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The Aidspan Guide to Understanding Global Fund Processes for Grant Implementation

Volume 2: From First Disbursement to Phase 2 Renewal

November 2007

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Preface

This Aidspan publication is one of several free Aidspan guides for applicants and recipients of grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund). The following is a partial list of the guides that Aidspan has produced:

- ***The Aidspan Guide to Understanding Global Fund Processes for Grant Implementation – Volume 1: From Grant Approval to Signing the Grant Agreement*** (First edition December 2005; originally titled “*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*** – *This document* (November 2007)
- ***The Aidspan Guide to Building and Running an Effective Country Coordinating Mechanism (CCM)*** (Second edition September 2007, available in English, Spanish and French)
- ***The Aidspan Guide to Round 7 Applications to the Global Fund*** (March 2007, available in English, Spanish and French)
- ***The Aidspan Guide to Developing Global Fund Proposals to Benefit Children Affected by HIV/AIDS*** (May 2006)
- ***The Aidspan Guide to Obtaining Global Fund-Related Technical Assistance*** (First edition January 2004)

Unless otherwise indicated, the guides listed above are available in English only.

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 NGO that serves as an independent watchdog of the Global Fund and provides services benefiting countries that wish to obtain and effectively use Global Fund grants. Aidspan recently moved from New York, USA to Nairobi, Kenya. 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 over 7,000 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.*

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Readers are invited to email David Garmaise at garmaise@aidspan.org 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*. Feedback of all kinds is always helpful.

List of Acronyms

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

CCM	Country Coordinating Mechanism
CPs	Conditions precedent
FPM	Fund Portfolio Manager
GFO	Global Fund Observer
LFA	Local Fund Agent
M&E	Monitoring & evaluation
NGO	Non-Governmental Organisation
PR	Principal recipient
PRM	Price Reporting Mechanism
PSM	Procurement and supply management
PU/DR	Ongoing Progress Update and Disbursement Request
SR	Sub-recipient
SWAp	Sector-Wide Approach
TB	Tuberculosis
TS	Technical support
TOR	Terms of reference
TRP	Technical Review Panel
UNAIDS	United Nations Joint Programme on HIV/AIDS

Chapter 1: Introduction and Background

This chapter describes the purpose of this guide, explains how it was put together, and outlines the contents. The chapter also defines some of the terminology used in the guide. Additionally, the chapter provides an overview of the Global Fund, briefly describes the structure of the Global Fund Secretariat, and provides a summary of the key information contained in the Grant Agreement.

Purpose of This Guide

Some of the biggest challenges to the successful implementation of projects funded by the Global Fund result from grant recipients having an incomplete or wrong understanding of the Fund's minimum requirements, expectations and systems; from recipients having to deal with a number of administrative and reporting requirements; and from recipients encountering practical problems when preparing to implement projects.

This guide is designed to help grant recipients understand the Global Fund processes involved in implementing a newly approved grant, and deal with problems that may arise during implementation. The guide focuses on the interactions between the PR and other stakeholders, particularly the Global Fund and the LFA. The guide does *not* attempt to provide advice concerning the implementation of actual activities associated with projects being financed by the Global Fund.

“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) given that they play an important role in the implementation process.

How This Guide Was Put Together

This guide was written on the basis of the following research conducted by the author:

- a review of relevant Global Fund documentation (see list in [Appendix I](#));
- a review of other Aidspan guides (see [Preface](#));
- discussions with Global Fund staff;
- discussions with representatives of CCMs and PRs who have gone through the grant implementation process; and
- discussions with NGOs and other stakeholders who are involved in CCMs specifically, or with the Global Fund generally.

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 Aidspan.

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 “project” to describe the activities funded by a Global Fund grant. (Note that the Global Fund often uses the term “programme” rather than “project.”)

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 2: Ongoing Reporting, Reviews and Disbursements](#).

The term “indicative” (as in “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” 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 Renewal” (this document) covers the period from the first disbursement of funds to the CCM Request for Continued Funding for the second phase of the grant.

The balance of **Chapter 1** provides an overview of the Global Fund, a description of the Fund’s structure and a summary of the key information included in the Grant Agreement.

[Chapter 2](#) outlines the ongoing reporting requirements of the PR; describes how these reporting requirements are tied to disbursements of funds; and reviews the role of the CCM in this process. In addition, Chapter 2 describes the preparation of the Grant Performance Report by the Global Fund Secretariat; and discusses the factors that can lead to delays in disbursements to PRs.

[Chapter 3](#) outlines what the Global Fund requires with respect to the preparation of annual financial statements by the PR, and the annual audit of these statements.

[Chapter 4](#) describe the process for amending the Grant Agreement and for making changes to the PR’s budget, workplan, PSM Plan and M&E Plan.

[Chapter 5](#) describes the role of the Global Fund in assisting PRs to identify sources of technical support (TS), and provides information on where TS can be obtained.

[Chapter 6](#) describes in detail the Phase 2 Renewal process. The chapter explains what the Global Fund requires in the CCM Request for Continued Funding, how the request is assessed by the LFA, and how it is reviewed by the Global Fund Secretariat. Chapter 6 also describes the factors and the process involved in the decision whether or not to continue funding. In addition, Chapter 6 explains the role of the CCM in the Phase 2 Renewal process; outlines the key factors that the Global Fund has identified as contributing to the success of the Requests for Continued Funding; and explains what is involved in extending the Grant Agreement for grants for which continued funding has been approved.

At the end of Chapters 2, 3 and 6, Global Fund documents that are relevant to the processes described in each chapter are listed in text boxes, and information is provided on where to obtain copies. [Appendix I](#) provides a complete listing of these documents.

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 in the form of 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” about 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 Sub-National CCMs (sub-CCMs), Regional Coordinating Mechanisms (RCMs), Regional Organisations (ROs) and Non-CCMs.

Special Note: We have endeavoured to ensure that the information contained in this guide is up to date. However, Global Fund policies and procedures relating to grant implementation are constantly evolving. In most instances, communications from the Global Fund Secretariat and new forms issued by the Secretariat will be sufficient to alert grant recipients to any changes. However, we suggest that recipients check with their FPM if they have any questions concerning what are the most recent policies and procedures.

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 evidence-based interventions.

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; and to cross cutting activities, including strengthening of national health programmes. Funded activities include both the piloting of new and innovative projects 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, and promote behaviour change.

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 projects 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*

In its first six rounds of funding, the Global Fund approved 444 proposals, involving potential expenditures of US\$4.7 billion over two years.

The Global Fund is a results-oriented organisation. The Fund is interested in tangible results, such as the number of people reached by a project in a given year, and the impact of a project 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 is designed to work through multi-sectoral partnerships in developing countries – partnerships known as “Country Coordinating Mechanisms (CCMs).” The CCMs develop and submit grant proposals to the Global Fund. The proposals are reviewed by a Technical Review Panel (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 generally nominates an organisation to serve as principal recipient (PR). Once a Grant Agreement is signed (see below), the PR becomes legally responsible for implementing the project. The Global Fund channels its funding for the project through the PR. The PR may disburse some of this funding to sub-recipients (SRs) who will implement project activities. The CCM reviews the PR's progress in the implementation of the projects financed by the grant, and coordinates feedback, communications and technical support (TS) (if necessary) 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 (with timelines) 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.

Towards the end of Phase I, the CCM must formally apply to the Global Fund for Phase II Renewal (also known as the “CCM 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 project term to (up 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 driver's seat,” so that programmes are country-led and executed without undue outside interference or conditions, and so that countries can monitor and evaluate performance against targets that they themselves have set. In return, the Global Fund asks that countries share the responsibility

for monitoring performance, and ensuring transparency and accountability in the implementation of projects.

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 usually available from the Fund at each step of the process. This help can include facilitating access to TS 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 provide in-country oversight services for the Global Fund. 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 Performance Evaluation and Policy 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;¹
- the **Operational Partnerships and Country Support Team**, which works with the Portfolio Management Team to support the implementation of projects 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 for the Fund's core operations, including procurement, LFAs, finance, the TRP, and the proposal submission and review 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 direct requests for TS 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

¹ Note, however, that the Procurement Supply Policy and Management Team, the members of which are in frequent contact with PRs and LFAs, is located in the Business Services Division.

- East Asia and the Pacific
- Latin America and the Caribbean
- 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 the same person for all of the grants. Navigating the Global Fund processes for grant implementation becomes much easier if there are good inter-personal relationships between the FPM and the PR and CCM.

Summary of the Key Information Included in the Grant Agreement

The initial Grant Agreement consists of the following four components:

- Face Sheet
- Standard Terms and Conditions
- Annex A
- Performance Framework (Years 1 and 2)²

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

- the parties to the agreement;
- the project title;
- the grant amount;
- the grant number;
- the project start and end date;
- terminal dates for any conditions precedent (CPs);
- the PR bank account details;
- the PR fiscal year;
- the LFA contact details;
- the signatories to the agreement – the PR and the Global Fund authorized representatives, plus some CCM members (as witnesses); and
- the PR and Global Fund additional representatives.

The Standard Terms and Conditions set out the basic legal terms of the Grant Agreement.

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

- the programme description, including the summary, goal, target group (beneficiaries), strategies, planned activities, initial CCM members and technical partners;
- budget information;
- the CPs;

² The Performance Framework, which used to be referred to as “Attachment to Annex A.” was introduced recently by the Global Fund. By now, all attachments to annex A should have been replaced by Performance Frameworks.

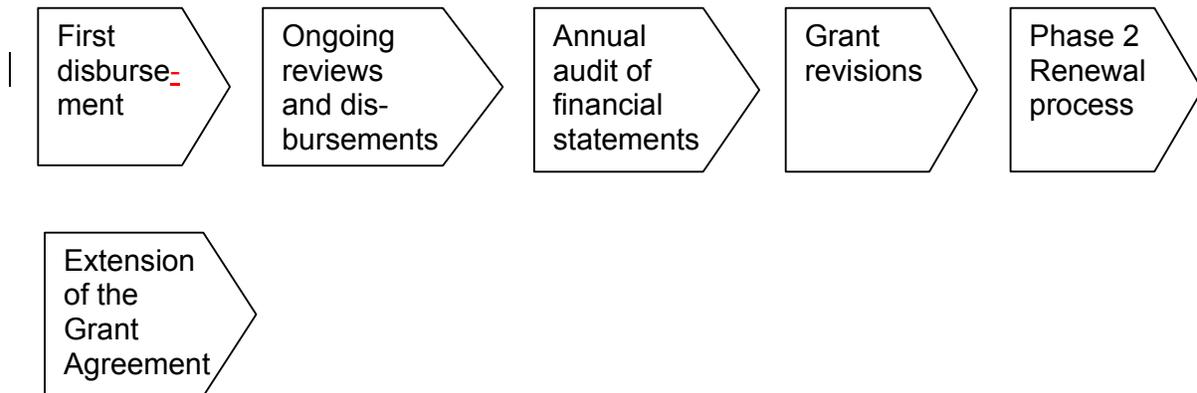
- the forms applicable to the agreement, including the Progress Update and Disbursement Request (PU/DR); and
- the Special Terms and Conditions.

The Special Terms and Conditions are additions to the Standard Terms and Conditions necessary for the particular Grant Agreement.

The Performance Framework (Years 1 and 2) contains the project's goals, and key impact and outcome indicators; and the project's objectives, service delivery areas and key indicators. For each indicator, baseline data and periodic (i.e., time-bound) targets are included.

Snapshot of the Process from First Disbursement to Phase 2 Renewal

The flow chart shown below provides a brief snapshot of the steps required from when the first disbursement is made to when the grant is renewed for a second phase.



Note that some of these steps can happen simultaneously – e.g., the ongoing reviews happen on an ongoing basis, and grant revisions can occur at any time.

This guide describes all of the above steps in detail.

Chapter 2: Ongoing Reporting, Reviews and Disbursements

This chapter discusses the ongoing reporting requirements of the PR and describes how these reporting requirements are tied to disbursements of funds. The reporting requirements include periodically submitting Ongoing Progress Update and Disbursement Requests (PU/DRs), regularly reporting certain procurement information, and preparing an annual report. The chapter outlines the role of the CCM in the reporting process. As well, the chapter describes the preparation of the Grant Performance Report by the Global Fund Secretariat. Finally, the chapter discusses the factors that can lead to delays in making disbursements to PRs.

Once the Grant Agreement has been signed, and the first disbursement has been made to the PR, the Global Fund makes subsequent disbursements of funds on the basis of periodic demonstrations of programmatic progress and financial accountability. This is a critical part of the Global Fund's commitment to performance-based funding.

The most important reporting requirement that the PR has to fulfil is the periodic filing of the Ongoing Progress Update and Disbursement Request (PU/DR).

The PU/DR

The PR is responsible for providing to the Global Fund three closely linked items – information on programmatic progress, information on financial accounting, and requests for ongoing financing. These are provided in a single form, the PU/DR form. (The form used to be called “Disbursement Request and Progress Update,” and hence may be more familiar to some people as the “DR/PU.”)

What the Global Fund requires

As its name implies, the PU/DR is both a progress report on the disbursement period just completed, and a request for funds for the next period. The PR must submit a PU/DR on a quarterly, semi-annual or annual basis. The frequency is specified in the Grant Agreement, but it can sometimes change during the course of project implementation.

The PR must submit a PU/DR for every disbursement period, even when no disbursement is being requested. PRs should complete the PU/DR within 45 days of the close of the disbursement period.

In the PU/DR, the PR must provide a consolidated report of all progress and expenditures associated with Global Fund financing for the project. This means that the PR is responsible for aggregating data from all SRs involved in project implementation. This can be a challenge when there are many SRs involved in a project, especially for regional projects covering many countries.

√ **TIP: Making the PU/DR frequency consistent**

If a PR is (or will be) implementing different projects at the same time (e.g., an HIV project and a TB project; or two malaria projects approved in different rounds), we suggest that the PR attempt to ensure that the PU/DR frequency is the same for each project. Otherwise, it becomes confusing and there is a tendency to forget what is due when.

The best way to ensure that the PU/DR frequency is the same for each project is to tie the frequency to the country's normal financial periods.

The Global Fund has prepared ‘PR Guidelines for Completing the ‘Ongoing Progress Update and Disbursement Request.’ ” The guidelines are very helpful for anyone preparing a PU/DR. See [Appendix I](#) for information on how to obtain a copy.

The PU/DR contains three sections:

- the Programmatic and Financial Progress Update (section 1);
- the Cash Reconciliation and Disbursement Request (section 2); and
- the Cash Request and Authorization (section 3).

The Programmatic and Financial Progress Update

Section 1, the Programmatic and Financial Progress Update, is divided into three sub-sections:

- Program Progress (section 1.A);
- PR Comments on the Fulfilment of Conditions Precedent (CPs) and/or Special Conditions (section 1.B); and
- Program Expenditures (section 1.C).

Program Progress

In section 1.A, the PR provides an update on the programmatic results for the disbursement period, measured against the targets established for the project. Section 1. A repeats certain information contained in the Performance Framework (Years 1 and 2) attached to the Grant Agreement, such as the objectives of the project, the service delivery areas (SDAs) and the performance indicators (including baseline information and targets for each indicator). The performance indicators reported on in the PU/DR must exactly mirror those included in the Performance Framework. Section 1.A also contains a comment box where the PR is required to explain and justify any variance between results and agreed-upon targets. In explaining the variances, the PR may cite mitigating circumstances beyond its control.

In section 1.A, the PR is also required to provide on overall evaluation of its own performance; and to describe any changes it is planning to the project (i.e., changes from what was contained in the Grant Agreement.) If the changes are significant, they should be discussed first with the FPM.

Finally, in section 1.A, the PR may provide additional qualitative information on programme results, success stories, lessons learned (or reasons why the PR could not achieve the targets set out in the Performance Framework).

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 project. These are derived from the approved proposal. But the Global Fund says that while these indicators are appropriate for the purposes of the PR monitoring its own activities, not all of the indicators are necessary for performance-based monitoring.

Therefore, only some of these indicators should be selected for performance-based monitoring and included in the Performance Framework attached to 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.

PR Comments on the Fulfilment of Conditions Precedent (CPs) and/or Special Conditions

In section 1.B, the PR provides an update on all the CPs and other special conditions which were set out in the Grant Agreement, whether or not these were due to be fulfilled during the disbursement period covered by the PU/DR.

Program Expenditures

In section 1.C, the PR provides an update on the financial situation of the grant for the period of the progress update. This is a high level summary of key financial data. It is this data that will form the basis for further disbursement by the Global Fund. Section 1.C is intended to compare actual expenditures against the budget, both in total and by specific categories, such as disbursements to SRs and the cost of health products. Section 1.C provides financial data which is specific to the disbursement period covered by the PU/DR, as well as cumulative data from the beginning of the project to the end of the disbursement period. The PR must provide explanations for any variances between budgeted and actual expenditures.

The PR is also required to prepare a Statement of Sources and Uses of Funds (Cash Flow Statement) for the reporting period just ended. This statement is not included in the PU/DR form provided by the Global Fund. For this statement, the PR is expected to use its own usual format and expenditure line items (as derived from its budgeting and accounting records). In the instructions that accompany the PU/DR Form, the Global Fund explains that while it does not prescribe specific expenditure line items, it does prefer that the PR's reporting format be activity-based, in line with the project's objectives and SDAs. In the Statement of Sources and Uses of Funds, the PR is expected to show actual expenditures as compared to budget for both its own expenditures and disbursements to SRs.

The Statement of Sources and Uses of Funds should be consistent with the information contained in Section 1.C of the PU/DR; and also with the information in the Cash Reconciliation for the Period Covered by Progress Update (Section 2.A of the PU/DR – see below).

Cash Reconciliation and Disbursement Request

Section 2, the Cash Reconciliation and Disbursement Request, is divided into two sub-sections:

- the Cash Reconciliation for Period Covered by Progress Update (section 2.A); and
- the Disbursement Request (section 2.B).

Cash Reconciliation for Period Covered by Progress Update

In section 2.A, the PR provides information regarding changes in the PR's cash position during the disbursement period covered by the PU/DR. The PR is asked to show:

- the opening balance (cash on hand at the beginning of the period); *plus*
- (a) cash received from the Global Fund during the period, and (b) other income received (such as bank interest); *minus*
- (a) project expenditures incurred during the period (PR expenses and disbursements to SRs), and (b) other expenditures (e.g., bank fees); and, finally,
- the closing balance.

► **ALERT**

There can be confusion in the case of PRs that have sub-structures (e.g., regional and district health offices of an MOH) as to whether funds transferred to these sub-structures should be considered as either disbursements or expenditures by the PR, even when the sub-structures have not yet utilised the funds as of the reporting date. We are aware that one PR reached an agreement with the LFA that since sub-structures of the PR are still part of the PR and are not SRs, the funds in question should be considered as expenditures rather than disbursements, but should only be considered as expenditures when the sub-structures have actually spent the funds. PRs in this situation must remember to obtain information on any unutilised balances from their sub-structures in order to properly report their cash position.

Note that the PR may be required to perform additional calculations to deal with currency conversions, and that shifts in currency values can have a significant negative (or positive) impact on a project.

Disbursement Request

In section 2.B, the PR provides an explanation for the disbursement amount being requested. The request should be based on the forecasted net expenditure for the next disbursement period – i.e., the period immediately following the period covered by the PU/DR – plus an extra cash “buffer” period of three months. The extra quarter is designed to ensure that any delays in reporting do not lead to disruptions in project activities. If there is any unspent and uncommitted cash in the PR’s bank account (or residing with sub-structures of the PR), the disbursement request should be reduced by an equivalent amount.

For example, if a PR is reporting on a semi-annual basis, the first disbursement request, submitted at the time of the signing of the Grant Agreement, would have covered disbursement period 1 (i.e., quarters 1 and 2) plus quarter 3. When the PR submits its second PU/DR, its request should include its financing needs for disbursement period 2 (i.e., quarters 3 and 4) plus quarter 5, minus any unspent and uncommitted funds. Similarly, the third PU/DR should request the financing needs for disbursement period 3 (quarters 5 and 6) plus quarter 7, minus any unspent and uncommitted funds.

A comment box is provided for the PR to explain any variance between forecasted expenditures and what was originally budgeted in the Grant Agreement (or, if applicable, the amount subsequently updated and approved by the Global Fund).

Cash Request and Authorization

In section 3, the Cash Request and Authorization, the PR shows the amount of the disbursement request. The PR should also provide key authorization information for the request – i.e., signature, name and title of its authorized representative, as well as the date and place where the disbursement request was signed.³

Some exceptions to normal procedures

The results reported in the PU/DR normally reflect activities carried out in the period just completed. In some cases – particularly when a PR’s reporting is based on an already existing reporting system – the PR may not be able to report on the results of the period just

³ The disbursement request must be signed by the same authorized representative identified by the PR prior to the signing of the grant agreement. (The Global Fund may allow to the PR to identify more than one authorized representative.)

completed. For example, if the PR is relying upon a national health management information system to collect data from a large number of districts, the PR may only receive information about programmatic coverage from the districts after the 45-day window for completing the PU/DR has elapsed. If this is unavoidable, the PR should still submit a report within 45 days of the close of each period, but the results contained in the PU/DR will relate not to the period just completed, but rather to the preceding period.⁴

If Global Fund financing is part of a Sector-Wide Approach (SWAp) or other form of pooled funding, reporting requirements may differ. For example, the targets and results achieved will typically reflect the national targets and results, rather than targets and results specific to the Global Fund financing. Similarly, it will not be possible to track all Global Fund expenses individually, as they will be intermingled with those of other funders. In these cases, it is appropriate and acceptable to report in the PU/DR on the broader SWAp programmatic and financial progress.

Description of the process after the PU/DR form is filled out

The PU/DR form is contained in an Excel file provided by the Global Fund. The file also contains a section for the LFA Ongoing Progress Review and Disbursement Recommendation which, as the name suggests, is completed by the LFA. Some of the information that the PR enters on the PU/DR form is automatically copied onto the LFA Ongoing Progress Review and Disbursement Recommendation section of the form. Once the PR has completed the PU/DR Form, it sends the Excel file to the LFA.

Some Global fund documents suggest that at this stage the PR provide a copy of the PU/DR to the CCM for comment and, in practice, this is usually what happens. However, the extent to which CCMs review the PU/DR, and whether or not they provide formal comments back to the PR, varies. Some CCMs find it easier to discuss issues with the PR at the CCM's regular meetings.

LFA review

The LFA then reviews the PU/DR and completes the LFA Ongoing Progress Review and Disbursement Recommendation section. In this section, the LFA:

- verifies that the PR has correctly entered all information;
- comments on progress to date and on any variances between targets and results;
- comments on progress towards the achievement of all applicable CPs; and
- comments on any variances between the PR's reported expenditures and the original budget.

√ **TIP: Work with the LFA while completing the PU/DR**

Many PRs have found it very useful to work closely with the LFA during the preparation of the PU/DR so that mistakes are corrected even before the final submission to the LFA. This minimises delays in reporting. Furthermore, there is considerable on-the-job training and capacity building in the process.

√ **TIP: Bring the LFA on visits to SRs**

PRs can request that the LFA accompany the PR during the latter's visits to SRs. The LFA can help to underscore and clarify issues especially with respect to timely reporting and requesting appropriate help from the PR.

⁴ If the PR knows upfront that there will be a time lag in reporting, ideally this should be taken into account at the time of the signing of the Grant Agreement, and the dates associated with the targets in the Performance Framework adjusted accordingly. If the time lag is only identified after the Programme Start Date, the PR can request changes to the Performance Framework.

In assessing the PU/DR, the LFA will consider the characteristics of both the grant (e.g., the amount of funding in the Grant Agreement, and the PR's track record) and the country (e.g., political instability). With a "low-risk" PR that received high marks in its financial management systems and M&E assessments, and has consistently demonstrated its ability to report correctly and completely, the LFA might only periodically review a small sampling of receipts and records of programmatic progress. With a "high-risk" PR, the LFA might choose to sample a larger set of PR materials, or to carry out site visits to peripheral facilities to check the consistency between what is reported centrally with what is gathered at the primary data collection points.

The LFA prepares a rating of the overall programmatic and financial progress of the project. The LFA must select a rating from the list in the following table:

Table 2.1 – Rating Scale for LFA Assessment of Progress

Rating	Description
A	Met or exceeded expectations
B1	Adequate
B2	Inadequate, but potential demonstrated
C	Unacceptable

Note that these are same rating categories used during Phase 2 Renewal (see [Chapter 6: The Phase 2 Renewal Process.](#))

The rating pertains to cumulative progress from the beginning of the programme to the end of the period covered by the PU/DR. The LFA is required to provide full justification for the assessment based on the results and any contextual considerations. The LFA is also required to provide comments concerning any changes that the PR is planning for the project.

Further, the LFA is required to comment on the quality of the data provided by the PR, and to mention any issues that have arisen from the reporting. If the PR has included in the PU/DR qualitative information on project results, success stories or lessons learned, the LFA is also required to comment on this. As well, the LFA should include any other project results, success stories or lessons learned which may not have been mentioned by the PR.

The LFA is also required to identify any expenditures (incurred or forecast) that it considers should not be funded by the Global Fund. Finally, the LFA is required to make a recommendation concerning the amount of funds it believes should be disbursed to the PR for the next disbursement period, and to provide a justification for the recommended amount. The LFA disbursement recommendation must take into account the trends in the PR's progress over time, the mitigating factors that a PR cites if it has been unable to reach a target, and any corrective actions proposed by the PR.

The LFA is expected to complete its review of the PU/DR within five days. The LFA then forwards the completed Excel file (containing both the PU/DR and the LFA Ongoing Progress Review and Disbursement Recommendation) to the Global Fund Secretariat.

Global Fund Secretariat review

The Global Fund Secretariat considers both documents, paying particular attention to the following considerations:

- Have programmatic targets been reached?
- Are expenditures in line with budgets?

- Is there contextual information that should be taken into account in the disbursement decision?
- Are there any requirements (including CPs) that have not been met?

The Secretariat then decides whether to allow the requested disbursement of funds; allow a partial disbursement of funds; or deny the disbursement request. This process can take up to five days.

The decision concerning the amount to be disbursed is not a mechanical one. For example, simply because a PR has achieved 50 percent of its targets does not mean that 50 percent of the funds should be released. The Fund's decision will take into account what the PR plans to do in the next reporting period, the trends in the PR's progress over time, how the PR has responded to previous requests from the Global Fund, the mitigating factors that a PR cites if it has been unable to reach a target, and any corrective actions proposed by the PR.

If any funds are to be disbursed, the Global Fund instructs its trustee (the World Bank) to disburse the appropriate amount. The Fund also sends a letter to the PR notifying it of the disbursement and requesting that the PR provide confirmation when the disbursement is received. In the same letter, the Fund will provide a rationale if a lesser amount of funds were disbursed than the PR requested. The Fund may also request that the PR take certain steps to improve its performance (based on recommendations from the LFA or the FPM).

What happens if a disbursement request is denied, as sometimes occurs (especially when there are issues involving CPs)? It is our understanding that there are no formal rules or process in place to deal with this situation. In some cases, the Global Fund may conditionally approve a disbursement following a satisfactory explanation of mitigating circumstances. But if the disbursement request is simply turned down, the PR may find itself in uncomfortable circumstances and project implementation will suffer. The best way for PRs to make sure these problems do not arise is to maintain a constant dialogue with the FPM and to work together to resolve problems before they can get out of hand.

PSM Reporting Requirements

In addition to submitting PU/DRs, PRs are obligated to regularly report certain information about health products procured using Global Fund financing, using the online Price Reporting Mechanism (PRM).⁵ Information must be reported for antiretroviral drugs, anti-TB drugs, anti-malaria drugs, bednets and condoms. These reports must be filed each time products are received. PRs must provide details on prices paid, procurement volume, type of packaging, country of manufacture, payment terms, lead time and results of quality control efforts.

PRs must submit data on the products that they procure as well as those procured by SRs. The information should be provided within 30 days of when the products are received. If some information is not available at that point (such as the results of quality control testing on batches of products), the additional details should be entered into the system as soon as they become available.

Many PRs find the online PRM difficult to use and very time-consuming, especially if they have low-speed or unreliable internet connections. The Global Fund has recently made

⁵ Available via www.theglobalfund.org/en/funds_raised/price_reporting/default.asp.

available an “offline” PSM Reporting Template, which some PRs are using instead of the PRM. (See [Appendix I](#) for information on how to obtain a copy of the template.)

In addition, the Global Fund Secretariat will often request additional information about PSM beyond what is required in the PRM or in the PSM Reporting Template, so PRs should expect to spend a considerable amount of time reporting PSM data.

Annual Reports

Special Note: As we went to press, we were advised by the Global Fund Secretariat that it is developing guidelines for what it calls the “Annual Review” and that these guidelines are scheduled to be disseminated in March 2008. It is possible that, in the interim, some FPMs may not be enforcing the requirement for the PR to prepare an Annual Report.

The Grant Agreement requires that the PR submit annually a fiscal-year financial and programmatic progress report; this report is known as the “Annual Report.” The Annual Report should describe the overall progress towards project goals, and discuss challenges and successes. This information is not fully covered by other regular reporting requirements. The Global Fund regards the Annual Report as a key document for communicating performance and contextual data for the project.

The Annual Report is due within 90 days of the close of the PR’s fiscal year. In the event that the time from the Grant Starting Date and the end of the PR’s fiscal year is six months or less, the Global Fund may relieve the PR of the requirement to produce an Annual Report for the initial period. In this case, the first annual report will coincide with the end of the second fiscal year-end and will cover a period of up to 18 months from the commencement of the project.

The Annual Report should contain full aggregated programmatic results for the year; and a summary of project revenues and expenditures for the fiscal year. Both of these requirements may be satisfied by a PU/DR that contains aggregated data for at least four full quarters and is less than three months old. The Annual Report should also contain the following contextual information on the grant:

- key partnerships in reaching goals (i.e., relative financial and programmatic contributions from partners);
- success stories, lessons learned and challenges of the grant;
- progress towards impact on the three diseases;
- quality of services provided, perspectives of recipients, accreditation;
- additional relevant data from the M&E system or plan (not already included in attachments); and
- any independent assessments or quality reviews of the project.

Finally, the Annual Report should describe future plans to build the programme towards longer-term (five-year) goals.

The Global Fund does not prescribe a set format for the Annual Report; nor has it developed any guidelines on how the report should be filled out (aside from what is reported in this chapter). The Fund does say, however, that if the full Annual Report is not provided in English, then a summary translation of the report must be provided in English.

If recent annual reports on the project have been prepared for other purposes, the Global Fund encourages PRs to use these reports to fulfil the requirements outlined here. If such reports are available, but one or more key requirements are not covered, the PR is requested to send the relevant additional information and documents to the Global Fund along with the existing report. The additional information may be submitted in any format that is convenient to the PR; each area should be described in approximately two to three pages.

Ensuring that the Performance Framework Document Is Current

The Performance Framework (Years 1 and 2) attached to the Grant Agreement contains the project's goals, and key impact and outcome indicators; and the project's objectives, SDAs and key indicators. For each indicator, baseline data and periodic targets are included.

It is important to ensure that the Performance Framework is kept current. If there have been changes to any of key elements of the framework – such as the addition of a new SDA or a change in the date for one of the targets – the PR should work with the FPM to prepare a revised Performance Framework. See [Chapter 4: Grant Revisions](#).

Role of the CCM

Most of the steps described above are the responsibility of the Global Fund and the PR, the two main signatories to the Grant Agreement, and the LFA. So, where does the CCM fit in?⁶

The CCM is responsible for generating the original proposal, for responding to queries from the TRP, and for nominating the PR – a very significant decision that affects the future success of grant implementation. Once the proposal is approved, however, the Global Fund Secretariat negotiates with the PR concerning the Grant Agreement and it is the PR that signs the agreement and becomes responsible for the implementation of the project.

During the implementation of the project, the CCM plays an important oversight role – much like that of an NGO's board of directors. The Global Fund's CCM guidelines⁷ state that the CCM is required to independently track, and report on, the implementation of projects (including evaluating the performance of the PR) and to approve any major changes in implementation plans. The guidelines also state that the PR is required to keep the CCM continuously informed about progress in project implementation, including providing the CCM with periodic narrative and financial progress reports (such as the PU/DR). Open and clear communication channels between the CCM and PR are clear predictors of successful grant implementation. And making sure that the CCM has adequate grant monitoring processes in place is the best way to avoid nasty surprises when it comes time to initiate the Phase 2 grant renewal process.

Despite the guidance mentioned above, 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.

⁶ The Chair of the CCM and a civil society representative of the CCM must also sign the Grant Agreement, but only as witnesses.

⁷ The full title of the guidelines is "The Global Fund's Guidelines on the Purpose, Structure and Composition of the Country Coordinating Mechanism." See [Appendix I](#) for information on how to obtain a copy.

Some CCMs complain that the Global Fund discourages them by telling them not to interfere in project implementation. Other CCMs report that the CCM is left out of the loop after the PR and the Global Fund sign the Grant Agreement. Still others appreciate the absence of Geneva-mandated interactions between the CCM and PR, because this lack of role definition can, at times, provide the type of flexibility needed in order to manage a country-owned and country-driven process.

The PR-CCM relationship is clearly an important one. A large-scale project will not likely be successfully implemented if the PR and the CCM are not working together in harmony and with mutually agreed upon roles and responsibilities. It would be helpful if the Global Fund revised 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 on their respective roles, and prepare a written description of same. (Ideally, this should have been done before the start of project implementation.) We also strongly urge the PR and CCM to organise periodic meetings to share information and review implementation progress. (In many countries, this occurs through the PR's participation in the CCM meetings.)

Grant Performance Report

The Grant Performance Report (which used to be called the Grant Fact Sheet) is prepared by the Global Fund when the Grant Agreement is signed, and is updated (by the Fund) throughout the life of the grant. The Grant Performance Report is intended to provide the Secretariat, PRs, partners and all other Global Fund stakeholders with a thorough and transparent summary of a grant throughout its lifetime. The report includes important grant information about the initial PR assessments, the grant agreement, implementation progress, intended results and results achieved to date. The Grant Performance Report is a very important tool because it is one of the key documents the Global Fund consults during the Phase 2 Renewal decision process.

The precise contents of the Grant Performance Report are outlined in the table on the next page.

The Global Fund updates the Grant Performance Report as required to reflect (a) new disbursement decisions; and (b) any important changes that occur during implementation, such as reprogramming or critical contextual changes.

As indicated in the table, information in the Grant Performance Report on financial accountability issues are derived from the annual audit of the PR. This section of the Grant Performance Report provides summarized information on the outcomes of the audit and any issues or recommendations identified in the audit. In most instances, the audit reports do not identify any significant concerns or issues with the actual accounts of the PR and the grant, but it is not uncommon for the audit reports to include suggestions for improving financial monitoring systems in place.

Table 2.2 – Contents of the Grant Performance Report

Program Description	Program Description Summary	
	Key Discrepancies Between Approved Proposal and Grant Agreement	
	Initial Assessments of Principal Recipient	
	Conditions Precedent	
Key Grant Performance Information	Programme Goals, Impact and Outcome Indicators	
	Programmatic Performance	Reporting Periods
		Programme Objectives, Service Delivery Areas and Indicators
		Cumulative Progress To Date
	Financial Performance	Grant Financial Key Performance Indicators (KPIs)
		Programme Budget
		Programme Expenditures
		Graph – Cumulative Programme Budget, Expenditures and Disbursement to Date
Progress Update and Disbursement Information		
Phase 2 Grant Renewal		
Contextual Information	Country Latest Statistics	
	Contextual Information	
	Summary of Financial Accountability Issues from PR Annual Audit Report	

Factors That Can Delay Disbursements

If the PU/DR is filed late, or if it is incomplete, or if it contains errors, disbursements will likely be delayed.

Disbursement delays are a concern for both the PRs and the Global Fund. Late disbursements can lead to delays in project implementation, delays in identifying and addressing problems with project implementation, a failure to achieve targets on time and, in extreme cases, overall failure of the grant and lack of confidence in the country.

In an effort to reduce delays, the Global Fund Secretariat has identified a number of specific issues that can delay disbursements:

CPs are not properly addressed.

CPs applicable to the current disbursement may not be noted on the PU/DR (or there is insufficient information provided). This can include (a) CPs that were only partially fulfilled with the previous disbursement; and (b) CPs that may have previously been fulfilled, but, due to changing events, may no longer be fulfilled (and should therefore be addressed again).

There are problems with the PR signature authorization.

The PR may submit a disbursement request that has been signed by someone whose signature is not properly authorized. This can occur because (a) no signature specimen document has been provided; (b) signatories have been changed and the PR or LFA have

not notified the Global Fund (and provided new specimen signatures); or (c) the signature specimen document on file is not the correct document (e.g., the PR provides a specimen signature document for signature authority over the PR's bank account and assumes that this authorization also applies to disbursement requests from the GF)

The PRM has not been updated.

The PRM should contain all relevant data up to and including the period being reported on. The Global Fund decided in mid-2006 that any disbursement is conditional upon completion of PRM reporting.

There are deficiencies in financial reporting in the PU/DR.

Incurred expenditures may be incorrectly reported. For example: (a) committed funds are erroneously included in the cash reconciliation statement; (b) expenditures at the SR level are erroneously included in the PR's cash reconciliation statement; or (c) amounts directly disbursed to third parties (e.g., funds for procurement sent directly to a procurement agent) are not included.

Forecasted expenditures may be incorrectly reported. For example, (a) the forecast itself is incorrect, due to incorrect methodology (the forecast should pertain to what the PR anticipates will be spent during the forecast period, regardless of how much cash is on hand or how much cash will be requested from the Global Fund); (b) the forecast amount incorrectly omits committed funds from the period being reported on (because payment has not yet been made, but will be made in the near future, the PR should "roll forward" these committed amounts to the forecast period); (c) the forecast fails to include payments expected to be made to a third party; (d) the forecast erroneously includes cash in transit amounts (these are amounts disbursed from the Global Fund to the PR, but not yet received by the PR); or (e) the end of the forecast period is already past by the time the PU/DR is submitted or received (PRs should check with their FPM concerning how this ought to be handled).

Another problem that occurs fairly frequently is that the opening cash balance is incorrectly reported (it should always equal the closing cash balance in the previous report; any discrepancies need to be clearly explained).

There are problems with the LFA Ongoing Progress Review and Disbursement Recommendation section of the PU/DR.

For example, (a) the LFA fails to catch errors or omissions by the PR; (b) there is a lack of consistency in the analysis, conclusions and recommendations of the LFA; or (c) the LFA's financial analysis is incomplete

Global Fund Guidance Documents, Forms, Tools and Templates Relevant to This Chapter

Guidance Documents

- PR Guidelines for Completing the Ongoing Progress Update and Disbursement Request (PU/DR)
- The Global Fund's Guidelines on the Purpose, Structure and Composition of the Country Coordinating Mechanisms

Tools, Forms and Templates

- Performance Framework Form (Years 1 and 2)
- Offline [PSM] Reporting Template
- Ongoing Progress Update and Disbursement Request (PU/DR) Form

For information on how to obtain copies of all guidance documents, forms tools and templates, please visit the Aidspace website at:

www.aidspace.org/globalfund/implementation.

Chapter 3: Annual Financial Statements and Audits

This chapter outlines what the Global Fund requires with respect to the preparation of annual financial statements by the PR, and the annual audit of these statements. It also describes the process that is followed after the audits are completed.

Annual Financial Statements

The Global Fund requires that the PR generate project financial statements annually. The financial statements should be prepared in accordance with an identified financial reporting framework such as international accounting standards (e.g., International Financial Reporting Standards, International Public Sector Accounting Standards), national accounting standards or other comprehensive basis of accounting (e.g., cash-based).

Financial Statements which have been prepared under international accounting standards should generally consist of the following:

- Balance Sheet
- Statement of Income and Expenditure
- Statement of Changes in Equity
- Cash Flow Statement
- Notes to the Accounts (including accounting policies)

If Financial Statements are prepared on a cash basis, which is the minimum requirement, the Global Fund would only expect to see the Cash Flow Statement (this can also be called a “Statement of Income and Expenditure Prepared on a Cash Basis”) and Notes to the Accounts. When preparing financial statements using a cash basis, it is considered best practice to give the reader of the statements additional information on significant assets or liabilities relating to the programme – e.g., by including additional schedules for fixed assets, inventories, advances or commitments.

It is important to ensure that the cash flow statement reconciles to disbursements received from the Global Fund.

Unless agreed otherwise (e.g., for a common funding mechanism), the financial statements for a reporting entity should show separately Global Fund project income, expenditures and balance remaining.

Annual Audit

The Global Fund also requires that the PR’s annual financial statements be audited by an external auditor. The annual audit is separate from any audit or inspection that may be performed by the Global Fund or other parties pursuant to the Grant Agreement. (Note that SRs must meet similar requirements.) The audited financial statements must be submitted within six months of the end of the PR’s fiscal year.

Normally, an external auditor will have been proposed by the PR during the PR Assessment prior to the signing of the Grant Agreement. (If that did not happen, then an external auditor must be proposed within the first six months of project implementation.) For more information, 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 I](#) 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.

The Global Fund expects that, in most cases, the auditor that performs the annual audit of the organisation serving as PR will also perform the annual audit of the Global Fund project. The Global Fund will not cover fees normally associated with the regular annual audit of the financial statements of a PR that would be incurred regardless of the Global Fund grant. However, any incremental audit fees associated with fulfilling the Global Fund audit requirements may be financed through the grant (and should be included in the project budget and workplan).

The PR is required to develop terms of reference (TOR) for the external audit. The Global Fund suggests that these be based on the TOR developed by the Development Assistance Committee of the Organization for Economic Cooperation and Development. In fact, in Annex 1 of its Guidelines for Annual Audits of Program Financial Statements, the Fund has provided specimen guidelines for the TOR based on the work of the Development Assistance Committee. The LFA reviews the external audit TOR developed by the PR and advises the Global Fund on their acceptability.

The audit of the PR's financial statements should cover only the PR's receipts and expenditures; it should not be a consolidated financial statement of the receipts and expenditures of both the PR and SRs. It is the responsibility of the PR to ensure that separate external audits of each SR is performed, using an approach that is similar to that described in the Guidelines for Annual Audit of Program Financial Statements. The PR must provide the Global Fund with a plan of how the SR audits will be carried out.

Where the Global Fund co-finances a programme with other donors – e.g., as part of a SWAp arrangement – Fund policy states that a single audit report covering all project expenditures is acceptable, as long as the Global Fund grant and expenditures can be clearly identified. In practice, however, the Global Fund Secretariat sometimes requests that separate audits be conducted.

√ **TIP: Discuss draft findings**

Standard practice for auditors is to discuss the draft findings of the audit with the PR before the report is finalised. This affords the PR an opportunity to provide explanations for some of the issues identified by the auditor.

√ **TIP: One audit for all SRs**

Often, PRs arrange for one audit for all SRs, especially when there are several SRs all receiving relatively small amounts of funding.

Applicable international audit standards should be used for conducting the audit. However, national standards are acceptable where these are consistent with the international standards in all material respects.

Where a multilateral organisation assumes the role of PR, the audit policies of the multilateral organisation apply.

The report from the auditor should be accompanied by a management letter, which summarizes the findings and recommendations of the auditing agency.

The Process After the Audit Is Completed

Once the annual audit of the PR is done, the LFA receives and reviews the audit report and management letter. The LFA also receives and reviews the audit reports of SRs (as forwarded by the PR).

Where the audit findings identify capacity deficiencies or inappropriate expenditures financed by the Global Fund, the LFA recommends remedial actions to the Global Fund. Prior to sending off the recommendations to the Fund, the LFA discusses the audit findings and recommendations with the PR. PRs are encouraged to engage their development partners or other sources to assist in fulfilling any necessary improvements in internal controls and in addressing other capacity building needs.

If the internal control deficiencies or other audit findings are significant, resulting in a PR not being able to demonstrate accountable use of the grant proceeds, future disbursements by the Global Fund may be reduced, halted or made contingent upon correction of the deficiencies. The LFA reviews the PR's progress in implementing the audit recommendations as part of its ongoing monitoring function.

Where the audit identifies inappropriate expenditures financed by the Global Fund, the Fund, in accordance with the Grant Agreement, may request a refund from the PR of the amount of the inappropriate expenditures.

Global Fund Guidance Documents, Forms, Tools and Templates Relevant to This Chapter

Guidance Documents

Guidelines for Annual Audits of Program Financial Statements

Tools, Forms and Templates

N/A

For information on how to obtain copies of all guidance documents, forms tools and templates, please visit the Aidspace website at:
www.aidspace.org/globalfund/implementation.

Chapter 4: Grant Revisions

This chapter describe the process for amending the Grant Agreement and for making changes to the PR's budget, workplan, PSM Plan and M&E Plan. It also explains the use of implementation letters.

Amendments to the Grant Agreement

Over the course of implementation, it may be necessary to modify the Grant Agreement. Changes may be made to the Face Sheet, the Standard Terms and Conditions, Annex A, or the Performance Framework (Years 1 and 2).

As described in [Chapter 1: Introduction and Background](#), the Face Sheet contains many of the basic facts about the Global Fund grant. Most of this information should remain the same throughout the duration of the Grant Agreement. However, some sections – in particular the PR bank account details, the information concerning the LFA, and the names of the additional representatives of the PR and the Global Fund – may change.

The Standard Terms and Conditions contain the basic legal terms of the Grant Agreement. Changes to this section in the course of implementation should be rare and would typically only occur if the Global Fund decided to make significant revisions to its business model that were deemed so critical that they needed to be applied to all existing Grant Agreements.

Annex A contains the programme description, budget information, CPs, forms applicable to the Grant Agreement, and any Special Terms and Conditions. Changes to any of these sections require the use of an “implementation letter” (see below).

The Performance Framework sets forth the project's main objectives, the performance indicators and targets, and the periods for reporting. Changes to the Performance Framework also requires an implementation letter.

If a PR wishes to make a change that materially alters the scope of the original proposal, the PR must first seek CCM endorsement, and then seek approval from the Global Fund. The request goes first to the LFA and then to the FPM. This request must be accompanied by a justification for the change, new targets (and, if necessary, new indicators), a new budget and a new workplan. The Global Fund Secretariat may refer the matter to the TRP for a review of the technical merits of the proposed change prior to making a decision on it.

Every time the Grant Agreement is modified, a revision number is noted on the Face Sheet of the Agreement, and a new version of the Face Sheet is sent to the PR.

√ **TIP: Change unrealistic targets**

The PR may feel pressure to meet targets contained in the original proposal that were not realistic. An example of this would be where the original proposal contains targets related to the implementation of Directly Observed Therapy (DOTS) for TB when the proper infection control measures are not yet implemented in treatment facilities and doctors do not yet have the training to implement these activities properly. It is far better to adjust these targets (and, in some cases, to abandon them), but this must be done in consultation with the FPM, and the PR needs to provide a solid rationale for the changes.

The Use of Implementation Letters

As indicated above, implementation letters are sometimes required to amend a Grant Agreement. These letters can also be used to address issues arising in the course of project implementation (such as when an LFA makes recommendations in the course of reviewing a PU/DR).

The Global Fund Secretariat prepares the implementation letters. It sends two copies of the signed letter to the PR, which must countersign both copies and return one to the Secretariat.

Amendments to the PR's Budget, Workplan, PSM Plan and M&E Plan

PRs need to periodically update their budgets and workplans to reflect project realities. In most situations, PRs have the flexibility to prepare these updates without the approval of the CCM, the LFA or the Global Fund Secretariat. However, the LFA follows all changes closely; thus, it can be argued that the LFA has tacit authority to recommend whether the changes should be approved, in the sense that it makes disbursement recommendations to the Global Fund based on the most up-to-date workplan and budget.

In addition, as outlined above, if a PR wishes to make a change that materially alters the scope of the original proposal, a revised budget and workplan has to be formally approved by both the CCM and the Global Fund Secretariat.

PRs are able to make minor changes to the PSM Plan or the M&E Plan without seeking approval. However, if the PR wishes to change any targets, approval is required and the Performance Framework must be updated.

In the event of a significant change to the project's PSM or M&E plans or procedures, the PR should inform the LFA, which will make a recommendation to the FPM as to whether the change is so fundamental that a revision to the PSM Plan or M&E Plan is needed. Two examples of significant changes are (a) if the PR decides to modify its procurement or supply management systems by changing from an outsourcing arrangement to handling procurement in-house; and (b) if the PR decides to switch from using a data collection system specific to the Global Fund to a national M&E system.

If the changes are very significant, the LFA will recommend to the FPM whether further assessment of the PR's capabilities are needed.

Because the Budget and Workplan, PSM Plan and M&E Plan do not form part of the Grant Agreement, changes to these items may not require the use of implementation letters.

Changes to the scope of the project

The following bullets illustrate what the Global Fund considers to be a material change in the scope of a grant. Please consult Chapter 5 of Volume 1 of this guide for examples of each of these changes.

- Adding a goal or objective that was not contained in the original proposal (even if doing so does not affect the existing goals or objectives.)
- Dropping in its entirety a goal or an objective and re-allocating its budget to another goal or objective.
- Altering the balance between two or more goals or objectives, 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).

Chapter 5: Technical Support to Improve Project Implementation

This chapter describes the role of the Global Fund in assisting PRs to identify sources of technical support (TS), and provides information on where TS can be obtained.

As more funds flow into countries from the Global Fund and other donors to fight AIDS, TB and malaria, PRs and other implementing organisations may find that they need training and capacity building in certain areas in order to successfully implement projects. Ideally, in the original proposal sent to the Global Fund, CCMs should identify TS needs for the project, and should include training and capacity building activities in the workplan and budget. If problems occur during the implementation of Phase 1, additional TS may be required. If these problems persist at the time of Phase 2 Renewal (see next chapter), the Global Fund may require that the PR implement certain TS-related activities as a condition for Phase 2 funding.

Role of the Global Fund

The Global Fund is a financial instrument, not an implementing agency. This means that the Fund does not directly involve itself in the planning and execution of the activities that are being funded with its resources. If the PR needs TS in any area, the primary role of the Global Fund Secretariat is to act as a catalyst to assist the PR in identifying a source that can provide the needed assistance.

Sources of TS

A number of organisations have provided TS for PRs (and SRs) in the past. These include:

- bilateral development agencies, such as the (UK) Department for International Development (DFID), GTZ (a German aid and TS agency), the United States Agency for International Development (USAID), the US President's Emergency Plan for AIDS Relief (PEPFAR) and the Norwegian Agency for Development Cooperation (NORAD);
- in-country and international NGOs, from very large to very small;
- multilateral agencies, such as the World Health Organization, the United Nations Development Program, the World Bank, the International Labour Organization, and UNAIDS (including the recently created UNAIDS' Technical Support Facilities);
- for-profit companies, including corporations contributing pro-bono resources, and corporations seeking to generate revenue from providing TS; and
- technically qualified individuals able to contribute expertise as volunteers, or as paid staff and consultants.

Some of these agencies charge for the TS they provide. One agency that does not charge for TS is GTZ's BACKUP Initiative, which is designed specifically to provide TS for CCMs and for the implementation of Global Fund-approved grants.

In projects funded to date, the BACKUP Initiative has (among other things) assisted PRs to set up systems for disbursements to SRs; provided assistance to strengthen technical and financial implementation and M&E systems for PRs; and provided capacity building for stakeholders involved in implementing Global Fund-financed projects. GTZ is continuing to

accept applications for assistance. The website of the BACKUP Initiative is at www.gtz.de/backup-initiative.

Aidspan has published “The Aidspan Guide to Obtaining Global Fund-Related Technical Assistance,” which lists 170 organisations or individuals that can provide Global Fund-related TS and capacity building, and that provides contact information and descriptive text for each entry. Copies of the guide are available via www.aidspan.org/guides.

PRs may be able to obtain TS and capacity building from within the academic and research community, or from the private sector, in their own countries. These sources would have an advantage in that they will be familiar with local conditions. PRs can also contact their FPM for advice on where to obtain TS.

The Global Fund usually strives to involve the CCM in mobilizing any needed technical assistance, rather than dealing solely with the PR.

Chapter 6: The Phase 2 Renewal Process

This chapter provides an overview of the steps and timelines involved in the Phase 2 Renewal process, also known as “the CCM Request for Continued Funding,” and explains the role of the CCM in this process. The chapter outlines the key factors that contribute to the success of Requests for Continued Funding. This is followed by a detailed description of what the Global Fund requires in the request, an overview of the role of the LFA in assessing the request; and a detailed description of the process followed by the Global Fund Secretariat in reviewing the request. The chapter then describes the factors and the process involved in the decision whether to continue funding. Finally, the chapter explains what is involved in extending the Grant Agreement for grants for which continued funding has been approved.

Before the end of the initial two-year grant period (Phase 1), the Global Fund decides whether to continue funding for the remainder of the grant (Phase 2). Phase 2 usually lasts for three years, but the time period can be shorter.

This “mid-term” review is an integral part of the Global Fund’s system of performance-based funding, and is designed to:

- encourage grant recipients to focus on results and timely implementation of their project;
- identify opportunities at a relatively early stage of project implementation to expand effective efforts and address potential issues;
- provide a tool to facilitate CCM oversight of grant implementation, and thus ensure that the ownership for an approved proposal resides with a broad group of stakeholders; and
- free up committed resources from non-performing projects for reallocation to projects that have proven to be more effective.

The Global Fund will only approve Phase 2 funding if a project is performing adequately and if there are sufficient funds available. Phase 2 funding may be denied in instances where there are critical risks in a country that are beyond the control of a PR or CCM (such as war).

According to the Global Fund’s Comprehensive Funding Policy, Phase 2 Renewals have priority over new grants when there are only limited resources available.

The Phase 2 Renewal policies, as described in this chapter, apply to all projects funded by the Global Fund; however, some flexibility is permitted for Rounds 1 and 2 grants (see box).

Rounds 1 and 2 grants

The policies concerning Phase 2 renewal apply to all grants. However, for grants approved in Rounds 1 and 2, some flexibility is permitted in terms of how the policies are applied. This is because it is recognized that during the Global Fund’s first two years of operation, these policies were still being developed. As well, grant performance information in these early years may not have been collected in as systematic a manner as has been the practice since then.

Overview of the Process and Timelines

In this section of the chapter, the process and timelines for Phase 2 renewals are briefly outlined; further details are provided in subsequent sections.

The starting point for the Phase 2 Renewal process is determined by the Programme Starting Date (as outlined in the Grant Agreement).

(Where there are multiple Grant Agreements with different PRs for the same project, the CCM can decide to submit one request or separate requests for each Grant Agreement. If the CCM decides to submit just one request, the starting point for the Phase 2 Renewal process is determined by the earliest Programme Starting Date.)

The process and timelines are summarized in the following table:

Table 6. 1 – Phase 2 Renewal: Process and Timelines

Timeline	Process
End of month 18	The FPM sends to the CCM an invitation to submit a CCM Request for Continued Funding.
Month 21: 2 nd week	The CCM sends its Request for Continued Funding and all supporting documents to the FPM and the LFA.
Month 22: 2 nd week	The LFA sends its Phase 2 Request Assessment Report to the FPM.
Month 24: first day	The Global Fund Secretariat prepares a recommendation on continued funding for the Board.
Month 24: 2 nd week	The Global Fund Board makes a decision on continued funding.
Months 24-26	The FPM and the PR negotiate an extension to the Grant Agreement for Phase 2.
After the Grant Agreement is signed	First disbursement under the Phase 2 Grant Agreement.

The last two steps in the table assume that funding for Phase 2 is approved.

(Because the Phase 2 Renewal Process can extend into Month 26, Phase 1 grants are automatically extended by three months. The costs for this extension are taken from Phase 1 funds providing they have not all been expended. If necessary, some or all of the costs can be taken from Phase 2 funds. In determining how much funding to provide, the Secretariat will look at performance and disbursement patterns in Phase 1. The maximum amount that can be provided is the amount requested for the first three months of Year 3.)

Extensions to the normal timelines for Phase 2 Renewal will only be granted in exceptionally difficult situations (usually referred to as “*force majeure*”), e.g., major natural disasters or civil war. The normal timelines may be accelerated (i.e., brought forward) in cases where implementation of the project itself has been accelerated, or where severe exchange rate fluctuations have negatively impacted the project budget. CCMs seeking extensions or accelerations should discuss the situation with the FPM.

Roles of the CCM and the PR

As the previous section explains, the CCM is responsible for completing the CCM Request for Continued Funding and all supporting documents. It is also responsible for responding to any questions from the Global Fund Secretariat concerning the request.

However, the Requests for Continued Funding will only be successful if the CCM is working in close collaboration with the PR – not only in the preparation of the CCM Request for Continued Funding itself, but throughout Phase I in order to address any shortcomings or issues.

The following extracts from “The Aidspan Guide to Building and Running an Effective CCM – Second Edition”⁸ are pertinent to this discussion:

The CCM and the PR need to establish a culture of working together in a mutually beneficial way. It is very important that the CCM understand that it must not micro-manage (which is the natural inclination of many CCM members). It is equally important that the PR understand that it must not hide information or mis-report, but rather that it should present progress along with problems and possible solutions to these problems, so that the CCM can guide, advise and, where necessary, decide on big picture issues....

If the CCM and the PR have a good working relationship, it should not be difficult for them to work together to resolve any problems that may arise in project implementation. Problems can be identified in a number of ways:

- the PR can raise issues at CCM meetings (a representative of the PR sits on the CCM);
- the PR can identify issues in the periodic progress reports it prepares for the Global Fund, a copy of which should be provided to the CCM;
- the PR can identify issues during periodic consultative meetings with the CCM (as suggested above); and
- the CCM can identify issues through its review of the periodic progress reports and through its site visits.

Once a problem is identified, the PR and the CCM should sit down together to find a solution. This is a critical step in the process and one that is sometimes missing or not performed effectively. How can the CCM help find a solution? There may be people on the CCM with expertise in the particular area involved. Or, the CCM may be able to suggest sources that can provide the necessary technical assistance to the PR. In some cases, the CCM may be better placed than the PR to address the problem (e.g., when representations have to be made to a government ministry to obtain a tax exemption on health and other products being imported for a particular project).

As mentioned in [Chapter 2: Ongoing Reporting, Reviews and Disbursements](#), the CCM is expected to play an oversight role during implementation, and the PR is obligated to keep the CCM fully informed of progress (and of any problems that arise). If the CCM has not been kept fully informed, it will be very difficult for it to generate a quality CCM Request for Continued Funding and supporting documentation.

How should the CCM manage its role in the process? It is important that all members of the CCM be involved in the preparation of the Request for Continued Funding. However, for practical purposes, it probably makes sense for the CCM to establish a small Phase 2 Renewal committee or task force, the composition of which reflects the multi-stakeholder

⁸ This guide (and other Aidspan guides) can be downloaded via www.aidspan.org/guides.

composition of the CCM. It is imperative to have representatives of the PR(s) sit on this committee; it may also make sense to include someone from the CCM Secretariat.

We suggest that the committee be tasked with preparing a draft of the Request for Continued Funding, and that the draft be discussed and approved by the full CCM. Usually, this will happen at a formal meeting of the CCM. Prior to the meeting, all CCM members should be given an opportunity to review the draft Request. This means that the CCM Secretariat needs to provide sufficient time for review and comment by CCM members. Extensive use of email correspondence during the entire process can be very helpful.

Key Success Factors

Based on its experience with the first wave of Phase 2 Renewals, the Global Fund Secretariat has identified four key factors that contribute to the success of Requests for Continued Funding:

1. Ensure that any shortcomings, weaknesses and issues identified during Phase 1 are addressed on a continuous basis (and not in the last remaining weeks before Phase 2 Renewal decision-making). (The Phase 2 Renewal process assesses performance throughout Phase 1, not just in the last reporting period.)
2. Ensure that the CCM Request for Continued Funding includes an objective self-assessment of the project, and takes into account lessons learned from Phase 1 (especially in cases of sub-optimal performance and changing programmatic and epidemiological contexts).
3. Ensure that the preparation of the CCM Request for Continued Funding involves the strong participation of the entire CCM.
4. Ensure that all information and documentation necessary for the Phase 2 decision-making are submitted on time to the Secretariat, and with the right level of completeness and quality.

CCMs should keep these in mind as they implement Phase 1 and prepare their Requests for Continued Funding.

► **ALERT**

While, ideally, the full CCM should discuss and approve the Request for Continued Funding, the unfortunate reality is that in many CCMs, the work is done by one or two people or a small committee and then rubber stamped (i.e., approved with little or no discussion) by the full CCM without any meeting being held. This approach is not in keeping with the Global Fund's principles of partnership and the full participation of stakeholders. It is also less likely to result in successful Requests for Continued Funding.

CCM Request for Continued Funding: What the Global Fund Requires

The CCM Request for Continued Funding, which should be prepared in close collaboration with the PR, is expected to be broadly consistent with the goals and objectives of the original approved proposal, while reflecting lessons learned and project experiences. The Global Fund provides a form for the CCM to use when submitting its request; see [Appendix I](#) for information on how to obtain a copy. The Request for Continued Funding should contain the following elements:

- a CCM assessment of project performance;
- complementary contextual information;
- the proposed budget, major activities, objectives, indicators and targets for Phase 2; and
- a series of attachments.

Each of these elements is described in detail below. As well, the Global Fund has prepared “Instructions for Completing the CCM Request for Continued Funding.” See [Appendix I](#) for information on how to obtain a copy.

CCM assessment of project performance

The CCM is required to assess the performance of the project in Phase 1. The CCM must provide an overall rating of project performance and separate ratings for:

- how well the project achieved intended results;
- how well the PRs disbursed to SRs in a timely and effective manner; and
- overall performance of the PR in managing the grant.

The CCM is asked to use the same rating scale that is employed by the LFA when assessing PU/DRs, i.e.:

A	Met or exceeded expectations
B1	Adequate
B2	Inadequate, but potential demonstrated
C	Unacceptable

The CCM is also required to provide a narrative justification for each of the four ratings it assigns.

The CCM assessment of project performance should be based on information submitted by the PR – i. e, PU/DRs, the Annual Report and the annual audit report – and on the Grant Performance Report. The CCM assessment provides the CCM with an opportunity to comment on the contents of the Grant Performance Report and any other issues raised by the Global Fund through the course of project implementation.

The Global Fund encourages the CCM to incorporate in the assessment any relevant contributions from development partners (i.e., multilateral and bilateral development agencies) and to comment on these contributions. Examples of such contributions are independent evaluations, trip reports and other assessments that may have been conducted for the Global Fund project, other related programmes in-country or the country’s disease interventions in general.

► **ALERT**

In commenting on results achieved to date, the CCM should provide an explanation for any targets that have not been reached. Furthermore, the CCM should describe steps that were or that will be implemented to resolve the problems that led to any under-achievement. This is critical to the entire CCM Request for Continued Funding. In the first few years of Requests for Continued Funding, a number of CCMs failed to do this. Currently, the Global Fund asks for this information in a rather roundabout way in its Instructions for Completing the CCM Request for Continued Funding. We understand that the Fund plans to revise the instructions to make this more clear.

Complementary contextual information

The complementary contextual information section of the CCM Request for Continued Funding is designed to provide information on the wider context within which the grant is operating. This section should include the following:

- a list of CCM members and a description of the functioning of the CCM (including a description of the partnerships established among different constituencies as a result of the project);
- general epidemiological data related to the disease(s) in question, extracted from the country's routine disease surveillance data, and compared to what the CCM provided in the original proposal;
- a description of linkages between the project and other national initiatives;
- a description of changes in the project supporting environment;⁹ and
- information on the level and distribution of overall national financial resources for the disease(s) in question and, if applicable, for broader purposes such as health system strengthening – this should be an update of what was provided in the original proposal – plus, if possible, information on how much of what was previously budgeted has been spent.

Proposed budget, major activities, objectives, indicators and targets for Phase 2

Special Note: While the CCM is technically responsible for preparing the proposed budget, major activities, objectives, indicators and targets for Phase 2, in practice it is usually the PR that does this work.

In describing the proposed budget, objectives, indicators and targets for Phase 2, the CCM should take into account the experiences and lessons learned from Phase 1. If there were problems experienced in Phase 1, the CCM needs to explain how these problems will be addressed in Phase 2; this needs to be reflected in both the project activities and the justification of the Phase 2 budget.

⁹ An example of a change in the project supporting environment is when technical partners introduce new capacity building programs to support PRs and SRs.

The maximum amount that the CCM may request for Phase 2 funding is the total amount contained in the original, approved proposal (after adjustments made by the TRP, if any, and following grant negotiations) less the cumulative amount of grant funds already disbursed to the PR. While this amount constitutes the maximum limit, the CCM is expected to request a “reasonable amount” for Phase 2 (i.e., an amount that could be less than the maximum) based on the following factors:

- cost efficiency and productivity gains (linked to Phase 1 experience);
- Phase 1 programmatic performance;
- the use of funds during Phase 1 (actual and projected, including expected savings);
- anticipated project realities for Phase 2 (including the ability of the PR(s) to speed up implementation as compared to Phase 1); and
- the availability of funding from other sources for the project.

(When the Phase 2 Request is approved, typically the FPM will contact the PR and the LFA to determine if there are any unexpected savings not already identified.)

The Phase 2 budget must be fully justified, especially when there has been a significant under-utilization of funds in Phase 1, *or* when the project has under-performed in Phase 1 *and* a request is being made for the entire Phase 2 maximum amount. (In fact, if project performance has been poor and there are Phase 1 savings, the Global Fund would expect a reduced Phase 2 budget request from the CCM.) An inflated or inadequately justified budget request is likely to be negatively viewed by the Global Fund. The proposed budget for Phase 2 should be sufficiently detailed to enable a review of key underlying assumptions.

The objectives, indicators and targets should be provided, with appropriate baselines, and are expected to be broadly consistent with the goals and objectives of the original approved proposal, while reflecting lessons learned during Phase 1. While many of the indicators for Phase 1, when the project is just getting going, may have been coverage indicators – e.g., number of people reached by the services delivered by the project – the Global Fund will expect to see both impact and outcome indicators included in the plan for Phase 2 (by which time, the project ought to be producing significant results).

Where there are instances of under-performance in Phase 1 or changes in the programmatic or epidemiological context, the CCM should consider the necessity of reprogramming – i.e., revising the scope of activities, or adjusting budgets and targets. The Global Fund recognizes that circumstances may necessitate a CCM Request for Continued Funding that is significantly different from the original proposal – for example, when there is a need to change interventions due to new medical developments or a change in national disease trends. Furthermore, a project may be so far behind its original targets that it would be unrealistic to “catch up” during Phase 2. If the CCM wishes to propose significant changes to the original proposal, it must provide details in this section of the CCM Request for Continued Funding, provide a rationale for these changes, and ensure that the project budget reflects the changes.

► **ALERT**

If the PR takes the position in this section the CCM Request for Continued Funding that some of the targets in the original approved proposal were unrealistic and need to be revised, it will need to include a detailed explanation of why this is the case.

Ideally, the involvement on the CCM of people with expertise in the disease(s) in question will enable the CCM to ensure that the objectives and performance targets in the CCM Request for Continued Funding are appropriate and adhere to up-to-date technical standards and norms for the diseases.

Attachments

The Global Fund requires that the following documents be submitted with the CCM Request for Continued Funding:

- minutes of the CCM meetings relating to discussions on the CCM Request for Continued Funding;
- a detailed budget and workplan for Year 3;
- an indicative budget and workplan for Years 4 and 5, if the programme extends to a fourth or fifth year;
- a new Performance Framework;¹⁰
- a list of health products to be procured in Year 3;
- the latest PU/DR containing a progress update on all agreed-upon indicators (if not previously submitted);
- a copy of the Annual Report (if not previously submitted);
- a copy of the latest annual audit report (if due and not previously submitted);
- a copy of the latest health information system report (if any);¹¹ and
- a revised programme implementation strategy (if applicable).

The CCM Request for Continued Funding may also include in annexes any independent evaluations performed on the project, and other relevant documentation, as appropriate.

Role of the LFA

In order to assist the Secretariat in preparing its recommendations concerning Phase 2 grant renewal, the LFA prepares a Phase 2 Assessment Report. In preparing this report, the LFA:

- reviews the CCM Request for Continued Funding;
- gathers and synthesizes issues and additional contextual information;
- reviews the reasonableness of the Phase 2 budget submitted by the CCM;
- provides an independent assessment and rating of performance during Phase 1;
- provides a Phase 2 grant renewal decision category recommendation; and
- provides a Phase 2 recommended amount.

(The decision categories are described in the next section of this chapter.)

¹⁰ The Secretariat encourages CCMs to complete a Performance Framework for both Years 3 and 4, but will also accept a Performance Framework for only Year 3. Forms are available for either instance; they include instructions on how to fill out the forms. See [Appendix 1](#) for information on how to obtain copies.

¹¹ If there is a national health information system that enables accurate reporting on disease trends and related interventions, a copy of the latest report on the disease(s) in question should be provided.

As was the case with the CCM, the LFA is required to provide an overall rating of project performance and separate ratings for:

- how well the project achieved intended results;
- how well the PRs disbursed to SRs in a timely and effective manner; and
- overall performance of the PR in managing the grant.

The LFA is asked to use the same rating scale as that used by the CCM:

A	Met or exceeded expectations
B1	Adequate
B2	Inadequate, but potential demonstrated
C	Unacceptable

The LFA is also required to provide a narrative justification for each of the four ratings it assigns. The LFA may also submit other comments and recommendations based on its knowledge of project realities and the country situation.

When reviewing the CCM Request for Continued Funding, the LFA should immediately notify the FPM if the request is incomplete, provides insufficient information to enable decision-making, or contains significant errors. In these situations, the LFA will usually seek clarifications or complementary information from the CCM or PR.

Review of the CCM Request for Continued Funding

The Global Fund Secretariat conducts a multi-layered review and analysis in order to develop a recommendation on Phase 2 Renewal to the Board of the Global Fund. This process, which typically occurs within an 8-week timeframe, is designed to assure the quality and robustness of the Secretariat's recommendations to the Board; and to leverage the experience and expertise of the different units within the Secretariat.

The Grant Score Card

Upon receipt of the CCM Request for Continued Funding and the LFA Phase 2 Assessment Report, the Secretariat completes a Grant Score Card, which contains the Secretariat's comments on three areas that are relevant to the recommendation that the Secretariat will make to the Global Fund Board concerning Phase 2:

- project performance;
- contextual considerations; and
- the budget, objectives and performance indicators for Phase 2.

As well, the Secretariat will provide a recommended decision category (see below), will recommend what amount of money should be awarded for Phase 2, and may suggest time-bound actions that it believes the CCM or PR need to implement as pre-conditions for renewal of the grant.

When reviewing the CCM Request for Continued Funding, the Global Fund Secretariat may, at its discretion, arrange for a second review by the TRP. This would likely happen if the request involved significant reprogramming, such as a change in project objectives or a substantial reduction in targets.

Project performance

The Global Fund Secretariat assesses project performance based on a number of factors.

First, the Secretariat looks at the CCM's own assessment of performance as contained in the CCM Request for Continued Funding. Second, it looks at the LFA's assessment of performance as contained in the Phase 2 Assessment Report. (In the Grant Score Card, the Secretariat reviews the ratings provided by the CCM and the LFA [and their accompanying narrative justifications for the ratings] and comments on whether there are particular elements identified by the CCM and the LFA that the Secretariat should take into account in formulating its own recommendations.)

The Secretariat also looks at information generated by the Global Fund's grant process, such as the reports submitted by PRs, which provide an indication of project progress. The Performance Framework, attached to the Grant Agreement, includes annual targets for key coverage indicators, with baselines, for the different SDAs included in the project. By project month 18, using the PU/DRs, PRs will have reported on actual results compared to these targets.

On the basis of this information, the Global Fund Secretariat establishes a project performance rating. The rating categories are the same as those used by the CCM and the LFA, i.e.:

- A Met or exceeded expectations
- B1 Adequate
- B2 Inadequate, but potential demonstrated
- C Unacceptable

Normally, in order to achieve an A rating, target achievement should be 80 percent or better for at least 75 percent of the indicators for capacity building and persons reached with services. As a general rule:

- a B1 rating will be applied when target achievement has been between 50 and 80 percent for at least 50 percent of the indicators for capacity building and persons reached with services;

Internal review process

Within the Global Fund Secretariat, the Grant Score Card is initially filled out by the FPM. Once this is done, the Cluster Leader prepares a decision category recommendation (see main text).

Simultaneously, two other units in the Secretariat perform parallel reviews. The Performance Evaluation and Policy Division performs an independent evaluation of the grant's performance, reviewing the latest data and contextual considerations. It provides its own performance ratings, suggests additional time-bound conditions and provides a separate decision category recommendation.

The Finance Team reviews the financial situation of the grant, performs an independent assessment of the Phase 2 budget submitted by the CCM and provides a separate Phase 2 recommended amount.

The comments and recommendation from the Performance Evaluation and Policy Division and the Finance Team are captured in dedicated sections of the Grant Score Card.

The Phase 2 Panel, a group within the Secretariat, is responsible for making the final Phase 2 recommendations to the Board. The Panel is composed of the Chief of Operations, the Director of Strategic Information and Evaluation, the Chief Administrative Officer, and the Chief Financial Officer. The Phase 2 Panel reviews the Grant Score Card as well as all supporting documents.

- a B2 rating will be applied when target achievement has been between 30 and 50 percent for at least 50 percent of the indicators for capacity building and persons reached with services;
- a C rating will be applied when target achievement is inferior to that shown above for a B2 rating **OR** when contractual obligations under the Grant Agreement have been breached (e.g., gross programmatic incompetence or mis-management of funds).

However, the percentages shown above are only recommended ranges. In establishing the project performance rating, the Global Fund Secretariat will also use its judgment to interpret project progress. For example:

- If there are significant discrepancies in the results among service delivery areas or among regions, the Secretariat will consider the particular context in that country.
- If the project has demonstrated strong recent performance after a slow start, this will be viewed favourably.

As well, the PR's financial accountability is independently assessed through the annual audit report. (If a decision to continue funding is made prior to the submission of an annual audit report, then an extension to the Grant Agreement may be approved on the condition that the Global Fund receives a satisfactory audit report within an agreed timeframe.)

If there have been other project evaluations, these findings will also be taken into account. However, the Global Fund acknowledges that less than two years is usually too short a period of time to conduct a full external project evaluation.

Contextual considerations

In considering contextual issues, the Global Fund Secretariat relies primarily on the comments of the CCM that are contained in the CCM Request for Continued Funding as well as direct observation (e.g., the experiences of the FPM when meeting with the PR or other project implementers), and other relevant information received by the Secretariat. These are examples of the types of contextual issues that the Secretariat considers:

- Have there been significant adverse external influences (*force majeure*)? If yes, can they be alleviated?
- Are there any irresolvable internal issues?
- Are there any financial and project management issues (e.g., slow or incomplete disbursements to SRs, or issues with the PR)? If yes, has the PR moved to correct these?
- Are there any systematic weaknesses in (a) monitoring and evaluation (including data collection); (b) procurement and supply management; or (c) other areas? If yes, has the PR moved to correct these?
- Are there any material issues concerning the quality or validity of data?
- Have there been any major changes in the project supporting environment – e.g., recent initiation of capacity strengthening; support of implementation by technical partners; changes in the intervention context or political commitment?
- Has the project picked up after a slow start – i.e., demonstrated significant improvements in implementation over the last six months?
- Have there been any changes in disease trends?
- Is there any information that would indicate that a project was not advancing the Global Fund's operating principles to promote broad and inclusive partnerships; to

promote sustainability and national ownership; and to ensure that the funds being provided by the Global fund are additional to existing domestic and external sources of funding?

- Are there any synergies between this grant and other Global Fund grants (ongoing or about to be signed)?

The Global Fund may be prepared to approve Phase 2 funding in the case of grants that have not achieved sufficient results, *but that demonstrate major recent improvements in the project supporting environment that could reverse the lack of progress*. As noted above, information on major changes in the programme supporting environment should be submitted with the CCM Request for Continued Funding.

The Global Fund also considers the performance of grant projects in the context of broader country-level disease information. The Fund makes use of strategic information on disease trends and impact, which is routinely collected and analyzed by technical partners. For access to data on national disease indicators, the Fund will link up with the databases of technical partners who collect and update such information on a routine basis, e.g., UNAIDS' Country Response Information Systems (CRIS) and the World Health Organization's Global Health Mapper.

Proposed budget, objectives and performance indicators

The Global Fund Secretariat reviews the proposed Phase 2 budget,¹² objectives and performance indicators (as contained in the CCM Request for Continued Funding) for reasonableness, and recommends adjustments as appropriate. This part of the process:

- will inform how much funding is eventually approved for Phase 2 by the Global Fund Board;
- will establish the objectives and performance indicators for Phase 2 (the indicators may be fine-tuned during grant extension negotiations with the PR); and
- may lead to the establishment of time-bound actions that the PR or CCM may be required to undertake as a condition of continued funding.

In this part of the Grant Score Card, the Secretariat looks at issues such as:

- Are the indicators for Years 3, 4 and 5 appropriate for reporting progress?
- Are the indicators reasonable and consistent with the workplan and budget?
- Are there any added or dropped goals, objectives and SDAs?
- Are there any major reductions in coverage in the SDAs?

The Secretariat also looks at whether the CCM is proposing any material reprogramming. If it is, the Secretariat will look at whether:

- the changes reflect lessons learned in Phase 1;
- appropriate justification has been given;
- the best available technical information has been used; and
- the changes in implementation arrangements have been sufficiently described.

¹² The LFA does a fairly rigorous review of the budget and then summarises its findings. The Global Fund often accepts the analysis done by the LFA.

The Global Fund Secretariat could recommend that certain aspects of the budget be adjusted.

Recommendations concerning decision category, amount of funding and time-bound actions

In the Grant Score Card, the Secretariat recommends a decision category from among the three categories described in the table below.

Table 6.2 – Description of Phase 2 Renewal Decision Categories

Decision category	Project performance and contextual considerations
<p style="text-align: center;">“Go”</p> <p>Phase 2 funding should be committed for the remaining proposal period.</p>	<p>Grants that do not have (a) any significant contextual or programmatic issues or (b) any significant data-integrity issues (i.e., the grant demonstrates completeness of indicators and results and consistency of data).</p>
<p style="text-align: center;">“Conditional Go”</p> <p>Phase 2 funding should be conditionally renewed based on specific time-bound actions to be undertaken by the PR or CCM.</p>	<p>Grants with significant contextual, programmatic or data-integrity issues which can be addressed by the PR or CCM; grants with programmatic or contextual issues that have not demonstrated any significant improvement; and grants that are currently, or that will be, benefiting from a major change in the supporting environment.</p>
<p style="text-align: center;">“No Go”</p> <p>Phase 2 funding should not be committed.</p>	<p>Grants with significant and irresolvable adverse programmatic or contextual issues.</p>

The Secretariat provides a rationale for the decision category it recommends.

(Not all grants are placed in one of the three decision categories described above. Some grants can also be rated “Revised Request.” This occurs when the CCM has requested material re-programming of the grant for Phase 2 and has submitted revised targets and a revised budget with its CCM Request for Continued Funding. The revised targets and budget are referred to the TRP for a review. The TRP then makes a recommendation to the Global Fund Board concerning whether Phase 2 should be approved.)

For grants that are rated Go or Conditional GO, the Secretariat also recommends the amount of the grant that should be awarded for Phase 2. In some cases, it may recommend a lower grant amount than that requested by the CCM. In the Grant Score Card, the Secretariat provides a rationale for its recommended amount.

Finally, the Secretariat identifies whether there are any significant issues that need to be addressed by the CCM or the PR before Phase 2 funding can be fully committed, and it recommends time-bound actions that should be taken by the CCM or PR to address these issues. These could become CPs in the Grant Agreement Extension.

Once they are completed, copies of the Grant Score Cards are posted on the Global Fund’s website via www.theglobalfund.org. Click on “Funds Raised & Spent” in the main menu.

Decision Whether To Continue Funding

The decision categories assigned by the Global Fund Secretariat are only recommendations; the final decisions are made by the Global Fund Board. However, in practice, recommendations from the Secretariat in the “Go” and “Conditional Go” categories have been routinely confirmed by the Board. The Board’s process for considering “No Go” recommendations is discussed further below.

For projects in the “Go” decision category, once Phase 2 funding is approved by the Global Fund Board (assuming that there are sufficient funds available), negotiation of the Grant Agreement Extension proceeds.

For projects in the “Conditional Go” decision category, usually Phase 2 funding is conditionally approved by the Global Fund Board (again, assuming that there are sufficient funds available). The actions that the PR or CCM are required to undertake – i.e., the CPs – often have to be completed by the first Phase 2 disbursement (sometimes by the second disbursement). The projects are provided some funding during this period. If the conditions are satisfactorily met, the full Phase 2 amount is then provided, and negotiation of the Grant Agreement Extension proceeds.

In practice, the Grant Agreement Extensions have been signed anywhere from a few weeks to eight or nine months after Phase 1 ends, but there is no official maximum time allotted for this step.

With respect to Revised Requests, the Board reviews the recommendations of the TRP and makes a decision concerning whether to approve Phase 2 funding. If Phase 2 is approved, negotiation of the Grant Agreement Extension proceeds.

“No Go” recommendations

Exactly how the Global Fund Board should handle “No Go” recommendations from the Secretariat has been the subject of considerable debate at Board meetings held in the last few years, but the Board appears now to have agreed on an ongoing process.

If the Global Fund Secretariat is considering issuing a “No Go” recommendation, the following process is instituted:

- The Secretariat notifies the relevant CCM of its intention to issue a “No Go” recommendation and provides its rationale for the recommendation.
- The CCM is given four weeks to comment.

No-Cost Phase 1 Extensions

The Global Fund Secretariat is authorised to grant extensions of the Phase 1 term without the commitment of additional funding in “exceptional circumstances.” Such circumstances must involve *force majeure* events or other external factors beyond the control of the CCM or PR that have a material impact on conditions surrounding implementation, such that the CCM is unable to provide adequate information for a timely Phase 2 Review. The rationale for granting an extension with no additional funding is that the PR has suffered a break in activities and needs the time to implement planned Phase 1 initiatives.

The Secretariat has issued an information note for CCMs and PRs outlining the policy and procedures for these no-cost extensions. See [Appendix I](#) for information on how to obtain a copy. The information note includes a form for applying for an extension; however, the current practice is to bypass the form and to have the FPM collect this information from the PR or CCM by email. Note that the request for a no-cost extension should *not* be included in the Request for Continued Funding.

- The Secretariat reviews the information provided by the CCM and then issues its formal recommendation to the Board (along with the information provided by the CCM).

If the Global Fund Board does not decide in favour of a Secretariat “No Go” recommendation, the Secretariat is then asked to reassess its recommendation and to provide further clarification. To facilitate the clarifications process, those Board constituencies that object to the “No Go” recommendation are asked to provide a written explanation of their reasons, which is made available to all Board members and the Secretariat.

The Secretariat reviews its recommendation in light of the comments submitted by the Board constituencies. If the Secretariat decides to maintain its “No Go” recommendation, the Secretariat refers the matter to an Independent Review Panel, which assesses those areas where the Board and the Secretariat differ in their assessment, and which reports its conclusions to the Board. The final decision is made at the next Board meeting.

Obviously, this process will take some time. In circumstances where insufficient resources remain in Phase 1 to cover financing needs until the Phase 2 renewal decision can be operationalized, the Global Fund Board has authorized the Secretariat to extend the term of the Phase 1 Grant Agreement for a further three months – i.e., over and above the automatic three-month extension referred to in the section “Overview of Process and Timelines” above. The maximum amount of bridge funding available for the two extensions combined is half of the amount requested for Year 3. This funding is part of, not additional to, the maximum amount available for Phase 2. Neither extension extends the overall term of the grant. In determining how much funding to provide for the additional three-month extension, the Secretariat will look at performance and disbursement patterns in Phase 1.¹³

What happens after the Board decision

In the event that the Board decides to commit additional resources, the Secretariat then proceeds to negotiate grant terms with the PR (either to extend the existing grant agreement or, if appropriate, to enter into a new grant agreement with a new PR).

If the Board does not commit additional resources, grant funding terminates at the conclusion of Phase 1. However, in situations in which Global Fund resources have been used to start people on lifelong treatment, or other treatment that is designed to extend beyond the termination of the grant, Global Fund resources can be provided to continue treatment for a period of up to two years (providing the grant recipient has been unable to secure the necessary resources from other sources).

A CCM whose Request for Continued Funding is not approved may submit an “Extra-Ordinary Request for Continued Funding for Treatment” to cover the costs of such treatment.¹⁴ The request can cover all expenses related to the continuation of treatment (including medicines, diagnostics, and medical staff and other personnel directly involved in the care of patients in treatment). The funding will cover only those people already placed on treatment under the existing proposal at the time of the request. At this time, there is no form for CCMs to fill out. The practice is that the Secretariat contacts the CCM to let it know it is eligible to apply; to explain what documentation is required (basically, a budget,

¹³ The additional three-month extension described here for grants that have received a “No-Go” recommendation from the Global Fund Secretariat is also available to grants that have been categorised as “Revised Request.”

¹⁴ An Extra-Ordinary Request for Continued Funding for Treatment can also be submitted in situations where a grant has been suspended or unexpectedly terminated, or where a grant has reached the end of its natural term; and in *force majeure* situations.

proposed targets, an M&E Plan and a PSM Plan); and to advise the CCM to contact the FPM for further details. In future, the Secretariat plans to develop internal policy guidelines for these extra-ordinary requests as well as a form for the CCM to use.

The Grant Extension Process

Once a decision has been made to extend grant funding for Phase 2, the PR and the FPM negotiate a Grant Agreement Extension. The extension sets out the total amount of grant funding and the results to be achieved. It also defines the legal obligations of both parties. The extension must reflect the nature of the decision to continue funding (i.e., the decision category), including any relevant CPs.

Negotiating the Grant Agreement Extension involves a process similar to that undertaken for the original Grant Agreement (see Volume 1 of this guide for a description of this process). The structure of the extension is identical to that of the original Grant Agreement.

As with the original Grant Agreement, the LFA plays a pivotal role in the negotiations on the Grant Agreement Extension. Where programme or financial management issues have been identified, or where re-programming may require certain new capacities for a PR, the LFA may, upon request, conduct any relevant assessments or verifications.

In instances where there is a change in PR for Phase 2, the LFA undertakes a complete PR Assessment to determine the suitability of the new PR (see Volume 1 of this guide for details of the PR Assessment).

Global Fund Guidance Documents, Forms, Tools and Templates Relevant to This Chapter

Guidance Documents

- CCM Request for Continued Funding Form
- Comprehensive Funding Policy
- Information Note for CCM and PR: Global Fund Policy on Extensions – Phase 1 and Phase 2 Term (Without Committing Additional Funds)
- Instructions for Completing the CCM Request for Continued Funding

Tools, Forms and Templates

- Performance Framework Form (Year 3)
- Performance Framework Form (Years 3 and 4)

For information on how to obtain copies of all guidance documents, forms tools and templates, please visit the Aidspace website at:
www.aidspace.org/globalfund/implementation.

Appendix I: 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. (This is a compilation of the lists included at the end of several chapters in this guide.)

To obtain copies of these guidance documents, tools and templates, please visit the Aidspace website at:

www.aidspace.org/globalfund/implementation.

Guidance documents

Comprehensive Funding Policy

Guidelines for Annual Audits of Program Financial Statements

Information Note for CCM and PR: Global Fund Policy on Extensions – Phase 1 and Phase 2 Term (Without Committing Additional Funds)

Instructions for Completing the CCM Request for Continued Funding

PR Guidelines for Completing the Ongoing Progress Update and Disbursement Request (PU/DR)

The Global Fund's Guidelines on the Purpose, Structure and Composition of the Country Coordinating Mechanisms

Tools and templates

CCM Request for Continued Funding Form

Offline [PSM] Reporting Template

Ongoing Progress Update and Disbursement Request (PU/DR) Form

Performance Framework Form (Years 1 and 2)

Performance Framework Form (Years 3 and 4)

Performance Framework Form (Year 3)