



An independent watchdog and supporter of the Global Fund, and publisher of Global Fund Observer

Kenya (primary base)

P.O. Box 66869-00800 Westlands, Nairobi
Office: +254-(0)20-445-4321
Fax: +254-(0)20-444-0880

USA

532 West 111 Street #35, New York, NY 10025
Office: +1-212-662-6800
Fax: +1-212-208-2543

Email: info@aidspan.org

Web: www.aidspan.org

The Aidspan Guide to Understanding Global Fund Processes for Grant Implementation

(Originally issued under the title "The Aidspan Guide to Effective Implementation of Global Fund Grants")

Volume 1: From Grant Approval to Signing the Grant Agreement

December 2005

David Garmaise, lead author
Michael Gibbs, contributing author

Table of Contents

Preface	4
List of Acronyms	6
Chapter 1: Introduction and Background	7
Purpose of this <i>Guide</i>	7
How this <i>Guide</i> Was Put Together.....	7
Terminology Used in this <i>Guide</i>	8
Contents of this <i>Guide</i>	8
Overview of the Global Fund	9
Structure of the Global Fund.....	11
Overview of the TRP Process.....	11
Snapshot of the Process from Grant Approval to Signing the Grant Agreement.....	13
Chapter 2: Responding to TRP Clarifications	13
What are TRP Clarifications?.....	13
Overview of the Process	13
Preparing Responses to the TRP Clarifications.....	13
Obtaining Technical Assistance.....	13
Importance of Good Communications	13
Chapter 3: Confirmation of the PR Nomination and Selection of the LFA	13
Confirmation of the PR Nomination	13
<i>Criteria for becoming a PR</i>	13
<i>Confirmation process</i>	13
<i>Steps taken after confirmation</i>	13
Selection of the LFA.....	13
Chapter 4: The PR Assessment	13
Description of the PR Assessment Process	13
Assessing the Four Functional Areas	13
<i>Functional area no. 1 – Financial Management Systems (FMS)</i>	13
<i>Functional area no. 2 – Institutional and Programmatic (I&P) arrangements</i>	13
<i>Functional area no. 3 – Procurement and Supply Management (PSM) systems</i>	13
<i>Functional area no. 4 – Monitoring and Evaluation (M&E) arrangements</i>	13
After the PR Assessment.....	13
Chapter 5: Preparing the Final Budget, Workplan and Performance Indicators.. 13	
What the Global Fund Requires.....	13
<i>The Budget</i>	13
<i>The Workplan</i>	13
<i>The Performance Indicators</i>	13
Description of the Process	13
<i>Reviewing and agreeing on the targets</i>	13
Changing the Scope of the Programme.....	13

Chapter 6: Negotiating the Grant Agreement.....	13
What the Grant Agreement Contains.....	13
Description of the Process	13
Conditions Precedent (CPs)	13
Exemptions from Duties, Tariffs and Taxes	13
First Disbursement Preparation	13
Programme Starting Date	13
Appendix I: Criteria Used by the TRP to Evaluate Proposals	13
Appendix II: List of Global Fund Guidance Documents, Tools and Templates ...	13

Preface

This Aidspan publication is one of seven free Aidspan guides for applicants and recipients of grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund). The seven guides are:

- ***The Aidspan Guide to Understanding Global Fund Process for Grant Implementation – Volume 1: From Grant Approval to Signing the Grant Agreement*** – *this document* (First edition December 2005)

Note: This guide was originally issued under the title “The Aidspan Guide to Effective Implementation of Global Fund Grants.”
- ***The Aidspan Guide to Understanding Global Fund Processes for Grant Implementation – Volume 2: From First Disbursement to Phase 2 Renewal*** – (Provisional title) (Forthcoming, first half 2006)
- ***The Aidspan Guide to Round 5 Applications to the Global Fund*** (First edition March 2005; second edition April 2005)
- ***The Aidspan Guide to Applying to the Global Fund*** – *this dealt with Round 4* (First and second editions March 2004)
- ***The Aidspan Guide to Obtaining Global Fund-Related Technical Assistance*** (First edition January 2004)
- ***The Aidspan Guide to Building and Running an Effective Country Coordinating Mechanism (CCM)*** (First edition December 2004)
- ***The Aidspan Guide on Global Fund Proposals Regarding Orphans and Vulnerable Children (OVC)*** (Provisional title) (Forthcoming, first half 2006)

Downloads

To download a copy of any of these guides, go to www.aidspan.org/guides. If you do not have access to the web but you do have access to email, send a request to guides@aidspan.org specifying which of the currently available guides you would like to receive as attachments to an email. Aidspan does not have the resources to produce or distribute printed copies of these guides.

Aidspan

Aidspan is a small independent NGO that works to promote increased support for, and effectiveness of, the Global Fund. Aidspan also publishes the *Global Fund Observer (GFO)* newsletter, an independent email-based source of news, analysis and commentary about the Global Fund. *GFO* is sent to 9,000 readers in 170 countries. To receive *GFO* at no charge, send an email to receive-gfo-newsletter@aidspan.org. The subject line and text area can be left blank.

Aidspan and the Global Fund maintain a positive working relationship, but have no formal connection, and Aidspan accepts no grants or fees from the Global Fund. *The Board and staff of the Fund have no influence on, and bear no responsibility for, the content of this Guide or of any other Aidspan publication.*

Acknowledgements, Permissions, Feedback

Aidspan thanks its funders for the support they have provided for 2003-5 operations – the Open Society Institute, the Monument Trust, the John M. Lloyd Foundation, the MAC AIDS Fund, the Foundation for the Treatment of Children with AIDS, and three private donors.

The authors wish to acknowledge the contribution of the following individuals who reviewed a draft of this *Guide* and provided comments: Fath Alloba, Milton Amayun, George Amofah, Steven Chizimbi and Peter Hale. The authors also want to thank the staff of the Global Fund who provided valuable input during the preparation of this *Guide*.

David Garmaise, lead author of this *Guide*, can be reached at garmaise@aidspan.org. Michael Gibbs, contributing author of this *Guide*, can be reached at gibbs@aidspan.org. Readers are invited to email us with suggestions for improvements in the next edition of this *Guide*. Also, if you find this *Guide* useful, or if you have appreciated *GFO* or any other Aidspan guide, *please let us know*. Positive feedback will make it easier for us to get ongoing financial support from foundations.

Permission is granted to reproduce, print or quote from this document, in whole or in part, if the following is stated: "Reproduced from the First Edition of *The Aidspan Guide to Understanding Global Fund Processes for Grant Implementation – Volume 1: From Grant Approval to Signing the Grant Agreement*, available at www.aidspan.org/guides."

List of Acronyms

The following is a list of the acronyms used in this *Guide*:

CCM	Country Coordinating Mechanism
CPs	Conditions Precedent
DR/PU	Disbursement Request and Progress Update
DOTS	Directly Observed Therapy
FMS	Financial Management System
FPM	Fund Portfolio Manager
GFO	Global Fund Observer
I&P	Institutional & Programmatic
LFA	Local Fund Agent
M&E	Monitoring & Evaluation
NGO	Non-Governmental Organisation
PR	Principal Recipient
PSM	Procurement and Supply Management
SR	Sub-Recipient
SWAp	Sector-Wide Approach
TB	Tuberculosis
TRP	Technical Review Panel
UNAIDS	United Nations Joint Programme on HIV/AIDS
UNDP	United Nations Development Programme

Chapter 1: Introduction and Background

This chapter describes the purpose of this Guide, explains how it was put together, defines some of the terminology used, and outlines the contents of the Guide. The chapter also provides overviews of the Global Fund, the Technical Review Panel (TRP) process, and the process from grant approval to the signing of the Grant Agreement. In addition, the chapter briefly describes the structure of the Global Fund Secretariat.

Purpose of this Guide

Some of the biggest challenges to the successful implementation of programmes funded by the Global Fund result from grant recipients having an incomplete understanding of the Fund's minimum requirements and expectations and systems, and from grant recipients encountering practical problems when preparing to implement the grants. Other challenges include managing the frustrations that can stem from inadequate guidance or unclear communications with Fund officials in Geneva; difficulty interpreting obscure, highly technical or unfamiliar language; the perception of unreasonable demands made by the Fund; and the burden of excessive administrative and reporting procedures – all of which, if not addressed, can lead to delays or problems implementing or renewing grants. This *Guide* is designed to help grant recipients understand the processes involved in implementing a newly approved grant, deal with any problems that may arise during implementation, and avoid some of the frustrations.

The Aidspan Guide to Understanding Global Fund Processes for Grant Implementation has been written primarily for Country Coordinating Mechanisms (CCMs) and Principal Recipients (PRs) because they are the major actors involved in the implementation process. Some of the steps described in the *Guide* are the responsibility of the CCM; others are the responsibility of the PR. In some cases, both the CCM and the PR are involved.

A secondary target audience for this *Guide* is Sub-Recipients (SRs) because they play an important role in the implementation process.

How this Guide Was Put Together

The *Guide* was written on the basis of the following research conducted by the authors:

- a review of relevant Global Fund documentation (see list in Appendix II);
- a review of other Aidspan guides (see Preface);
- a review of the postings on the PartnersGF eForum, a discussion forum where people can express their views about the Global Fund;¹
- discussions with Global Fund staff;
- discussions with representatives of CCMs and PRs who have gone through the Global Fund implementation process;
- discussions with NGOs and other stakeholders who are involved in CCMs specifically, or in the Global Fund generally; and

¹ The PartnersGF eForum, apparently no longer functioning, was coordinated by the Health & Development Networks Moderation Team. For more information, see www.theglobalfund.org/en/files/forum/about_forum.pdf.

- the experiences of Michael Gibbs, contributing author of this guide, based upon three years spent in Zanzibar, Tanzania developing, writing and implementing Global Fund proposals.

A draft of the *Guide* was reviewed by a number of persons with experience in the implementation process, including Global Fund staff. However, neither Global Fund staff nor other reviewers are responsible for the final text. That responsibility resides entirely with Aidsplan.

Terminology Used in this *Guide*

This *Guide* uses the term “grant” to denote the funding provided by the Global Fund for an approved proposal; and the term “programme” to describe the activities funded by a Global Fund grant.

The term “Performance Indicators” refers to indicators included in the Grant Agreement and intended to be used by the Global Fund to measure grant performance. This is further explained in Chapter 5 (Preparing the Final Budget, Work Plan and Performance Indicators).

The term “indicative” (as is “indicative budget”) is used to mean “rough,” “approximate” or “summary.” For example, in an indicative budget, the figures could be estimates as opposed to solid numbers with detailed breakdowns.

Contents of this *Guide*

The Aidsplan Guide to Understanding Global Fund Processes for Grant Implementation comes in two parts. *Volume 1: From Grant Approval to Signing the Grant Agreement* (this document) describes the process from the time a grant is first approved to the time the Grant Agreement is signed. *Volume 2: From First Disbursement to Phase 2 Approval* (provisional title; document not yet produced) will cover the period from the first disbursement of funds to obtaining approval for the second phase of the grant.

The balance of this chapter provides an overview of the Global Fund, a description of the Fund’s structure and an overview of the process followed by the TRP when reviewing proposals.

Each of the remaining chapters discusses one or more of the major steps in the process from grant approval to signing the Grant Agreement. Chapter 2 explains how to handle responses to TRP enquiries that may emanate from the proposal review. Chapter 3 discusses the confirmation of the PR and the selection of the LFA. Chapter 4 describes the PR Assessment process. Chapter 5 provides guidance on the preparation of the final Budget, Workplan and Performance Indicators by the PR. Chapter 6 explains what is involved in negotiating the Grant Agreement (including making preparations to receive and distribute the first disbursement of funds).

Appendix I provides the criteria used by the TRP to evaluate proposals. Appendix II contains a list of the Global Fund guidance documents, tools and templates relevant to the areas covered by this *Guide*.

Where appropriate, information that helps supplement what is in the main text has been included in text boxes. When the information in the boxes contains suggestions (tips) for the reader, we have included the following symbol at the top of the box: “√ **TIP:** “.

As well, we have included a number of “alerts” on things to watch out for – these alerts usually describe common pitfalls or problems that can arise when the process does not work the way it supposed to. Look for the special “▶ **ALERT**” symbols. The text for each alert has been underscored.

This *Guide* assumes that the proposal being funded was submitted by a CCM, which is the case for the vast majority of proposals approved by the Global Fund. However, most of the contents of this *Guide* are equally applicable to proposals submitted by non-CCM organisations in country, Regional Coordinating Mechanisms and other regional organisations.

Overview of the Global Fund

The Global Fund is a multi-billion-dollar international financing mechanism intended to help countries advance the fight against HIV/AIDS, TB and malaria by dramatically increasing the availability of funding for practical health initiatives.

The effort of the Global Fund to mobilize and disburse new levels of resources against HIV/AIDS, TB and malaria has captured the world’s attention. Beyond its significant role in securing and channelling new funding commitments, the Global Fund also acts as a catalyst for improvements in the way that countries and the world finance and implement programmes for public health.

Funding is allocated to disease prevention, treatment, care and support. Funded activities include both the piloting of new and innovative programmes and the scaling up of existing interventions. The objective is to make it easier for countries to improve the availability of health services, build national capacity, provide treatment and care, promote behaviour change and conduct operational research.

In its first four rounds of funding, the Global Fund approved 296 proposals from 128 countries and three territories, involving potential expenditures of US\$3.1 billion over two years.²

The Global Fund is a results-oriented organisation. The Fund is interested in tangible results, such as the number of people treated by a programme in a given year, and the impact of a programme on mitigating the spread of a disease. If the Global Fund (a) believes that a proposal is technically sound, can achieve the promised results and represents good value; (b) concludes that the applicant and the host country meet all of the Fund’s eligibility criteria; and (c) has enough money – it will approve the proposal and give the applicant a grant.

The Global Fund’s fiduciary principles

The Global Fund is a financial instrument, not an implementing entity, and provides performance-based grant funding to country-level recipients to fight HIV/AIDS, tuberculosis and malaria. The Fund will:

- rely on local stakeholders at the country-level to implement programmes and manage grant proceeds;
- promote rapid release of funds to assist target populations; monitor and evaluate programme effectiveness and make decisions on future funding based on programme performance and financial accountability; and
- as far as possible, encourage the use of existing standards and processes in grant recipient countries

– from *Fiduciary Arrangements for Grant Recipients*

² In September 2005, the Global Fund Board approved an additional 26 grants that involve potential expenditures of US\$382 million; and provisionally approved a further 37 grants involving potential expenditures of US\$344 million, subject to sufficient to donor pledges being received in the first half of 2006. This was the outcome of the fifth round of funding.

The Global Fund is designed to work through existing or new multi-sectoral partnerships in developing countries – partnerships known as “CCMs.” The CCMs develop and submit grant proposals to the Global Fund. The proposals are reviewed by the TRP, which makes recommendations to the Global Fund Board. The final decisions as to which proposals are funded rest with the Board.

In its proposal to the Global Fund, the CCM normally nominates a public or private organisation to serve as Principal Recipient (PR). Once a Grant Agreement is signed (see below), the PR becomes legally responsible for implementation of the programme. The Global Fund channels funding for the programme through the PR. The PR may disburse some of this funding to SRs who will implement programme activities. The CCM oversees the PR’s progress in the implementation of the programmes financed by the grant and coordinates feedback from implementing partners and other stakeholders.

(Note that there can be more than one PR nominated in a proposal. If a proposal with more than one PR is approved, then each PR obtains a separate grant and signs a separate Grant Agreement.)

Most grants are for a five-year period, divided into two phases – Phase 1 (the first two years) and Phase 2 (the last three years). Once a grant is approved, the Global Fund Secretariat negotiates a Grant Agreement with the PR for Phase 1. The Grant Agreement identifies actions to be taken, costs to be incurred, results to be achieved over time and other obligations of the PR.

Initial funding is usually provided to the PR immediately after the signing of the Grant Agreement. Over the course of the Grant Agreement, the PR requests additional disbursements according to an agreed schedule and based on demonstrated progress towards agreed targets. This performance-based system of grant-making is key to the Global Fund’s commitment to results.³

Towards the end of Phase I, the CCM must formally apply to the Global Fund for Phase II renewal (also known as the “request for continued funding”). If the request is approved, an amendment to the original Grant Agreement is made, which increases the grant amount and extends the programme term to five years.

The Global Fund also contracts with a Local Fund Agent (LFA) in each country. The role of the LFA is to serve as the Fund’s “eyes and ears” within the country, evaluating the financial management and administrative capacity of the nominated PR(s). The LFA also monitors progress in the implementation of the grant.

A founding principle of the Global Fund is to “put the country in the driving seat,” so that programmes can be country-led and executed without undue outside interference or conditions, and so that countries can monitor and evaluate performance against targets that are country-set. In return, the Global Fund asks that countries share responsibilities for monitoring performance, transparency and accountability in the implementation of Global Fund grants. At first glance, many of the processes and procedures requested by the Fund to ensure this happens may appear onerous. Countries should not feel intimidated by the amount of information or reassurances requested. The Fund is eager to see grants succeed and is committed to making the process as smooth as possible, even if at times this may seem unduly bureaucratic or cumbersome. Help is always available from the Fund at each

³ Consult the Global Fund’s *Guidelines for Performance-Based Funding* for more details. (See Appendix II of this *Guide* for information on how to obtain a copy.)

step of the process. This help can include facilitating access to technical assistance in specialist areas if needed.

Structure of the Global Fund

The main components of the Global Fund structure are the Board and the Geneva-based Secretariat, backed by the network of LFAs contracted to represent the Fund in-country. The Secretariat is the administrative arm of the Fund. It is responsible for day-to-day operations, including mobilizing resources from the public and private sectors, managing grants, providing financial, legal and administrative support, and reporting information on the Global Fund's activities to the Board and the public.

The Secretariat is headed by an Executive Director. There are four divisions reporting to the Executive Director: the Operations Division, the Strategic Information & Evaluation Division, the External Relations Division and the Business Services Division. Of particular interest to CCMs and PRs is the **Operations Division**, the core of the Secretariat. The Operations Division is made up of three teams:

- the **Portfolio Management Team**, which looks after the day-to-day management and service of grants, including grant renewals; and which has primary contact with PRs, LFAs and CCMs;
- the **Operational Partnerships and Country Support Team**, which works with the Portfolio Management Team to support the implementation of programmes supported by Global Fund grants; which develops and maintains relationships with partners; which supports CCMs; and which coordinates the Early Alert and Response System (for grants that may be in trouble); and
- the **Portfolio Services and Projects Team**, which provides support to the Fund's core operations, including procurement, LFAs, finance, TRPs and the proposals process.

As the primary conduit for communications between countries and the Global Fund, the Portfolio Management Team handles routine administrative issues and problem-solving of all kinds in order to minimize delays and ensure the smooth running of the grant. The Team can recommend or direct requests for technical assistance to specialist teams within the Global Fund or to outside resources.

The Portfolio Management Team consists of eight clusters: Southern Africa; East Africa; West and Central Africa; Middle East and Northern Africa; South Asia; East Asia and the Pacific; Latin America and the Caribbean; and Eastern Europe and Central Asia. Each cluster is headed by a Cluster Leader. Within each cluster, there are several Fund Portfolio Managers (FPMs). Each grant is assigned to an FPM. The FPM, therefore, is the main Global Fund contact person for CCMs and PRs during the implementation phase of a grant. If a country has more than one grant, the FPM is usually (but not always) the same person for all of these grants. If not, to simplify communication countries can request that their FPM be the same person for all grants.

Overview of the TRP Process

The TRP is an independent team of experts appointed by the Global Fund Board to objectively review proposals. Currently, the TRP is made up of 26 physicians, scientists and public health experts with a mixture of expertise in HIV/AIDS, TB, malaria and health systems strengthening. Each person is appointed for a period of four rounds of funding. TRP

members are selected from hundreds of nominees submitted from around the world. Members are drawn from governmental and non-governmental organisations, from the developed and developing worlds, and from the public and private sectors.

When the TRP members review the proposals, they do so in their personal capacities – they do not share the information with, or accept any instructions from, their employers or national governments, or the Secretariat or Board of the Global Fund.

Once the Global Fund Secretariat determines that a proposal is eligible,⁴ the TRP performs a rigorous, in-depth review of the proposal. The review takes place at a marathon meeting of the TRP which is held at predetermined dates following the deadline for each call for proposals issued by the Global Fund. For example, the deadline for applications for Round 5 was 10 June 2005, and the proposals were reviewed at a TRP meeting held from 25 July to 5 August 2005.

The reviewers receive the proposals at least four weeks prior to the TRP meeting (after translation by the Fund into English, if necessary). The chair of the TRP assigns a minimum of three reviewers to review each proposal (two disease-specific experts and one or two cross-cutting experts). TRP members cannot be assigned to review proposals submitted by their country of birth (or naturalized country). One of the disease-specific reviewers serves as the primary reviewer, while a cross-cutting expert acts as the secondary reviewer. The primary reviewer is responsible for preparing written comments and presenting them to the full TRP (on behalf of all reviewers). The full TRP then discusses the proposal. Decisions are almost always reached by consensus.

The TRP then prepares recommendations to the Global Fund Board concerning whether or not the application should be approved. The TRP assigns each proposal a rating in one of the following categories:

- **Recommended (Category 1):** Proposals recommended by the TRP for approval, for which the TRP seeks no clarifications or only minor ones.

⁴ To be eligible, proposals must come from organisations in countries classified by the World Bank as “low income,” “lower-middle income,” or “upper-middle income.” Proposals from lower-middle income countries and upper-middle income countries have to meet certain conditions. All proposals have to meet certain other conditions concerning the structure and functioning of the CCM. These conditions are described in detail in the *Guidelines for Proposals* that the Global Fund issues for each round of funding. The *Guidelines* for the latest round of funding are available at www.theglobalfund.org/en/apply/call.

TRP membership

As of August 2005, the TRP membership included the following people:

Chairman and cross-cutting expert:
Jonathan Broomberg (South Africa)

Cross-cutting experts (10):
Martin S. Alilio (Tanzania)
Joseph Decosas (Germany)
Kaarle O. Elo (Finland)
Lee-Nah Hsu (US)
Andrew McKenzie (South Africa)
Yvo Nuyens (Belgium)
David H. Peters (Canada)
Glenn Post (US)
Stephanie Simmonds (UK)
Michael J. Toole (Australia)

HIV/AIDS experts (7):
Nêmora Tregnago Barcelos (Brazil)
David Burrows (Australia)
Peter Godfrey-Faussett (UK)
David Hoos (US)
Kasia Malinowska-Sempruch (US)
Papa Salif Sow (Senegal)
Godfrey Sikipa (Zimbabwe)

TB experts (4):
Lucica Ditiu (Romania)
Jacob Kumaresan (India)
Pierre-Yves Norval (France)
Antonio Pio (Argentina)

Malaria experts (4):
Mark Amexo (Ghana)
Andrei Beljaev (Russia)
John Chimumbwa (Zambia)
Giancarlo Majori (Italy)

- **Recommended (Category 2):** Proposals recommended by the TRP for approval subject to the applicant satisfactorily responding to a number of requests by the TRP for clarification. (When the Global Fund faces financial shortfalls, it may divide Category 2 into Categories 2A and 2B. A “2B” ranking means that the applicant must provide a large number of clarifications.)
- **Not Recommended (Category 3):** Proposals not recommended by the TRP in their present form, but regarding which applicants are encouraged to submit improved applications in future rounds.
- **Not Recommended (Category 4):** Proposals not recommended by the TRP for funding, and regarding which the TRP provides no encouragement to re-apply in future rounds.

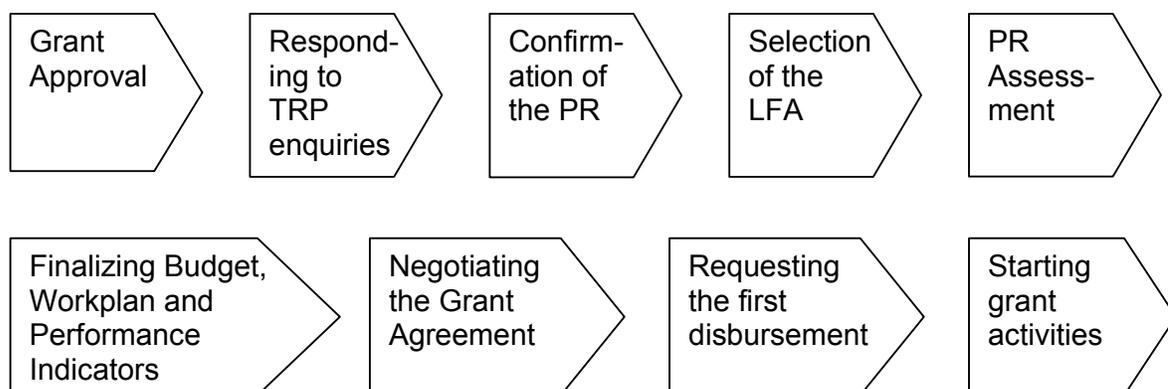
In allocating proposals to one of the above categories, the TRP takes into consideration only technical factors, such as whether the programme described in the proposal is technically sound and internally coherent, whether it fills an unmet need, whether it is one that the specified organisation(s) are capable of implementing, whether it represents good use of the money, and whether it can be sustained at the end of the grant. The TRP is required to ignore the question of whether it believes the Global Fund has enough money to pay for all of the proposals that it is recommending. If the TRP recommends more proposals than the Fund has money to finance, a Board-approved prioritization criterion is applied based on income level, using the World Bank income classification, and disease burden, using World Health Organization (WHO) or UNAIDS data as applicable.

The TRP provides feedback to applicants regarding the quality of their proposals. Results of the TRP review are communicated to the CCM via the FPM, once the Board has decided which applications are approved.

For proposals rated Category 2 where the TRP is seeking clarifications before the proposal can be finally approved, the TRP prepares a series of queries which are forwarded by the FPM to the contact person(s) identified in the proposal. The TRP Clarifications process is further described in Chapter 2 (Responding to TRP Clarifications).

Snapshot of the Process from Grant Approval to Signing the Grant Agreement

The flow chart shown below provides a brief snapshot of the steps required from the approval of the grant to the signing of the Grant Agreement.



Note that some of these steps can happen simultaneously – e.g., responding to TRP enquiries can occur at the same time as the confirmation of the PR; and the PR Assessment can overlap with finalizing the Budget, Workplan and Performance Indicators.

This *Guide* describes all of the above steps in detail.

Chapter 2: Responding to TRP Clarifications

This chapter describes what TRP Clarifications are and then provides an overview of the process for responding to the Clarifications. The chapter also offers guidance concerning how to prepare responses. Finally, the chapter discusses the need for technical assistance and the importance of good communications.

What are TRP Clarifications?

For proposals rated by the TRP as Category 2 (and some Category 1 proposals), the TRP requires certain clarifications before the proposal can be formally approved.⁵ These clarifications take the form of queries sent to the CCM.

Overview of the Process

The TRP queries are forwarded to the CCM by the Global Fund Secretariat once the Board has approved the proposal. (The FPM will contact the primary and secondary contacts as listed on the Proposal Form.) The CCM is required to organise a response and send it to the Global Fund Secretariat.

The TRP Clarifications phase is not a one-off thing. In other words, the TRP will ask for as many clarifications as it needs in order to be satisfied with the answers it gets. So the CCM should expect repeated questions and should not be surprised by them.

The time needed to prepare the responses may vary depending on the complexity of the issues. However, there are time limits. The first set of clarifications are due within six weeks. Subsequent clarifications must be responded to within three months after the responses to the first set of clarifications are received. These time limits were introduced fairly recently; they did not apply in the early rounds of funding. The faster the queries are replied to, the faster the Grant Agreement can be signed and disbursements can commence.

Once the responses to the queries are received by the Global Fund Secretariat, they are forwarded to the TRP. As discussed in the last chapter, the TRP reviewers must be satisfied with the responses before the proposal can be formally approved.

Preparing Responses to the TRP Clarifications

It is up to the CCM to determine what process will be used to respond to the queries. We suggest that the CCM call a meeting of its members to discuss the queries and to decide what process to adopt and who should take the lead. If it is not feasible to call a meeting of the entire CCM, the responsibility for preparing the TRP response can be assigned to the leader(s) of the core group responsible for the original proposal.

√ **TIPS:**

First reactions when receiving TRP Clarifications

The receipt by the CCM of requests for clarification from the TRP is no reason to panic. The TRP asks for additional information or clarifications of some kind in nearly all of the proposals it recommends for approval, so the CCM is in good company!

Copy the PR

Since the PR is usually involved in the preparation of the response to the TRP's queries, we suggest that the CCM forward a copy of the queries to the proposed PR.

⁵ The TRP process prior to the generation of queries is described in detail in Chapter 1 ((Introduction and Background).

The CCM may choose to answer the queries itself (using the expertise of its members). Or the CCM may request that the proposed PR answer the queries. A third option is for the CCM to organise a task force to prepare the response. The task force could be made up of technical experts from the CCM itself, the CCM Secretariat and the PR – as well as members of the core team that prepared the proposal.

√ **TIPS:**

Be patient

The CCM may be baffled by some of the TRP Clarifications, especially if it thinks the answers are already in the proposal. Remember, the reviewers are human; sometimes they miss something. So the CCM should be patient when preparing its response. If the CCM feels that the query was answered in the proposal, it could point to that section of the proposal and ask if more information is required. If the problem is that the CCM does not understand the query from the TRP, it should ask the FPM for an explanation.

Be thorough

It is important to answer the TRP queries as clearly as possible to avoid further queries. Thus, it is in the best interests of the CCM to ensure that sufficient resources are available during this critical phase.

Which approach the CCM adopts may depend on the complexity of the queries. The CCM should select an approach that best utilizes the resources available to it, and that allows it to work quickly and efficiently. In some cases, a combination of approaches may be appropriate. However, unless the queries are very simple, Aidspan believes that the best approach is to form a task force.

The nature of the queries may dictate the composition of the task force. For example:

- Where the TRP has questions about procurement and supply issues, the CCM may want to select CCM members from within the government and the private sector who have particular expertise in procurement and supply.
- Where the TRP has questions about treatment and care, the CCM may want to select CCM members with experience from within the health care system, not only from the public and private sectors but also from grassroots organisations.

We suggest that the CCM Secretariat be charged with coordinating the response process. (See the box on the following page for information on the CCM Secretariat.)

Where possible, the CCM should formally approve the responses to the TRP Clarifications, particularly the first response (which is likely to be more substantial than subsequent responses). Usually, this will happen at a meeting of the CCM. Prior to the meeting, all CCM members should be given an opportunity to review the draft response. This means that the CCM Secretariat needs to provide sufficient time for review and comment by CCM members. Leaving enough time for adequate review and comment from the members can make the difference between a successful application and an unsuccessful one.

The people involved in preparing and approving the response to the TRP Clarifications may find it useful to consult the criteria that the TRP uses to review proposals. These criteria were an important resource during the preparation of the proposal itself, of course, but they can also help to guide the preparation of the response to the TRP Clarifications. The criteria can be found in Appendix I of this *Guide*.

Obtaining Technical Assistance

The CCM may decide that it does not have sufficient expertise within the CCM or the proposed PR to respond to the TRP Clarifications. There are numerous potential sources of assistance:

- There may be technical expertise available in-country that the CCM can draw upon, including from the WHO or UNAIDS.
- Expertise may also be available from WHO or UNAIDS offices in Geneva.
- If the expertise required is of a highly specialized nature, bilateral donors on the CCM might be able arrange for assistance.
- The FPM and the LFA may be able to direct the CCM to reliable sources of technical assistance. These sources might include multilateral organisations, bilateral organisations, NGOs or individuals familiar with the local context.
- The CCM may also choose to consult *The Aidspan Guide to Obtaining Global Fund-Related Technical Assistance* for a list of technical assistance providers worldwide. (To obtain a copy of the *Guide*, go to www.aidspan.org/guides.)

Importance of Good Communications

Responding to TRP Clarifications marks the beginning of the second phase of the CCM's communication with the Global Fund, the first phase having occurred during the submission of the original proposal.

During the second phase, the CCM is introduced to its FPM and, soon thereafter, to the LFA. From the beginning, it is important for the CCM to establish clear and regular communication with both the FPM and the LFA (as well as the PR). The CCM Secretariat should take the lead in these communications. We suggest that the CCM Secretariat:

- establish the best means of communication with the FPM, the LFA (and the PR) – e.g., email, telephone, messenger or courier, or some combination thereof;
- not hesitate to send questions to, or to request clarification from, the TRP reviewers (via the FPM), the FPM or the LFA at any point in the process;
- respond to Global Fund queries in a timely manner; and
- expect that the Global Fund will respond to CCM enquiries in a timely manner.

CCM Secretariat

The CCM Secretariat is the secretarial arm of the CCM. Although the CCM is not required to establish a Secretariat, Aidspan highly recommends that it do so. The primary roles of the CCM Secretariat are to coordinate meetings of the CCM and its committees, to carry out tasks assigned to it by the CCM, and to facilitate communications within the CCM and among the CCM and the Global Fund Secretariat, the PR and the LFA.

When selecting the staff of the CCM Secretariat, administrative and technical capabilities should be taken into consideration. The staff should have experience with, and knowledge of, the health issues of the country and the administrative processes of multilateral organisations such as the Global Fund. With this background, CCM Secretariat staff will be able to “distil” for the whole CCM any technical documents received from the Global Fund or the PR.

For more information on the role of the CCM Secretariat, see *The Aidspan Guide to Building and Running an Effective CCM*, a copy of which is available at www.aidspan.org/guides.

Do not be intimidated or put out by requests for additional information or by the blunt language often used. TRP reviewers are medical and public health experts, not diplomats.

If the CCM Secretariat is able to establish good communications with the FPM, the LFA and the PR, it will greatly enhance the CCM's relationship with these players, and it will help to establish trust and credibility. Recent experience has shown that a poor relationship with the LFA, leading to a disengagement or breakdown in communications, is often a first sign that a grant is in trouble. In countries where the LFA has not been intimately engaged, remedial steps are recommended. One way to do this is for the CCM chair to host briefings for the LFA and PR, and to arrange private get-togethers at which progress can be reviewed in an informal setting.

√ **TIP: The value of planning ahead**

Some CCMs are slowed by “process stuff” – i.e., bureaucracy, lack of capacity and lack of planning. Good planning is a way of overcoming these and many other obstacles. It makes sense, therefore for the CCM to start anticipating how it will respond to TRP Clarifications before it receives the queries. This planning should logically start right after the proposal is submitted.

An even better idea is for the CCM to start anticipating the queries themselves right after it submits its proposal, and to start preparing the responses. Because of the deadlines, proposals are often prepared in a hurry; the CCM will usually have a good idea of what the weak spots are in the proposal.

Chapter 3: Confirmation of the PR Nomination and Selection of the LFA

This chapter describes the steps involved in confirming the PR nomination, and the process for selecting the LFA..

*NOTE: This chapter is about confirming the **nomination** of the PR, not confirming the PR itself. Confirmation of the PR can only occur after the PR Assessment, which is discussed in the next chapter.*

Confirmation of the PR Nomination

Confirmation of the PR nomination simply means that the Global Fund ensures that the CCM has nominated one or more entities to be PR and that these entities meet the basic criteria for becoming a PR. (Confirmation of the PR itself, which is a much more elaborate process, is described in the next chapter.)

The PR is responsible for implementation of the programme funded by the grant and is held legally accountable for management of the grant funds.

Criteria for becoming a PR

The PR must be a legally-constituted entity capable of entering into a Grant Agreement. To ensure local ownership and accountability, the Global Fund prefers that PRs be local stakeholders from the public or private sectors or civil society. The Fund considers locally-incorporated international non-governmental organisations to be local stakeholders.

In certain circumstances, the role of PR may be assumed by non-national entities such as the United Nations Development Programme (UNDP). Such circumstances include civil war or post-conflict reconstruction, or where a CCM or a Global Fund assessment demonstrates that there is no local stakeholder qualified to be PR. When a non-national entity is selected as the PR, the Global Fund requires that a condition be included in the Grant Agreement requiring the PR to provide a plan and timeline for handover to a local entity. Currently, the UNDP operates as the PR in 26 countries.

It is possible to have more than one PR for a particular proposal. In some cases, the most suitable PR arrangement may be for an entity from one sector to assume PR responsibility for a certain part of the programme, while an entity from another sector assumes PR responsibility for another part of the programme. For example, a Ministry of Health or Finance could be the PR for the public sector part of the programme, while a civil society or private sector organisation (e.g., an umbrella NGO or a private foundation) could be the PR for the part of the programme intended for the non-public sector. Where there is more than one PR, a separate Grant Agreement is negotiated for each PR.

√ **TIP: Using multiple PRs**

Where multiple PRs are to be used, then the design of the programme, including the objectives, should reflect this arrangement. This way, it will be easy to determine which portion of the programme each PR is responsible for. Ideally this will be done at the design stage – i.e., when the proposal is being prepared. If this is not done at the design stage, it should be done when the final Workplan is prepared. See Chapter 5 (Preparing the Final Budget, Workplan and Performance Indicators). Failure to do this will create misunderstanding and tension among the various stakeholders.

Confirmation process

Normally, the CCM nominates one or more PRs in the proposal it submits to the Global Fund. Once a proposal has been approved, the FPM usually informally checks with the CCM to determine if the CCM wants to change the PR from the entity nominated in the proposal. If a proposal that has been approved does not include a PR nomination, the Global Fund will request that the CCM swiftly provide one. This request is made in the same letter in which the CCM is informed of the TRP's recommendation. The CCM is given ten days to respond.

Confirmation of the PR nomination is done by the Global Fund, based on the criteria outlined above. If the Fund determines that the proposed PR meets the criteria, then the nomination is considered to be confirmed.

If the Global Fund has concerns about the appropriateness of the PR nominated in the proposal, the FPM will discuss the nomination with the CCM. When this happens, it is usually because the CCM has nominated a non-national entity. The FPM will want to explore with the CCM the possibility of finding a local entity instead.

The Global Fund may also have concerns about the nominated PR in cases where the PR in question has already received a Global Fund grant and the Fund has reason to believe that use of the same PR will result in ineffective implementation; or in cases where the Fund believes that the proposed PR may not have the capacity to absorb the additional work associated with the programme it will be asked to implement. In such circumstances, the FPM may formally request that the CCM make another PR nomination.

The Fund's Additional Safeguard Policy

In very exceptional circumstances, the nomination of a PR may be made directly by the Global Fund Secretariat in consultation with other development partners. This would only happen if the PR Assessment (see the next chapter) or some other accountability system suggested that the proposed PR is operating in conditions that might place Global Fund monies in jeopardy.

In order for the nomination of the PR to be made directly by the Global Fund, the Fund's Additional Safeguard Policy must be invoked. The decision to invoke this policy can only be made by the Fund's Executive Director. The Policy has only been invoked five times in the first four rounds of funding.

Steps taken after confirmation

Once the nomination of a PR has been confirmed, the FPM should ensure that the PR and the CCM have all the appropriate and up-to-date guidance documents. Specifically, the FPM should ensure that the PR is familiar with the PR Assessment process and the Grant Agreement process. This includes providing the PR with the following documents:

- the *Template Grant Agreement*, including *Annex A* and *Attachment 1 to Annex A*;
- the *Bank Account Details Form*;
- the *Template Specimen Signature Letter*, and
- the *First Disbursement Request Form*.

For information on how to obtain copies of these documents, see Appendix II.

The FPM should also provide the PR with a list of the materials that it will be required to develop and submit to the LFA. These materials are used by the LFA for the PR Assessment and for grant negotiations. These materials are discussed in detail in Chapter 4 (The PR

Assessment), Chapter 5 (Preparing the Final Budget, Workplan and Performance Indicators) and Chapter 6 (Negotiating the Grant Agreement).

If a nominated PR is not already a member of the CCM, it is expected to become so.⁶

Defining the PR-CCM Relationship

The PR-CCM relationship is an important one. A large-scale programme will not likely be successfully implemented if the PR and the CCM are not working together in harmony and with a clear delineation of roles and responsibilities.

The Global Fund's guidelines state that while the PR has primary responsibility for programme implementation and M&E, and while the PR reports to the Global Fund in this capacity, the CCM is required to independently track, and report on, the implementation of programmes (including evaluating the performance of the PR) and to approve any major changes in implementation plans. The guidelines also stated that the PR is required to keep the CCM continuously informed about progress in programme implementation, including providing the CCM with periodic narrative and financial progress reports.

Despite this guidance, there remains considerable confusion about the relationship between the CCM and the PR. This sometimes leads to conflict between the two entities. Most conflicts between the CCM and the PR arise from confusion over the implementation responsibilities of the PR and the oversight responsibilities of the CCM – i.e., where one ends and the other begins.

Hopefully, the Global Fund will revise its guidelines to provide better definition of the roles and responsibilities of the two entities. In the meantime, we suggest that the CCM and the PR agree to their respective roles, and prepare a written description. This should be done before the start of programme implementation. We also suggest that the PR and CCM organise periodic meetings to share information and review implementation progress.

Selection of the LFA

The role of the LFA is to serve as the Fund's "eyes and ears" within the country, evaluating the financial management and administrative capacity of the nominated PR(s). The LFA also monitors the PR's expenditures as well as its progress in the implementation of the programme.

Selection of the LFA by the Global Fund can occur as soon as the proposal is approved by the Board.

The Global Fund usually only contracts with one LFA in each grant-receiving country. Therefore, if a country has previously received a Global Fund grant, the same LFA is usually used for subsequent grants. If a country has never

✓ **TIP: Get to know the LFA**

It is useful for the PR to develop a good working relationship with the LFA. LFAs account for 46 percent of the operational budget of the Global Fund, a measure of the importance that the Fund attaches to having a strong resource in-country to provide an extra element of oversight. LFAs share the same desire as the Global Fund to see that grants succeed, and so should be seen as partners, not adversaries. The LFA's work may appear intrusive at times, but it is essential that the LFA have access to information if it is to conduct its work in a timely manner.

⁶ The Global Fund highly discourages the PR from serving as the Chair or Vice Chair of the CCM because of the potential for conflict of interest. If this occurs, the CCM will need to put together a plan to mitigate the conflict of interest.

received a Global Fund grant, then the Fund undertakes a selection process to identify an appropriate LFA. The CCM's input is requested during the selection process.

The Global Fund frequently uses as LFAs the country offices of two international accounting firms, PricewaterhouseCoopers and KPMG.

Once an LFA has been selected and the nomination of the PR is confirmed, the LFA must attest that it has no conflict of interest with the nominated PR, or disclose the details of any relationship that is or might appear to be a conflict of interest. Many LFAs, particularly PricewaterhouseCoopers and KPMG, do some work for government departments. So, if the Ministry of Health is serving as a PR and is also a client of the LFA, there could be a conflict of interest. If there is no conflict of interest, or if any conflict of interest is successfully mitigated, the Global Fund then issues a work order for the LFA to begin the PR Assessment (see the next chapter).

Chapter 4: The PR Assessment

This chapter explains the purpose of the PR Assessment, describes the PR Assessment process, and provides detailed information on each of the four functional areas of the Assessment. Some of the information in this chapter is taken from the Global Fund document Guidelines for the Principal Recipient Assessment (see Appendix II for information on how to obtain a copy). Note that the PR Assessment is closely linked to the review of the Budget and Workplan (see the next chapter); they are presented separately for clarity, but often occur simultaneously.

The main objective of the PR Assessment is to determine if the proposed PR's existing systems and capacities correspond with the Global Fund's minimum requirements to successfully implement a programme and manage grant funds.

The PR Assessment is also used to identify critical capacity gaps that need to be addressed in the short or long term to enhance the efficiency and effectiveness of the implementation of the programme. Recommendations arising from the Assessment are incorporated into the Grant Agreement, as appropriate.

If the Global Fund decides that the PR does not have adequate capacity to carry out the programme, and that the PR is not likely to have adequate capacity even after some capacity building is undertaken, then the PR will be rejected and the CCM will be asked to nominate another PR.

The PR Assessment is performed by the LFA. Throughout the process, the LFA should work openly with the PR, sharing information on the relevant forms and guidelines. The proposed PR should familiarize itself with the Global Fund document *Fiduciary Arrangements for Grant Recipients*. This document sets out in broad terms what the Global Fund expects from the PR. (See Appendix II of this *Guide* for information on how to obtain a copy.)

If reliable assessment reports of a proposed PR – e.g., assessments previously conducted for Global Fund purposes or by other donors – are already available and are recent (i.e., less than six months old), and if the results demonstrate that the PR meets the required minimum capacities, it may not be necessary for the LFA to conduct a full PR Assessment. The LFA can rely on these earlier assessments to reach its conclusions and recommendations, and only perform incremental assessments in those areas in which a PR does not have an acceptable track record or there is a need to validate certain capacities. (If the previous assessments are not recent, they need to be updated to reflect current capacities and issues.)

✓ **TIP: Don't take it personally**

The PR Assessment is often perceived as a humiliating exercise for government ministries and other large, well-established entities nominated to be PR. However, LFAs are required to assess all proposed PRs, large and small.

In order to determine whether a full PR Assessment is required, the LFA will usually conduct a PR Assessment Background Analysis.⁷ This Analysis may be completed while the CCM responds to the TRP Clarifications.

⁷ As we went to press, the Global Fund was reviewing the process for the preparation of the PR Assessment Background Analysis. There may be changes to the process before the Round 5 Grant Agreements are signed. Therefore, we suggest that readers of this *Guide* check with the FPM for details.

If a full assessment is required, it can also proceed while the TRP Clarification process is ongoing. (For the remainder of this chapter, we are assuming that the full PR Assessment is performed in all functional assessment areas.)

The PR Assessment covers the systems and capacities that the proposed PR would use for programme implementation. If SRs are being used, the PR Assessment also includes the PR's systems for assessing and monitoring SRs.

(If SRs are being used, it is the responsibility of the PR to ensure that the SRs have the required minimum capacities to successfully implement their part of the programme. This means that the PR will need to (a) conduct appropriate assessments; (b) monitor SR performance during implementation; and (c) have written agreements with SRs which cover the same areas as are included in the Grant Agreement between the Global Fund and the PR.)

The PR Assessment focuses on the proposed PR's existing systems and capacities, together with the implementation arrangements that the PR has made for the programme funded by the Global Fund grant, in four functional areas where the Global Fund has defined minimum capacity requirements. The four areas are as follows:

1. Financial Management Systems (FMS);
2. Institutional and Programmatic (I&P) arrangements;
3. Procurement and Supply Management (PSM); and
4. Monitoring and Evaluation (M&E) arrangements.

Experience has shown that convincing the LFA that the PR has sound financial management systems (FMS) and the capacity to implement the programme (I&P) are the two most important areas, although weaknesses in the other two areas, especially PSM, can also slow the process.

The LFA assesses FMS and I&P capacity based on an analysis of the existing systems and procedures of the PR, as evidenced by the available historical records and assessments of the systems by other entities. PSM and M&E Systems are assessed against plans for each of those areas that have been prepared specifically to address the programme being funded, as well as an analysis of the existing systems and capacities already in place.

A PR may outsource or otherwise gain access to some of the functions necessary to implement the programme. For example, the procurement function may be outsourced if bottlenecks in this area are foreseen.

If the proposed PR is a government ministry, the PR Assessment will be applied to the appropriate responsible entity or entities within the government. For example, if the proposed PR is the Ministry of Finance, but the Ministry of Health will manage the programmatic aspects of the grant, some areas of the Assessment would be applied to the Ministry of Finance and other areas would be applied to the Ministry of Health.

Description of the PR Assessment Process

The PR Assessment process starts when the Global Fund confirms the nomination of the PR and the selection of the LFA, and once the Board has approved the proposal. It is usually not necessary to wait for completion of the TRP Clarifications phase. However, the Fund may decide to wait until the responses to the TRP Clarifications are submitted in cases where the clarifications requested by the TRP are so significant that there is considerable risk that the proposal will not formally approved.

The FPM informs the proposed PR of the selection of the LFA in writing, and requests a letter from the PR agreeing that the PR will provide access to the LFA to carry out the assessment. At the same time, the FPM sends a work order to the LFA to conduct the Assessment. The PR must then develop and provide the LFA with the following materials:

- any *existing* reliable assessments of the PR, such as those completed by other donors;
- PR bank account details (for receiving Global Fund financing);
- a letter containing the specimen signatures of the people entitled to send a disbursement request to the Global Fund;

and, for the grant in question:

- a Procurement and Supply Management (PSM) Plan;
- a Monitoring and Evaluation (M&E) Plan;
- details of the audit arrangements;
- a Budget and Workplan; and
- the names of the Authorized and Additional Representatives.

(For the most part, these materials should be developed before the PR Assessment has formally commenced. Waiting to prepare plans will result in delays for the PR and the LFA. Note, however, that some of these materials – such as the PSM Plan and the M&E Plan – can be finalized after the PR Assessment has formally commenced. This is further discussed below.)

The FPM and LFA together determine the time frame for the PR Assessment. The LFA then proceeds to conduct the PR Assessment in each of the four functional assessment areas and to prepare a PR Assessment Report.

The Report includes (a) summary findings on the proposed PR's capacities and systems as compared to the Global Fund's minimum requirements, along with any recommendations that the LFA may make; and (b) a review of the PR's plans for the implementation of the programme, along with any recommendations that the LFA may make.

The purpose of the PR Assessment Report is for the LFA to:

- provide an overall assessment conclusion to the Global Fund (see below);
- provide appropriate justification for this overall assessment conclusion;
- identify any critical capacity gaps that prevent the nominated PR from meeting the Global Fund's minimum requirements and that would increase the Global Fund's risk if not appropriately addressed;

- estimate the time and resources required to address any critical capacity gaps (in consultation with the PR);
- review and comment on the status of the PR’s implementation plans; and
- provide appropriate recommendations to the Global Fund (including ways to decrease risks and increase the capacities of the PR).

The LFA completes the PR Assessment Report using the template provided by the Global Fund (see Appendix II for information on how to obtain a copy) and answering the questions contained therein.

When considering whether a proposed PR meets minimum capacity requirements, the LFA uses its professional judgment and considers the specific programme and country situation in order to give appropriate weighting to the different questions in the assessment tools.

The Global Fund says that the LFA should share the Fund’s assessment guidelines, templates and tools with the proposed PR and invite (but not require) the PR to engage in an element of self-assessment as part of the overall assessment. The self-assessment aspect could include the PR identifying strengths, weaknesses, risk areas and solutions for effective implementation of the proposal, and communicating these to the LFA. The LFA should consider such self-assessments in its assessment.

In the PR Assessment Report, the LFA provides the Global Fund with an overall rating as to whether the nominated PR:

- a. has or exceeds the required minimum capacities and systems;
- b. needs to acquire certain additional capacities and is able to do so in a timely and cost-effective manner; or
- c. requires major capacity strengthening that appears excessive under the circumstances.

√ **TIP: Doing the PR self-assessment early**

Although the Global Fund suggests that a PR self-assessment be done as part of the PR Assessment conducted by the LFA, we suggest that the proposed PR conduct a self-assessment much earlier in the process – i.e., before the proposal is submitted. This will enable the PR to identify critical areas where capacity may be lacking, and to include capacity building measures in the proposal to address these gaps.

If the LFA concludes that the proposed PR needs to acquire additional capabilities and is able to do so in a timely and cost-effective manner (a “b” rating), the LFA will state either:

1. that the capacity gaps pose minor risks, and that strengthening measures can be completed concurrently with implementation (a “b1” rating); or
2. that the capacity gaps pose some manageable risks, and that strengthening measures must be completed before the first disbursement (a “b2” rating).

If the LFA concludes that the proposed PR requires major capacity strengthening that appears excessive under the circumstances (a “c” rating), the LFA will state either:

1. that the capacity gaps pose major risks which cannot be addressed within three to six months, that an alternative PR arrangement must be found for the first two years of the grant, and that capacity strengthening measures may allow the nominated PR to be phased-in for the subsequent three years of the grant (a “c1” rating); or
2. that capacity gaps pose major risks, and that the necessary capacity strengthening does not appear feasible within the proposal period (a “c2” rating).

If, prior to the completion of the assessment, the LFA concludes that it will be unable to rate the proposed PR in the “a” or “b” categories, it will immediately report this to the FPM.

The LFA prepares a draft of the PR Assessment Report. Prior to submitting the Report to the Global Fund, the LFA should discuss the conclusions and recommendations with the proposed PR and the CCM.

Once the PR Assessment Report is submitted to the Fund, the FPM reviews the Report and discusses it with the LFA, CCM and PR. The Fund then decides, based on the LFA’s recommendation, whether the PR has the required minimum capacities and systems, or could acquire the systems it needs in a timely and cost effective way.

If the Global Fund decides that the proposed PR has the minimum capacities and systems or could acquire them, the FPM confirms to the CCM that the PR is acceptable to the Fund and proceeds with Grant Agreement negotiations. If some of the capacity building measures will be undertaken or completed only after the signing of the Grant Agreement, these measures may be included as obligations in the Agreement in the form of so-called “Conditions Precedent” or as measures of performance. Conditions Precedent (CPs) are discussed in Chapter 6 (Negotiating the Grant Agreement).

If the Global Fund decides that the capacity strengthening required is excessive under the circumstances and that the proposed PR is therefore unacceptable, the Fund communicates this decision to the PR and the CCM, and the CCM is asked to identify an alternative PR. The PR assessment process is repeated with the newly-nominated PR.

Historically, the Global Fund is very patient with the PR throughout the assessment period, guiding it to sources of technical assistance and other resources that can help it through the process. Nevertheless, in instances in which a proposed PR, *despite technical assistance and other measures*, fails to develop acceptable plans in the four functional areas, the CCM will be asked to identify an alternative PR. Recent developments suggest that the Fund will be far less lenient if deficiencies, missing invoices or other problems regarding allocation of funds surface.

As a general rule, all sections in the PR Assessment Report should be completed prior to the signing of the Grant Agreement. However, some PRs are unable to complete the development of the PSM Plan or the M&E Plan prior to the receipt of Global Fund financing. Furthermore, it may not always be appropriate to develop a PSM Plan prior to the signing of the Grant Agreement in situations where the PSM activities will be carried out a considerable time after the start of the Agreement (and so it would be more important to develop the PSM Plan closer to the intended time of procurement). In these cases, and in other circumstances where there is another compelling reason to sign a Grant Agreement urgently, the Agreement may be signed upon the completion of only the FMS and I&P portions of the assessment. When this happens, the PSM and M&E parts of the assessment must be completed within an agreed timeframe – typically the first few months of programme implementation, and will become CPs to disbursements.

As a general rule, the Global Fund aims to conclude the TRP clarifications and negotiations phase (including the PR assessment) within the first six months after Board approval. It is important to note that the Board specifies that Grant Agreements must be signed within 12 months of approval. Otherwise the proposal is “lost” and the CCM must re-apply again.

Assessing the Four Functional Areas

The Global Fund has established minimum requirements for each of the four functional areas assessed as part of the PR Assessment. These minimum requirements are not meant to dictate how a PR should establish or operate its implementation systems. The Global Fund encourages PRs to use existing systems for implementation as long as they meet the minimum requirements. The Global Fund also encourages PRs to participate in common and harmonized donor arrangements.

For each of the four functional areas, the Global Fund has prepared assessment tools to be used by the LFA in conducting the assessments. The questions in the assessment tools constitute a baseline of required information to address each of the Global Fund's minimum requirements. The proposed PR should familiarize itself with these assessment tools well ahead of time. This will enable the PR to identify possible gaps in its systems and either (a) move to correct these deficiencies or (b) recognize that these gaps will need to be addressed through technical support, recruitment of additional staff, or some other means. All four assessment tools contain a series of questions requiring a "Yes" or "No" answer. Space is provided after each question for the LFA to provide written comments.

Functional area no. 1 – Financial Management Systems (FMS)

The administrative and financial responsibilities of the PR are substantial, especially if there are numerous SRs. Therefore, the PR should have the basic resources necessary to manage these responsibilities. Without the proper infrastructure, the PR will not be able to handle its day-to-day responsibilities.

The processes governing the PR's FMS are vital to the successful implementation of Global Fund programmes. At a minimum, the Global Fund requires PRs to have FMS that:

- can correctly record all transactions and balances, including those supported by the Global Fund;
- can disburse funds to SRs and suppliers in a timely, transparent and accountable manner;
- can support the preparation of regular, reliable financial statements;
- can safeguard the PR's assets; and
- are subject to acceptable auditing arrangements.

The LFA assesses whether the proposed PR meets these minimum requirements. In conducting this assessment, the LFA uses the Global Fund's *Financial Management & Systems (FMS) Assessment Tool*. (For information on how to obtain a copy, see Appendix II of this *Guide*.)

√ **TIP: Information technology**

The PR should have the necessary information technology (IT) hardware, software and capacity to enable it to keep track of the financial and programmatic data of all of the SRs, and to provide reports and information requested by the Global Fund.

If, at the time of the submission of the proposal, the proposed PR does not already have this IT infrastructure, then the proposal's budget should contain resources to build the PR's capabilities in this area. If these resources were not included in proposal budget, and if during the course of the PR Assessment the LFA identifies that the proposed PR needs some capacity building in this area, the PR has an opportunity to adjust the programme budget accordingly (as long as the total costs for the first two years stays the same). See Chapter 5 (Preparing the Final Budget, Workplan and Indicators).

The *FMS Assessment Tool* is divided into five sections:

- A. Recording of transactions and balances
- B. Disbursement of funds to sub-recipients and suppliers
- C. Preparation of financial statements
- D. Safeguarding of assets
- E. Audit arrangements

The PR is expected to identify an external auditor. See "Qualifications of an Auditor" in Appendix 1 of Annex 1 of the Global Fund's *Guidelines for Annual Audits of Program Financial Statements* (see Appendix II of this *Guide* for information on how to obtain a copy). As part of the assessment of audit arrangements, the LFA reviews the PR's selected auditor and advises the Global Fund on the acceptability of that auditor. The Global Fund makes the final decision. If the external auditor has not been identified at the time of the FMS assessment, then this must be done within the first six months of programme implementation.

Functional area no. 2 – Institutional and Programmatic (I&P) arrangements

In order to successfully assume implementation responsibility and accountability for grant proceeds, PRs need certain capacities and systems. At a minimum, the Global Fund requires PRs to have I&P arrangements that include:

- the legal status to enter into the grant agreement with the Global Fund;
- effective organisational leadership, management, transparent decision making and accountability systems;
- adequate infrastructure and information systems to support proposal implementation, including monitoring the performance of SRs and out-sourced entities in a timely and accountable manner;
- adequate health expertise (HIV/AIDS, tuberculosis and/or malaria) and cross-functional expertise (finance, procurement, legal, M&E); and
- adequate human resources capacity.

The LFA will assess whether the proposed PR meets these minimum requirements.

Before the I&P assessment can be conducted, the PR should have completed its detailed Workplan and Budget for the first year and indicative Workplan for the second year. In conducting the assessment, the LFA uses the Global Fund's *Institutional & Programmatic (I&P) Assessment Tool*. (For information on how to obtain a copy, see Appendix II of this *Guide*.) The *I&P Assessment Tool* is divided into four sections:

- A. Legal status
- B. Management and organisation
- C. Infrastructure and information systems
- D. Health expertise

Functional area no. 3 – Procurement and Supply Management (PSM) systems

At a minimum, the Global Fund requires PRs to have PSM systems that can procure, manage and distribute medicines and other health products (and non-health products) in accordance with Global Fund procurement policies.

PSM refers to the full range of procurement and supply management, from selection and tendering through ordering, delivery, storage, distribution, dispensing, and feedback and forecasting.

The PR has several options. It can manage PSM itself. It can outsource PSM to a procurement agent. Or it can oversee an SR who is responsible for PSM.

The Global Fund procurement policies are described in the *Guide to the Global Fund's Policies on Procurement and Supply Management* (hereinafter the *PSM Policy Guide*; see Appendix II of this *Guide* for information on how to obtain a copy).

The *PSM Policy Guide*

One of the purposes of the Fund's procurement policies is to provide medicines and other health products to as many people as possible, as efficiently as possible. The *PSM Policy Guide* aims to support the timely procurement of quality assured medicines and other health products in sufficient quantities, to reduce cost inefficiencies, to ensure the reliability and security of the distribution system, to encourage appropriate use of medicines and other health products, and to continuously monitor and evaluate the procurement process.

The following is a list of the topics that are covered in the *PSM Policy Guide*:

- definitions of terms such as “PSM,” “medicines and other health products” and “reagents”;
- how health products other than pharmaceuticals should be handled;
- accessing technical assistance in the PSM area;
- when disbursements for procurement start;
- modifying the procurement plan during implementation;
- minimum requirements for procurement systems (including management capacity, the use of subcontracted procurement agencies, the need for transparent and formal written procedures, competitive procurement methods, product selection, forecasting of needs);
- quality assurance (including the role of the National Drug Regulatory Authority, multi-source pharmaceutical products, single and limited-source pharmaceutical products, quality control requirements for pharmaceuticals, pre-qualification and monitoring of suppliers, quality assurance of non-pharmaceutical products);⁸
- the use of, and adherence to, national and international laws;
- distribution and inventory management;

⁸ Note that the Global Fund has recently issued a new (and very complicated) policy on quality assurance. The Fund has provided countries with special guidance on this issue.

√ **TIP: Getting a head start**

It is a good idea to work on the PSM Plan (and the M&E Plan) during the development of the proposal, so that only minor changes need to be made later. Both plans take a long time to develop, but there is not a lot of time allotted to the PR assessment.

- appropriate use of pharmaceutical products; and
- M&E.

The PR must thoroughly familiarize itself with the contents of the *PSM Policy Guide* prior to preparing the PSM Plan (see below).

Recognizing that the varied situations found in grant recipient countries will result in programmes being implemented differently, the *PSM Policy Guide* does not present prescriptive procedures; rather, it provides minimum standards to which recipients must adhere.

The PR is responsible for ensuring that all procurement and supply management conducted using grant funds, including that conducted by other entities (such as SRs), conforms to Global Fund requirements. Hence, PRs are required to have systems in place to assess the capacity and then monitor the performance of other actors conducting procurement or supply management under the grant.

LFA limitations

Since the LFA is usually an accounting firm, the ability of accountants to assess the technical aspects of an implementation programme are limited almost by any definition, particularly when it comes to specialty areas such as procurement. Also, it is not always possible for accountants in a resource-limited setting to find qualified and independent procurement experts to assess the PR's procurement plan. These are areas where the Global Fund model does not work very well. Most recipient countries are aware of this limitation.

The LFA will assess whether the proposed PR's systems are in accordance with the Global Fund's procurement policies. It does so by (a) assessing the PSM Plan that the PR is required to prepare for medicines and other health products, and evaluating that plan against the *PSM Policy Guide*; and (b) completing the *Procurement and Supply Management (PSM) Assessment Tool* (hereinafter the *PSM Assessment Tool*).

The PSM Plan

The *PSM Policy Guide* states that the objective of the PSM Plan is to outline how the PR will adhere to the Global Fund's procurement policies. The Plan will also be used to measure performance during implementation. The PSM Plan, which should encompass two years of implementation and which generally should be no longer than 20 pages, should:

- indicate who will implement relevant procurement and supply management activities;
- provide the relevant budgetary information related to procurement;
- provide timelines for the delivery of commodities;
- clearly state the policies and procedures that the PR proposes to follow for the selection, quantification, forecasting, quality assurance, procurement, storage, distribution and rational use of medicines and other health products;
- include a list of key medicines and other health products with their respective estimated quantities, cost, registration status and patent status; and
- include details about technical assistance required in any PSM areas.

The PSM Plan should also refer to the relevant information about the implementation of the programme, such as the target number of patients to be enrolled by the treatment initiative, the number of available treatment centres and the proportion of the country covered by the initiative.

The Global Fund has prepared a *Guide to Writing the Procurement and Supply Management Plan*. (The *Guide* is both a template and a guidance document. For information on how to obtain a copy, see Appendix II of this *Aidspan Guide*.)

The *Guide* contains a table showing what information needs to be included in the PSM Plan – i.e., an introductory section; a section on the PR's capacity to conduct PSM; a section on the PSM cycle; and several annexes (including a list of products to be procured; and the prequalification status of pharmaceutical products to be procured). The issues expected to be covered in each section are listed in bullet point format, thus guiding the PR in the writing process.

The section on the PR's capacity to conduct PSM requires information on capacity in the areas of management, procurement policies and systems, quality assurance systems and management information systems. The section on the PSM cycle requires information on product selection, forecasting procedures, procurement and planning, inventory management, product distribution and the rational use of medicines.

The *Guide to Writing the Procurement and Supply Management Plan* comes in three versions: Version A for PRs that conduct some or all of their procurement in-house; Version B for PRs that completely outsource procurement to a procurement agent (such as Crown Agents, the International Dispensary Association and UNICEF), or to a procurement consortium; and Version C for PRs that coordinate procurement conducted by SRs.

The PSM Plan should indicate which entity or entities will implement relevant procurement and supply management activities, describe how the PR will ensure adherence to each of the Global Fund's procurement policies, and include a list of key medicines and other health products. (Note that non-health products are addressed as part of the FMS assessment, not the PSM assessment.)

As much as possible, in order to save time and avoid duplication, it is suggested that the PSM Plan be drawn (in part or entirely) from existing documents. In fact, as part of the PSM Plan, the PR can submit to the LFA existing materials – such as procurement manuals prepared for the implementation of earlier programmes (including for other donors) – provided the existing documents demonstrate how the PR is able to adequately comply with all of the Global Fund's procurement and supply management policies.

The Global Fund has identified common deficiencies that occur in PSM Plans prepared to date. These include the following:

- **Lack of specificity about the entities to be involved.** The PSM Plan must clearly state the body or bodies responsible for all aspects of procurement and supply management. For example, one entity (e.g., a tender board) may be involved in procurement, whereas another (e.g., a central medical stores) may handle supply management, and a third (e.g., a national laboratory) quality control. Similarly, simply because a procurement agent is being used does not mean that it will handle all aspects of procurement and supply management, so the elements of procurement and supply management that the procurement agent will be responsible for should be delineated.

√ **TIP: Set realistic timelines**

Be realistic when setting timelines for the delivery of commodities. Delays can be expected to arise in the procurement process. The fact that the Global Fund must formally approve the PSM Plan before procurement can proceed delays the start of the process. The process itself can be quite long and tedious, depending on the country's laws on procurement and on the volume of commodities to be procured. Remember, once the grant agreement is signed, the PR is expected to meet the timelines in the PSM Plan and in the Workplan.

- **Lack of information about the distribution and storage of products.** The PSM Plan must spell out which entity or entities are involved in the distribution of products and provide details on the methods of distribution and the availability of sufficient storage volume. This should include SRs if they are handling a considerable volume of goods.
- **Lack of details about quality assurance.** The PSM Plan should address the different aspects of quality assurance and quality control, including differentiating as appropriate between single- or limited-source pharmaceutical products and multi-source pharmaceutical products.
- **Lack of attention to intellectual property rights law.** This dimension is often either omitted or confused with legal topics other than the intellectual property rights provisions contained in the *PSM Policy Guide*, which primarily relate to patents and the flexibility offered by the World Trade Organization's Agreement on the Trade Related Aspects of Intellectual Property Rights (TRIPS). These provisions are particularly relevant for PSM Plans that contain newer products, such as antiretrovirals or new generations of anti-malarials (because the patents on older products will have already expired, if they existed at all).
- **Lack of attention to appropriate use.** The PSM Plan must cover three distinct areas of appropriate use – i.e., the efforts (a) to promote adherence to treatment (including but not limited to the use of fixed-dose combinations, once-a-day formulations, blister packs, and peer education and support); (b) to monitor and contain resistance; and (c) to monitor adverse drug reactions.

(Why “appropriate use” is part of the PSM Plan is not immediately obvious. Neither the LFA, nor the PSM expert to be recruited by the LFA, are qualified to conduct an assessment of the appropriate use of medicines and other health products. Monitoring for adherence, drug resistance and adverse drug reactions are, of course, critical to any implementation plan. But precisely because they are so important, they ought to be in the main Workplan, not the PSM Plan. However, unless the Global Fund changes this requirement, this monitoring remains part of the PSM Plan.)

Once the PSM Plan is completed, it should be submitted to the FPM for review by the Global Fund Secretariat. The Secretariat will either agree that the Plan is ready for LFA review, or send it back to the PR with comments for further work. This process continues until the Secretariat deems the PSM Plan ready for the LFA to conduct the assessment.⁹

The LFA then identifies a PSM expert who will conduct the assessment. The expert will first provide the FPM with an opinion as to whether the PSM Plan is complete, and a recommendation concerning whether the PSM assessment should proceed. For the PSM Plan to be considered complete, it must address all relevant policies contained in the *PSM Policy Guide*. If the PSM Plan is deemed to be incomplete, the PR will be asked to revise it.

In the event that a PSM Plan is not of acceptable quality after two reviews by the LFA, the Global Fund may request that the PR arrange for technical assistance to help prepare the plan. Grant funds may be used by the PR to pay for technical assistance from specialized entities. If, despite these measures, the PR fails to develop an acceptable PSM Plan, the PR may be asked to outsource all procurement activities to a suitable procurement agent. Or the CCM may be asked to identify an alternative PR.

The Global Fund must formally approve the PSM Plan before the PR can commence procurement of medicines and other health products. No disbursements towards

⁹ Since the LFA is responsible for assessing the PSM Plan, under no circumstances should the LFA assist the PR with the development of that Plan.

procurement will be made until the PSM Plan is approved. Once the PSM Plan is approved, and if all other relevant requirements of the PR Assessment are met as well, the Global Fund Secretariat may decide to start disbursements of funds for procurement of medicines and other health products.

When the PSM Plan is approved, the FPM is supposed to indicate the areas that are of sufficient importance that, should they be changed, the PSM Plan must be formally modified.

Background reading

There are four documents related to PSM that the Global Fund highly recommends as background reading for the PR. The documents are:

- *Guide to the Global Fund's Policies on Procurement and Supply Management* (see Appendix II for information on how to obtain a copy)
- *Interagency Guidelines on Operational Principles for Good Pharmaceutical Procurement* (available at: www.who.int/3by5/en/who-edm-par-99-5.pdf)
- *Sources and Prices of Selected Medicines and Diagnostics for People Living with HIV/AIDS* (available via: www.who.int/hiv/pub/prev_care/edm/en/)
- *Drug Patents Under the Spotlight* (available at: www.accessmed-msf.org/documents/patents_2003.pdf)

The PR may also want to consult the following PSM-related document: *Guidelines for the Storage of Essential Medicines and Other Health Commodities*, produced by John Snow, Inc. (JSI). This guide is a practical reference for those managing or involved in setting up a storeroom or warehouse. It contains written directions and clear illustrations on receiving and arranging commodities; special storage conditions; tracking commodities; maintaining the quality of the products; constructing and designing a medical store; and waste management; as well as information on additional resources. Available via: www.jsi.com/JSIInternet/Publications/healthlogistics.cfm.

The PSM Assessment Tool

The LFA uses the *PSM Assessment Tool* only after it has received a PSM Plan that is close to being approved. (For information on how to obtain a copy of the *PSM Assessment Tool*, see Appendix II of this *Guide*.) This part of the assessment should be based on (a) an off-site background analysis using existing information; and (b) an assessment of the systems and infrastructure (human and physical) to be used in PSM.

The *PSM Assessment Tool* is divided into 10 sections:

- A. Product selection
- B. Patents
- C. Forecasting
- D. Procurement systems
- E. National Drug Regulatory Authority, quality assurance and quality control
- F. Receipt and storage
- G. Distribution
- H. Rational drug use

- I. Non-pharmaceutical health products
- J. Management and coordination

Once the LFA has completed the PSM assessment, it informs the Global Fund of its findings.

Functional area no. 4 – Monitoring and Evaluation (M&E) arrangements

Performance-based financing depends on good systems to measure and report on results. The PR's M&E strategy should build, as far as possible, on existing country level and internationally recognized systems (e.g., systems developed by the WHO and UNAIDS) for monitoring and evaluating disease programmes and their impact. However, the Fund recognizes the challenges to effective M&E posed by inadequate M&E capacity and systems in many grant-receiving countries. As a result, Fund grants may be used to strengthen national M&E capacities in disease programmes, and the Fund encourages joint partner efforts to this effect.

The Global Fund's system of periodically disbursing grant funds is based on satisfactory programmatic and financial reports provided by the PR. Thus the PR's capacity to regularly report complex and comprehensive programmatic data is crucial to ensure continued resource flows from the Fund to the programme.

The monitoring of programme performance is a critical responsibility of the PR. It is done to ensure that programmes achieve their intended results. This is for the PR's benefit as well as that of the Global Fund and other stakeholders. At a minimum, the Global Fund requires PRs to have an M&E system that can:

- identify the data and indicators that will have to be collected, define the frequency of data collection, and define the data collection methods;
- collect and record programmatic data with appropriate quality control measures;
- support the preparation of regular, reliable programmatic reports; and
- make data available for the purpose of M&E and the programme as a whole.

The LFA will assess whether the proposed PR meets these minimum requirements. It does so by (a) reviewing the *M&E Self-Assessment Checklist*¹⁰ and (b) assessing the M&E Plan, both of which the PR is required to prepare.

The M&E Self-Assessment Checklist

The *M&E Self-Assessment Checklist* is designed to demonstrate that the proposed PR meets the minimum requirements outlined above. The *Checklist* is divided into three sections, as follows:

- A. Assessment of overall M&E Plan
- B. Assessment of monitoring systems of the programme/project implementers
- C. Assessment of the wider Country Health Information System

¹⁰ The *M&E Self-Assessment Checklist* is currently under development. It will replace the *Monitoring & Evaluation (M&E) Assessment Tool*, which was previously used by the PR in the assessment process. Readers should check with the FPM (or consult the Global Fund website via www.theglobalfund.org/en/about/policies_guidelines/ [click on "assessment materials"]) to see whether a copy of the checklist is available.

The *M&E Self-Assessment Checklist* particularly concerns itself with grant-programme and country-level M&E; and the capacity of the nominated PR to (a) manage or coordinate the M&E systems required to provide key data on programme process and coverage, and (b) link effectively with collective efforts to measure disease impact at the country level.

The M&E Plan

The Global Fund has produced *Guidelines to the Principal Recipient's Monitoring and Evaluation Plan*. (For information on how to obtain a copy, see Appendix II of this *Guide*.)

The M&E Plan is a vital management tool to ensure that the programme is progressing as intended or, if it is not, to highlight areas in need of adjustment to achieve the desired results. The PR will use the M&E Plan primarily as a guide for itself to ensure that the programmes are monitored appropriately. However, the M&E Plan will also be used to help determine how to measure the intended results to be achieved during the duration of the grant. These intended results are included in the Grant Agreement; see Chapter 6 (Negotiating the Grant Agreement). In addition, the PR will report results to the Fund based upon its M&E Plan.

The M&E plan should cover the whole period of the programme, with extensive details for the first two years (i.e., Phase 1 of the Grant Agreement).

The country may already have a National M&E Plan for its disease control national strategies. In that case, all of the necessary information for the PR's M&E Plan can be drawn from the National M&E Plan. If a National M&E Plan does not exist, or if it is not sufficiently detailed, a specific M&E plan needs to be produced by the PR.

The Global Fund does not require that each SR prepare its own M&E Plan. However, we suggest that it would be good management practice for the PR to require this of major SRs engaged in grant implementation in service delivery areas where key Performance Indicators are generated.

The M&E Plan should include:

- a description of how the data will be collected, analyzed and reported by the PR and the CCM for programme management, including a description of the flow of information;
- the identification of the body responsible for overseeing M&E, the budget for M&E activities and a description of what M&E systems and processes are already in place; and
- the key indicators for each main objective (with time-bound targets).

The key indicators and targets should be taken from the approved proposal. If this section of the proposal is incomplete, the PR will be required to fine tune or supplement the information contained in the proposal.

What are "indicators"?

Indicators are used to measure the extent to which services or activities are being delivered, or goals and objectives achieved.

Impact or outcome indicators measure the extent to which benefits result among the people to whom the services are being delivered.

Coverage indicators measure success in increasing coverage for each service being delivered.

Process indicators measure progress on the implementation of processes necessary to ensure that a service is delivered.

The indicators and targets selected should meet the following criteria:

- They represent progress towards this objective.
- There are systems in place to measure the indicators.
- Data will be available to report results on a timely basis.
- It is reasonable to conclude from the workplan that the necessary work will be done in connection with the achievement of the targets related to these indicators.

Indicators

The key indicators for the M&E Plan should be specific, measurable, achievable, relevant and time-bound (SMART). For each indicator, the M&E Plan should show baseline data (when relevant), time-bound targets, the source of the data, the frequency and means of data collection and the body responsible for measuring the indicator. This information is generally shown in the form of a chart.

Indicators can include impact or outcome indicators, coverage indicators and process indicators (see box). The Global Fund defines three levels of coverage indicators, as follows:

- Level 3: Number of people reached with services
- Level 2: Number of service points established or refurbished
- Level 1: Number of service providers trained

The *Monitoring and Evaluation Toolkit* contains a number of specific, internationally agreed indicators for malaria, tuberculosis and HIV/AIDS, particularly for the second and third levels of indicators. These indicators have been agreed upon through collaborative work by many partners such as UNAIDS, the WHO, UNICEF, and the US Centers for Disease Control and Prevention. For information on how to obtain a copy of the *Toolkit*, see Appendix II of this *Guide*. (In Round 5, these indicators were also listed in an annex to the Proposal Form.)

If baseline data do not exist for impact and outcome indicators, appropriate surveys (e.g., population-based surveys, health facility-based surveys and sentinel surveillance) should be carried out in the initial part of the programme (during Phase 1 of the Grant Agreement). The Global Fund encourages the PR to seek assistance from development partners in performing these surveys.

Targets

With the exception of some targets for process indicators, targets should be either numbers or percentages. As a general rule, numbers are preferable to percentages because they are easier to verify and can be aggregated. If a percentage is appropriate (e.g., because international targets are set in percentage terms, such as for the control of tuberculosis), it can be used, but when the PR reports on this indicator, it should include the actual numbers that formed the numerator and denominator for the calculation of the percentage.

Let's look at an example. One of the indicators identified in the *Monitoring and Evaluation Toolkit* to determine the success rate of Directly Observed Therapy (DOTS) implementation is "Percent of new smear positive pulmonary TB cases that are successfully treated." If a PR wished to use this indicator, it would identify a target for this in percentage terms. When the PR submits its periodic Disbursement Request and Progress Update (DR/PU), it would report the percentage as well as (a) the numerator (defined in this example as the number of new smear positive pulmonary TB cases registered under DOTS in a specified period that subsequently were successfully treated), and (b) the denominator (the total number of new

smear positive pulmonary TB cases registered under DOTS in the same period). (See box on page 43 for a description of the DR/PU.)

Targets should be realistic. As well, targets should be cumulative, but should exclude the baseline figure. For example, if the target is the number of people being treated with antiretrovirals; if the baseline figure was 2,000 (i.e., there were 2,000 people being treated prior to the start of the programme); and if the objective is to add 3,000 more people to the treatment rolls for each of the five years of the programme – then, the targets would be 3,000 for Year 1, 6,000 for Year 2, 9,000 for Year 3, 12,000 for Year 4 and 15,000 for Year 5.

Whenever possible, the targets should reflect the results that are directly “tied” to Global Fund financing. For example, the targets should reflect the results of the Global Fund contribution where:

- the Global Fund resources are being used to start a new service delivery area (in which case the baseline would be zero);
- the Global Fund resources are the sole source of financing to scale up an existing service delivery area (in which case there will be a baseline, but all additional results will be attributable to the Global Fund financing); or
- the Global Fund resources are being used to scale up an existing programme, but only in a restricted population or geographical area (where the results will be attributable to Global Fund financing).

However, in cases where it is not possible to separate out the Global Fund contribution from the results of a broader national, regional or institutional programme, involving a number of funders, it is acceptable if the targets reflect the results of the broader programme. For example, perhaps the Global Fund resources are being used to finance human capacity development for counselling and testing, while another source of financing is being used for the diagnostic material, and a third for infrastructure improvement and community outreach. Another example would be if Global Fund financing was part of a Sector-Wide Approach (SWAp). In such situations, the targets should reflect the entire broader programme and it is not necessary for the PR to attempt to attribute a percentage of the target to the Global Fund financing.

When setting targets, it is important to be realistic both about the pace of implementation and about the capacity of a monitoring system to report data in a timely manner.

After the PR Assessment

If the Global Fund decides that the PR possesses the minimum capacities for implementing the grant, the FPM confirms in writing to the CCM that the PR is acceptable to the Global Fund, and the grant negotiations process can proceed.

Global Fund documents states that the FPM usually shares the LFA’s final PR Assessment Report and its annexes, including any completed assessment tools, with the PR as a basis for Grant Agreement discussions and to ensure maximum transparency. They also state that the FPM usually shares the Report with the Chair of the CCM, who should ensure distribution to other CCM members. It is possible, however, that some FPMs share only the results of the Report (as opposed to the full Report). The PR Assessment Report is not a public document. However, the LFA may agree to release the information (or parts of it) publicly.

The FPM uses the PR Assessment Report to identify and inform the PR of weaknesses in its capacities and systems, so that the PR may attempt to strengthen these areas. The FPM also uses the Report to draft a list of CPs to be included in the Grant Agreement. These CPs detail specific capacity building or administrative requirements that the PR must fulfil before disbursements can be made. The PR Assessment Report may also contain findings and recommendations that are not significant enough to become CPs. In such a case, the FPM may ask the PR to address and respond to these findings in a written report, the completion of which would become a target in Attachment 1 to Annex A of the Grant Agreement. See Chapter 6 (Negotiating the Grant Agreement).

As indicated at the start of this chapter, if the Global Fund decides that the PR does not have adequate capacity to carry out the grant, and that the PR is not likely to have adequate capacity even after some capacity building is undertaken, then the PR will not be confirmed and the CCM will be asked to nominate another PR.

Chapter 5: Preparing the Final Budget, Workplan and Performance Indicators

This chapter outlines the requirements concerning the preparation of the final Budget, Workplan and Performance Indicators for the programme, and then describes the process involved. The chapter also discusses what is involved in changing the scope of the programme. Note that the review of the Budget and Workplan is closely linked to the PR Assessment (see the previous chapter); they are presented separately for clarity, but often occur simultaneously. There are interdependencies between the preparation of the final Budget and Workplan and the PR Assessment. For example, if the results of the PR assessment reveal capacity building needs, then the costs for this capacity building are built into the Budget.

The preparation of the PR's final Budget, Workplan and Performance Indicators for the programme is a critical step in the process because these items constitute the core of the Grant Agreement and, therefore, form the basis of the Global Fund's performance-based funding system. The negotiations on the final budget and grant amount will be based on the reasonableness of the Budget and Workplan presented at this stage of the process.

What the Global Fund Requires

The Budget and Workplan developed by the PR should closely track the 5-year budget and workplan contained in the original proposal approved by the TRP, with no major surprises, unless there are special reasons why a proposal should be materially revised. (An example of a major surprise would be if a new World Bank or bilateral programme, developed since the submission of the original proposal to the Fund, were approved for funding.)

Support for CCMs

The Global Fund now allows grant funds to be used to support the functioning of the CCM (particularly the CCM Secretariat), in countries where insufficient partner support for CCMs is available. These costs can be included in the proposal, or they can be included in a request to re-programme existing funds. The Global Fund has produced a Frequently Asked Questions document on this topic, as well as an applications form. CCMs should check with the FPM for details.

Even if there are no major surprises, it is highly likely that the PR will need to expand on, update or otherwise refine certain elements contained in the original proposal. For example, if the proposal neglected items critical to implementation, such as the administrative costs of the PR, the need to recruit and train additional pharmacists, or technical assistance, the Budget and Workplan should address these gaps.

The Budget and Workplan should cover the first two years of programme implementation; detailed information is required for Year 1 and indicative information for Year 2. Exceptions to this requirement may be made in order to harmonize with the PR's existing budgeting and planning cycles.

The Budget and Workplan can be a single document or they can be two separate documents. The Global Fund does not require that a standard format be used for all Budgets and Workplans; rather, it sets out certain minimum requirements.

For the first year, the Budget and Workplan should be divided into quarters. Smaller units (e.g., weeks or months) are also acceptable if this is in line with the PR's normal budgeting and planning process.

The Budget

The Budget should be prepared in sufficient detail to enable a review of the key underlying assumptions (such as unit costs for key products). Whatever the assumptions were that were contained in the original proposal, the Budget should be updated to reflect the latest information on:

- exchange rates;
- prices for medicines and other health products (which should reflect any changes to treatment regimens since the original proposal);
- programme activities (which may include minor changes to the activities described in the original proposal); and
- new sources of funding that may have been secured since the submission of the original proposal.

For the first-year, the Budget should be organised either by cost category broken down into line items, or by service delivery area broken down into activities (the latter is known as activity-based budgeting). If the Budget is organised by cost category, the categories should be selected by the PR. They are typically based on the PR's existing systems. However, the PR may opt to use the cost categories contained in the Global Fund's *Guidelines for Proposals*. (The Fund produces *Guidelines for Proposals* for each new round of funding. Copies of the latest Guidelines are available on the Global Fund website via www.theglobalfund.org.)

For the second year, the Budget only needs to present summary information on cost categories or service delivery areas, rather than detailed breakdowns. However, there should be sufficient detail to understand assumptions, particularly if the second year involves costs or line items not included in Year 1.

As a general rule, the Budget must include projected expenditures of both PRs and SRs. However, the Global Fund recognizes that this may not be possible in every case.¹¹

If a PR wishes to include salary supplements (also called salary "top-up") in the detailed Budget, special procedures apply. In the past, the Global Fund discouraged the use of grant monies to finance salary supplements. However, the Fund recognizes that in some cases, the people best positioned to carry out the activities financed under the grant may be existing staff. In these cases, the Fund has been prepared to consider allowing grant monies to be used to supplement the salaries of existing staff as compensation for the grant activities that they would carry out in addition to their regular assignments.

Many proposals submitted in the new Health Systems Strengthening component, a feature of Round 5, contained requests for salary support. The issue of salary support is a hot topic, especially in sub-Saharan Africa where the shortage of health care workers has reached crisis proportions, threatening the successful implementation of many health interventions. Both the WHO and the (US) President's Emergency Plan for HIV/AIDS Relief (PEPFAR) have publicly stated that they cannot reach treatment goals in Africa without more health

✓ **TIP: More is better**

The more details the PR puts in the Budget and Workplan, the easier it will be to implement the programme (even if this means going beyond what the Global Fund requires). Information on what is to be done, how much or how many, who is to do it, who the target groups are, what funds are required – all of this will be helpful during implementation to guide the allocation of resources and to monitor performance.

¹¹ This is rather vague. The Global Fund has indicated that in the near future it will be clarifying exactly what this means. Readers are advised to check with the FPM. (Note that the lack of an SR budget should not hold up formal approval of the Budget.)

workers. Salary support is one way to try and help countries keep workers in country. Exactly what the Fund will (or will not) finance with respect to salary support is still evolving.

If the PR wishes to include salary supplements in its Budget, it should first obtain the acquiescence of the CCM, and then discuss the matter with the FPM. The Fund requires that the salary supplements be consistent with country norms and practices – i.e., the salaries paid for similar work by both local employers and international organisations active in the country. The Fund also requires that the salary supplements not shift significant resources away from programmatic activities.

In very exceptional circumstances, the Budget may include a request for retroactive financing – i.e., the use of proceeds of the Global Fund grant to reimburse the PR for eligible expenditures that occurred after the approval of the proposal by the Global Fund Board but prior to signing of the Grant Agreement. This is quite rare and risks signalling that the PR lacks financial capacity. More information about this can be obtained from the FPM.

The Workplan

The Workplan should be organised according to the objectives contained in the approved proposal (i.e., the original objectives with no changes) and be sub-divided into service delivery areas, again as per the proposal. The Workplan should include a clear delineation of responsibilities for activities and may, if it is of use to the PR, include indicators to be used by the PR for tracking progress (which are typically not the same as indicators used for performance-based funding (see below).

The Performance Indicators

Sound national M&E systems in countries are fundamental for reporting to the Global Fund. There is a clear distinction between the information that will be collected for programme management and M&E purposes at the country level and what is submitted to the Global Fund to assess programmatic performance. The indicators reported to the Global Fund – the Performance Indicators – should be a simplified set from the overall M&E Plan. The reporting to the Global Fund needs to capture only a small subset of information.

The PR extracts the Performance Indicators (see box) from the M&E Plan and includes them in Attachment 1 to Annex A of the Grant Agreement. The Performance Indicators should address most if not all of the service delivery areas contained in the proposal. These Performance Indicators will be used by the Global Fund to evaluate the performance of the programme and to hold the PR accountable for progress in programme implementation. The PR will report progress based on these Performance Indicators.

The Performance Indicators should primarily reflect progress in reaching coverage in service delivery. However, the Performance Indicators should also include some indicators on programme management – e.g., a written report addressing the follow-up to recommendations made in the PR Assessment Report.

What are “Performance Indicators”?

The M&E Plan prepared by the PR contains numerous indicators that a PR intends to track over the course of a programme. These are derived from the approved proposal. But the Global Fund says that most of these indicators are not appropriate for the purposes of performance-based funding, but rather should be used by the PR to monitor its own processes. The Fund says that only some of these indicators should be selected for performance-based funding and included in the Grant Agreement. The Fund uses the term “indicators” for both the full list of indicators included in the M&E plan and the indicators selected for performance-based funding. We have chosen to call the latter “Performance Indicators” so as to avoid confusion over the two types of indicators. The term “Performance Indicators” has not been formally adopted by the Global Fund.

Refining the targets

The PR also needs to review the proposed targets for the Performance Indicators contained in the original proposal and make any refinements. This should only be done once agreement has been reached on the frequency of the submission of DR/PUs (see box). The frequency of submission determines the reporting period – i.e., quarterly, semi-annually or annually.

The PR should be mindful that grant performance and grant renewal will be determined based on the PR's success in reaching these targets. The final targets should be feasible, but should also demonstrate increasing results in programme implementation commensurate with the volume of resources being allocated. The targets should be broken down by the reporting period agreed to. As with the Budget and Workplan, the targets should be in line with the information contained in the approved proposal.

The targets should cover the first two years of programme implementation, broken down by period (as defined by the frequency of submission of the DR/PU). It is not necessary to have a target for each Performance Indicator for each period.

Although the DR/PU must be submitted within 45 days of the close of a period, there is considerable flexibility in adjusting the period covered by the report to reflect the existing monitoring systems. Where possible, the results reported should reflect activities carried out in the reporting period just completed. However, in some cases – particularly when a PR's reporting is based on an existing system – a PR may not be able to report on all of the results of the period just completed. For example, if a PR is relying upon a national Health Management Information System to collect data from a large number of districts, it may only receive information about programmatic coverage from the districts after the 45-day window for reporting to the Global Fund has closed. If this is unavoidable, the PR should still submit a DR/PU within 45 days of the close of each period, but some of the results contained in it will not include the quarter just completed, but rather be limited to the preceding quarter.

When it is known that there will be a reporting lag or when such a lag can be anticipated, it generally makes sense to align targets with dates when the information will be available through the Health Management Information System.

Disbursement Request and Progress Update (DR/PU)

As the name implies, the DR/PU is both a request for funds for the next period, and a progress report on the period just completed. The PR can submit a DR/PU on a quarterly, semi-annual or annual basis. The frequency is specified in the Grant Agreement, so the frequency should be agreed on during the initial grant negotiations. However, the frequency can change during the course of programme implementation. To harmonize Global Fund reporting requirements with existing PR systems, the first period may be either shorter or longer than a typical period – e.g., two months or four months if a typical period is normally three months. The DR/PU must be submitted within 45 days of the close of a period.

√ **TIP: Making the frequency consistent**

If a PR is (or will be) implementing different programmes at the same time (e.g., HIV and TB; or two malaria programmes approved in different rounds), we suggest that the PR attempt to ensure that the DR/PU frequency is the same for each programme. Otherwise, it becomes confusing and there is a tendency to forget what is due when. The best way to ensure that the DR/PU frequency is the same for each programme is to tie the frequency to the country's normal financial periods. PRs may need to overcome resistance on the part of the FPM who may prefer to tie the frequency of the DR/PU to when the Grant Agreement is signed or to the Programme Starting Date.

In a given reporting period, the PR should strive to set targets for the highest indicator level possible. See Chapter 4 (The PR Assessment) for an explanation of indicator levels. As a general rule, the first level of indicators should be reached by the end of the first year, or even earlier in a programme that is simply scaling-up existing activities – after which, ideally only Level 2 and Level 3 indicators should be used.

Description of the Process

The PR can begin preparing the final Budget, Workplan and Performance Indicators as soon as the proposal is approved by the Board and the PR is confirmed. *It is not necessary to wait until the completion of the TRP Clarifications phase.* However, it is important to note that the TRP Clarifications can result in significant cuts and adjustments to the budget.

The LFA is initially responsible for reviewing the PR's Budget, Workplan and Performance Indicators. However, the FPM may be involved in this process where appropriate. The roles of the LFA and FPM in this stage are to assess what a PR has prepared, rather than to participate directly in the process of developing these materials.

If the PR is not able on its own to complete the Budget, Workplan and Performance Indicators in a timely and satisfactory manner, the PR may be able to solicit the involvement of technical partners. The Global Fund may be able to facilitate this process.

The review by the LFA and the FPM has two distinct phases:

- Step 1 – Review of the Budget and Workplan for reasonableness, feasibility and consistency with the approved proposal.
- Step 2 – Agreement upon the Performance Indicators, the frequency of DR/PUs, and the targets for inclusion in the Grant Agreement. (This is part of the grant negotiations.)

Even if the Budget and Workplan are prepared as two distinct documents, they will be reviewed together.

In Step 1, the emphasis is on assessing whether the key assumptions are supportable and whether they enable the attainment of the targets set out in the original proposal. This includes:

- confirming that the Budget is within the Board-approved ceiling (or any lowered ceiling arrived at as a result of TRP Clarifications process);
- ensuring that there are no major errors in the calculations or assumptions in the Budget;
- reviewing unit costs for key items to determine if significant changes have occurred since the original submission of the proposal; and
- considering whether the Budget, Workplan, Performance Indicators and targets together present a coherent and feasible set of implementation plans that will enable the attainment of the results contained within the original proposal.

In conducting the review, the LFA and the FPM will look for coherence with the original proposal approved by the Global Fund. The PR's Budget and Workplan can differ from what was submitted as part of the original proposal, but they must be in line with the scope and objectives of the proposal and allow the attainment of the results contained in the proposal.

Should the PR (or CCM) propose modifications to the scope of the original proposal in the course of submitting the Budget, Workplan and Performance Indicators, additional steps must be taken (see below).

If the original proposal did not include costs deemed essential to the successful implementation of the Grant Agreement (e.g., PR administrative costs, technical assistance), savings must be found in other parts of the Budget to accommodate these costs. *In no case should the total two-year Budget exceed the Board-approved figure.*

Neither the detailed Budget nor the Workplan are included in the Grant Agreement (though a summary budget by quarter for the first year, and an overall second-year budget, are included). Once these documents have been finalized and agreed to by all parties, the LFA is responsible for providing final copies to the PR and the FPM, to ensure that there is an agreed-to final version.

In reviewing the proposed Performance Indicators (Step 2), the LFA will look for consistency with the original proposal approved by the Global Fund. The LFA will want to see that only a reasonable number of indicators have been selected, that they reflect progress towards measuring coverage for key services to be delivered, that they are in line with the defined objectives and that they are feasible to measure.

Reviewing and agreeing on the targets

The LFA and the FPM review the indicators and targets provided by the PR. They look at whether the targets are in line with the original proposal; are feasible in light of the Budget and Workplan; reflect a scaling up of services that is commensurate with the value of the Grant Agreement; are feasible to accomplish and to measure; and will enable performance-based funding.

Different approaches to the review of the Budget and Workplan, and to the setting of Performance Indicators and targets, occur in situations in which Global Fund financing will form part of a SWAp or other pooled financing mechanism. These must be dealt with on a case-by-case basis, because the existing country context must be carefully considered.

Finally, the dates for the submission of the Annual Audit report (generally six months after the PR's fiscal year end) should also be agreed to at this point, and included in Attachment 1 of the Grant Agreement.

Changing the Scope of the Programme

It is possible to change the scope of a programme between the time that the proposal is approved and the time that the Grant Agreement is signed. Any such change must be approved by the Global Fund (or the TRP, depending on the scope of the changes) and will only occur in exceptional circumstances.

The Global Fund defines a change in the scope of a grant as a change to a goal, an objective or, in some cases, a service delivery area. The following would constitute a change in scope:

- Adding a goal, objective or service delivery area that was not contained in the original proposal (even if doing so does not affect the existing goals, objectives or service delivery areas). An example of this would be if a CCM recognized that it had omitted an important service delivery area after the proposal was submitted, and felt that the goals of the proposal could not be met unless this service delivery area were

included. Another example would be when activities initially planned by a development partners have been cancelled and need to be covered by the Global Fund grant funds.

- Dropping in its entirety a goal, an objective or a service delivery area and re-allocating its budget to another goal, objective or service delivery area. An example of this would be if a CCM determined that an objective no longer needed to be funded by the Global Fund because another funder had resources specifically dedicated to the attainment of that objective.
- Altering the balance between two or more goals, objectives or service delivery areas such that there is a significant divergence in the targets (e.g., the targets in one area increase significantly while the targets in another area drop). An example would be a PR deciding to maintain targets in a treatment service delivery area despite a considerable increase in unit costs of the drug needed, which causes targets in other service delivery areas to be lowered. Defining what constitutes a “significant” increase or decrease should be context-specific.

Should a PR or CCM wish to materially change the scope of a grant, the following process must be followed. First, the CCM must provide a written rationale for the change, explaining the technical reasons that justify or necessitate a change in scope of the proposal. Then, to accompany the CCM’s justification, the PR must provide a completely revised set of targets (and, if necessary, Performance Indicators) supported by a new 5-year Budget and Workplan.

The LFA will review the request for a change and provide a recommendation to the FPM. The TRP will likely be asked to review the proposed change’s technical merits prior to a decision being made.

Chapter 6: Negotiating the Grant Agreement

This chapter outlines the contents of the Grant Agreement and describes the process for negotiating the Agreement. The chapter explains what “CPs” are; reviews the Global Fund guidelines concerning exemptions from duties, tariffs and taxes; describes the steps involved in preparing for the first disbursement; and discusses how the Programme Starting Date is determined.

Once the PR assessment is completed, and the Budget, Workplan and Performance Indicators are approved, the Global Fund and the PR enter into a Grant Agreement. The Agreement is the legal contract that facilitates the transfer of funds and binds the PR to perform the activities agreed upon in the Agreement. It is important to note that this is an agreement with the PR, not the CCM or SRs. The party legally responsible for the Grant Agreement is the PR.

The Grant Agreement specifies the outcomes that the PR intends to achieve in the first two years of the project. It sets out, among other things, the terms and conditions on which the funds will be made available (including how and when the funds will be disbursed), the procurement requirements that will be applicable, and the programme and financial reporting requirements that the PR must fulfil.

There is a separate Grant Agreement for each approved component in a proposal. If there is more than one PR for a particular component, then there is a separate Grant Agreement for each PR.

What the Grant Agreement Contains

The initial Grant Agreement consists of the following four components:

- Face Sheet
- Standard Terms and Conditions
- Annex A
- Attachment 1 to Annex A

Additional components of the Grant Agreement are added as the programme proceeds.

The Face Sheet contains the basic information about the Grant Agreement, including:

- the parties to the Agreement;
- the programme title;
- the grant amount;
- the grant number;
- the programme start and end date;
- terminal dates for any CPs;
- the PR bank account details;
- the PR fiscal year;
- the LFA contact details;
- the PR and Global Fund Additional Representatives; and

- the signatories to the Agreement (PR and Global Fund Authorized Representatives and CCM members for acknowledgement)

The PR and Global Fund Authorized and Additional Representatives are people who can represent their respective parties in relation to the Grant Agreement (in addition to the signatories of the Agreement).

Most of the information required for the Face Sheet will have been determined during earlier steps in the process, particularly the PR Assessment. With respect to the grant number, this is initially issued by the Global Fund Secretariat, but can change subsequently, depending on when the Grant Agreement is signed.

The Standard Terms and Conditions set out the basic legal terms of the Grant Agreement. Changes to these Standard Terms and Conditions are made only in exceptional circumstances.

Annex A consists of the Program Implementation Abstract, which contains:

- the Program Description, including the summary, goal, target group (beneficiaries), strategies, planned activities, initial CCM members and technical partners;
- budget information;
- the CPs (see below);
- the forms applicable to the Agreement (including the DR/PU); and
- the Special Terms and Conditions

The Special Terms and Conditions include additions to the Standard Terms and Conditions necessary for the particular Grant Agreement. These additions can be used to cover unique implementation arrangements, such as the arrangements for UNDP to transfer PR responsibility to a local entity; or the relationship between a Ministry of Finance and the entity that will actually be overseeing implementation, such as a Ministry of Health or a National AIDS Council.

The Attachment 1 to Annex A of the Grant Agreement sets out the main objectives (organised into service delivery areas), the Performance Indicators with baselines and periodic targets, and the periods for reporting. In most cases, the elements of Attachment 1 come directly from the agreed-upon Workplan and Budget and cover a one-year period.

► **ALERT**

We suggest that at this stage the PR conduct one last, very careful review of the Performance Indicators and targets listed in Attachment 1 to Annex A (as well as any subsequent attachments) to make sure that these targets are realistic and attainable within the time frame contained in the plan. These indicators and targets will be used by the Global Fund to assess the performance of the grant throughout Phase 1, to make disbursement decisions and to help decide whether the grant should be renewed.

Description of the Process

The initial steps in grant negotiations, such as the PR's review of the template Grant Agreement, can begin as soon as a proposal is approved by the Board and the PR is confirmed. It is not necessary to wait until the completion of the TRP Clarifications phase.

Other aspects, such as the negotiations on Annex A and the Attachment 1 to Annex A, generally commence after the PR Assessment has been completed, and the Budget, Workplan and Performance Indicators have been reviewed.

A Grant Agreement should normally be signed within six months of the approval of a proposal by the Global Fund Board. In rare cases, Grant Agreement signing can take up to twelve months from Board approval. However, if the Grant Agreement is not signed within twelve months, the proposal approval is revoked unless the Board decides to allow an exceptional extension, which is limited to an additional three months.

The FPM and other Global Fund officials oversee the drafting of Annex A and the Attachment 1 to Annex A, based on the approved proposal, the PR Assessment Report, and the review of the Budget, Workplan and Performance Indicators. The LFA and PR may participate in this drafting, as deemed appropriate by the FPM. The period covered by Attachment 1 to Annex A is one year. (The Global Fund says that it would like to move towards a system where the first two years of targets and indicators are negotiated upfront to reduce the transaction cost of doing it again at the end of Year 1.)

√ **TIP: Planning ahead**

Grant Agreement negotiations can be a smooth process if many of the issues are resolved ahead of time, such as during the PR Assessment. By planning ahead, the PR can avoid complex or contentious issues arising during the negotiations. A proactive PR will use available resources to help resolve any problems, and even ask the Global Fund for support when necessary.

Negotiating the Grant Agreement is a step-by-step process involving the Global Fund, the LFA and the PR. The three parties should agree upon an anticipated Programme Starting Date, which should be rounded to the first of a month, and terminal dates for any CPs. Negotiating exemptions from duties, tariffs and taxes is typically a part of this step (see below).

Two copies of the Grant Agreement are initially signed by the PR's Authorized Representative (who must have the legal authority to bind the PR) and acknowledged by two CCM members. The CCM members should typically be the Chair of the CCM and a representative of a civil society constituency (e.g., non-governmental organisations, faith-based organisations, affected communities or the private sector). If the Chair of the CCM comes from the same constituency as the PR (e.g., both come from the government), the Chair must nominate an alternate to sign in her/his place. Both copies are then sent to the Global Fund and signed by the Executive Director (or the Chief of Operations or Chief Administrative Officer on the Executive Director's behalf). One signed copy is returned to the PR.

Conditions Precedent (CPs)

In the course of the PR Assessment, the LFA may identify significant weaknesses that are likely to impede the effective and accountable use of Global Fund financing. The Global Fund reviews these recommendations and may transform some or all of them into CPs – i.e., conditions that the PR has to meet in order to continue to receive disbursements of grant funds. The CPs are included in Annex A to the Grant Agreement.

The use of CPs is normally limited to addressing problems that are truly critical to implementation. These problems typically focus on capacity building measures for a PR, although in some cases they may include administrative procedures. CPs do not address programme implementation targets; these are included as targets for performance-based funding in the Attachment 1 to Annex A.

The following are examples of CPs that address capacity deficits (with, in parentheses, examples of conditions that might trigger the use of the CP):

- the hiring of an accountant (if the FMS assessment revealed a major gap in the PR's accounting unit);
- the development of a monitoring and evaluation system to enable a PR to adequately and regularly collect data from all SRs (if the M&E assessment revealed that the PR had an inadequate system to gather information from SRs); and
- the identification of a procurement agent (if the PSM assessment revealed that the PR did not have the capacity to manage procurement, and so needed to outsource this function).

The following are examples of CPs that address administrative requirements (with, in parentheses, the conditions that might trigger the use of the CP):

- the provision of an appropriate bank account number and of the signatures of persons authorized to make disbursement requests to the Global Fund (this information should systematically be provided prior to signing of the Grant Agreement, but if it is not a CP is necessary);
- the identification of an auditor satisfactory to the Global Fund (again, this information should be provided prior to signing of the Grant Agreement, but if it is not a CP is necessary);
- the development of an M&E Plan and the satisfactory assessment of it (if the M&E assessment has not been carried out prior to the signing of the Grant Agreement, this will be included as a CP); and
- the development of a PSM Plan and the satisfactory assessment of it (if the PSM assessment has not been carried out prior to the signing of the Grant Agreement, this will be included as a CP).

√ **TIP: Avoiding CPs**

In Round 5 and in future rounds, the Global Fund is hoping to minimize the use of CPs. The Fund would like to see these items resolved prior to Grant Agreement. Here are some ways of avoiding or minimizing the use of CPs:

1. Conduct a self-assessment early in the process in order to identify capacity gaps. Include plans for addressing these gaps in the Workplan.
2. During the PR assessment, when critical weaknesses are identified, work with the LFA to develop a plan of action for resolving the weakness.
3. Use the resources available to the PR to resolve critical weaknesses between when the PR Assessment is done and the Grant Agreement negotiations are concluded. Support may be available from the CCM membership, the Global Fund, the LFA and other in-country technical partners.
4. Try to move weaknesses that cannot be resolved before the Grant Agreement is negotiated into the Workplan as action items to be addressed.
5. Prepare the PSM Plan and M&E Plan early.

In addition to describing the activities that must be carried out, each CP also details the restrictions that are in place until the condition is fulfilled.

If the Global Fund has identified conditions that are sufficiently significant to endanger the use of larger amounts of Global Fund financing, these can become CPs to the second or subsequent disbursements, CPs to disbursements in excess of a certain amount (determined with reference to the budget and workplan of the PR, as well as to the risk

exposure to the Global Fund), or CPs to a particular type of disbursement (e.g., disbursement of funds for the procurement of medicines and other health products).

Each CP has a terminal date, the date by which the conditions must be met. This information is included on the Face Sheet of the Grant Agreement. If the CP is not completed before the terminal date, the Global Fund has the option to terminate the Grant Agreement.

► **ALERT**

As indicated above, the determination of what constitutes CPs should be part of the grant negotiations. However, there have been instances where CPs have been imposed by either the LFA or by the Global Fund, and where the PR has been forced to accept CPs unwillingly for fear of jeopardising the grant. This is not the way it should happen. Flexibility and openness are what is required.

Exemptions from Duties, Tariffs and Taxes

The Global Fund strongly encourages the relevant national authorities in recipient countries to grant exemptions from duties, tariffs and taxes for all goods and services financed by Global Fund grants and procured by PRs or SRs.¹² This policy is reflected in the Standard Terms and Conditions of the Grant Agreement.

The PR is responsible for seeking an exemption from duties and taxes on goods and services financed by Global Fund from the relevant national authority. In cases where the exemption is not automatic, the Global Fund Secretariat will support the PR in seeking the exemption, usually by working with government representatives on the CCM or, as necessary, with such other government authorities such as the Ministry of Finance.

In some countries, exemptions from duties, tariffs and taxes may not be legally permissible. In these circumstances, the PR should seek to have the Ministry of Finance (or other relevant national authorities) reimburse the full costs of any duties, tariffs and taxes.

Agreement on exemptions from duties, tariffs and taxes should be reached during the course of initial grant negotiations. If an exemption from duties, tariffs and taxes is obtained and such duties, tariffs and taxes are later levied on Global Fund-financed goods or services, the Global Fund may require any such duties, tariffs and taxes to be refunded.

First Disbursement Preparation

The first disbursement of funds to the PR is made only after signing the Grant Agreement. The first disbursement is an advance against the attainment of results.

The first disbursement preparations and grant negotiations should occur concurrently to enable the first disbursement to occur immediately after grant signing (except in the rare cases where there are CPs to first disbursement or where the PR has other reasons to delay the start of the Grant Agreement).

The PR sends the LFA its First Disbursement Request, usually for the amount budgeted for the first disbursement period plus one additional quarter as a buffer. The amount of the first

¹² This exemption does not extend to personal income taxes paid by staff working on, or financed by, Global Fund-related activities.

disbursement may be subject to restrictions imposed by the Global Fund, such as a prohibition on procuring medicines and other health products. If there are no CPs to the first disbursement, the PR can submit its First Disbursement Request at the same time as it provides the signed copies of the Grant Agreement. However, the processing of this request cannot occur until the Global Fund has also signed the Grant Agreement.

The LFA sends the disbursement request to the Global Fund Secretariat along with a recommendation as to whether the request should be approved. In addition to providing its recommendation, the LFA verifies that:

- the signature on behalf of PR is authentic;
- the CPs to the disbursement and/or any other special conditions have been met;
- the exchange rate is correct;
- the bank account information is correct; and
- the current budget forecasts of PR have been reviewed for reasonableness.

The Global Fund decides whether to approve the disbursement request. Once it is approved, the Fund's Trustee will disburse the appropriate amount. The FPM sends a letter to the PR notifying the PR of the disbursement and requesting that the PR provide confirmation when the disbursement is received.

Programme Starting Date

The Programme Starting Date is the date the first disbursement is deemed to have been received by the PR (defined as being the date of payment by the Trustee plus one week), rounded to the nearest first of the month. This is the date used to determine the timing of the Phase 2 renewal process. If the Programme Starting Date differs from the Programme Starting Date included in the Grant Agreement by a month or more, the FPM sends an Implementation Letter to the PR confirming the new Programme Starting Date.

► **ALERT**

Through the first four rounds of proposals, the GF's first disbursements have not arrived in a consistent time frame. For a variety of reasons, the period between the signing of the Grant Agreement and first disbursement have ranged from two weeks to three or four months. Sometimes, the delays are due to a lack of communication among the Global Fund, its trustee (World Bank), the PR and the PR's bankers.

Whatever the reasons for the delay, it is very important that the Programme Starting Date and the CP termination dates be formally changed to reflect the delay. The Programme Starting Date and the CP termination dates will be used to measure whether the PR is achieving the targets and indicators agreed-upon in the Grant Agreement. We suggest that the PR be diligent about communicating with the Global Fund regarding the first disbursement and, if delays occur, about requesting changes to the Grant Agreement to reflect those delays.

Appendix I: Criteria Used by the TRP to Evaluate Proposals

The following criteria are used by the TRP to evaluate proposals:

A Clear Plan with Proven Methodologies:

1. Is consistent with internationally accepted “best practices” exhibiting scientific soundness;
2. Gives priority to the identifiable groups and communities most affected and/or at risk within countries;
3. Enables the development, strengthening and expansion of government/private/NGO partnerships;
4. Contributes to the elimination of stigmatization of and discrimination against those infected and affected by HIV/AIDS, especially for women, children and vulnerable groups;
5. Is consistent with international law and agreements and encourages efforts to make quality drugs and products available at the lowest possible prices for those in need;
6. Improves service coverage and demonstrates a potential to achieve measurable impact.

Achievable:

1. Is technically and programmatically feasible and relevant in the specific country context;
2. Has in place strong and transparent arrangements for financial management and control;
3. Supports substantially increased quality and coverage of proven and effective interventions, which strengthen systems for working: within the health and other relevant sectors; across multiple sectors; and with communities;
4. Builds on, complement, and co-ordinate with existing regional and national programmes in support of national policies, priorities, strategies and partnerships, including Poverty Reduction Strategies and sector-wide approaches;
5. Utilizes appropriate and equitable supply and distribution systems, when the proposal includes a significant commodity and drug procurement component.

Sustainable:

1. Strengthens and reflects high-level, sustained political involvement and commitment with respect to the allocation of national resources;
2. Identifies available resources, resource gaps and a strategy for ensuring that Global Fund investments will not replace existing funding;
3. Has been approved by a Country Coordination Mechanism (CCM) that seeks to strengthen the participation of communities and people, particularly those infected and directly affected by the three diseases, in the development of proposals.¹³

¹³ This criterion is relevant for proposals submitted by a CCM.

Measurable:

1. Is results focused, linking resources to the achievement of a clear and measurable set of indicators for specific programme activities;
2. Includes an explicit monitoring and evaluation mechanism, or a plan for developing one, which measures performance against baseline indicators in specific programme areas and is based upon a high quality, recent situation analysis.

Appendix II: List of Global Fund Guidance Documents, Tools and Templates

This appendix contains a list of publicly available Global Fund guidance documents, tools and templates that are relevant to the activities covered in this Guide.

For copies of these guidance documents, tools and templates, please visit the Aidspace website at: www.aidspace.org/globalfund/implementation.

Guidance documents

Fiduciary Arrangements for Grant Recipients

Guide to the Global Fund's Policies on Procurement and Supply Management (PSM Policy Guide)

Guidelines for Performance Based Funding

Guidelines for the Principal Recipient Assessment

Guidelines for the Principal Recipient's Monitoring and Evaluation Plan

Guidelines for Annual Audits of Program Financial Statements

Monitoring and Evaluation Toolkit

Tools and templates

Annex A to the Grant Agreement

Attachment 1 to Annex A of the Grant Agreement

Bank Account Details Form

Financial Management & Systems (FMS) Assessment Tool

First Disbursement Request Form

Guide to Writing the Procurement and Supply Management Plan

Version A: PSM plan for Principal Recipients/Sub-Recipients that conduct some or all their procurement in-house

Version B: PSM plan for Principal Recipients/Sub-Recipients that completely outsource procurement to a procurement agent

Version C: PSM plan for Principal Recipients that coordinate procurement conducted by Sub-Recipients

Institutional & Programmatic (I&P) Assessment Tool

Monitoring and Evaluation (M&E) Assessment Tool

Principal Recipient Assessment Background Analysis

Principal Recipient Assessment Report

Procurement & Supply Management (PSM) Assessment Tool

Template Grant Agreement

Template Specimen Signature Letter