



Independent observer
of the Global Fund

THREE EXCERPTS FROM "THE AIDSPAN GUIDE TO UNDERSTANDING GLOBAL FUND PROCESSES FOR GRANT IMPLEMENTATION - VOLUME 2: FROM FIRST DISBURSEMENT TO PHASE 2 RENEWAL"

Following are three excerpts from “The Aidspan Guide to Understanding Global Fund Processes for Grant Implementation – Volume 2: From First Disbursement to Phase 2 Renewal,” whose publication was announced in GFO #82 (available at www.aidspan.org/gfo).

Versions of this guide in French and Spanish have just been posted, as announced below.

Excerpt 1: The Progress Update/Disbursement Request (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.

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.

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.

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).

[Each section is discussed in detail in the guide.]

Excerpt 2: Ongoing Reporting, Reviews and Disbursements: Role of the CCM

Most of the steps described [in this chapter] 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?

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 guidelines 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.

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.)

Excerpt 3: 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 [Conditions Precedent] 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

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