Fourteenth Board Meeting
Guatemala City, 31 October – 3 November 2006

Operations Update

1 November 2006
Key Points

- Significant people-level results continue to accrue from grants that work at the country level.
- Increasing mutuality between country processes with Board policies and vice versa.
- Transaction costs for both PR and Secretariat staff high and underestimated.
- Alignment and coordination efforts continue to intensify use of technical assistance.
- Efficiency gains are underway to improve grant processes in support of country operations.
- Need to match steep growth in workload with timely & essential investment in Secretariat/Operations.
Results as of June 2006

In Partnership with CCMs, WHO, UNAIDS, US PEPFAR

- 544,000 people on ARV therapy (42% increase since December 2005)
- 5.7 million people on counseling and voluntary HIV tests
- 1.43 million on Tuberculosis treatment using DOTS (43% increase since December 2005)
- 11.3 million families received insecticide-treated nets (47% increase since December 2005)

### Results

**Percent of two-year targets reached at Phase 2 Review**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percent Reached</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean Across Targets</td>
<td>92.64%</td>
</tr>
<tr>
<td>ARVs</td>
<td>88.0%</td>
</tr>
<tr>
<td>Counseling and Testing</td>
<td>100.1%</td>
</tr>
<tr>
<td>PMTCT</td>
<td>102.2%</td>
</tr>
<tr>
<td>Orphans</td>
<td>96.9%</td>
</tr>
<tr>
<td>DOTS Treatment</td>
<td>100.4%</td>
</tr>
<tr>
<td>MDR-TB</td>
<td>77.7%</td>
</tr>
<tr>
<td>ITNs Distributed or LLNs</td>
<td>70.1%</td>
</tr>
<tr>
<td>Antimalarial Treatment</td>
<td>75.7%</td>
</tr>
<tr>
<td>Care and Support</td>
<td>94.9%</td>
</tr>
<tr>
<td>People Trained</td>
<td>120.3%</td>
</tr>
</tbody>
</table>

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Focus of Operations since April 2006

- Round 5 grant negotiation and signings
- Disbursement of funds to Principal Recipients
- Round 6 preparations & TRP support
- Phase 2 grant reviews
- CCM compliance
- Coordination with bilateral and multilateral partners
- Regional meetings
- Strengthening Operations Unit/platform
  - Retreat of expanded Operations Directorate
  - Working Group on Quality and Operations Balanced Scorecard
Portfolio Progress

• 385 grants signed which benefit 132 countries

• $ 5.76 billion committed

• $ 4.99 billion signed
Portfolio Progress

• $2.9 billion disbursed to date
  – 82% of cumulative target of US$ 3.4 billion
  – 67% of grant value over 73% of elapsed time
  – Annual disbursement rate equal to 92%

• Principal Recipients are receiving funds in a timely manner
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2006 disbursements

Cumulative Disbursement of Funds to Grantees in 2006 (in USD)

KPI target
Projected actual

Cumulative disbursements for 2006 in USD:
- January: $200,000,000
- February: $400,000,000
- March: $600,000,000
- April: $800,000,000
- May: $1,000,000,000
- June: $1,200,000,000
- July: $1,400,000,000
- August: $1,600,000,000
- September: $1,800,000,000
- October: $2,000,000,000
- November: $2,200,000,000
- December: $2,400,000,000
Disbursements by Region

Percentage of total amount disbursed to geographic regions

- Sub-Saharan Africa: 55%
- East Asia & the Pacific: 15%
- Latin America & the Caribbean: 11%
- Eastern Europe & Central Asia: 10%
- South Asia, the Middle East and North Africa: 9%
Round 5 Signing

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Challenges with Round 5 grant signing:

Increasingly complex in-country environments which impact Secretariat workload

» Higher than anticipated workloads for CCMs, PRs and Secretariat staff
» Substantial efforts required to harmonize and align grants with country systems including SWAp
» CCM Requirements
» Management Capacity issues at country level
» Delays with LFA assessments

• Increased quality assurance requirements including Attachments 1 and 2
Phase 2 renewals

- 191 recommendations approved by the Board
- 186 grant approved for Phase 2 funding
- Value of $1.9 billion
- 125 Phase 2 grant agreements signed
Phase 2 Grants: Delays in signing

• Delays in signing due to:
  – Recommendation Category – Negotiation of conditions & time-bound actions can be time intensive
  – Current time to negotiate Phase 2 agreements is insufficient
  – Delayed submissions by countries

• These delays increase Secretariat workload
Secretariat support for Round 6:

- Training for countries during regional meetings
- FAQ in 6 languages on website
- Information Email Hotline – response within 24hrs
- Increased support to TRP including substantive country contextual information
• Four evaluations/audits of LFA model & performance:
  1. Inspector General of Secretariat (Dec 2006)
  2. US GAO (April 2007)
  3. TERG (March 2007)
  4. Operations Unit (Nov 2006)
• Outcome: to help refine the LFA model and feed into re-competition process for LFA contracts during 2007
• Further strengthening of LFAs with new tools and processes
EARS

A. Reviewing & Communicating Performance

- Performance Assessment
  - LFA and FPM Performance Grade

- Performance Monitoring Report (PMR)
  - Monthly listing of financial and performance indicators for all grants

B. Diagnosing Needs

- Bi-monthly Grant Support Meetings
  - To review PMR, discuss portfolio needs, and decide on follow up actions.

- Further diagnostic (if needed)

C. Mobilizing Response

- Technical Assistance from Partners

D. Monitoring & Documenting Response

- Lessons Learned
  - Successful strategies, case studies, user-friendly toolkits

- Tracking Progress of Support
  - Monitoring the response

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EARS Status

- In June 2006 OPCS introduced the Portfolio Monitoring Report (PMR) and launched new series of bi-monthly grant support meetings
- 109 grants reviewed by OPCS with Clusters from June to September
- At any given time approx. 15 percent of portfolio has implementation challenges
- Roster of pre-qualified consultants will strengthen Secretariat capacity to diagnose issues and leverage targeted support from partners
Challenges of EARS

- Identifying grant issues from reports submitted to Secretariat is not early;
- Work remains to be done to capture effectively available TA financing for countries
- Are the assumptions about current EARS strategy working?
Strengthening Partnerships

- GIST
- Office for the US Global AIDS Coordinator
- World Bank
- UNDP
- European Commission
- WHO, UNAIDS and Roll Back Malaria Secretariat
- Global Fund regional meetings during 2006
Procurement Update

• Strengthening of the Price Reporting Mechanism

• Implementation of Quality Assurance Policy
  – Finalized contract with quality control agent
  – Expect to be fully operational end October 2006
CCMs

- Secretariat Review of CCM Eligibility Requirements for Round 5

- For Round 6 Secretariat:
  - Constituted Screening Review Panel with clear ToRs
  - Finalized Operational Policy Note on implementing CCM requirements
Workload and Portfolio Management 2002 to 2007

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Average Number of Grants per Fund Portfolio Manager, (2003-2006)

*Equivalent grants assumes an additional 40% workload for Phase 2 activities
Strengthening the Operations Unit

Quality

Leadership

Results

Responsible Speed
Strengthening Operations (2)

- **Established Working Groups on:**
  - Improving Quality in Operational Processes
  - Operations Balanced Scorecard
  - Updating Framework for Operational Risk Management
  - Tracking of Financial Expenditures
  - Ongoing policy development such as grant closure
6 Priorities for Operations in 2007

• Maintain rapid disbursement of funds to PR with responsible speed
• Help source and capture timely resources for value-driven technical assistance
• Promote time-value of implementation linked to performance-based funding
• Target and address key issues that impede grant efficacy at country level
• Expedite policies that transform CCMs towards greater implementation effectiveness
• Foster streamlined and better aligned internal processes
Conclusion

- Significant people-level results continue to accrue by making grants work at the country level.
- Positive trend of increasing mutuality between Country processes with Board policies and vice versa.
- Transaction costs for both PR and Secretariat staff are high and underestimated.
- Alignment and coordination efforts continue to intensify with partners to increase technical assistance.
- Efficiency gains are underway to improve grants processes in support of country operations.
- We call for a match in growth of workload with timely & essential investment in Secretariat/Operations.
Discussion