way for other measures. The measures are presented in the order of their logical potential implementation, and the linkages between them are laid out within each description under the heading “hierarchy and linkages.”

3. Nearly all of these measures are contingent on the support and participation of relevant partners to be successfully implemented. The actions that can be undertaken solely by the Global Fund only go some of the way towards addressing the issues at hand. These highlight the need for collaboration with partners on a strategic level.²³

A. Management of Global, Regional, and Country-Level Partnerships

Measure 6: Work with key global partners to clearly define the support Global Fund grants need in-country, the general types of support each partner is best equipped to provide, and put in place a headquarters-level commitment to supporting the Global Fund's grants that is consistently reflected in regional/country offices

Opportunity for optimizing grant performance

4. At the moment, there exists a great deal of misunderstanding and confusion at the global, regional and country levels around what the different roles and responsibilities of global partners (e.g. WHO, UNDP, World Bank, PEPFAR, DFID, etc.), are in supporting the implementation of Global Fund grants. While taking into account the differences in country context, there is currently much variation in the types of support provided by different global partners in various countries, how this is funded, and how this support is accessed by country-level implementers.

²³ This is consistent with the recommendation in the Board-endorsed Guidelines for Option Development that “the options developed should center on the elements that can be addressed or significantly influenced within the Global Fund's strategy effort, while identifying areas where there is a possible need for a larger scale, collective strategic effort with partners.”

While the newly established Global Implementation Support Team (GIST) is a positive step forward to more systematically bring together multilateral organizations and countries experiencing implementation difficulties, it is limited by its focus only on HIV/AIDS, the small number of countries currently involved, and participation only by UN agencies.

5. This stems partly (though not entirely) from the lack of clarity provided by the Global Fund in defining the major types of support grants need in country.

6. Having appropriate and timely support from partners at the regional and country levels is key to the successful implementation of Global Fund grants, so “follow-through” and concrete action on the ground by partners based on high level commitments is critical.

How the measure would work

7. First, the Global Fund will need to conduct an analysis to identify the main types of support its grants require in-country (e.g. medical/disease-specific expertise, procurement support, financial management assistance, etc.).

8. Based on those identified needs, the Global Fund and key global partners will agree to have partners “sign up” against specific needs at a high level, indicating the key functional areas and regions where they could provide support as part of their existing mandates. This could be through a formal document, like a Memorandum of Understanding (MOU), or through a political commitment (e.g. similar to the Paris Declaration or the Global Task Team report endorsement).

9. Through a high-level global meeting, the heads of each organization will publicly confirm their organizations’ commitment to supporting the Global Fund’s grants in-country.

10. Information on these commitments will then be disseminated within partner organizations, the Global Fund and to PRs and CCMs so that both the high level commitment and the general types of support available would be clearly communicated to all stakeholders. In particular, the importance of supporting Global Fund grants needs to be clearly reinforced from the headquarters to regional and country levels through their internal communication processes.

11. The Fund will encourage partner organizations to take concrete actions to ensure that support to Global Fund grants is built in as a priority for their regional and country offices’ operations. This could occur through channels such as making support to Global Fund grants part of the regional or local offices’ annual review and goal-setting exercises. This support will then be tracked and reported back to the headquarters level to ensure compliance.

12. If the Global Fund becomes aware of continuing inconsistencies on the ground (via CCMs, PRs, LFAs, etc.) the information will be fed up through the Secretariat to the relevant contacts in the partner organization for their follow up

Assumptions

13. The Global Fund (possibly with the help of a third party) will be able to identify the general types of support its grants require in-country.

14. Partners will be able to define at a high level the types of support they would provide.

15. The Global Fund and partners will be able to agree to the mapping of identified needs to providers.

16. Partners will agree to go through this exercise and commit as part of their organizational mission, using funding that is currently available through grants to fund any scale-up activities required. This could become a larger and more secure source of funding through Measure 9 described below.

17. The current lack of consistency between headquarters-level commitments and actions on the ground are at least partly due to limited understanding of the recognized corporate-level priority of supporting the Global Fund. Further defining commitment at the level of key on-the-ground positions and setting appropriate priorities could remedy this.

18. The definition of roles and high-level commitment will be reflected in the priorities and operations of partners at multiple levels, particularly in country.

19. Current Global Fund structures are equipped to capture information on inconsistencies between headquarters and country-level actions, and to follow up on it with partner head offices, or efforts required to develop this capacity would be relatively low within the existing structure and systems.

Implications

20. A way of monitoring the extent to which these agreements are reflected in country-level actions by the partners and holding them accountable may need to be developed.

21. The right kind of global-level agreements to enable this would have to be determined.

Hierarchy and Linkages

22. This measure is the basis for the subsequent measures described in this sub-section, because it provides the rationale and foundation for partner cooperation.

23. As such, it lays the groundwork for the following two measures:

- a) Measure 7: Work with different partners to put in place a lead GF partner in selected countries – as a concrete way to reflect global commitments at the country level;
- b) Measure 8: Encourage greater transparency and accountability in the TA and MA market – to ensure that the additional services provided by global partners are appropriately utilized.

Measure 7: Work with different partners to put in place one country-level Global Fund liaison per country

Opportunity for optimizing grant performance

24. The current Global Fund model does not provide for a direct Global Fund country presence. It was intended that between a CCM overseeing implementation and the LFA serving as an independent body to verify results and expenditures, grants could be effectively managed in a relatively hands-off manner by FPMs in Geneva. However, CCMs have not always performed this vital oversight function as intended. This is in part because CCMs often reflect the limitations of their country contexts – where there are limited human resources and non-existent long-term disease plans as well as unpredictable funding, it is difficult for the CCM to perform its oversight function well.

25. In addition, the communication of real-time information from the country level to the Global Fund Secretariat via the primary current channels – in particular the LFA and CCM – is intrinsically difficult and in addition has at times not been optimal. As such, close monitoring of

on-the-ground events and quickly responding to them has been difficult for the Global Fund to manage.

26. Having one full-time person on the ground jointly representing the existing interests of a key partner and the Global Fund could lead to better information flow and oversight from the country level to the Secretariat, enabling more appropriate and rapid responses to implementation challenges.

27. This measure is currently being piloted in Mozambique, with a country-level health adviser position being funded by DFID to split their time serving as the Global Fund liaison to the SWAp partners to enhance the monitoring of grant implementation and as the DFID local representative and focal point.

How the measure would work

28. Based on the existing headquarters-level agreements (see Measure 6 above), the Global Fund would initiate dialogues with the headquarters of global partners with country presence, such as the World Bank, UN agencies, bilateral development agencies, and international NGOs to identify countries for potential collaboration.

29. Once the countries have been identified, the Global Fund and partners will work together to identify which agency is best placed to offer a liaison. There would only be one Global Fund liaison per country.

30. For the partners who choose to participate, the partner would manage, recruit and fund a combined local partner representative and "Global Fund liaison" position in selected countries, with a dual reporting relationship to the sponsoring organization and the Global Fund FPM.

31. The liaison's Global Fund-related tasks will include:

- a) Representing the dual interests of the Global Fund and the partner on all key coordination and decision-making bodies related to the three diseases and the health sector as a whole (e.g. SWAps, NACs, etc.);
- b) Acting as the Global Fund focal point for country-level partners to interface with;
- c) Monitoring the implementation of Global Fund grants in terms of programmatic results, appropriateness of set targets, and financial expenditures, working in conjunction with the LFA, and feeding key information back to the FPM.

32. Workplans will be jointly agreed by the sponsoring partner and the Global Fund, and the liaison's performance will be assessed by both parties.

Assumptions

33. Countries where key partners' and the Global Fund's interests are closely aligned can be identified.

34. The liaison will be able to provide unbiased information on grant performance and partner activities on the ground to the Global Fund irregardless of his/her sponsoring organization's viewpoints or political priorities.

35. The roles and responsibilities of the liaison will have to be tailored by country to reflect the specific country context and the relationship between the partner and the Global Fund on the ground.

36. The Global Fund would not fund (out of its grants or through alternate sources) this position.

Implications

37. The benefit for partners to develop and fund such a position will have to be clearly articulated. Some may include: ability to more closely monitor different types of existing investments (through their organization and through the Global Fund); to better share mutually beneficial information accessible through the Global Fund network; and to reduce transaction costs.

38. It is unlikely that this measure can be rolled out across all countries, so the selection of countries (e.g. by amount of total Global Fund funding, by complexity of country context, etc.) where it would be most helpful and have the highest impact is crucial.

39. The selection of the country-level partner will have to be carefully undertaken on a case-by-case basis to best fit the particular country context and to prevent any real or perceived conflicts of interest.

40. The liaison will need to serve for a multi-year period, to ensure that the appropriate relationships can be developed on the ground and with the Global Fund.

41. There may be revisions or adaptations to the LFA role in countries with a liaison to ensure appropriate cooperation and information sharing, and to prevent duplication.

Hierarchy and Linkages

42. Having Measure 6 described above in place would be helpful to lay the groundwork for this measure.

B. Better Enabling Technical and Management Assistance

Measure 8: Encourage greater transparency and accountability in the TA and MA market

Opportunity for optimizing grant performance

43. The current landscape of technical and management assistance providers can be difficult to navigate for many CCMs and PRs. In some countries, there is an abundance of providers, from the local offices of multilateral agencies to small NGOs offering assistance. In others, there are a small number of providers, leading to the services that are readily accessible being relatively limited and supply-driven. Rates are usually neither standardized nor readily available, making cost comparisons across providers nearly impossible. The level of quality in services provided is highly variable and difficult to determine in advance. The GIST is a step forward in ensuring greater accountability for the timely provision of quality services, but it is still in its initial stages and has a limited mandate.

44. For management assistance in particular, there is very little common understanding as to what types of support would fall within this category and what organizations are best equipped to provide it. This is a crucial gap, considering a Global Fund grant is the first time many countries have to truly manage a large scale program on their own.

45. Enabling countries to better identify and select the right providers of assistance – and holding them accountable for the services delivered – would lead to more tailored and rapid responses to specific needs. This transparency in the market will make the selection of

providers more country-driven, enabling the procurement of assistance that is best suited to their particular needs.

How the measure would work

46. The Global Fund will closely monitor ongoing high-level initiatives on improving brokering of supply and demand, and encourage existing initiatives that promote transparency and accountability (as described below) in the market for TA and MA. It will also provide high-level advocacy support, and possibly incentives for the development or evolution of such initiatives where gaps in the market are identified.

47. In terms of existing initiatives, there are presently several facilities that aim to make the TA market in particular more transparent by linking countries looking for technical and management assistance with a range of quality-checked providers available regionally and internationally.

- a) The UNAIDS Technical Support Facility (TSF) is designed to provide a range of services from assuring the quality of providers to offering professional development to national and regional providers. Its aim is to assist countries with the scale-up of national HIV/AIDS programs. It has been established for the Southern Africa region, and a joint TSF managed by the International Planned Parenthood Federation has recently been announced for East, Southeast Asia and Oceania. There are plans to expand similar facilities to West and Central Africa and Eastern Africa. The initial plan aimed to have technical support facilities operational in all four regions by the end of 2005, but roll-out has taken longer than expected.
- b) The World Bank's Global AIDS Monitoring and Evaluation Support Team (GAMET) was set up jointly with UNAIDS to strengthen monitoring and evaluation systems at the country level. These country support teams draw upon a range of experts to provide tailored practical field support, particularly on M&E systems for HIV/AIDS.
- c) The Stop TB Partnership has conducted an intensive effort to train consultants and provide a link between these screened providers of assistance to implementers. These trained and vetted consultants are on an "on-call" list so that they can quickly and appropriately respond to requests from country-level implementers.

48. Steps can be taken within the Global Fund to maximize the use of these existing initiatives:

- a) The specific TORs and regions of operation of these facilities will be better communicated within the Global Fund, with a particular focus on the Operations Unit.
- b) FPMs will be encouraged to work with the UNAIDS, World Bank and WHO regional and country offices, and where applicable with Global Fund liaisons (see Measure 7), to better inform PRs and SRs of the availability of these services, and encourage the use of these facilities.
- c) The Global Fund can feed back information captured over the course of monitoring implementation to these existing initiatives as to the main types of technical and management assistance desired by current PRs to ensure that the right types of assistance are available through these technical support facilities.

49. However, it is clear that despite these valuable initiatives there are still important gaps in the transparent and accountable provision of TA particularly— by disease (e.g. malaria) and by region (e.g. Latin America). The Global Fund can take more proactive measures to encourage the filling of these gaps in a transparent and accountable manner, through:

- a) Working with the Roll Back Malaria Partnership to encourage their development of a TSF-type entity to cover TA for malaria;
- b) Encouraging existing TSFs to expand their regional coverage.

50. Management assistance is a particular part of the market where transparency and accountability can be actively encouraged by the Global Fund, by for example:

- a) Actively calling for the development of a TSF-like facility for MA, which could be incorporated into existing facilities (as described above) or exist as a separate entity. It would need to ensure that private sector providers would also be included in the pool.

Assumptions

51. A more transparent market for TA and MA would lead to better country access to tailored, quality-assured support, which would encourage countries to more actively use TA and MA.

52. The brokering of TA and MA is a function that the Fund does not wish to directly provide, but wants to ensure is available in an easily accessible, broad and rigorous way.

53. There is a qualitative difference in technical versus management assistance, requiring an explicit focus on the latter to ensure its appropriate provision in a transparent and accountable manner.

54. Existing facilities provide a high level of services and are compatible with the Global Fund's focus on country-driven processes and multi-sectoral engagement.

- a) As such, new facilities will include (and existing facilities can be broadened to encompass) a sufficiently wide range of providers, particularly local civil society and PLWHA organizations.
- b) All facilities will enable the country-driven selection of the provider.

55. The financial and transaction cost of encouraging the development of expanded technical support facilities will be relatively low and manageable within the current Global Fund architecture.

Implications

56. The right incentives to encourage partners to take on an expansion of their technical support facilities are crucial to the success of this endeavor. These incentives, as well as how they can be provided or encouraged by the Fund, to be determined.

57. The existence of multiple facilities by disease, region and possibly type of assistance – while simpler than the current fragmented TA/MA market – may still be difficult for countries to navigate. Further rationalization and consolidation may be beneficial.

Hierarchy and Linkages

58. This would be a measure based on the foundation set by Measure 6.

59. The Global Fund liaisons proposed in Measure 7 could play an important role in spreading the information about TSFs and other initiatives at the country level as well as actively encouraging CCMs and PRs to use them.

60. The earmarking of funding for TA and MA (as proposed in Measure 9 below) could be an incentive to ensure greater transparency and accountability in the TA/MA marketplace, as well as to encourage expansion of services into current gap areas.

Measure 9: Require the earmarking of a minimum amount from the grant that can be used only to fund TA and MA

Opportunity for optimizing grant performance

61. While the current proposal form asks the CCM to identify the amount requested for technical assistance over the course of grant implementation, many PRs do not actually budget for this, and even if they do, do not end up using the money in their budgets originally identified for TA and MA.

62. This stems from the unwillingness of many PRs to spend what they view as comparatively large sums of money (versus local salaries and prices) on TA and MA. This is exacerbated by the fact that such expenditures are seen as coming from the same budget that also funds program implementation activities. This is effectively a disincentive to procure and pay for the appropriate providers when needs arise, especially if funds have to be shifted from other expenditure items.

63. Countering the perception that money spent on TA and MA reduces funds available for grant implementation activities would likely encourage appropriate and timely spending on necessary assistance. This would enable grants to receive suitable support when they need it, to assist successful implementation and improve grant performance.

How the measure would work

64. In the proposal, a minimum earmark from the total budget will be required for TA and MA (e.g. 1% of total grant value or US\$ 150,000, whichever is larger). The amount can be increased by the CCM if desired. CCMs will be required to put aside this money as a line item in proposal budgets, and structure the rest of their budget to take this set-aside into account.

- a) Once a proposal is approved by the Board, the amount available for regular disbursements will be the total approved amount minus the TA and MA earmarked amount
- b) The amount can be adjusted at the point of Phase 2 renewal and as necessary over the course of grant implementation.

65. When PRs identify a TA or MA need at any point in grant implementation, they will clearly indicate in the regular disbursement request the amount intended for TA and MA. This request will then be funded from the amount set aside up-front. PRs can request up to the full earmarked amount.

66. If there are still funds available in the earmark in the last six months of grant implementation, it will be released back into the general pool of Global Fund monies to be used to fund other grants.

Assumptions

67. PRs will be more likely to spend on TA and MA if the funds are perceived to be outside of their regular program implementation budget. Therefore, releasing any funds remaining in the earmark during the last six months of implementation to the grant's program funds will create a negative incentive to not spend the money on TA and MA.

68. TA and MA providers will scale up their capacity to be more readily available if there was a better indication of the size and certainty of the funds available for them, as would presumably be provided by this measure.

69. The procurement of TA and MA will remain a country-driven process, as the selection of providers remains under the control of the PR.

Implications

70. Requiring this earmark needs to be linked to encouraging the development of a more transparent and accountable market for TA and MA, as discussed in the previous measure.

71. This would put in place an additional item for FPMs to track on an ongoing basis, and may require an additional process for ensuring that the disbursement for TA and MA comes out of the earmark.

72. This measure could go part of the way towards allaying concerns over the unfunded mandate of technical partners as they could assume that a significant part of this earmark would be allocated to them.

73. Grant budgets will likely rise across the board to take into account the required earmark.

Hierarchy and Linkages

74. This measure would serve as a strong incentive to partners to provide the additional services that could be identified through Measure 6.

75. Measure 8 would likely be more realistic given this measure would provide an incentive for greater transparency and new market entry.

Part 5: SUB-ISSUE 3: POTENTIAL MEASURES TO BETTER RESPOND TO REAL-TIME FEEDBACK FROM THE FIELD

1. Real-time information from the field is crucial to ensure appropriate grant management from a distance. A change in the conditions on the ground can significantly affect the performance of Global Fund grants and require a response from the Global Fund.

2. However, due to the multiplicity of sources and types of feedback that can and do flow in to the Global Fund, it is vital to be able to identify the key categories of information that have a material impact on the management of Global Fund grants by the Secretariat. Based on the type of information, the appropriate mechanisms to respond need to be in place.

3. By considering these two issues in turn – the right types of real-time feedback to collect and the best way to respond – the need for strategic measures to address them can be identified.

A. Types and Sources of Real-Time Feedback

4. Real-time feedback can encompass a wide range of information – everything from changes in the country's political situation to detailed news on the performance of a SR. While some of it has direct bearing on the implementation of the Global Fund-funded programs in the country, the majority does not have immediate relevance for grant management, nor does it require a response from the Global Fund.

5. Furthermore, Secretariat capacity is limited in terms of sifting through an ever-growing amount of feedback in order to identify what is of actual material importance to the management of the grant. Therefore, it is crucial to identify up-front what the key types of feedback the Global Fund should be trying to capture.

- a) First and foremost is *information that materially affects grant performance*. This may be things such as severe implementation challenges; a significant change in country context (e.g. natural disaster); or proof of fraud or mismanagement.²⁴ This kind of information needs to be quickly brought to light and responded to.
 - b) Second is *information on ongoing grant implementation*. This category may include news on specific challenges and achievements in implementation; the availability and provision of technical and management assistance; and the effectiveness of key structures such as CCMs and PRs. Such information is useful to provide context to the day-to-day grant management tasks of the Secretariat.
 - c) Other types of feedback, while it may provide a feel for the country context, are less useful in fulfilling the aim of optimizing grant performance.
6. This key feedback can come from a variety of sources, through a number of channels.
- a) One key source is PRs and SRs. As they are the parties directly involved in the day-to-day implementation of the grant, they clearly are a good source of relevant, real-time information. Nevertheless, the Global Fund only collects information from PRs in an intermittent procedural way, such as via periodic disbursement requests. Depending on the FPM, more frequent, informal contact with the PR may occur, but it is currently dependent on each manager. Besides in an ad-hoc fashion, SRs are often off the radar entirely in terms of serving as a source of information. This is because the Global Fund model is by design fundamentally focused on the PR, with the PR being accountable for the management of the SRs.
 - b) Another is country-level *Global Fund partners, as represented on the CCM*. These include country governments, local offices of multilateral and bilateral agencies, representatives of international NGOs and private sector companies in the country, and local civil society and private sector representatives. However, the only official communication channel between the Global Fund and CCMs is at the point of proposal submission, and then 18 months later when CCMs are invited to submit requests for continued funding. While they are encouraged to have an ongoing oversight role, there is little to ensure this is actually occurring and to enable an open line of communication to the Global Fund.
 - c) The third is *LFA*s. As the on-the-ground contractual partner of the Global Fund with a mandate to objectively monitor and assess grant performance, they are often privy to a large amount of relevant real-time information. Yet for the most part their physical presence and existing knowledge of Global Fund structures and the specifics of country-level implementation is not currently properly leveraged to capture the most pertinent information. Their role is often narrowly interpreted as the body to conduct assessments and verifications, instead of being seen as a real source of important real-time feedback.
7. Therefore, in collecting real-time feedback, it is important to take into account both the key types of feedback necessary and the multiplicity of stakeholders on the ground that could provide this feedback.

B. Measures for Responding to Real-Time Feedback

8. Many measures to respond to real-time feedback are already in place. While they could be strengthened or expanded to better reflect the type of feedback and the level of risk identified, such determinations fall into the realm of operational improvement, which is outside of this

²⁴ Disease-specific developments such as outbreaks or significant changes in disease patterns also fall into this category. However, it will be further explored in the strategic issue area of "funding the right things," to ensure an appropriate response to the question "How can the Fund better pre-empt and appropriately respond to scientific/technological developments."

strategy discussion. However, for completeness the key types of existing measures applicable to respond to each type of feedback identified above are provided here.

- a) Information materially affecting grant performance: for serious cases of poor performance or mismanagement, there are multiple mechanisms of recourse within the current Global Fund modus operandi. Grant suspension and termination are established procedures in such cases. Furthermore, the newly established Office of the Inspector General can conduct more in-depth investigations into the particular circumstances to ensure that these procedures are properly applied.
 - b) Feedback on ongoing grant implementation: the Early Alert and Response System (EARS) aims to identify key challenges in grant performance early in implementation. Then the necessary response can be mobilized through technical partners via the Global Implementation Support Team (GIST). There are existing mechanisms to allow reprogramming if changes in the targets or interventions need to be made due to relevant new information coming to light. Further work is being done by the Secretariat to better ensure the quality of data coming in from the field, through targeted, risk-adjusted data quality audits of PR and LFA-reported information and across-the-board data quality assessments for all grants to ensure appropriate reporting.
9. Furthermore, additional operational measures (i.e. non-strategic) could help to ensure that the Global Fund is appropriately taking into account and responding to real time feedback. Several such suggestions are briefly presented here for illustrative purposes.
- a) The ongoing tasks of the FPM could be specified to include periodic check-ins with a broad range of primary country level sources of feedback, from government officials to local civil society and private sector representatives, with a particular focus on SRs.
 - b) CCMs could be required to report their meeting minutes to the Global Fund.
 - c) The TORs of LFAs could be expanded to have them spend more time on the ground monitoring grant implementation – perhaps even at the level of large SRs – and liaising with key partners. More frequent, informal reporting back of information from the ground should be encouraged.
10. In addition, one of the strategic measures (Measure 7) outlined in the earlier sections of this paper would help enable the Global Fund to better respond to real-time feedback.
- a) The country-level Global Fund liaison, if selected as a measure to implement, would serve both as a reliable source of real-time information from the field as well as a way to respond to it. Through their status as an integrated part of the country stakeholder landscape, the liaison would be privy to much relevant information, which they could then channel to the FPM. Moreover, they could then share the decisions or suggestions of the Global Fund back to the PR/SR or the relevant partners in a rapid fashion.

This document is part of an internal deliberative process of the Fund and as such cannot be made public. Please refer to the Global Fund's documents policy for further guidance.