OPERATIONS UPDATE

Outline: This note provides an overview of the progress made in Operations since the last Board meeting in November 2006.

Part 1: Summary

1. As of 31 March 2007, the Secretariat had disbursed 91 percent of the projected quarterly amount to grant recipients. The 2007 annual target of US$ 1.7 billion represents a 12 percent increase over the 2006 target level of US$ 1.5 billion.

2. With a well-established and ever improving disbursement system in place, the Secretariat has intensified its focus on enterprise risk management to better assure the effective and efficient use of grant funding to produce results. A risk management framework that unifies successful and ongoing risk mitigation efforts is being developed. Included in this risk management approach is the strengthening of the Early Alert & Response System (EARS) as a truly system-wide intervention that yields intelligence about adverse grant performance as early as possible in a grant's life-cycle. The Secretariat will take advantage of the re-bid of local Fund Agent (LFA) framework contracts to sharpen the role of the LFA in risk assessment, risk evaluation and monitoring. Given that 15 grants alone receive 50 percent of Global annual disbursements, and given that risks in implementation countries vary considerably, the Secretariat will now embrace greater differentiation in how grants are supported and managed.

3. A number of Board decisions associated with risk management have been advanced in terms of implementation and execution. Mindful of the fact that more than 40 percent of grant expenditures are procurement-related, our efforts on risk management will also focus on procurement matters. In this regard, required data by recipients into the Global Fund's Price Reporting Mechanism is now universally applied to all grants as a condition for disbursements. As a result, more information is now available for recipients to transparently compare drug and commodity prices, and also for the Secretariat to track compliance on its Quality Assurance Policy. The Secretariat participated in discussions of options for voluntary pooled procurement, a subject for further consideration by the Board.

4. All grants from Round 5 were signed by their applicable Board deadlines. With respect to Round 6, five grants had been signed as of 31 March 2007. The Secretariat expects to sign 40 percent of grants by the end of April 2007.

5. The drive toward greater predictability of performance-based funding continued into the first quarter of 2007. The Board's decision for a fixed date for upcoming calls for proposals was implemented on 1 March with Round 7. The Board's Rolling Continuation Channel (RCC) that directs funding to high-performing grants commenced with the prequalification of 11 grants as the first wave of eligible applicants. Revised terms of reference for the Technical Review Panel to undertake a review of RCC applications will be considered at the Fifteenth Board Meeting.

6. The Secretariat continued to make strides in promoting better alignment and harmonization for improved grant performance at the country level. Following a pilot initiative in 2006, a program to foster the use of one monitoring and evaluation system at the country level will be rolled out to all new grants in 2007, with an assurance that grants will set aside up to ten percent of their funding to support this effort. New efforts to increase country-level support to grants were commenced through a joint effort of the Global Fund, UNAIDS, WHO and the US Office of Global AIDS Coordinators (OGAC).

7. Within the Secretariat, progress continued in improving the quality of grant management processes. Leadership and management training for senior managers will commence shortly.

Part 2: Results and Portfolio Update

Grant Agreements and Disbursements

1. As of 31 March 2007, a cumulative total of 405 Phase 1 grant agreements covering 132 countries had been signed. To date, 100 percent of the cumulative 400 approved grant agreements from Rounds 1-5 have been signed, all of which have received an average of 4.5 disbursements per grant.

2. As of 31 March 2007, the Secretariat had reviewed 229 Phase 2 grants with Board approved budgets totaling more than US$ 2.8 billion. Of these, 172 Phase 2 agreements (75 percent) have been signed, compared with 70 percent in November 2006. Progress has been made on improving the signature of Phase 2 grant extensions and will continue through a review of the Conditions Precedent included in grant agreements. The Secretariat is analyzing the frequency of their use and points in the grant cycle where they facilitate or hinder project implementation. The Secretariat is refining guidelines for the Conditions Precedent to improve program implementation and effectiveness while reducing exposure to risk.

Grant Agreements by Rounds Status as of 31 March 2007				
Round	**No. of Approved components**	**No. of Grants**	**Signed**	**% Signed**
Round 1	56	68	68	100%
Round 2	98	102	102	100%
Round 3	70	76	76	100%
Round 4	72	82	82	100%
Round 5	67	72	72	100%
Round 6	87	88	5	6%
Phase 2		229	172	75%
Total		**717**	**577**	**80%**

Table 1: Status of Global Fund grant agreements

3. As of 31 March 2007, the Secretariat had disbursed US$ 293,429,850, which is equivalent to 91 percent of the quarterly target. The Secretariat has delivered resources on time and in a responsible manner to recipients. This is in line with expectations and this pace will remain on course to achieve the yearly target.

	Current Grants (including approved Phase 2 renewals)							Phase 2 Renewals					
	Approved[1]			Signed[2]	Disbursed[3]	Mean % Disbursed[4]	Mean Time Elapsed[4]	Already approved in			Projected to be approved in[5]		Total Phase II
	Phase I	Phase II	Total					2005	2006	2007	2007	2008	
Round 1	576	734	1,311	1,202	834	77%	88%	675	55	4	1	0	736
Round 2	852	915	1,767	1,545	1,004	69%	78%	341	466	109	44	26	985
Round 3	627	614	1,241	1,089	621	73%	86%	1	599	14	163	0	777
Round 4	1,010	583	1,592	1,069	771	73%	80%	0	85	497	1,006	132	1,720
Round 5	772	0	772	772	296	39%	18%	0	0	0	17	1,130	1,147
Round 6	874	0	874	47	1	0%	0%	0	0	0	0	0	0
Total	4,710	2,846	7,557	5,724	3,527	67%	73%	1,017	1,205	624	1,231	1,288	5,365

Totals may appear not to add because of rounding

Add: Already approved in 2007   624

Total need for Phase 2 in 2007 and 2008   1,855   1,288

[1] Proposals approved for funding by the Board (initially for two years, with an extension (Phase II) to five years where approved)
[2] Grant agreement signed by the Secretariat, committing funds for the term of the grant
[3] Amount transferred to recipients - disbursed incrementally based on performance - as % of "Signed"
[4] Calculations based on grants which have received one or more disbursements
[5] Assuming that 87% of grants (by $ value) will qualify for renewal, with the timing of renewal based on when grants received or are expected to receive their first disbursement

Table 2: Current Financial Status of the Global Fund

4. From the Global Fund's inception to 31 March 2007, a cumulative amount of US$ 3.5 billion has been disbursed to Principal Recipients (PRs) in 131 countries. This represents 62 percent of the total US$ 5.72 billion committed in signed grant agreements. Of the disbursed amount, 54 percent of funding was disbursed to sub-Saharan Africa, 15 percent to East Asia and the Pacific, 10 percent to Latin America and the Caribbean, 10 percent to Eastern Europe and Central Asia and 10 percent to South Asia, the Middle East and North Africa.
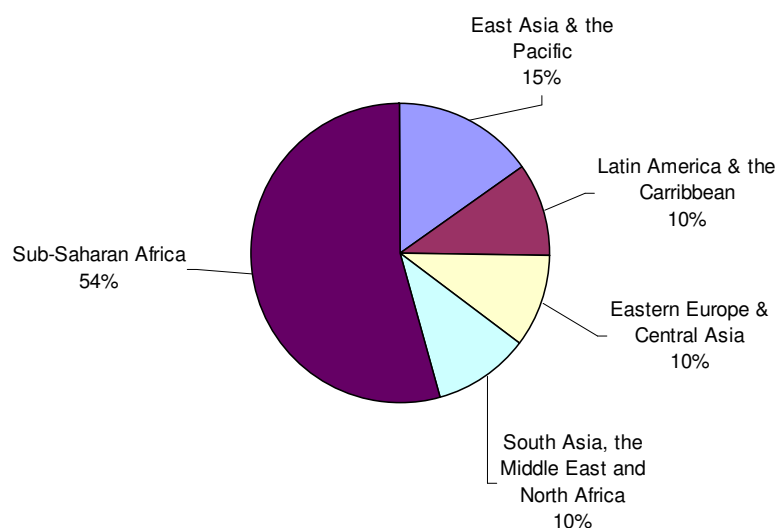

Figure 1: Percentage of total amount disbursed to geographic regions

5. The Secretariat continued to improve its efficiency in grant signing by maintaining a trend in reduction of the mean number of days between Board approval of a grant and when it is signed (See Figure 2). In contrast to Round 4, grants in Round 5 were signed 36 days earlier on average. When compared to Round 1, Round 5 grants were on the average signed 100 days or more than three months earlier. As a consequence, Round 5 grants on the average have the potential to show results earlier in the grant cycle.
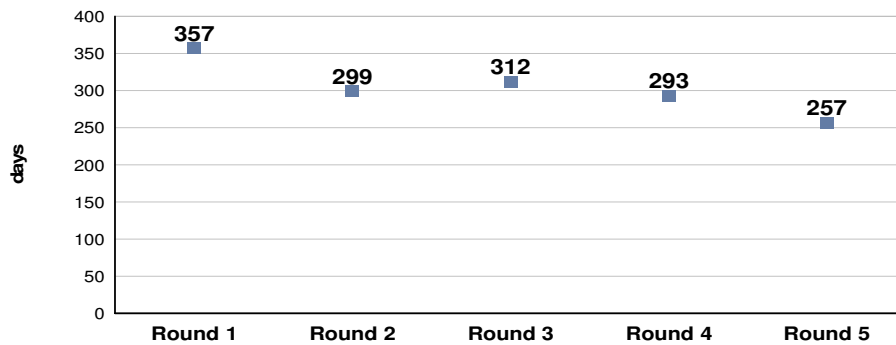

Figure 2: Mean number of days between Board approval and grant signing - Per round

6. The trend of shorter elapsed time between grant signing and first disbursement also continued with Round 5 grants. Similarly, on average, Round 5 grants received their first disbursement seven days earlier than the average grant in Round 4 (See Figure 3). However, when compared to grants in Round 1, Round 5 grants received their first disbursement a full 27 days or nearly one month earlier. Overall, grants are getting signed faster and receiving funds earlier for implementation. This development allows grants to leverage implementation time to show better performance earlier.
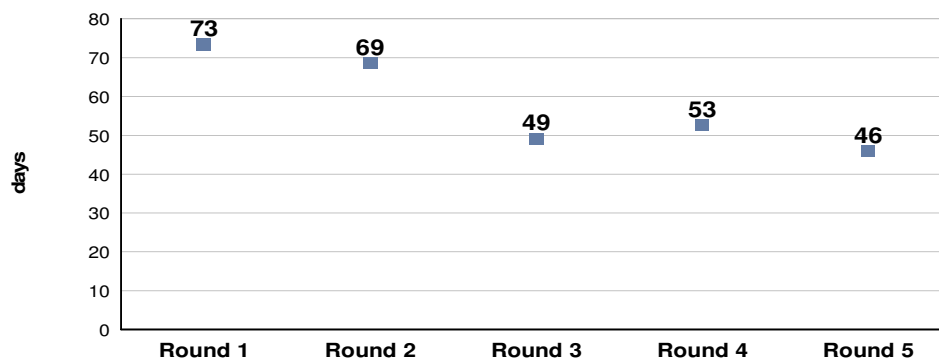

Figure 3: Mean number of days between grant signing and first disbursements - Per round

Round 6 Update

7.   Of the 85 components approved by the Board at the Fourteenth Board Meeting, 84 have now fully completed Technical Review Panel's clarifications process. Appeals on 12 of the 48 disease component grants that were eligible for Round 6 appeals were received by the January 2007 deadline set by the Secretariat. Of these, the Independent Appeals Panel approved two grants -- Egypt HIV and Pakistan TB -- in January 2007. These grants are in the advanced stages of clarification and are expected to be signed on time by their applicable Board deadlines.

8.   As of 31 March 2007, five grants from Round 6 had been signed (Rwanda TB, Liberia HIV/AIDS, Bangladesh HIV and two Bangladesh malaria grants). Several more are in the final stages of negotiation and an additional 30 are on target for signing by 30 April 2007.

Results

9.   The Secretariat's portfolio-wide results as of December 2006 were released in early 2007 following a joint data-sharing and analysis exercise with partners, including WHO, UNAIDS and the U.S. President's Emergency Plan for AIDS Relief (PEPFAR). Results show a substantial acceleration of implementation during 2006. As of 31 December 2006, grant recipients with Global Fund grants cumulatively achieved the following:

- 770,000 people currently on antiretroviral (ARVs) treatment for HIV (a 42 percent increase compared to figures obtained as of 1 June 2006)

- 9.4 million reached with HIV counseling and testing

- Two million people on tuberculosis treatment under Directly-Observed Treatment, Short-course (DOTS) (a 40 percent increase compared to figures obtained as of 1 June 2006)

- 18 million insecticide-treated bed nets (ITNs) distributed to protect families from malaria (a 59 percent increase compared to figures obtained as of 1 June 2006)

10.   A full analysis of results is provided in the Global Fund progress report entitled *Partners in Impact: Results Report.*

Part 3: Increasing Predictability of Funding for Countries

Round 7 Update

1.   Round 7 was the first round to comply with a Board decision from its Fourteenth meeting to launch funding rounds on a fixed, recurring date. This round was successfully launched on 1 March 2007.

2.   In Round 7, two new technical changes were introduced leading to a clearer and more user-friendly application process. First, as a risk management strategy, applicants are now required to explicitly define upfront, their costed capacity building and technical assistance needs to strengthen performance (and reduce potential bottlenecks) during the life of a grant, if approved. This requirement will improve a grant's ability to be better prepared for, and respond earlier to implementation challenges. Second, in response to health systems strengthening recommendations in the report entitled 'Report of the Technical Review Panel and the Secretariat on Round 6 Proposals' (GF/B14/10, Revision 2), applicants now have extensive program guidance on how to

incorporate health systems strengthening activities into their proposals (pending a decision by the Board on the Global Fund's longer term health systems strengthening approach). Specifically, applicants are now required to show with costs, how proposed grants will systematically strengthen the overall health sector, including the NGO sector, the private sector, the public sector and communities affected by the diseases, to ensure better and more lasting health outcomes.

3. Also in Round 7, questions in the application form that better elicit information on how applicants will promote greater equity of access to services among marginalized groups were introduced. An illustrative but not exhaustive list of potentially fundable activities for at-risk populations was included in the proposal forms, as guidance.

4. In order that the factors that increase vulnerability to the three diseases are adequately addressed, the Secretariat continued its efforts to promote gender-centered and gender-differentiated approaches in proposals. A set of frequently asked questions on how applicants can work with expert technical organizations such as UNFPA, WHO and others was included in the application package. More work will continue in this area. The Secretariat will collaborate closely with WHO, UNFPA and other institutions to find concrete ways of utilizing Round 8 to deepen applicants' use of gender-based approaches in the design and implementation of future grants.

5. Following on from the initiative taken in Round 6, the Secretariat participated in partners-financed regional meetings to explain Round 7 documents and recent changes in Global Fund policies. The Secretariat has also supported two new malaria-targeted meetings funded through the Roll Back Malaria Partnership in Nairobi, Kenya (14 English-speaking countries attended) and Douala, Cameroon (nine French-speaking countries attended). All six meetings attended to date were well organized, focused on practical aspects of proposal preparation and allowed time for applicants to seek clarification on common themes arising from the TRP's Round 6 proposal review process.

Rolling Continuation Channel

6. The Secretariat implemented the Fourteenth Board's decision to establish a funding mechanism ("rolling continuation channel (RCC)"), for CCMs with strong-performing grants to apply under streamlined and favorable terms. A Secretariat qualification panel was established to apply Board criteria to determine which grants qualify to be invited to submit a proposal for continuation of funding through the RCC. The first qualification panel convened on 1 March 2007. It reviewed 50 grants and qualified 11 (22 percent) of them to apply for continued funding through the rolling continuation channel (see Table 3 below).

Country	Round	Disease
Burundi	2	Malaria
China	1	TB
Cuba	2	HIV
Haiti	1	HIV
Honduras	1	HIV
Honduras	1	Malaria
Mongolia	1	TB
Morocco	1	HIV
Multi-Western Pacific	2	Malaria
Rwanda	3	Malaria
Tanzania	1	Malaria

Table 3: RCC First Wave of Qualified Grants

7. At its 7th meeting, the Portfolio Committee approved the new proposal form and guidelines for use under the Rolling Continuation Channel. Lessons learned during the first four waves will be systematically applied, compiled and presented to the Portfolio Committee in 12 months.

Part 4: Sharpening Focus on Risk Management

Unified Risk Management Framework

1. Although a number of risk mitigation interventions (including the LFAs) have served the Global Fund well in the past five years, the Secretariat has now embarked on the development of a unified risk management framework, to drive the new phase of our work. It is widely recognized that further work on grants-related risk management must now be intensified given the large amounts of funds disbursed in an already high-risk implementation environment. A cross-unit Secretariat consultative meeting held in January 2007 agreed on some key approaches to be reflected in such a unified framework. The framework will influence operational strategies, foster greater alignment in interventions across the Operations platform especially in the targeted use of Global Fund assets to manage risks and produce results across the grant cycle.

  i. The Global Fund's definition of risk focuses on the "potential loss of not producing results" as articulated in the Fund's Vision and Mission statements.

  ii. Risk Management is a distributed function across the Global Fund architecture. As such, requisite responsibilities and obligations on risk management need to be better defined and appropriately assigned to the various actors in the grant cycle. For example, the roles of the Board, the Secretariat, the Technical Review Panel and the Office of the Inspector General need to be clarified to minimize gaps and duplication of efforts. Furthermore, arrangements that guarantee seamless cooperation between the different components of the Global Fund are essential to the execution of organization-wide risk management.

  iii. An integral part of risk management is the development of a system to evaluate and quantify risks associated with a grant as early in the grant cycle as possible to allow for proactive interventions. Such an approach will incorporate the Early Alert and Response System in an overall risk management process.

  iv. Risk-driven approaches ought to be differentiated by the particular contexts of the grants and the magnitude of risks associated with a grant. Current practice does not systematically differentiate grants by risk profile.

  v. Linked to risk management approaches is the need for better quality assurance of key aspects of Global Fund operations, including, among others, the LFAs.

  vi. Better information and management systems to measure, track and report risk-related information are needed. Presently, systems in place do not fully satisfy this need.

2. When completed, the unified risk management framework will help the Global Fund preserve its comparative advantage of being able to use performance-based decisions to responsibly and rapidly disburse large sums of money to grant recipients.

3. A draft framework document is expected to be ready by end of June 2007 at which time a final document will be submitted to the relevant sub-committees of the Board for discussion and review. Formal Board guidance will be needed on the degree of risk the Board is prepared to accept in the

context of the Global Fund's quest to achieve the results spelled out in its Vision and Mission statements.

Local Fund Agent Re-Competition Process

4. The existing LFA framework contracts will expire in mid-November 2007. The Secretariat is working to meet a deadline for issuing a Request for Proposals (RFP) to the public by 30 June 2007. The timeline below shows the very strict schedule that needs to be followed to ensure new LFAs are selected by mid-November.
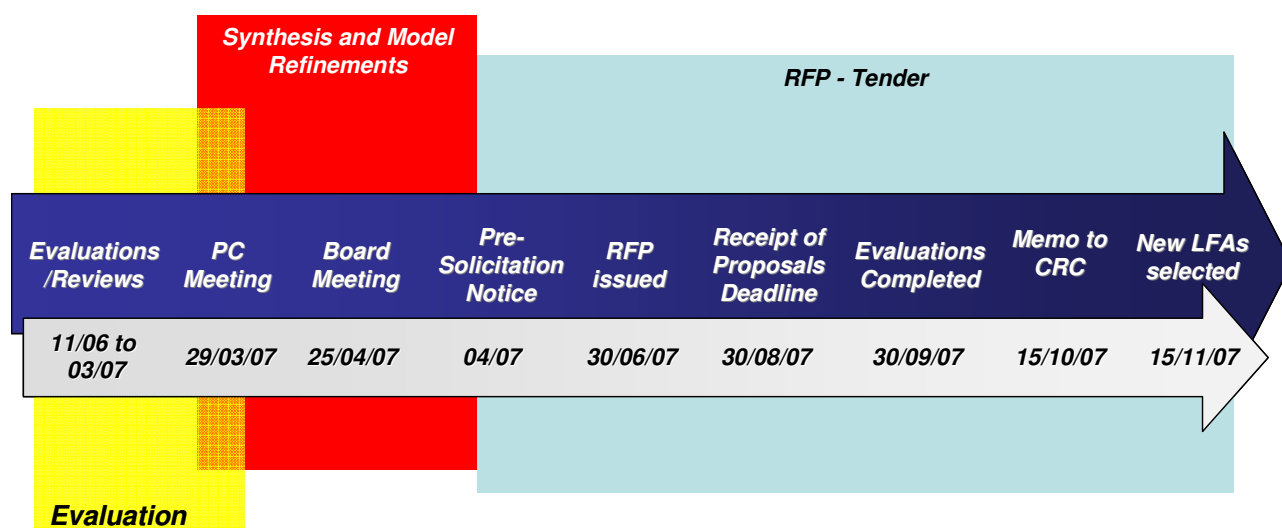

Figure 4: Timeline for Re-competition of LFA contracts

5. In preparation for the re-competition process, the Secretariat held a series of internal workshops to review the functioning of the current LFA model. The discussions were based on the underlying assumption that the Global Fund would continue to have only Geneva-based staff and that an outsourced in-country LFA oversight function is therefore required. The Secretariat relied on the Board's statement on The Fiduciary Arrangements for Grant Recipients[1] which describes the LFA role as follows:

> *"The Global Fund does not have a country-level presence outside of its offices in Geneva, but contracts for independent advice from in-country experts: LFAs. . The Global Fund normally contracts with one LFA per grant-receiving country to (i) assess that the proposed Principal Recipient(s) have the minimum capacities required to assume financial and programmatic accountability for the grant before the signing of a Grant Agreement; and (ii) provide independent oversight and verification of program progress and financial accountability throughout the grant period."*

6. The Secretariat considered the functions, skill-sets and attributes required of the LFAs in the future, in light of the following high-level inputs from:
   i.   the Secretariat's Internal Survey of LFAs, undertaken in November 2006;
   ii. the draft Technical Evaluation Reference Group's LFA Evaluation report;
   iii. "talking points" from the United States Government Accounting Office's 2006 audit of the Secretariat, in relation to LFAs among others; and
   iv. the draft report on LFAs by the previous Inspector General.

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[1] July 2003 paragraph 11

Consideration was also given to critical assumptions about likely changes in the grant-making process in the future. The results of these internal discussions informed a paper presented to the Portfolio Committee on 29 March 2007.

7. The following are high-level findings arising out of the various evaluations mentioned above:
    i.   The LFA model has positive aspects, in that:
         a. It has allowed the Secretariat to remain lean.
         b. It helps to promote country ownership.
         c. It has afforded the Global Fund distance to make difficult decisions.
         d. It has enabled the Global Fund to become operational very quickly.
         e. The LFAs reinforce independence and objectivity inherent in the Global Fund's grant management decisions.
         f. It is seen as a fundamental part of the Global Fund's risk management framework.

    ii. Challenges and issues associated with the LFA model were identified in three key areas:
         a. LFA capacity: there is a need to strengthen the programmatic and monitoring and evaluation (M&E) skills of LFAs, and to reduce variability in LFA performance.
         b. Linkages to country-level structures and processes: there is a need for greater differentiation by grant characteristics and country contexts, in how grants are overseen by the Secretariat. In addition, the interactions between LFAs, PRs and other in-country stake-holders, and the sharing of LFA findings with PRs needs to increase to be more systematic and consistent.
         c. Management of LFAs by the Secretariat: the existing framework contracts do not sufficiently empower the Secretariat to impose performance-related penalties on LFAs. Furthermore, the framework did not explicitly state performance standards for LFAs and the quality of services expected. There is also a need to implement a performance evaluation system and to enforce quality standards in services provided by LFAs.

8. The 7th Portfolio Committee, following its extensive discussion of the LFA model and new needs, issued a set of principles to guide the Secretariat in finalizing the LFA re-competition.

9. In the next Request for Proposals, the Secretariat will emphasize the need for particular skills, and adopt a more performance-based approach to the management of LFAs. Future LFA contracts will reinforce this objective. A performance management system to drive quality performance will be significantly strengthened and LFAs will receive clearer policy guidance and training. The Secretariat will embrace options to increase and diversify the number of LFA service providers away from the present situation where two firms control more than 70 percent of LFA services. Future LFAs will interact with the Country Coordinating Mechanism and Principal Recipients in more predictable and systematic ways, to foster better alignment and partnership support for grant performance. These interactions will be subject to a protocol to be prepared by the Secretariat.

EARS/Technical Support System

10. With the emphasis on making grants work to produce results, EARS remains a vital tool to promote systemic and proactive monitoring of grant implementation, to identify as early as possible, grants that are underperforming and/or are facing difficulty to the point that the identified risks potentially outweigh the benefits of continued funding. In this regard, the tripartite relationship between Principal Recipients, members of Country Coordinating Mechanisms and other country-level stakeholders and partners, in concert with the Global Fund Portfolio Manager, remain essential for the optimal workings of EARS (to identify and respond to problems early). All aspects of this relationship must be functional for EARS to work in a given country.

11. The Secretariat deepened its efforts to increase and systematize the involvement of partners in grant oversight. In January 2007, the Secretariat joined with UNAIDS, WHO and OGAC, to intensify the provision of technical support at the country level. Under the stewardship of UNAIDS Country Coordinators where applicable, UN Country Teams, OGAC and development partners are testing ways to systematically support Principal Recipients and CCMs in the:

    i) Systematic assessment of technical support needs in light of identified bottlenecks in program implementation.
    ii) Preparation of comprehensive technical support plans.
    iii) Brokering of provisions of demand-driven technical support.
    iv) Monitoring of technical support delivery.
    v) Documenting of and learning lessons from improved partnership approaches to the management of technical support.

12. Six countries -- Rwanda, Zambia, Malawi, Burkina Faso, Indonesia, and Peru -- are piloting this initiative and an evaluation of this approach will be disseminated on a periodic basis.

13. Given the vital role of "intelligence" in EARS, the Secretariat will assist in promoting stakeholders' use of EARS information obtainable from the Global Fund website. For example, since 2006, performance ratings of grants associated with Progress Update and Disbursement Requests (PU/DR) are published on the Global Fund website within 24 hours of the finalization of the disbursement. Efforts are underway to launch an electronic Grant Performance Request tool which will allow users more freedom and flexibility to acquire and combine grant information in a searchable database.

14. To build a true partnership at the country level, the Secretariat will prepare a paper that addresses EARS within a unified risk management framework, to foster a shared understanding of its uses and limitation in grants management. At the minimum, the paper will address efforts to:

    i) Define the roles of responsibilities of actors in the EARS system;
    ii) Better generate, evaluate and rapidly communicate intelligence on the status of a grant's performance among country actors;
    iii) Broker technical assistance and support from partners to grants; and
    iv) Promote increased and focused engagement of partners at the country level.

15. Additionally, the Secretariat will take steps to formalize the roles of Regional Clusters to communicate feedback on disbursement decisions and performance ratings of grants to all CCM members, the PR and the LFA in a timely manner. In the case of underperforming grants (B2 and C), disbursement decision forms and Grant Performance Reports shall explicitly address steps being taken to remedy performance deficits (includes any diagnostic activities, and technical assistance needed and/or promised, and any partners that have been approached for or have committed to provide technical or managerial support). A mechanism that will allow Clusters to access grant support services from regionally-based consultants to assist in diagnostic and remedial action planning with country stakeholders will be established.

Part 5: Promoting Aid Effectiveness in Grant Management

1. Several partners have made and continue to make valuable contributions on aid effectiveness through concerted efforts to harmonize their hard work with grants and grant performance at the country level. An illustrative example on Ethiopia is provided below for information.

Example of Aid Effectiveness in Grant Management- Ethiopia

2.   Ethiopia is the one of the largest recipients of both Global Fund and US PEPFAR resources to support the country's response plan to the HIV/AIDS epidemic. The Global Fund has committed US$ 541.2 million to the HIV/AIDS epidemic in Ethiopia to date. US PEPFAR's 2007 contribution to the national program is anticipated to exceed the 2006 funding level of US$ 105 million.

3.   In recognition of the unprecedented opportunity for collaboration in Ethiopia, a Memorandum of Understanding (MOU) was signed on 7 February 2006 between the Governments of the United States of America and the Federal Republic of Ethiopia. Although not a signatory to this MOU, the Global Fund is explicitly mentioned and the grants it supports are situated under the aegis of the CCM (in line with Global Fund's principle of country ownership). The MOU detailed the roles and responsibilities of the respective parties and included a joint annual work plan. The guiding principles of the MOU were to maximize outcome and impact, minimize duplication of efforts and resources, strengthen partnerships and align all support to the one national program.

4.   The major accomplishments of the partnership to date include:
   i.   Significant expansion and coverage of antiretroviral drug (ARV) treatment sites over the last year from 89 to 241.
   ii. Increase in the number people living with HIV/AIDS (PLWHA) enrolled for ARV treatment -- currently at more than 72,000, as opposed to 15,000 as of December 2005.
   iii. Scale up of the counseling and testing program.
   iv. Improvement in the supply of ARVs through the clear allocation of responsibilities, e.g. the Global Fund is responsible for the procurement of all first-line ARVs.
   v.   Strengthened leadership, commitment and collaboration at all levels, reinforced through regular communications and information exchange; e.g. monthly meetings between the Minister of Health, the U.S. Ambassador to Ethiopia and technical work groups, wherever possible in coordination with Global Fund country missions.
   vi. Close collaboration with Global Fund missions and PEPFAR.
   vii. MOU has served as a vehicle to coordinate and align other partner resources, including the World Bank and GAVI Alliance.

5.   The parties have identified several challenges to be addressed including the chronic shortage of human resources to implement the programs, which limits the rate of scale up; and the need to strengthen the supply chain management system, including the development and use of a single national procurement database. Also, there is a need to strengthen the monitoring of the implementation of the MOU.

Country Coordinating Mechanisms

6.   The Secretariat and UNAIDS, collaborated and ran three separate workshops on CCMs in the first quarter of 2007 (Nairobi, Dakar, and Bangkok), that led to the training of 120 regionally-based consultants affiliated with Technical Support Facilities in Africa and Asia. These consultants are now equipped with better understanding of CCM functioning and governance. Culturally-aware, regionally-based consultants are now available to work closely with CCMs to address their ongoing needs to improve functioning — a prerequisite to successful grant implementation.

7.   The Secretariat is in the advanced stages of reviewing, discussing, and scoring dozens of competitively bid proposals from eight regions. Applicants were asked to bid on providing quality consulting services for CCM governance, grant bottleneck diagnosis and remedial action planning, as well as conducting case studies. At least one successful contract will be awarded per cluster to provide ongoing consulting support to strengthen bonafide Secretariat roles over the next three years

for the three diseases. Requests for consultations on CCM governance are by far the most common requests from national entities. When available, this pool of trained consultants will help CCMs to better understand their roles and responsibilities, which, in turn, will reduce governance-related risks associated with grant implementation.

8.   In compliance with the Ninth Board meeting's requirements on CCM funding eligibility, the Secretariat has set up a data storage and retrieval protocol that allows future round applicants and Phase 2 renewal applicants to use recently submitted, non-event specific documentation for CCM requirements (e.g. a conflict of interest policy) while still requiring new and/or revised documentation on those requirements that are event-specific (e.g. every round proposal submission, every PR selection, etc.). This system promotes efficiencies by reducing paperwork and information gathering.

Part 6:   Promoting Effectiveness, Process Improvements and Better Management

1.   The Secretariat has been working to implement Board decisions and to improve and strengthen its grant management practices.

Procurement Update

2.   On the implementation of the Board's decision on quality assurance, the Secretariat has secured a permanent agreement with SGS S.A, a third party, for the sampling and testing of single- and limited-source pharmaceuticals procured by countries under the C-Option. The Quality Control Agent (QCA) is fully operational and the first series of batches have been tested.

3.   The use of the Price Reporting Mechanism (PRM) tool continues to expand for countries and the Secretariat. Indeed, it is important to note that disbursements to countries are no longer released until the PRM data are provided by the PR. This tool now provides countries with valuable information when they negotiate prices of health products with the suppliers. The direct linkage of price reporting as a condition to the release of disbursements to the price reporting of the procurement has increased the quantity of data available in the system. This PRM database now contains information related to a procurement value of US$ 481 million. Out of 113 countries with 315 grants, 102 countries, with 202 grants (90 percent and 64 percent of total, respectively) have started reporting their procurement activities in the PRM. The number of countries and value of procurement is expected to continue to increase in the months ahead.

Green Light Committee

4.   In order to implement the Board decision approved at its Thirteenth Meeting ("Funding for Green Light Committee Activities") the Secretariat sought guidance from the Portfolio Committee about the amount that each grant should pay as a cost-sharing mechanism. To minimize transaction costs for PRs and the Secretariat, and to provide a level of certainty of funding for the Green Light Committee (GLC) in its resource mobilization efforts, the Secretariat will require Global Fund recipients of grants from Round 6 and from future rounds, to pay a flat rate of US$ 50,000 per grant per relevant year from the Board-approved grant amount. Recipients submitting a Phase 2 request during 2007 will also be required to pay US$ 50,000 per grant per relevant year, except for a number of grants with small-size Phase 2 budgets, where such payments could trigger the material reprogramming of the grant. In such cases, the Secretariat and the GLC Secretariat will agree on an appropriate amount. A Memorandum of Understanding is currently under negotiation between the GLC and the Global Fund, reflecting this agreement.

5. It is estimated that 25 out of 85 Round 6 grants (approximately 30 percent) and four grants that will undergo a Phase 2 review in 2007, have an MDR-TB component. It is now estimated that the GLC will receive US$ 1.2 million as the cost-sharing element from Global Fund grants by the end of 2007.

M&E Self Assessment Strengthening Tool

6. The further development of the Monitoring and Evaluations Systems Strengthening Tool ("The Tool") arose from a need to increase its harmonization and alignment with country systems. Starting with Round 6, the tool will replace the existing LFA M&E Assessment. The outcome of the self assessment tool will be verified in-country by the LFA and serve to:
>   i) guide strategic investments in M&E for new or existing grants with a recommended range of five to ten percent of the overall grant budget devoted to M&E system strengthening,
>   ii) identify in-country technical assistance needs,
>   iii) ensure that investments are based on weaknesses in national systems and
>   iv) enhance the quality of programmatic data to improve program management and support performance-based funding.

7. This Tool will be implemented with all Round 6 grants and the most important ongoing grants as defined by each cluster. One of the major advantages of this Tool is that it draws other partners into the self assessment in order to fill in gaps together. Grant recipients will now have a better opportunity to reduce under-reporting of results, and to improve processes for verification of implementation.

Grant Consolidation

8. The Secretariat is on course in its pilot grant consolidation process. A total of five potential grant consolidation prospects were selected -- Cambodia, Ghana, Multi-Country Western Pacific (islands), Peru, and Zambia. The CCMs of the pilot countries and the relevant PRs were notified of their selection and were given an opportunity to confirm their interest. Guidelines to facilitate implementation of grant consolidation have been prepared for PRs and the Secretariat across a range of areas and are being finalized. Up to two grants and their companion components are expected to have been successfully and completely consolidated by late June 2007.

Continuing Efforts to Strengthen the Operations Team

9. One of the ongoing Secretariat-wide initiatives is the improvement of quality processes associated with the grant cycle. Work on the review of processes leading to disbursements to recipients was completed with recommendations, a number of which have been endorsed. Greater effort will be placed on improving the completeness of documentation as early as possible to accelerate disbursements. A training program to assist recipients was designed and was used for recipients in the West Central Africa region in December 2006. Similar training workshops on disbursements are planned for other regions in 2007. Work will continue on other key processes in the grant cycle in 2007.

10. The work of the second working group set up to design an Operations Balanced Scorecard to further align operational strategies and activities implemented to produce results at the country level, is almost complete. Measurements and indicators have been identified to track performance of internal processes and performance at critical steps of the grant management cycle. It will be launched in the second quarter of 2007.

11. During the next two quarters, the Operations Unit expects to have completed most of its recruitment. Leadership across clusters and the Operations Unit as a whole will be nurtured through a recently approved contract to train senior management staff on leadership for the Secretariat. Active steps are currently being taken to continue to build on prior investments and further enhance all important inter-unit collaboration, necessary for greater Secretariat efficiency and effectiveness in its management and oversight roles. However, workload issues remain and it is expected that a forthcoming workload analysis coupled with a review of the structure of the Global Fund, mindful of ongoing discussions about size, will better inform an appropriate human resource need to adequately support the realized mission and values of the Global Fund.