Republic of Moldova

Tuberculosis and HIV/AIDS Control Program

Implemented with the financial support of the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM)

PROGRAM OPERATIONS MANUAL

Project Coordination, Implementation and Monitoring Unit

Chisinau, August 2007

Table of Contents

Abbreviations

ACT	Artemisinin-based combination therapy
AIDS	Acquired Immune Deficiency Syndrome
AIHA	American International Health Alliance
CCM	Country Coordination Mechanism
CQ	Consultant Qualifications
DOTS	Directly Observed Therapy, Short course
DST	Drug Susceptibility Testing
ED	Executive Director
EOI	Expression of Interest
FAC	Final Acceptance Certificate
FMR	Project Management Report
FPM	Fund Portfolio Manager
FS	Financial Specialist
FSW	Female Sex Workers
GDF	Global Drug Facility (for anti-TB drugs)
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GLC	Green Light Committee
GoM	Government of Moldova
HAART	Highly Active Anti-Retroviral Therapy
HIV	Human Immunodeficiency Virus
IAPSO	Inter-Agency Procurement Services Office
IBRD	International Bank for Reconstruction and Development
IC	Individual Consultants
ICB	International Competitive Bidding
IDA	International Development Association
IDUs	Injectable Drug Users
INN	International Non-proprietary Name
IS	International Shopping
IT	Information Technology
ITC	Information To Consultants
L/C	Letter of Credit
LCS	Least Cost Selection
LFA	Local Fund Agent
M&E	Monitoring and evaluation
MDGs	Millennium Development Goals
MDR-TB	Multi-Drug Resistant Tuberculosis
MIS	Management Information System
MOH	Ministry of Health
MSM	Men having Sex with Men
MTCT	Mother-To-Child-Transmission
NCB	National Competitive Bidding
NCPHM	National Center for Public Health and Management
NGO	Non-governmental organization
NOA	Notification of Award
NS	National Shopping

NS	National Shopping
NTP	National Tuberculosis Program
PBF	Performance Based Funding
PCIMU	Project Coordination, Implementation and Monitoring Unit
PHC	Primary Health Care
PLWHA	People living with HIV/AIDS
PRM	Price Reporting Mechanism
PMR	Procurement Management Report
POM	Program Operations Manual
PR	Principal Recipient
PS	Procurement Specialist
PSA	Public Service Announcement
PSC	Program Supervisory Committee
PSM	Procurement and Supply Management
PWC	Price Waterhouse Coopers
QCBS	Quality and Cost Based Selection
RFP	Request for Proposals
RQ	Request for Quotations
SAC	Site Acceptance Certificate
SDA	Service Delivery Area
SPA	Special Project Account
SPN	Specific Procurement Notice
SR	Sub-Recipient
STI	Sexually Transmitted Infections
SYMETA	System of Monitoring and Evaluation for TB and HIV/AIDS
TA	Technical Assistance
TAPC	TB/AIDS Program Coordinator
TB	Tuberculosis
TOR	Terms of Reference
TWG	Technical Working Group
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
UNFPA	United Nations' Fund for Population Activities
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
VAT	Value Added Tax
VCT	Voluntary Counseling and Testing
WB	World Bank
WHO	World Health Organization

1. Program Operations Manual's Objectives and General Content

This Program Operations Manual (POM) is designed to assist the Project Coordination, Implementation and Monitoring Unit (PCIMU) in the management of the Moldova TB/AIDS Program financed by the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM). It is meant to facilitate the program implementation and to promote consistency as well as transparency in the operations in terms of programmatic and institutional arrangements, procurement, financial management, monitoring and evaluation.

The POM provides detailed criteria and terms and reference for program implementation arrangements. This document includes a brief description of the program and its components, program implementation plan and budget, program management arrangements, organizational structure of the PCIMU and job descriptions of its staff, procurement methods and financial procedures. Annexes to this POM contain key guides, detailed information on rules and procedures to be followed and other documents relevant to the Program.

The POM grounds its procedures and methods on best practices from similar programs and on legal and technical documents from its financing entity as well as on the past experience of the PCIMU in administering projects under the Global Fund and World Bank / IDA financing.

Standard Terms and Conditions, legal covenants and key program management arrangements that guide the Program implementation under GFATM financing are contained in the Grant Agreements for HIV/AIDS and TB grants (attached in Annexes 1 a-d to this POM).

Annexes relevant to this Chapter:

1.a Grant Agreement for grant MOL-607-G03-H (HIV/AIDS/STI component)

1.b Annex A to the Grant Agreement for grant MOL-607-G03-H (HIV/AIDS/STI component)

1.c Grant Agreement for grant MOL-607-G02-T (TB component)

1.d Annex A to the Grant Agreement for grant MOL-607-G02-T (TB component)

2. Program Background, Objectives and Components

2.1 Background

The Republic of Moldova is a country in transition which re-gained independence from the Soviet Union in 1991. The period of transition to the democratic society and market economy was complicated by severe economic downturn, armed conflict in Transnistria, worsening living conditions, breakdown of the social safety net and profound disintegration of the health system.

HIV/AIDS and tuberculosis (TB) are important public health problems in the country. Over the last decade, the Government had undertaken serious efforts to control the epidemics additional resource mobilization, implementing contemporary strategies for diseases' control, ensuring access to essential services and strengthening partnerships and civil society involvement. One of the key developments had been the implementation of the Moldova TB/AIDS program since 2003, financially supported by the Global Fund Round 1 TB/AIDS grant, the World Bank (IDA) for HIV/AIDS grant and USAID grant for TB.

As all the mentioned projects are at the completion stage at the moment, in order to ensure adequate financial coverage of priority interventions in HIV/AIDS/STI and TB control and continuation of the TB/AIDS Program, in 2006 the Country Coordination Mechanism (CCM) of Moldova decided to apply for additional funding to the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) in Round 6 of applications. In November 2006, the GFATM's Board approved the country's proposals for HIV/AIDS and TB, and the respective Grant Agreements were signed in 2007.

The Global Fund was created to dramatically increase resources to fight three of the world's most devastating diseases, and to direct those resources to areas of greatest need. As a partnership between governments, civil society, the private sector and affected communities, the Global Fund represents an innovative approach to international health financing.

The Global Fund was founded on a set of principles that guides its operations:

- Operate as a financial instrument, not an implementing entity.
- Make available and leverage additional financial resources.
- Support programs that reflect national ownership.
- Operate in a balanced manner in terms of different regions, diseases and interventions.
- Pursue an integrated and balanced approach to prevention and treatment.
- Evaluate proposals through independent review processes.
- Establish a simplified, rapid and innovative grant-making process and operate transparently, with accountability.

The Moldova GFATM-financed TB/AIDS Program consists of two components; the following is a brief description of these components.

2.2 HIV/AIDS/STI Component

Entitled *Scale-Up of Access to Prevention, Treatment and Care*, the project will be implemented in the framework of the National Programme on Prevention and Control of HIV/AIDS/STI supported by the Government, non-governmental organizations (NGOs) and other partners. Starting 2008, the 5-year project aims to expand HIV prevention, treatment and care to ensure universal access to highly active antiretroviral treatment (HAART), increase voluntary counseling and testing (VCT), and scale up prevention for the vulnerable population groups.

The project has three main Objectives, which are presented below together with key interventions supported within this component:

1. To reduce sexual and mother-to-child transmission (MTCT) of HIV/STIs, and transmission of HIV via needle sharing by scaling up the access of the population to prevention and testing services, through:
    - Expanding free, voluntary confidential HIV testing and counseling to reach the estimated 60,000 women who become pregnant annually in Moldova;
    - Delivering medications to prevent MTCT to 950 women and newborns;
    - Increasing the number of centers offering VCT to 34 and establish a hotline for anonymous counseling and information;
    - Increase to four the number of reference laboratories able to confirm HIV infection and perform other diagnostic test;
    - Developing and disseminating education materials on HIV/AIDS to youth aged 15-24 and integrating VCT in the Family Planning and Youth Friendly Clinics; and
    - Training counselors and supporting NGOs to scale up accessible prevention and VCT for other vulnerable groups including injecting drug users (IDUs), migrants, men having sex with men (MSM), and female sex workers (FSW).

2. To foster equal access to essential care and support for people living with HIV/AIDS (PLWHA) expansion of the social and health services and measures to combat discrimination and stigma, through:
    - Increasing to 6,000 the number of PLWHA receiving HAART;
    - Instituting PLWHA peer support and other measures to increase adherence to treatment;
    - Establishing two new inpatient / outpatient HIV/AIDS clinics in Balti and Slobozia;
    - Strengthening the integration of TB and HIV testing;
    - Creating a framework for monitoring of discrimination and support services made available to at least 6,000 PLWHA nationwide.

3. To strengthen government and community capacity to cope with the HIV epidemic through partnerships and enhanced coordination, through:
    - Strengthening the capacity of the Technical Working Groups of the CCM and

assisting in programme coordination and development of the annual workplans;

- Training staff and providing equipment and support to enable computerization and integration of HIV and TB surveillance and implementation of a comprehensive National Monitoring and Evaluation (M&E) system;
- Conducting joint training for TWGs and other key government staff; strengthen NGO participation through subcontracting of services, trainings, increase in budget and HIV data collection transparency, and support of advocacy networks.

Having a nation-wide scope, the project foresees a number of interventions targeting high-risk and vulnerable groups, such as youth, pregnant women, IDUs, FSWs and their clients, MSM and PLWHA.

Particularly important will be support for HIV prevention and the establishment of a laboratory and HAART provision site in Transnistria, the region which has remained separated from the national HIV prevention and treatment systems or support from international donors. The proposal, supported by the Transnistrian authorities, will relieve this inequity, and the CCM will play a key role in facilitating the dialogue between the central authorities in Chisinau and local authorities in Transnistria.

The grant will extensively uphold advocacy and national capacity building, which are expected to foster the government support to HIV/AIDS control initiatives, allowing for gradual take over from the external support.

The budget of the HIV/AIDS/STI component is USD 15,940,710 over the project's lifetime (5 years), out of which USD 6,411,071 were approved for the Phase I (first 2 years).

2.3 Tuberculosis component

Entitled *Strengthening Tuberculosis Control in the Republic of Moldova*, this component has the overall strategy to solidify the accomplishments of the DOTS expansion carried out in the previous 5 years by improving the quality of DOTS, addressing the challenges of multidrug-resistant TB (MDR-TB) and TB/HIV co-infection, and strengthening the management capacity.

The overall goal of the program is to reduce the burden of TB. By the end of the project, case detection of smear-positive cases is expected to reach the global target of 70% and treatment success for these cases is expected to reach 80%, close to the global target of 85%.

The component has four main Objectives:

1. *To strengthen DOTS by improving case detection and case management.* The objective aims to sustain the gains of the DOTS program and improve case detection and treatment outcomes. It targets the quality of diagnostic investigations, diagnostic and case management skills, and treatment of drug-susceptible TB. It also addresses national policies and diagnostic capability for TB/HIV co-infection.
2. *To improve management of MDR-TB by expanding the DOTS-Plus project.* The objective envisages expansion of the DOTS-Plus project for MDR-TB patients and pursues improved diagnostic capability, treatment, case management, patient support

and measures for infection control.

3. *To strengthen the management and coordination of the national health care system for TB control and program management.* The objective aims to improve the coordination, management and supervision of the national TB control efforts. The project targets improvement of the technical and managerial capacities of the NTP and PCIMU. It will support monitoring of the peripheral units of the national surveillance system, improved drug management, and upgrading the national surveillance, monitoring and evaluation system.
4. *To increase public awareness and reduce stigma.* The objective supports increased public awareness of TB and TB/HIV co-infection through development and delivery of mass media programs and awareness campaigns. Planned activities will address TB-related stigmatization and prevention of TB/HIV co-infection.

With the support of the GFATM grant from Round 1, Moldova revised TB control policies, upgraded the facilities and improved the skills of health professionals to ensure consistency with the evolving international standards. The investments made in the laboratory network, case finding, public awareness, and surveillance are critical issues to be supported by the Round 6 TB grant. Diagnosis capability will be extended to culture (30,000 per annum) for all patients registered for treatment and drug susceptibility testing (DST) (10,500 per annum) for drug-resistant cases. First-line drugs will be provided to 5,800 patients in year 1, decreasing to 3,500 patients in year 5 as the Government will take over an increasing share of these costs. Second-line drugs will be provided to 200 patients annually during years 1-2 and for 250 patients annually during years 3-5. Over the project's lifetime, 36,100 TB patients will receive treatment under DOTS and 1,150 TB patients will receive second-line treatment for MDR-TB.

Human resources are a critical challenge for the National TB Control Program in Moldova. In the proposed project, training and re-training on DOTS will be conducted for 200 TB doctors, 2,000 Primary Health Care (PHC) practitioners, and 250 laboratory personnel. Training on DOTS-Plus will be conducted for 250 TB doctors and 250 PHC practitioners. Supervisory visits from the NTP are to increase from 40% of units to 100% of units by the end of year 2. Direct observation of treatment in the continuation phase is expected to increase from 60% currently to 85% by the end of year 5. Guidelines will be developed for the management of TB/HIV co-infection and relevant training will be conducted. By the end of the project, over 80% of notified TB cases will be tested for HIV.

Training on conveying information will be provided to 65 journalists and 120 TB/HIV peer educators during years 1-4. Every year, 37,000 leaflets and brochures will be provided to the general public, 6,600 leaflets – to TB patients and their families; 2,000 booklets will be provided to TB patients on HIV prevention. Each year, 40 informational programs and 2 public service announcements (PSAs) on TB and 1 PSA and 4 talk shows on TB stigma will be developed and broadcast in the mass media. By the end of year 5, the proportion of the population that can identify the 3 most important symptoms of TB is expected to increase from 49% to 74%; and the proportion of the population that would not try to hide TB disease is expected to increase from 62% to 80%.

While targeting the entire population at large, the component includes interventions targeting specific population groups such as prisoners, labor migrants, PLWHA, families of TB patients, health professionals including PHC providers.

The proposed interventions are linked closely to the National Programme on Prevention and Control of Tuberculosis for 2006-2010 and aim to strengthen early detection, proper diagnosis and appropriate case management. The GFATM support will contribute to bridge the managerial and funding gaps and to extend TB control to include MDR-TB and TB/HIV management. The project will further build up institutional relationships that contributed to the substantial accomplishments during the previous grant and will contribute towards the country's progress in achieving the global TB control targets.

The budget of the TB component is USD 11,907,667 over the project's lifetime (5 years), out of which USD 5,675,507 were approved for the Phase I (first 2 years).

The Project Coordination, Implementation and Monitoring Unit (PCIMU) acts as the Principal Recipient of GFATM funds under the both components.

Annexes relevant to this Chapter:

2.a Moldova Round 6 Proposal to the Global Fund Round 6 (HIV/AIDS/STI and TB components)

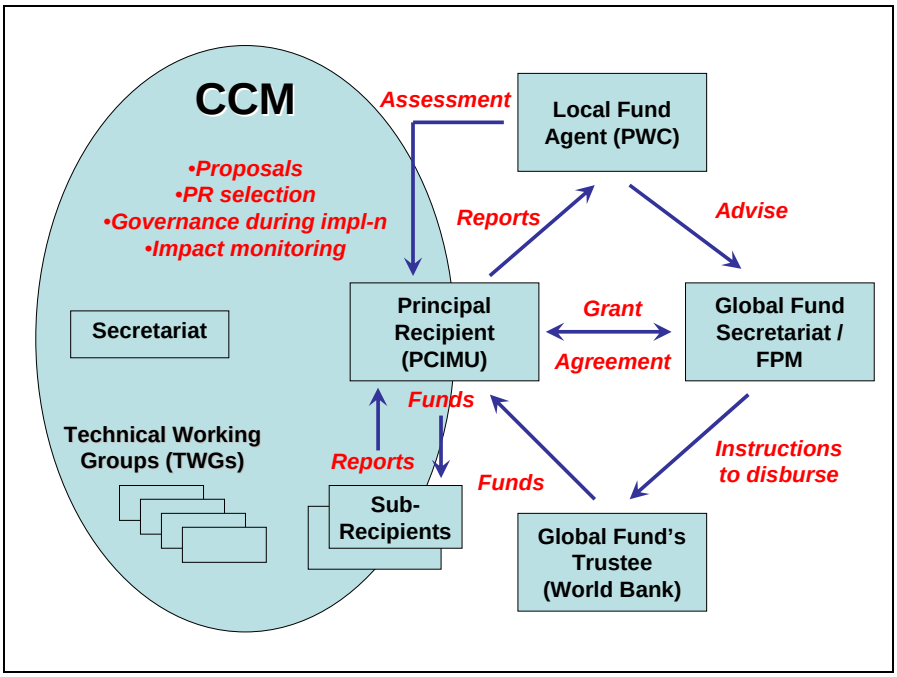
3. Program Management Arrangements

3.1 Overview of Program management arrangements

The general Global Fund's fiduciary principles emphasize that the Fund is a financial instrument, not an implementing entity, and provides performance-based grant funding to country-level recipients to fight HIV/AIDS, TB and malaria. The Global Fund therefore: relies on local stakeholders at the country-level to implement programs and manage grant proceeds; promotes rapid release of funds to assist target populations; monitors and evaluates program effectiveness and makes decisions on future funding based on programmatic performance and financial accountability; and as far as possible encourage the use of existing standards and processes in grant recipient countries.

The interaction of different entities involved in implementation of the GFATM-financed TB/AIDS Program is shown in the diagram below.

Figure 3.1. Management arrangements for implementation of GFATM grants in Moldova



The Country Coordinating Mechanism (CCM) will oversee the overall implementation of the project and ensure proper coordination between different sectors as well as different programs implemented by other external partners for the diseases concerned. The CCM will monitor the project progress to ensure that the activities are carried out according to the workplan and indicators of programmatic and financial performance are accomplished. It will make the key financial and programmatic decisions and will have the responsibility to address the main problems and challenges related to the project.

The CCM meetings will be convened quarterly or more often as necessary. Technical working groups for each component will work with the stakeholders between the CCM meetings and

prepare the documentation to be endorsed by the CCM. The CCM and the Ministry of Health will carry out the role of coordination with other programs and development initiatives. The CCM will ensure practical coordination and collaboration with all local partners involved.

On an annual basis (or more frequently as requested by the CCM), the Principal Recipient (Project Coordination, Implementation and Monitoring Unit, PCIMU) will prepare summaries of the project progress for review by the CCM. These summary reports will present the current state of the epidemic, project implementation progress, financial expenditures and implementation challenges and problems. The CCM will use this information to approve the changes in the program setup and resource allocation when necessary.

The PCIMU will execute its functions as described in this Program Operations Manual and in coordination with CCM and GFATM Portfolio Manager. The grant funds will be transferred to the special project account of the PCIMU. The PCIMU will be responsible for all practical issues related to the project implementation including oversight of the sub-recipients. It will undertake the functions of procurement (of health and non-health products, equipment, civil works and services), financial management, project-related monitoring and evaluation and reporting to the Global Fund.

The PCIMU will develop the workplans for the project implementation and will present the project performance reports to the CCM. Quarterly financial and activity progress reports will be forwarded to the CCM and relevant Government bodies for review. On an annual basis, the CCM will review the project performance.

The CCM Secretariat and the PCIMU will communicate with the GFATM on the project progress. Progress Updates and Disbursement Requests will be forwarded to the GFATM Portfolio Manager on a semi-annual basis; other relevant documentation will be provided as requested by the GFATM.

The National AIDS Control Program and the National TB Control Program will be the main technical partners of the GFATM-funded projects. They will ensure practical coordination and collaboration with all local partners involved.

The Local Fund Agent will act within the Terms of Reference agreed upon with the Global Fund. External audits evaluating the project performance and financial management will be an integral part of the proposed management arrangements.

3.2 Country Coordination Mechanism

3.2.1 CCM role and functions

To comply with the Global Fund requirements, the Country Coordination Mechanism for HIV/AIDS, TB and Malaria (hereinafter CCM) was established in Moldova in March 2002 (Government Decree No. 346 from 19 March 2002). The CCM composition, functions and mode of operations were further revised and endorsed by the Decree of the Government No. 825 from 3 August 2005 (Annex 3.b). The official name of the Moldovan CCM is *Coordination Council for National Programmes for Prevention and Control of HIV/AIDS, Sexually Transmitted Infections and Tuberculosis.*

The Moldovan CCM operates in line with *Revised Guidelines on the Purpose, Structure and Composition of Country Coordinating Mechanisms and Requirements for Grant Eligibility* (GFATM, April 2005). The Guidelines are presented in Annex 3.a to this POM.

The CCM coordinates the submission of proposals to the Global Fund and monitors the implementation of activities under the Grant Agreement. The CCM plays a leading role in coordinating and implementing the country's multisectoral response to the epidemics since its establishment. The CCM aims to contribute to the effective implementation of the National Program for Prevention of HIV/AIDS and the National Program on TB Control, acting as a nexus point for coordinating and overseeing donor financing in support of the national commitment and priorities to fight HIV/AIDS/STIs and TB. The CCM has assumed oversight responsibilities for programs funded by the World Bank, the Global Fund, USAID, Swedish government and UN agencies ensuring harmonized approach towards achieving the national program goals and health-related MDGs.

The CCM's main objective is to improve the health situation in the country through enhancing the national policies for control of HIV/AIDS/STI and TB and strengthening the intersectorial partnership between governmental and non-governmental, national and international partners. In order to achieve this objective, the CCM:

- Analyzes the causes and conditions of development of the epidemics of HIV/AIDS/STI and TB;
- Contributes to the development of national strategies for surveillance, prevention and control of HIV/AIDS/STI and TB and oversees their implementation; proposes the changes in legislation to facilitate implementation of these strategies and to reduce the social impact of the diseases concerned;
- Makes receommendations to the Government on budgetary allocation of funds for the implementation of the national HIV/AIDS/STI and TB control strategies;
- Informs the Government and other relevant authorities on the activities undertaken and results achieved;
- Ensures compliance to the conventions, treaties and other international initiatives to which Moldova adhered with regard to the rights of people living with HIV/AIDS and TB patients;
- Promotes intersectorial partnership in the development and implementation of the national disease control programmes and ensures transparency in decision making;
- Approves the structure and reports of the Technical Working Groups, maintains communication with the Global Fund Secretariat and undertakes other tasks relevant to the GFATM-funded Moldova TB/AIDS Program.

3.2.2 CCM structure

The CCM structure is organized on three levels: decisional, coordination and operational:

- *Decisional level* is made by full CCM members; currently there are 22 members representing the Government, national non-governmental organizations, people affected by the diseases and international agencies. Each CCM member represents a constituency. The members of are selected within the respective sectors through a

transparent and documented process (e.g. the forum of NGOs working in the health field). All CCM members are equal in terms of full participation and decision making rights; approval of the CCM resolutions is made by at least 2/3 of the votes. The CCM members meet at least 4 times a year (or more frequently as required). The CCM meetings are organized at the initiative of the CCM Chairman, CCM Secretariat or at a request of one-third of CCM members.

- *Coordination level* is represented by the CCM Secretariat. The Secretariat develops the annual CCM workplan; provides logistical support in organizing the meetings of the CCM; develops the preliminary agenda of the meetings, produces the meetings' minutes and disseminates these and other relevant documents to the CCM members; formulates the resolutions and proposes them for approval during the CCM meetings; facilitates the exchange of information relevant to the Program e.g. through a web-site and printed newsletter (CCM Information Bulletin); facilitates and monitors the regular activity of the Technical Working Groups; reports annually to the CCM members on the activities performed and undertakes other tasks relevant to the Program.
- *Operational level* is represented by Technical Working Groups (TWGs). The tasks of the TWGs include elaboration of national strategies, technical papers and other relevant documents, developing proposals for changes in the Program implementation plans, monitoring and evaluation of interventions in specific areas. There are currently 10 functional TWGs: 5 in the area of HIV/AIDS/STI, 4 in the area of TB and 1 common TWG on monitoring and evaluation across diseases; the CCM may decide to reduce or establish new TWGs as required by the Program needs.

Table 3.1. CCM Technical Working Groups

TWGs in the area of Tuberculosis	**TWGs in the area of HIV/AIDS/STI**
TB diagnosis	Epidemiologic surveillance of HIV/AIDS/STI
Management of TB, MDR-TB cases and TB/HIV co-infection	Education and social support
	Harm reduction
Infection control	Treatment, care and support of PLWHA
TB communication and prevention	HIV/AIDS/STI communication and prevention
Common TWG: Monitoring and evaluation of HIV/AIDS/STI and TB	

The TWGs bring together experts representing different sectors including NGOs and international agencies, as well as representatives from different regions of the country. Each TWG develops a workplan and presents it to the CCM for approval. The TWGs regularly report to the CCM members and Secretariat on activities and outputs of work.

3.3 Principal Recipient – Project Coordination, Implementation and Monitoring Unit

3.3.1 Background

The Program Coordination, Implementation and Monitoring Unit (PCIMU) was proposed by the CCM to be the Principal Recipient (PR) of the Global Fund TB and HIV/AIDS grants in

Round 6 and was endorsed as the PR in the Grant Agreements signed between the GFATM and PCIMU on 18 April 2007 and 01 May 2007 respectively and acknowledged by the CCM.

The PCIMU was established in 1999 for the implementation of the World Bank and Dutch Government grants and credits for the health system restructuring project. Its structure, functions and accountability were further revised and endorsed by Decree No. 391 of the Government of the Republic of Moldova from 19 April 2000. In 2003 the PCIMU was also nominated the Principal Recipient for the TB/AIDS Global Fund grant from Round 1.

The PCIMU is an independent legal entity which is accountable to the Government of Moldova and reports on its operations to the Ministry of Finance, Ministry of Economy and Trade and Ministry of Health.

The PCIMU at the country-level is legally responsible for programmatic results and financial accountability for the GFATM-financed TB/AIDS Program. As Principal Recipient for the Global Fund grants, the PCIMU has established systems, processes and practices *Fiduciary Arrangements for Grant Recipients* adopted by the 5th GFATM Board Meeting in June 2003 (Annex 3.c to the POM).

3.3.2 PCIMU functions

As the Principal Recipient for the GFATM grant, the PCIMU role is to ensure that effective arrangements are put in place for: (i) disbursement of funds to all implementing entities (e.g. Sub-Recipients); (ii) procurement and supply management; and (iii) monitoring and evaluation, including reporting on programmatic results and financial accountability to the Global Fund and the CCM. The main functions of the PCIMU are presented in the table below.

Table 3.2 Main PCIMU functions

Institutional and Programmatic arrangements: • Maintain appropriate legal status to enter and execute the grant agreement with the Global Fund • Develop effective organizational leadership, management, transparent decision making and accountability • Establish adequate infrastructure and information systems to support proposal implementation, including monitoring of performance of sub-recipients and outsourced entities in a timely and accountable manner • Maintain adequate health expertise in the areas of HIV/AIDS/STI and TB and cross-functional expertise (finance, procurement, legal, M&E)	**Financial Management and Systems:** • Correctly record all transactions and balances • Disburse funds to Sub-Recipients and suppliers in a timely, transparent and accountable manner • Prepare regular reliable financial statements • Safeguard PR's assets • Undergo regular audits
Procurement and Supply Management Systems: • Develop and implement a Procurement and Supply Management Plan adherent to the Global Fund's procurement principles • Ensure competitive and transparent purchasing, adequate quality assurance, compliance with national laws and international agreements • Deliver to the end-users adequate quantities of quality products in a timely manner • Ensure appropriate use of drugs and health products • Provide adequate accountability for all procurement conducted	**Monitoring and Evaluation arrangements:** • Collect and record programmatic data with appropriate quality control measures • Prepare regular reliable programmatic reports • Make data available for the purpose of evaluations and other studies

Before the first disbursement of the grant for an approved proposal, the Global Fund assesses that the proposed Principal Recipient implementation arrangements fulfill certain minimum requirements. The PCIMU underwent such assessment by the Local Fund Agent (Price Waterhouse Coopers) in February – April 2007, which confirmed that the entity had adequate managerial, technical and financial management capacities and established systems and processes to effectively implement the Program under GFATM financing.

3.3.3 Coordination

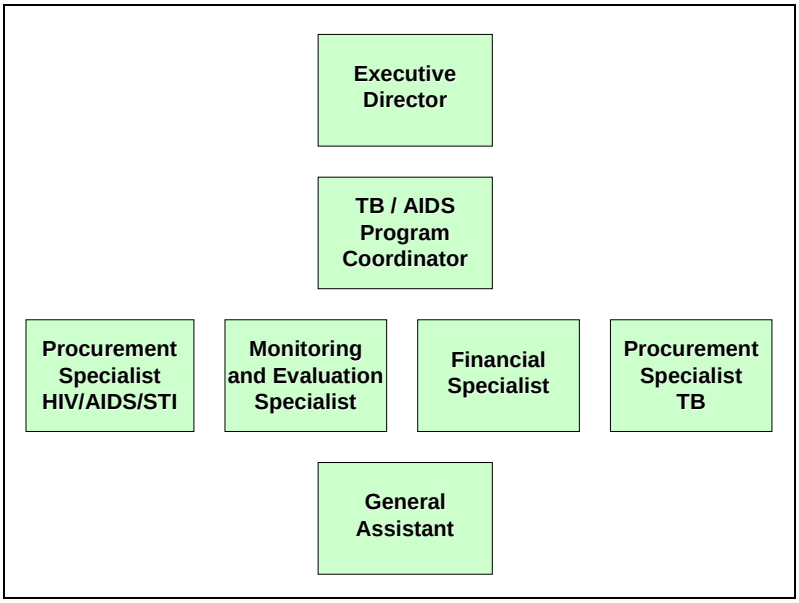
The PCIMU will cooperate with the CCM and the Global Fund to accomplish the purpose of the Grant Agreement. The PCIMU staff will meet regularly with the CCM to discuss plans, share information and communicate on matters that relate to the Program. The PCIMU will provide to the CCM reports and other relevant material relating to the Program for information purposes. This will include, but not limited to, Progress Reports and Disbursement Requests, items delivered to fulfill conditions precedent, implementation letters and any amendment to the Grant Agreement. In addition, the PCIMU will assist the CCM in the preparation of the Request for Continued Funding for Phase II of the grants.

The PCIMU will assure the coordination of efforts with other partners that are involved in the implementation of the National HIV/AIDS/STI and TB Control Programs, both national and international.

3.3.4 PCIMU structure

The following organizational chart represents the PCIMU composition foreseen for the implementation of the GFATM-funded TB/AIDS Program.

Figure 3.2. PCIMU organizational chart



There are seven full-time positions foreseen for implementation of the GFATM HIV/AIDS and TB grants from Round 6. Compared to the previous staffing schedule (for implementation of Round 1 project), there is an additional position of Procurement Specialist solicited due to the increasing volume of procurement (that is, there will be one Procurement Specialist for HIV/AIDS/STI component and another – for TB component.

NOTE: Although the implementation of two major World Bank funded projects (Health Investment Fund and AIDS Project), carried out through the PCIMU, has been completed and the overall reduction of staff took place, the PCIMU continues to be an implementing entity for a relatively small Blood Safety component. For this component, there are two part-time staff (Procurement Officer and Finance Officer) directly accountable to the Executive Director. They are not shown in the chart above given the scope of this document prepared for the GFATM-funded TB/AIDS Program.

3.3.5 Job descriptions of PCIMU staff

Full job descriptions of the PCIMU staff are to be found in Annex 3.d. Below the key responsibilities of the full-time staff are outlined.

PCIMU Executive Director:

- Represents the PCIMU in key negotiations and consultations with the GFATM, CCM and Government on legal, programmatic, financial and other relevant issues
- Oversees the preparation and endorses the main Program documents such as Program Operations Manual, workplans and budgets for the Program implementation periods
- Supports the TB/AIDS Program Coordinator in all Program planning, implementation, coordination, monitoring and evaluation activities
- Ensures consistency of the Program interventions with the national health policies, health system restructuring plans and carries out relevant coordination measures with the Ministry of Health and other national and international partners
- Authorizes and signs tender documents, tender evaluation reports and contracts for the supply of goods and services required by the Program
- Authorizes and signs Progress Reports and Disbursement Requests to the Global Fund
- Authorizes and signs regular reports to the CCM and Government
- Assists the internal and external auditors in the execution of their duties
- Oversees the performance of all PCIMU staff and undertakes performance improvements measures as necessary
- Undertakes other tasks as required for the Program.

PCIMU TB/AIDS Program Coordinator:

- Coordinates and participates in the development of the Program Operational Manual
- Prepares detailed workplans and budgets for the Program implementation periods
- Defines the needs for and coordinates procurement of necessary technical assistance (local or international consultants)
- Coordinates procurement of pharmaceuticals, health products and other goods and works in accordance with the agreed workplan
- Coordinates and participates in the work of the Technical Working Groups in development of strategic and programmatic documents, methodological guidelines, training materials and other relevant technical documents for the Program
- Negotiates Sub-Recipient Agreements, oversees and coordinates activities carried out by Sub-Recipients and other implementing entities
- Oversees and supervises monitoring and evaluation arrangements for the Program
- Ensures coordination and collaboration with national and international partners implementing other programs and projects in the areas of HIV/AIDS/STI and TB
- Prepares regular Progress Reports and Disbursement Requests to the Global Fund and other relevant information as requested
- Authorizes and signs Progress Reports and Disbursement Requests to the Global Fund
- Prepares regular reports to the CCM and Government and other relevant information as requested

- Assists the internal and external auditors in the execution of their duties
- Jointly with the Executive Director, oversees the performance of other PCIMU staff and suggests performance improvements measures as necessary
- Undertakes other tasks as required for the Program and as assigned by the Executive Director.

PCIMU Monitoring and Evaluation Specialist:

- Is responsible for overall coordination of all issues related to Program monitoring and evaluation in cooperation with the M&E Division of the National Scientific and Practical Center of Public Health and Health Management (NCPHM), including all tasks listed below
- Prepares the initial Monitoring and Evaluation Plan and updates the Targets and Indicators Table in the Attachment A to the Proposal Form for submission and approval by the Global Fund
- Identifies sources, frequency and quality assurance measures for monitoring indicators of the Program's programmatic performance
- Proposes changes to the list of indicators to be monitored, amendments to the targets or to the frequency of reporting for further negotiation with the CCM and the Global Fund
- On an agreed upon frequency, collects indicators for reporting to the Global Fund, CCM and Government (as laid down in Attachment A) and updates relevant files
- Monitors outputs / outcomes of activities implemented by Sub-Recipients in a manner agreed upon in the Sub-Recipient Agreements
- Analyses the collected information for internal use at the PCIMU, discussions at the CCM meetings, compilation of various reports
- Regularly updates the TB/AIDS Program Coordinator and Executive Director on the Program performance, trends and programmatic deviations for undertaking improvements measures as necessary
- Carries out M&E training sessions for Sub-Recipients and other implementing entities, including involvement of external consultants if necessary
- Manages electronic monitoring and evaluation management information system
- Prepares programmatic performance information for regular Progress Reports and Disbursement Requests to the Global Fund and other relevant information as requested
- Prepares programmatic performance information for regular reports to the CCM and Government and other relevant information as requested
- Cooperates with the internal and external auditors in the execution of their duties
- Undertakes other tasks as required for the Program and as assigned by the Executive Director and TB/AIDS Program Coordinator.

PCIMU Procurement Specialist(s):

- Prepares initial Procurement and Supply Management Plan for submission to and

approval by the Global Fund

- In accordance with the endorsed workplans, prepares the procurement plan (schedule) for the Program implementation periods (initially for the first two years of Phase I) and updates it as necessary
- Prepares procurement notices, bidding documents, Requests for Proposals and other documents for procurement of goods and services using the appropriate procurement methods in accordance with the procurement plan and as outlined in this POM;
- Serving as a secretary to the Tender Evaluation Committee(s), organizes public bid opening meetings, participates in bids' evaluations, prepares minutes of bids opening meetings and tender evaluation reports.
- Prepares procurement contracts for the supply of goods and services
- Jointly with the Financial Specialist, coordinates procurement-related disbursements
- Supervises contract administration, deliveries and acceptance of goods and services
- Develops and maintains the Program's database of local and international markets and suppliers
- Maintains files for all procurement activities executed under the Program and manages electronic procurement management information system
- Prepares regular procurement reports in specified formats for internal use at the PCIMU and other relevant information as required
- Cooperates with the internal and external auditors in the execution of their duties
- Undertakes other tasks as required for the Program and as assigned by the Executive Director and TB/AIDS Program Coordinator.

PCIMU Financial Specialist:

- In accordance with the endorsed workplans and budgets, prepares the financial plans for the Program implementation periods and updates it as necessary
- Maintains and manages the Special Project Account
- Prepares payments and obligations, bank reconciliation statements and all other relevant financial documentation as required for the Program
- Ensures that all financial transactions comply with the national regulations and requirements of the POM.
- Maintains records of receipts, expenditures, assets, liabilities, and fund balance
- Prepares the PCIMU staff payroll, manages the fixed assets inventory, maintain records of the Program's operating costs and other relevant PCIMU financial records
- Jointly with the Procurement Specialist(s), coordinates procurement-related disbursements
- Supervises contract administration, deliveries and acceptance of goods and services
- Maintains files for all transactions executed under the Program and manages electronic financial management information system
- Prepares financial status information for regular Progress Reports and Disbursement

Requests to the Global Fund and other relevant information as requested

- Prepares financial status information for regular reports to the CCM and Government and other relevant information as requested
- Prepares regular financial reports in specified formats for internal use at the PCIMU and other relevant information as required
- Cooperates with the internal and external auditors in the execution of their duties
- Undertakes other tasks as required for the Program and as assigned by the Executive Director and TB/AIDS Program Coordinator.

PCIMU General Assistant:

- Arranges and confirms appointments, receives visitors, places and receives telephone calls and faxes
- Registers and files the incoming and outgoing correspondence of the PCIMU
- Prepares standards letters for the customs, Ministry of Health and other relevant institutions
- Ensures adequate supply of stationery and other necessary office items, maintains office inventory and places orders for replenishment of stocks
- Translates official letters and other documents as necessary
- Provide verbal interpretation during meetings as necessary
- Takes notes at meetings as necessary
- Undertakes other administrative and logistical tasks as required for the Program and as assigned by the PCIMU staff

The PCIMU may, as required during the Program implementation and subject to the availability of funds, negotiate with the Global Fund the possibility of hiring additional full-time staff. For certain specific tasks and needs arising and funds permitting, the PCIMU may contract local consultants or part-time staff on a short-term basis (for example, IT specialist to upgrade the office communication system).

3.3.6 PCIMU office work organization

The following internal rules for office work organization will govern at the PCIMU:

- Only the PCIMU Executive Director is authorized to issue instructions to the PCIMU staff.
- The PCIMU staff may not practice any form of discrimination or preferential treatment in its relations with third parties like consultants or suppliers of goods or services, or people or institutions involved in any way in the Program activities or results of those activities.
- Maximum cost-effectiveness in relation to the general objectives of the Program should always be sought in decision-making at all levels within the PCIMU and in the practical application of its procedures.

- PCIMU staff may not directly, or through an intermediary hold any interest in institutions, or have responsibilities in public or private institutions having relations with the Program or benefiting from its activity. They may not receive any remuneration, commission or fee of any kind from such institutions.
- The Program does not permit the employment of a relative in any situation.
- The PCIMU employees are under obligation to observe confidentiality, impartiality and discipline similar to the requirement of civil servants. Employees may not engage in political propaganda and are expected to observe strict impartiality. They are expected to accord equal treatment to the users of the services provided by the Program.
- All PCIMU staff are required to follow common rules for file keeping, communication and IT security to ensure effective and efficient operations of the office. The employees are required to observe confidentiality of information in accordance to a common policy of proceeds.

3.4 Sub-Recipients

3.4.1 Background

In general, Principal Recipients are not the only implementing entity in a GFATM project. Sub-Recipients (SRs) that receive Global Fund financing through the PR carry out an important role in implementation. The Sub-Recipients may be identified prior to submission of the proposal, during Grant negotiation phase or during implementation.

For Round 6 Moldova proposals, the CCM identified and endorsed two SRs for the TB component based on their demonstrated capacity and previous experience:

- *American International Health Alliance Moldova (AIHA-Moldova)* it will serve as SR for a number of activities including training, development of guidelines and curricula and all communications activities.
- *National Center for Public Health and Management (NCPHM)* will be responsible for implementation of activities related to TB surveillance and operational research in the area of TB control.

For the HIV/AIDS component, at the time of submission of the proposal the CCM decided not to identify Sub-Recipients for the following reasons: (i) implementation timeframe: as the project is to start in 2008, it had been assumed that over the two years, new potential SRs could develop their capacities; and (ii) advantage of competitive selection: the SRs will be selected on competitive basis presenting their bids with detailed project proposals.

3.4.2 Selection of Sub-Recipients

The SRs for HIV/AIDS component (and TB component if the need emerges) will be sub-contracted on an open bid basis. The decision on the selection of SRs will be taken by the

Evaluation Committee and endorsed by the CCM.

Any organization can become a SR for the GFATM grant if it is a legal entity officially represented in the Republic of Moldova, has demonstrated proper programmatic and financial management capacity and is able to enter into a legal agreement with the Principal Recipient (PCIMU). The SRs may represent the government, academic / educational sector, non-governmental and community-based organizations; people living with diseases, religious / faith-based organizations and, upon justification, multi- or bilateral development partners. The SRs are directly responsible for management of the grant but will not act as intermediaries. The SR may act individually or in consortium with partner organisations.

An entity can not be nominated as SR if:

- It is bankrupt or has affairs administered by the courts, has entered into an arrangement with creditors, has suspended business activities, is subject of proceedings concerning those matters, or is in any similar situation arising from a similar procedure provided for in the national legislation or regulations
- It has been convicted of an offence concerning professional conduct by a judgement which has the force of res judicata (i.e., against which no appeal is possible)
- It has been proven of severe professional misconduct
- It has not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the Republic of Moldova
- It has been subject of a judgment which has the force of res judicata for fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the state financial interests
- It has been declared to be in serious breach of contract or failure to comply with its contractual obligations in connection with a procurement procedure or other grant award procedure.

An applicant will be also excluded from participation in the process of selection of SRs at the time of the call for bid, if:

- It is subject to a conflict of interest
- It is guilty of misrepresentation in supplying the information required by the CCM or the PR as a condition of participation in the process of selection of SRs or fails to supply this information
- It has attempted to obtain confidential information or influence the evaluation committee or the CCM or PR in any way
- Its management is closely related by blood or marriage with key decision persons in the CCM and within the office of the PR.

3.4.3 Oversight of Sub-Recipients by Principal Recipient

Being responsible for implementation of a part of activities of the Program according to its mandate and area of expertise, a SR will need to enter in a legal agreement with the PR, where the scope of work, implementation workplan and budget are described in detail, together with performance indicators, relevant procedures for grant management, reporting procedures and other clauses. Prior to concluding the agreement, the PCIMU as Principal Recipient of the GFATM grants in Moldova will conduct the Sub-Recipient's Assessment to determine whether the nominated SR meets requirements in terms of institutional and programmatic capacity; financial management; procurement and supply management; and monitoring and evaluation.

The PCIMU has developed a multi-layered system to ensure adequate management of Sub-Recipients. To ensure the quality and integrity of the programmatic and financial data reported by the SRs, the following elements and procedures have been developed:

- Standard Funding Agreements with the SRs
- Quarterly and annual reporting procedure for the SRs
- Standard procedure for review and reconciliation of SRs' quarterly reports
- Verification and quality checks of SRs' activities and reports
- Trainings of and regular information sessions for the SRs
- Annual financial audit by independent auditor of projects implemented by the SRs;
- Procedures for the SRs' feedback to the PCIMU and CCM.

The Funding Agreement with each Sub-Recipient establishes the contractual relationship between the PR and the SR and outlines the responsibilities of the parties with relation to the goals, objectives and targets of the Program supported by the grants. Specifically, the standard Funding Agreement includes the following provisions:

- Outline of the programmatic activities to be carried out by the SR with relation to the goals, objectives and targets of the Program
- Obligations by the SR for due diligence and efficiency and conformity with appropriate financial, administrative and health policies
- Schedule of payments to the SR. The disbursement schedule is quarterly, although it may be adjusted subject to the nature of the activities to be implemented by the SR and the timeframe of the Funding Agreement
- Procedures for reporting and submission of payment request
- Procedures for grant funds' administration through the SR's separate account
- Procedures for records keeping and monitoring progress of the Program, including the SR's expenditures, goods and services procured with grant proceeds, specifications, reports, tender and contract documents, procurement schedules and other relevant documentation.

Funding to SRs will be provided on the basis of demonstrated performance against agreed upon programmatic targets and accountable use of grant funds. The Principal Recipient has

developed a set of guidelines and forms for the Sub-recipients to facilitate the implementation of the above procedures. The deployment of these standardized tools is complemented by targeted training of SRs in the areas of financial management, monitoring and evaluation (M&E) and procurement and supply management where applicable.

3.4.4 Reporting by Sub-Recipients

The SRs submit reports to the PCIMU containing: (i) programmatic progress report against the agreed workplan; (ii) financial report with budget vs. actual expenditure analysis; and (iii) list of indicators with achieved results. The following reports are to be provided:

- *Quarterly reports* are to be submitted not later than 25 days after the end of each quarter
- *Annual reports* – to be submitted not later than 45 days after the end of each fiscal year
- *Final report* – to be submitted within 30 days after the date of completion or termination of the Program.

Specific issues regarding Sub-Recipients are presented further in relevant sections of this POM. PCIMU *Guidelines on Financial and Programmatic Monitoring of Sub-Recipients under the Global Fund Round 6 HIV/AIDS and TB Grants in Moldova* are attached in Annex 3.f.

3.5 Local Fund Agent

The Global Fund hires Local Fund Agents (LFA) to oversee, verify and report on grant performance, this gives the Global Fund access to local knowledge relevant to evaluate the grant implementation. LFAs are selected through a competitive bidding process.

The LFA plays an important role in verifying the performance of grant-funded programs each time the Principal Recipient report results. The aim is to ensure that investments are made only where grant funding is managed and spent effectively and achieves impact in the fight against the diseases in question.

Bound by the contract with the Global Fund, the LFA works closely with the GFATM Portfolio Manager, to provide the following services:

- *Work performed before the Global Fund signs a grant agreement with the Principal Recipient.* This includes assessing the Principal Recipient's capacity to implement the grant, reviewing proposed budgets and work plans and otherwise assisting the Global Fund in grant negotiations.
- *Work performed during program implementation.* The LFA is contracted to independently oversee program performance and the accountable use of funds (known as Verification of Implementation). This includes:
  - To receive all reports, disbursement requests and other communications required form the PCIMU
  - To receive and revise all audit reports

  - To perform ad hoc site visits at the times and places
  - To review books and records relating to the Program
  - To identify additional training and capacity building that the PCIMU may need to implement the Program
- *Work performed with respect to the Phase 2 review.* The LFA review of a grant as it approaches Phase 2 (Years 3-5 of the grant's lifespan) is crucial in assisting the Global Fund to make its decision on whether to continue funding beyond the first two years.
- *Work performed with respect to grant closure.* When the grant ends, the LFA is involved in assisting the Global Fund with closure of the grant.

Ad hoc assignments may be undertaken at the request of the Global Fund, such as investigations relating to the suspected misuse of funds.

While the LFA is an important part of the GFATM's fiduciary arrangements, it is not empowered to represent the Global Fund's views or make decisions regarding grants. The LFA is also not permitted to undertake a number of activities, such as:

- Design of the grant-funded program
- Implementation of the program
- Provision of technical assistance to the Principal Recipient or Sub-Recipients
- Provision of capacity building activities to the Principal Recipient or Sub-Recipients
- Making decisions on the grant extension or termination (all such decisions are made by the Global Fund)
- Audit the Principal Recipient.

Annexes relevant to this Chapter:

3.a	Revised Guidelines on the Purpose, Structure and Composition of Country Coordinating Mechanisms and Requirements for Grant Eligibility (GFATM, April 2005)
3.b	Decree of the Government of the Republic of Moldova No. 825 from 3 August 2005 on the Regulations for the Coordination Council for National Programs for Prevention and Control of HIV/AIDS, Sexually Transmitted Infections and Tuberculosis (CCM)
3.c	Fiduciary Arrangements for Grant Recipients (GFATM, adopted by the 5th Board Meeting in June 2003)
3.d	Job descriptions of PCIMU staff
3.e	Sample Funding Agreement with Sub-Recipients
3.f	Guidelines on Financial and Programmatic Monitoring of Sub-Recipients under the Global Fund Round 6 HIV/AIDS and TB Grants in Moldova

4. Program Implementation Plan and Budget

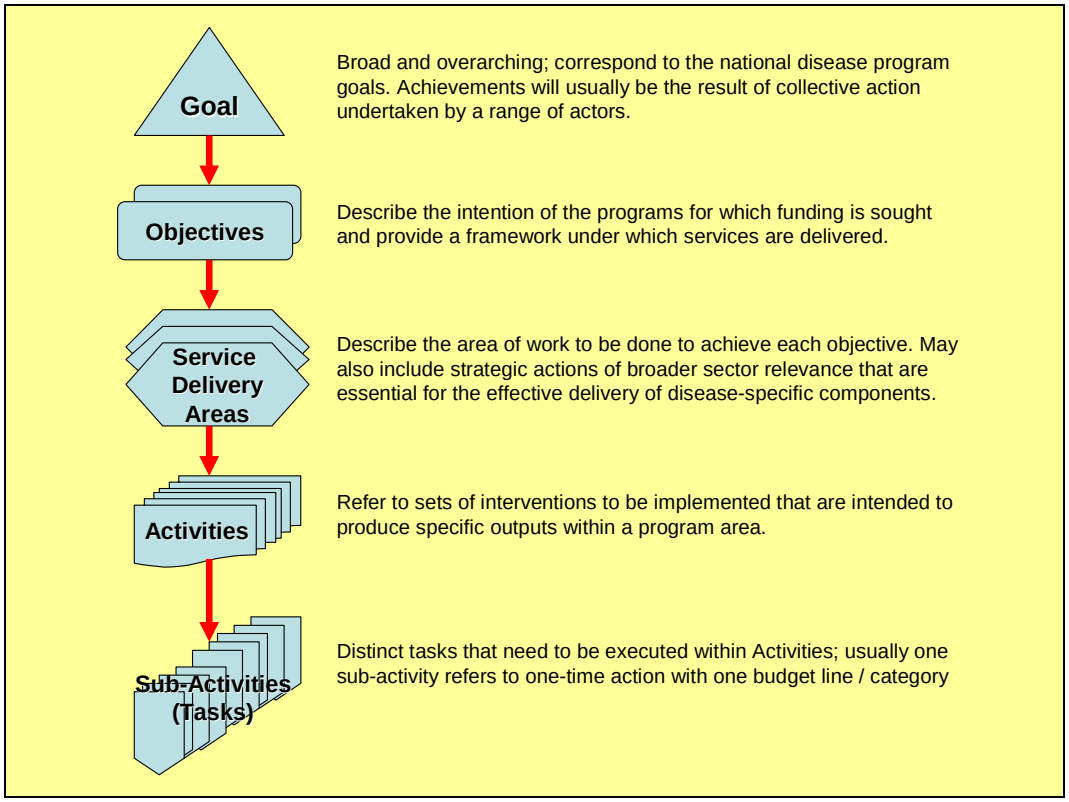
4.1 Program Workplan

4.1.1 Overall Program implementation framework

The overarching principle that guides the Global Fund's operations is Performance Based Funding (PBF). Essentially this means that only those grant recipients who can demonstrate measurable and effective results from the monies received will be able to receive additional funding. In other words, initial funding is awarded solely on the basis of the technical quality of applications, but continued and renewed funding is dependent upon proven results and targets achieved.

The PBF framework defines the way how the Program implementation plan (according to the terminology used by the GFATM, hereinafter it is referred to as Workplan) is structured. The Workplans are required for each disease component (i.e. HIV/AIDS/STI and TB) and are organized around different levels, namely: Goal, Objectives, Service Delivery Areas, Activities and Sub-Activities (Tasks). An important issue is that the program accomplishment at each level are measured against specific performance indicators (described in detail in Part 7 of this POM), thus providing a basis for practical implementation of the PBF framework. Respectively, the interventions are structured to achieve these results. Schematically the implementation framework is presented in the figure below.

Figure 4.1. Framework for program implementation under GFATM financing in accordance with the Performance Based Funding principle



4.1.2 Components' Workplans

While the planned lifetime of both HIV/AIDS/STI and TB components of the GFATM-financed Program is 5 years, the Global Fund signed the Grant Agreement with the Principal Recipient and approved funding for the projects' Phase I only (first 2 years). The funding for the following 3 years (Phase II) will be extended provided there is satisfactory performance measured against meeting programmatic indicators and proper administration of funds and subject to submission of the Request for Continued Funding by the CCM at the end of Phase I. Therefore, while most provisions of this POM embrace the lifetime Program period, it is necessary to emphasize that the current legal funding agreement by the GFATM covers the initial period of 2 years.

Based on the above and in accordance with the Global Fund requirements, the PCIMU has developed detailed Workplans for each of the two Program component by Objectives, Service Delivery Areas, Activities and Sub-Activities (Tasks) for the first 2 years of the grants. The Workplans include the implementing entities, detailed budget assigned starting at the lowest level (Sub-Activities) and quarterly targets / expected outputs. The Workplans for HIV/AIDS/STI and TB components are included in this POM in Annexes 4.a and 4.b.

4.2 Program budget

4.2.1 Budgeting process

Budgeting is the process through which an estimate of the level of expenses for an entity is recorded in advance of the period in which the expenses are anticipated to occur. Budgeting is also a tool that enables the management of the financial resources of an entity throughout a period and further enables the comparison of current and past financial performance against a fixed target. While in most circumstances budgets are estimates of expenditure, they can also be based on the availability of fixed or scarce resources and act as a method of allocating those resources.

The budgeting exercise was undertaken during the period of Round 6 Proposal development in March-May 2006. The base costs of the Program have been derived using the reference costs for different budget categories:

- *Pharmaceuticals.* Wherever possible, the budget estimates were developed using internationally available reference prices, such as UNICEF and IDA prices for ARVs, GDF prices for 1st line anti-TB drugs, prices available through the Green Light Committee for 2nd line drugs. When reference prices were not available, the estimates were made using the PCIMU suppliers' database and based on the past experience with the Round 1 GFATM project.
- *Health commodities and products.* Reference prices were used where possible (e.g. prices available through the WHO Supply Division for procurement of diagnostics and some other health products; UNFPA prices for condoms, etc.). The PCIMU database and past experience were used for estimating costs of other products.

- *Infrastructure and equipment.* For infrastructure rehabilitation, local market prices per unit (e.g. sq.m) were used for given type of facility and scope of investment. For equipment, reference prices, PCIMU database and past experience served as a basis for budget estimates.
- *Human resources.* PCIMU consultants' database and past experience with the WB and GFATM-financed projects were used for budgeting external consultancy services. The same and/or local market prices for a given scope of work were used for budgeting local consultants' services.
- *Training.* Past experience and average level of actual services' cost (e.g. airfare, catering, venue rent, translation, etc.) were used when budgeting for local and international training events, workshops or conferences.
- *Administrative expenses.* Average local costs available in the market (for printing, communication, stationery and other office expenses etc.) and past experience were used for budgeting the PCIMU operational expenses and other expenditures that fall under this cost category.

Since there will always certain variations in costs over time due to different factors such as, for example, inflation, local currency fluctuations against the project denomination currency, cost increase of raw materials for drug manufacturing, etc., budgeting involves assumptions and elements of subjective analysis or reasoning. Therefore, the budgets that were submitted with the Proposal and are presented under the next headings are at most the best possible estimates at the time of the application submission. On the way of project implementation, e.g. basing on the 'planned vs. actual' financial expenditure analysis, the PCIMU will make amendments to the budget as necessary to ensure effective implementation and reaching the intended results; these changes will be reflected in the periodic Disbursement Requests to the GFATM.

4.2.2 Total Program costs

The total lifetime Program cost over 5 years starting 2008 is USD 27,848,378 (HIV/AIDS and TB grants), out of which USD 12,086,579 have been approved by the Global Fund for Phase I. Breakdown by components is given in the table below.

Table 4.1. Total Program costs (in USD)

	Approved budget for Phase I (Years 1-2)	**Lifetime budget (5 years)**
HIV/AIDS/STI Component	6,411,072	15,940,711
TB Component	5,675,507	11,907,667
Total Program costs	**12,086,579**	**27,848,378**

4.2.3 Summary budget by Objectives and Service Delivery Areas

The following two tables present the 5-year budget breakdown by Objectives and Service Delivery Areas for HIV/AIDS/STI and TB components.

Table 4.2. Program Budget Summary for 5 years by Objectives and Service Delivery Areas, HIV/AIDS/STI component (all costs in USD)

	Objectives and Service Delivery Areas	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
Objective 1: Scale up access to prevention and testing		2,097,800	1,575,804	1,531,765	1,640,063	1,334,005	8,179,437
1.1	SDA Prevention: Behavioral change communication - mass media	154,845	137,975	171,076	164,576	43,800	672,272
1.2	SDA Prevention: Prevention of Mother to Child Transmission	152,835	160,219	195,859	238,627	281,395	1,028,935
1.3	SDA Prevention: Testing and Counseling	138,000	47,000	40,000	40,000	47,000	312,000
1.4	SDA Supportive Environment: Laboratory	615,092	140,692	272,092	97,992	97,992	1,223,860
1.5	SDA Supportive Environment: Blood Safety	147,500	147,500	147,500	147,500	147,500	737,499
1.6	SDA Prevention: STI diagnosis and treatment	58,568	60,568	58,568	58,568	58,568	294,840
1.7	SDA Prevention: Youth Education and Prevention	111,600	130,100	70,100	313,100	70,100	695,000
1.8	SDA Prevention: Behavioral Change Communication - community outreach to parents	0	43,200	13,200	94,650	23,000	174,050
1.9	SDA Prevention: Community outreach to vulnerable groups, IDUs	458,700	502,100	361,800	310,600	390,200	2,023,398
1.10	SDA Prevention: Community outreach to vulnerable groups, FSW	119,720	79,600	79,720	70,600	70,600	420,240
1.11	SDA Prevention: Community outreach to vulnerable groups, LGBT community	22,120	16,400	14,400	14,400	14,400	81,720
1.12	SDA Prevention: Community outreach to mobile population, migrants and repatriated persons	60,920	54,200	51,200	33,200	33,200	232,720
1.13	SDA Supportive Environment: Coordination and partnership development (national, community, public-private)	57,900	56,250	56,250	56,250	56,250	282,900
Objective 2: Enhance and foster universal access of people living with and affected by HIV/AIDS to social and health services, along with combating discrimination and stigma		1,052,698	933,494	1,015,608	1,342,333	1,945,301	6,289,434
2.1	SDA Treatment: Antiretroviral treatment and monitoring	568,132	690,878	803,992	1,122,117	1,729,485	4,914,604
2.2	SDA Supportive Environment: Monitoring Drug Resistance	132,000	12,000	12,000	12,000	12,000	180,000
2.3	SDA Prevention: Treatment: Prophylaxis and treatment of for opportunistic infections	38,786	38,786	38,786	38,786	38,786	193,930
2.4	SDA Prevention: TB/HIV collaborative activities: Prevention of TB disease in PLWHA	3,630	3,630	3,630	3,630	3,630	18,150
2.5	SDA Care and Support: Care and support for chronically ill	111,800	139,800	118,800	127,800	141,400	639,600
2.6	SDA Prevention: Stigma Reduction in all settings	10,000	20,000	10,000	10,000	10,000	60,000
2.7	SDA Care and Support: Support to orphans and vulnerable children	188,350	28,400	28,400	28,000	10,000	283,150
Objective 3: Improved coordination and partnership		494,988	256,288	317,488	182,188	220,888	1,471,840
3.1	SDA: Human resources	77,100	73,100	53,900	53,900	53,900	311,900
3.2	SDA: Coordination and partnership development (national, community, public-private)	56,900	56,900	56,900	56,900	56,900	284,500
3.3	SDA: Information system & Operational research: 3.1 Strengthening of HIV/AIDS/STI Component of SYMETA - System for Monitoring and Evaluation of Tuberculosis and AIDS	360,988	126,288	206,688	71,388	110,088	875,440
TOTAL HIV / AIDS / STI COMPONENT		3,645,486	2,765,586	2,864,861	3,164,584	3,500,194	15,940,711

Table 4.3. Program Budget Summary for 5 years by Objectives and Service Delivery Areas, TB component (all costs in USD)

	Objectives and Service Delivery Areas	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL 5 years
Objective 1: Strengthening DOTS realization to improve TB detection and case management		811,670	675,617	617,441	571,972	475,363	3,152,063
1.1	SDA TB: Timely detection and quality treatment of cases	766,295	655,142	596,966	571,972	475,363	3,065,738
1.2	SDA: TB/HIV collaborative activities: Prevention of HIV in TB patients	45,375	20,475	20,475	0	0	86,325
Objective 2: Management of drug resistant tuberculosis by extension of implemented DOTS-Plus Project		1,835,754	1,340,839	1,192,896	1,160,731	1,151,201	6,681,421
2.1	SDA: MDR-TB	1,149,154	964,239	1,189,596	1,160,731	1,151,201	5,614,921
2.2	SDA: Infrastructure	686,600	376,600	3,300	0	0	1,066,500
Objective 3: Strengthening the management and coordination of the National Healthcare System for TB patients & Management of project		495,465	359,932	340,209	272,019	247,909	1,715,534
3.1	SDA: Human resources	134,756	68,056	61,031	61,031	61,031	385,905
3.2	SDA: Information system & Operational research	243,900	112,000	154,700	86,510	62,400	659,510
3.3	SDA: Project management	116,809	179,876	124,478	124,478	124,478	670,119
Objective 4: Increase public awareness of tuberculosis, reduce stigmatization		86,540	69,690	59,690	84,840	57,890	358,650
4.1	SDA: Behavioral change communication - mass media	30,200	18,400	18,400	32,200	16,600	115,800
4.2	SDA: TB: Timely detection and quality treatment of cases	34,940	41,040	31,040	31,040	31,040	169,100
4.3	SDA: TB: Supportive environment: Stigma reduction in all settings	5,500	3,800	3,800	6,300	3,800	23,200
4.4	SDA: TB/HIV collaborative activities. Prevention of TB disease in PLWHA	8,850	0	0	8,850	0	17,700
4.5	SDA: TB/HIV collaborative activities. Prevention of HIV in TB patients	1,600	1,000	1,000	1,000	1,000	5,600
4.6	SDA: Human resources	5,450	5,450	5,450	5,450	5,450	27,250
TOTAL TB COMPONENT		3,229,429	2,446,078	2,210,235	2,089,562	1,932,363	11,907,667

4.2.4 Summary budget by cost categories

According to the GFATM's budget category classification used in the 6th Round of applications, the program costs are divided between human resources (e.g. consultants' services), training, drugs (pharmaceuticals), health commodities and products, infrastructure

and equipment, and planning and administration costs[1]. The overall Program budget breakdown across these categories is given below for each component and for the entire Program in summary.

To note is that this classification is used mostly for review and approval of the Proposals to the Global Fund and does not have direct practical implication during the grants' implementation; it outlines the nature of the costs to be paid and, respectively, is useful for planning purposes in terms of procurement methods, PCIMU staffing needs, etc.

Overall, the major Program costs will be paid for procurement of pharmaceuticals (36.7%) and other health products (32.3%); the other categories are infrastructure and equipment (11.3%), human resources (9.7%), training (7.7%), and planning and administration (2.4%).

Table 4.4. Program Budget Summary for 5 years by budget categories, HIV/AIDS/STI component (all costs in USD)

Budget category	Year 1	Year 2	Year 3	Year 4	Year 5	Total 5 years	% 5 years
Human resources	419,678	443,698	421,044	373,894	334,468	1,992,782	12.5
Infrastructure and equipment	874,025	292,885	238,850	74,810	76,210	1,556,780	9.8
Training	453,610	267,950	261,470	357,050	230,650	1,570,730	9.9
Commodities and products	1,201,810	1,001,960	967,190	1,170,050	1,024,650	5,365,660	33.7
Drugs	577,143	700,993	820,107	1,146,280	1,750,816	4,995,339	31.3
Planning and administration	119,220	58,100	156,200	42,500	83,400	459,420	2.9
TOTAL	3,645,486	2,765,586	2,864,861	3,164,584	3,500,194	15,940,711	100.0

Table 4.5. Program Budget Summary for 5 years by budget categories, TB component (all costs in USD)

Budget category	Year 1	Year 2	Year 3	Year 4	Year 5	Total 5 years	% 5 years
Human resources	206,173	195,680	132,782	139,582	123,482	797,699	6.7
Infrastructure and equipment	1,019,900	374,800	43,000	0	0	1,437,700	12.1
Training	130,410	141,760	130,460	109,760	79,160	591,550	5.0
Commodities and products	850,623	771,783	721,346	684,209	628,951	3,656,912	30.7
Drugs	966,603	940,335	1,129,247	1,112,611	1,077,370	5,226,166	43.8
Planning and administration	55,720	21,720	53,400	43,400	23,400	197,640	1.7
TOTAL	3,229,429	2,446,078	2,210,235	2,089,562	1,932,363	11,907,667	100.0

Table 4.6. Program Budget Summary for 5 years by budget categories, HIV/AIDS/STI and TB components (all costs in USD)

Budget category	Year 1	Year 2	Year 3	Year 4	Year 5	Total 5 years	% 5 years
Human resources	625,851	639,378	553,826	513,476	457,950	2,790,481	10.0
Infrastructure and equipment	1,893,925	667,685	281,850	74,810	76,210	2,994,480	10.8
Training	584,020	409,710	391,930	466,810	309,810	2,162,280	7.8
Commodities and products	2,052,433	1,773,743	1,688,536	1,854,259	1,653,601	9,022,572	32.4
Drugs	1,543,746	1,641,328	1,949,354	2,258,891	2,828,186	10,221,505	36.6
Planning and administration	174,940	79,820	209,600	85,900	106,800	657,060	2.4
TOTAL	6,874,915	5,211,664	5,075,096	5,254,146	5,432,557	27,848,378	100.0

[1] In GFATM's Round 7 of applications, the number of budget categories was expanded. If and when required by the GFATM, the PCIMU will revise the current breakdown to account for new cost categories.

4.2.5 First year Program budget

As required by the Global Fund, detailed budgets by quarters were developed for Year 1 and submitted with the Proposal. The breakdown of Year 1 budget by Objectives and Service Delivery Areas for the two Program components is presented in the tables below.

Table 4.7. Program Budget for Year 1 by Objectives and Service Delivery Areas, HIV/AIDS/STI component (all costs in USD)

	Objectives and Service Delivery Areas	Q 1	Q 2	Q 3	Q 4	TOTAL Year 1
Objective 1: Scale up access to prevention and testing		307,710	285,690	1,231,710	272,690	2,097,800
1.1	SDA Prevention: Behavioral change communication - mass media	16,370	71,550	38,375	28,550	154,845
1.2	SDA Prevention: Prevention of Mother to Child Transmission	1,000	6,500	136,335	9,000	152,835
1.3	SDA Prevention: Testing and Counseling	32,000	32,000	51,000	23,000	138,000
1.4	SDA Supportive Environment: Laboratory	0	10,000	602,092	3,000	615,092
1.5	SDA Supportive Environment: Blood Safety	0	0	147,500	0	147,500
1.6	SDA Prevention: STI diagnosis and treatment	0	0	58,568	0	58,568
1.7	SDA Prevention: Youth Education and Prevention	0	0	51,600	60,000	111,600
1.8	SDA Prevention: Behavioral Change Communication - community outreach to parents	0	0	0	0	0
1.9	SDA Prevention: Community outreach to vulnerable groups, IDUs	161,140	99,720	98,820	99,020	458,700
1.10	SDA Prevention: Community outreach to vulnerable groups, FSW	66,800	18,200	18,320	16,400	119,720
1.11	SDA Prevention: Community outreach to vulnerable groups, LGBT community	4,100	6,700	4,100	7,220	22,120
1.12	SDA Prevention: Community outreach to mobile population, migrants and repatriated persons	10,850	26,870	10,850	12,350	60,920
1.13	SDA Supportive Environment: Coordination and partnership development (national, community, public-private)	15,450	14,150	14,150	14,150	57,900
Objective 2: Enhance and foster universal access of people living with and affected by HIV/AIDS to social and health services, along with combating discrimination and stigma		659,762	344,586	30,000	18,350	1,052,698
2.1	SDA Treatment: Antiretroviral treatment and monitoring	544,732	9,400	14,000	0	568,132
2.2	SDA Supportive Environment: Monitoring Drug Resistance	0	132,000	0	0	132,000
2.3	SDA Prevention: Treatment: Prophylaxis and treatment of for opportunistic infections	6,600	32,186	0	0	38,786
2.4	SDA Prevention: TB/HIV collaborative activities: Prevention of TB disease in PLWHA	3,630	0	0	0	3,630
2.5	SDA Care and Support: Care and support for chronically ill	104,800	7,000	0	0	111,800
2.6	SDA Prevention: Stigma Reduction in all settings	0	4,000	6,000	0	10,000
2.7	SDA Care and Support: Support to orphans and vulnerable children	0	160,000	10,000	18,350	188,350
Objective 3: Improved coordination and partnership		57,150	255,150	92,150	90,538	494,988
3.1	SDA: Human resources	19,275	19,275	19,275	19,275	77,100
3.2	SDA: Coordination and partnership development (national, community, public-private)	14,225	14,225	14,225	14,225	56,900
3.3	SDA: Information system & Operational research: 3.1 Strengthening of HIV/AIDS/STI Component of SYMETA - System for Monitoring and Evaluation of Tuberculosis and AIDS	23,650	221,650	58,650	57,038	360,988
TOTAL HIV / AIDS / STI COMPONENT		1,024,622	885,426	1,353,860	381,578	3,645,486

Table 4.8. Program Budget for Year 1 by Objectives and Service Delivery Areas, TB component (all costs in USD)

	Objectives and Service Delivery Areas	Q 1	Q 2	Q 3	Q 4	TOTAL Year 1
Objective 1: Strengthening DOTS realization to improve TB detection and case management		150,043	308,900	313,360	39,366	811,670
1.1	SDA TB: Timely detection and quality treatment of cases	146,150	298,807	299,067	22,273	766,295
1.2	SDA: TB/HIV collaborative activities: Prevention of HIV in TB patients	3,894	10,094	14,294	17,094	45,375
Objective 2: Management of drug resistant tuberculosis by extension of implemented DOTS-Plus Project		312,405	533,347	640,254	349,748	1,835,754
2.1	SDA: MDR-TB	175,085	361,697	468,604	143,768	1,149,154
2.2	SDA: Infrastructure	137,320	171,650	171,650	205,980	686,600
Objective 3: Strengthening the management and coordination of the National Healthcare System for TB patients & Management of project		68,396	114,516	204,622	107,931	495,465
3.1	SDA: Human resources	36,701	29,781	38,922	29,351	134,756
3.2	SDA: Information system & Operational research	26,620	79,660	118,870	18,750	243,900
3.3	SDA: Project management	5,075	5,075	46,830	59,830	116,809
Objective 4: Increase public awareness of tuberculosis, reduce stigmatization		17,741	24,853	25,173	18,775	86,540
4.1	SDA: Behavioral change communication - mass media	7,170	8,100	8,800	6,130	30,200
4.2	SDA: TB: Timely detection and quality treatment of cases	5,288	11,310	10,010	8,332	34,940
4.3	SDA: TB: Supportive environment: Stigma reduction in all settings	2,000	1,000	2,500	0	5,500
4.4	SDA: TB/HIV collaborative activities. Prevention of TB disease in PLWHA	1,800	2,400	2,100	2,550	8,850
4.5	SDA: TB/HIV collaborative activities. Prevention of HIV in TB patients	120	680	400	400	1,600
4.6	SDA: Human resources	1,363	1,363	1,363	1,363	5,450
TOTAL TB COMPONENT		548,585	981,616	1,183,409	515,819	3,229,429

Detailed budgets with breakdown by Activities and Sub-Activities (Tasks) for both grants in are presented in Annexes 4.c and 4.d.

Annexes relevant to this Chapter:

4.a Workplan for Years 1-2, HIV/AIDS/STI component

4.b Workplan for Years 1-2, TB component

4.c Budget for 5 years with breakdown by quarters for Year 1, HIV/AIDS/STI component

4.d Budget for 5 years with breakdown by quarters for Year 1, TB component

5. Procurement Methodologies

This chapter outlines specific methodologies that the PCIMU will apply to procure goods, consultancies and other services required during the Program implementation.

5.1 Overview of procurement policies and procedures

5.1.1 GFATM procurement policies and principles

The Global Fund to Fight AIDS, Tuberculosis and Malaria was established to attract, manage and disburse additional resources through a new public-private partnership that will make a sustainable and significant contribution to the reduction of infections, illness and death, thereby mitigating the impact caused by HIV/AIDS, tuberculosis and malaria in countries in need, and contributing to poverty reduction as part of the Millennium Development Goals. Access to and availability of health products – medicines, diagnostics, and preventive technologies such as bed nets and condoms, among others – will be crucial in achieving this goal.

In order to provide medicines and other health products to as many people as possible, the Global Fund has adopted a set of policies and principles on procurement and supply management (PSM) that aim to support the procurement of quality assured medicines and other health products in sufficient quantities, reduce cost inefficiencies, ensure the reliability and security of the distribution system, encourage appropriate use of health products, and continuously monitor and evaluate the procurement process. The GFATM's *Guide to the Global Fund's Policies on Procurement and Supply Management* (May 2005) is included as Annex 5.a to this POM.

The central objective of Global Fund procurement is to procure quality assured products at the lowest price and in accordance with national and international law. Procurement must be conducted in a transparent fashion.

The Global Fund Board has identified several guiding policies and principles with which recipients needs to comply. The Global Fund recognizes that the varied situations found in grant recipient countries will result in programs being implemented differently. To this end, the GFATM's procurement guidelines do not present prescriptive procedures but minimum standards to which the recipients must adhere. In many cases there are different ways to comply with such standards. Recipients may, therefore, choose the means that are most appropriate to their programs.

Procurement and Supply Management (PSM) is critical to the GFATM's success because a large share of the funds is spent on procurement of health products and the impact of medicines and other health products on the health of patients is tremendous.

The GFATM is looking to reduce procurement associated risks by: i) reducing spending inefficiencies which are common among similar programs and may have a large impact on

availability of funds; ii) minimizing poor procurement processes among programs which may lead to ineffective treatment of patients and a loss of confidence in health systems.

5.1.2 Assessment of PCIMU procurement capacity

It is crucial for the GFATM that the Local Fund Agent (LFA) performs a capacity procurement assessment to verify whether the Program's procurement plan adheres to the Fund's PSM principles and whether it is feasible to implement.

Procurement capacity assessment is an important part of the Principal Recipient Assessment, undertaken by the LFA during the stage of grant negotiation prior to signing the Grant Agreement. Assessment of the PCIMU as Principal Recipient for GFATM's grants in Moldova was completed by the LFA (PWC) in April 2007. The assessment confirmed that the PCIMU had necessary capacities and systems in PSM to successfully assume implementation responsibilities under the Global Fund grants.

When necessary, the PCIMU will solicit external technical assistance to improve its procurement capacity; the following agencies may be contacted for this purpose (as it happened during the previous projects' implementation, although this list may be extended and does not constitute an official endorsement of the organizations): Management Sciences for Health, John Snow Inc.; GOPA Consultants, International Dispensary Association; UNICEF Supply Division; UNDP/IAPSO; World Health Organization.

5.1.3 PSM policies followed by PCIMU

PSM procedures in use by the PCIMU are designed to ensure that the Program have access to appropriate products, at the lowest possible overall price, procured in compliance with the national laws and regulations and consistent with internationally accepted practices, of an assured quality, in the correct quantity, at the right time, and used in a rational way.

The Global Fund does not provide its recipients with detailed procedures but oversees that PSM practices comply with the overall GFATM's guidance. The PCIMU was established to implement the World Bank's funded projects and therefore employed the WB's procurement procedures. These procedures were also used in procurement undertaken with GFATM funding from the Round 1 project. As the World Bank procedures are fully in line with the requirements of transparency, competitiveness, quality and efficiency, it has been decided by the PCIMU to continue to use these procedures in the TB/AIDS Program financed by the Global Fund.

The WB principal objective for procurement is an open and fair competition policy to all suppliers providing goods, contractors providing works, and consultants providing services from all member countries in order to achieve the highest quality with the minimal price. The key WB principles in procurement are:

- Use of funds only for intended purposes
- Economy and efficiency
- Advance notice to all parties

- Competitive selection
- Appropriate evaluation criteria
- Appropriate technical specifications / terms of reference
- Open and transparent process
- Highest standard of ethics – no fraud or corrupt practices.

Goods and civil works will be procured in accordance with *Guidelines on Procurement under IBRD Loans and IDA Credits* (the World Bank, January 1995, revised January 1999). Procurement of consultant services would be done in accordance with *Guidelines on Selection and Employment of Consultants by World Bank Borrowers* (the World Bank, May 2004). The PCIMU will also apply the requirements laid down in the *Technical Note. Procurement of Health Sector Goods* (the World Bank, May 2000).

The WB's standard procurement documents and evaluation forms will be used where applicable, such as:

- *Standard Bidding Documents. Procurement of Health Sector Goods (Pharmaceuticals, Vaccines and Condoms),* the World Bank, May 2004
- *Standard Bidding Documents. Procurement of Goods,* the World Bank, May 2004, revised May 2005
- *Standard Bidding Documents. Supply and Installation of Plant and Equipment,* the World Bank, May 2005
- *Standard Bidding Documents. Procurement of Works & User's Guide,* the World Bank, May 2005
- *Standard Requests for Proposals. Selection of Consultants,* the World Bank, May 2004.

The mentioned above Guidelines and documents are attached to this POM (Annexes 5.b-i).

5.2 Procurement and Supply Management Plan

5.2.1 PSM Plan structure and contents

Once a proposal has been approved by the Global Fund, the Principal Recipient has to describe the PSM practices it is going to employ in a basic PSM Plan. The objective of the PSM plan is to outline how the Principal Recipient will adhere to the Global Fund's procurement policies. The plan will also be used to measure performance during implementation. The PSM plan:

- Indicates which entity or entities will implement relevant procurement and supply management activities;
- Describes how the Principal Recipient will ensure adherence to each of the Global Fund's procurement policies;

- Includes a list of key health products with their respective estimated quantities, cost, registration status and patent status;
- Includes details about technical assistance requested;
- Encompasses two years of implementation.

The PSM Plan is required for each of the Program components / grants (in this case, for HIV/AIDS and TB). The PSM Plan forms a basis for initial Principal Recipient Assessment undertaken by the LFA. In the event that a PSM Plan is not of acceptable quality after two reviews by the LFA, the Global Fund may request that the Principal Recipient contracts technical assistance in improving the Plan. If, despite these measures, the PR fails to develop a PSM Plan that is acceptable to the Global Fund, the CCM may be asked to identify an alternative PR.

Since the PSM Plan covers the first two years of implementation, modifying the plan, with respect to the selection or the quantities of items to be procured, for example, may be necessary, especially in instances where there are changes in national or international treatment guidelines. For significant changes, the PCIMU will have to provide to the Global Fund a written rationale and highlight the proposed modifications. The LFA will assess the proposed rationale and provide its recommendations to the Global Fund, which will confirm whether these changes are acceptable.

5.2.2 Procurement of pharmaceuticals and health products

The PCIMU will apply the best practices to get the maximum therapeutic value to the greatest number of beneficiaries with the available funds. Effective procurement policies ensure that the correct, quality-assured medicines and other products from reliable suppliers are delivered on time, in the right quantities and at the lowest possible prices.

The PCIMU is responsible for all procurement under the Grant Agreements but in some instances may use contracted local, regional or international procurement agents.

PCIMU procurement practices will adhere to the *Operational Principles for Good Pharmaceutical Procurement* (Interagency Guidelines, WHO, UNICEF, UNFPA, World Bank, 1999), attached in Annex 5.j:

- Efficient and transparent management:
  - *Separation of key functions* - Different procurement functions and responsibilities (selection, quantification, product specification, pre-selection of suppliers and adjudication of tenders) should be divided among different offices, committees and individuals, each with the appropriate expertise and resources for the specific function.
  - *Transparency and written procedures* - Procurement procedures should be transparent, following formal written procedures throughout the process and using explicit criteria to award contracts.
  - *Procurement planning and monitoring of procurement performance* - Procurement procedures should be transparent, following formal written procedures throughout the process and using explicit criteria to award contracts.
- Drug selection and quantification:
  - *Procurement limited to essential drugs list / formulary list*- Public sector procurement should be limited to an essential drugs list or national/local formulary list.

- *Procurement by generic name (INN)* - Procurement and tender documents should list drugs by their International Non-proprietary Name (INN), or generic name.
- *Order quantities based on actual need* - Order quantities should be based on a reliable estimate of actual need.

- Financing and competition:
  - *Reliable financing and good financial management* - Mechanisms should be put in place to ensure reliable financing for procurement. Good financial management procedures should be followed to maximize the use of financial resources.
  - *Bulk Procurement* - Procurement should be effected in the largest possible quantities in order to achieve economies of scale; this applies to both centralized and decentralized systems.
  - *Competitive procurement* - Procurement in the public health sector should be based on competitive procurement methods, except for very small or emergency orders.
  - *Sole-source commitment* - Members of the purchasing groups should purchase all contracted items from the supplier(s) which hold(s) the contract.
- Supplier selection and quality assurance:
  - *Formal supplier qualification and monitoring* - Prospective suppliers should be pre-qualified, and selected suppliers should be monitored through a process which considers product quality, service reliability, delivery time and financial viability.
  - *Product quality assurance programme* - Procurement procedures/systems should include all assurances that the drugs purchased are of high quality, according to international standards.

The PSM Plan focuses on procurement of health products and places special emphasis on procurement of pharmaceuticals. It describes in detail the main steps in procurement and supply management: product selection, forecasting, procurement planning, inventory management, distribution and ensuring rational of medicines. Please refer for details to the PSM Plans for HIV/AIDS and TB components included in Annexes 5.k and 5.l, which should be referred to for details.

5.2.3 Procurement of non-pharmaceutical products and services

To ensure that other goods ('non-health') goods and services are procured according to a basic plan and to avoid the wastage of resources, the GFATM asked the PCIMU to prepare a basic plan for procurement of non-pharmaceutical products that includes a list of items, unit prices and volume; and to apply existing procurement practices at the PCIMU that are acceptable to the GFATM. At a minimum, they shall conform to the following requirements:

- Contracts shall be awarded, to the extent practical, on a competitive basis.
- Solicitations for goods and services shall be based upon a clear and accurate description of the goods or services to be acquired.
- Contracts shall be awarded only to responsible contractors that possess the potential ability to successfully perform the contracts.
- No more than a reasonable price (as determined, for example, by a comparison of price quotations and market prices) shall be paid to obtain goods and services.
- The PCIMU shall maintain records regarding the receipt and use of goods and services acquired, the nature and extent of solicitations of prospective suppliers of goods and services acquired by the PCU, and the basis of award of PCU contracts and orders.

5.2.4 Procurement Schedule

The Procurement Schedule containing specific project activities specifying the procurement dates for the principal milestones will be prepared for the first two years of grant implementation. Some of the procurement activities are well defined with details and others in a general draft form. The Procurement Schedule will cover all procurement activities. The schedule is subject to update as agreed with the Global Fund.

The following milestones' duration periods will be considered during procurement plan preparation:

- Preparation of bidding documents including technical specifications – up to 30 days;
- Specific Procurement Notice (SPN) to be published in the local newspaper(s) and/or in the *UN Development Business* – up to 30 days;
- Preparation of bids – 14-45 days;
- Evaluation and comparison of bids and preparation of Evaluation Report – up to 30 days;
- Sending the Notification of Award, finalizing the contract with selected bidder, obtaining performance security and releasing bid security, contract signing – up to 30 days;
- Delivery period – depending on the subject and volume of contract, from 30 to 180 days.

Note: For IS, NS, IC and CQ procurement methods (see below), the cycles for review of bidding documents, as well as for the preparation phase, evaluation and contract signature, can be reasonably shorter.

5.3 Procurement methods: goods and works

5.3.1 Procurement methods and packages

Goods to be procured by the Program include: medical and laboratory equipment, pharmaceuticals, laboratory supplies, condoms, other medicinal products, vehicles, computer hardware and software, office equipment, furniture and supplies office. Civil works relate to investments (renovation) of the health services' infrastructure. Procurement of goods and civil works for the Program will be carried out in accordance with the following methodologies:

- *International competitive bidding (ICB)* is a generally recommended procurement method because it ensures economy efficiency, and transparency. It is used for procurements that are relatively large in value (over an estimated USD 200,000) and therefore often requires packaging of items under one bid. ICB implies open advertisement with placement of bid announcements on site(s) internationally recognized for such type of projects (for

example, *UNDB, DgMarket*) as well as in the local media, and comprehensive and transparent procedure for bids evaluation and award.

- *National competitive bidding (NCB)* is a competitive bidding procedure normally used for public procurement in the countries. While similar to ICB, it is used for procurement of products that are available locally from a number of qualified suppliers and therefore the tender is unlikely to attract foreign bidders.
- *International shopping (IS).* Readily available goods, such as equipment of standard specifications, drugs, pharmaceuticals, and supplies, estimated to cost less than USD 200,000 equivalent per contract will be procured using this method. To ensure competitive prices, the PCIMU will solicit quotations from at least three suppliers.
- *National shopping (NS).* This method will be used for procuring relatively small volumes of locally available works and off-the-shelf products such as equipment and supplies of standard specifications, estimated to cost less than USD 50,000 equivalent per contract. The PCIMU will solicit quotations from at least three local suppliers.

For goods to be obtained by the ICB, Specific Procurement Notice (SPN) will be advertised for each tender, in major local newspaper(s) and UN Development Business website online minimum 45 days prior to expected date of submission of the bidding documents, sent to the accredited embassies and consulates and transmitted to potential bidders who expressed interest in bidding. The local advertisement will be in the local and English languages. Additionally for large, specialized or important contracts, the Principal Recipient will advertise the invitation in well-known magazines.

ICB procurement process generally includes the following steps:

- Preparation of bidding documents using the latest version of standard specific WB bidding documents where applicable to the goods being procured including technical specifications.
- Specific Procurement Notice (SPN) to be published in the local newspaper(s) and on the *Development Business* website.
- Sale of bidding documents to interested and eligible bidders.
- A reasonable deadline for the preparation of bids (45 days - minimum) should be given, depending on of size of the package. A date, time and place for the public opening of the bids should be indicated. This should be the same day and time as indicated for the deadline for bid submission.
- Provision of clarification on the bidding documents and responses to other queries of the bidders.
- Receiving / opening the bids; preparing Minutes of bid opening.
- Evaluation and comparison of bids.
- Preparation of Evaluation Report in accordance with the WB standard formats.
- Sending the notification of award.
- Finalizing and signing the Contract with selected bidder. The Contract is to be signed by the PCIMU Executive Director.
- Obtaining performance security and release the bid security to the successful bidder.
- Inform unsuccessful bidders and release the bid securities.
- Process payment request by supplier / contractor.

- Issuing the Letter of Credit if necessary.
- Deliveries are made and delivery documentation checked thoroughly against the Contract before the payment is made.
- Inspection of goods is verified by special institutions or experts, which certify that deliveries fulfill technical specifications and the bill of quantities.
- Disbursements are made against payment documentation.
- Monitoring disbursement.

National shopping (NS) and *international shopping (IS)* of goods are procurement methods based on comparing price quotations obtained from several suppliers to assure competitive prices, and is an appropriate method for procuring readily available off-the-shelf goods or standard specification commodities that are small in value. NS procedures will require at least three quotations from at least three local suppliers; and IS procedures will require at least three quotations from the suppliers of at least two countries.

Thus PCIMU will prepare Requests for Quotations in a standard format to be issued to potential suppliers describing specific factors relating to the goods being procured; the quality and quantity of goods, as well as desired delivery time and place. Quotations will be submitted in hard copies, by e-mail and/or fax as specified in the Request for Quotations. Then PCIMU will evaluate the quotations and choose the one which is most responsive, in terms of quality and cost. The terms of the accepted quotation will be afterwards incorporated in the contract.

IS and NS procurement processes generally includes the following steps:

- Preparing the Request for Quotations (RQ) and list of potential suppliers.
- The list of suppliers for IS has to be include at least three suppliers from two different countries; for NS, the list of suppliers for has to include at least three local suppliers. It is generally recommended to solicit quotations from more than three suppliers.
- Sending the RQ to selected suppliers.
- Receiving and evaluating the quotations.
- Preparing the Evaluation Report and sending Notification of Award to the selected supplier.
- Signing the Contract with the successful supplier.
- Deliveries are made and delivery documentation checked thoroughly against the Contract before payment is made.
- Inspection of goods is verified by experts, who certify that deliveries fulfill technical specifications and the bill of quantities.
- Disbursements are made against payment documentation.

5.3.2 Bid evaluation for goods

The evaluation is based on the responsiveness of the bid to the technical specification and the evaluation strictly follows the criteria and methods included in the bidding documents. The evaluation will follow the WB's standard Bid Evaluation Form for Goods. The purpose of the evaluation is to determine the cost of each bid in the manner that permits a comparison on the

basis of their evaluated cost. The bid with the lowest evaluated cost, but not necessarily with the lowest submitted price, shall be selected or award.

The bid price read out at the bid opening shall be adjusted to correct any arithmetical errors. Also, for the purpose of evaluation, adjustments shall be made for any quantifiable nonmaterial deviations or reservations. Price adjustment provisions applying to the period of implementation of the contract shall not be taken into account in the evaluation.

After the evaluation of bids is over, a detailed report will be prepared on evaluation and comparison of bids setting forth the specific reasons on which the recommendation is based for the award of the contract.

The PCIMU will form an Evaluation Committee. The Evaluation Committee will include relevant members representing the PCIMU, Ministry of Health, CCM Working Groups and specialists in the field and beneficiaries, e.g.:

- PCIMU Executive Director
- PCIMU TB/AIDS Program Coordinator
- PCIMU Procurement Officer
- Representative of the Working Group(s)
- 2-3 specialists in the subject, including representative of the beneficiary.
- Other relevant representatives of the public authorities, where necessary.

The Evaluation Committee will be flexible in the composition, having the permanent members (around 5) and the profile specialists / experts, which will be called depending on the subject of procurement.

5.3.3 Evaluation and price comparison in case of shopping

In case the PCIMU procures goods under the shopping procedures, the evaluation and comparison shall be done in a simplified way, without gathering the Evaluation Committee as described above, in order to avoid delays in procurement. Shopping implies mainly the comparison of the priced quotations, being organized for procurement of standard off-the-shelf goods. In case of shopping, there is only price comparison - not evaluation, and the lowest substantially technically complaint priced offer is selected. Some simple evaluation factors may be used, like fast delivery but in such cases the intention should be indicated in the request for quotations.

The evaluation will be done by the Working Group, consisting of at least four persons:

- PCIMU Executive Director
- Specialist in the subject
- PCIMU TB/AIDS Program Coordinator
- PCIMU Procurement Officer.

The decision will be taken based on the principles and rules of procurement described in the WB Guidelines and the standard WB forms provided for the purpose of comparison under NS and IS.

5.3.4 Process of bid opening, filing, evaluation and reporting

The following procedures will be put in place:

Receiving the bids. The PCIMU will receive the bids on the date and time specified in the documents or amendment. A form shall be kept listing the names of the bidders and the date and time of submission. A confirmation receipt shall be provided at the time of submission. Bids received late shall not be considered, will be marked "late" and will be sent back unopened to the bidder.

Bids opening. Bids will have to be opened at the time, date and place specified in the documents and in front of any representatives of bidders who choose to attend. At bid opening, members of the Evaluation Committee team must be present. The PCIMU representative will open and read out the name of bidder, bid price, alternative prices and presence or absence of bid security at the bid opening. Late bids will not be opened, only announced. The PCIMU will prepare the list of attendees and minutes of the meeting.

Filing the bids. The PCIMU will file the original bid documents in a separate file. Only copies will be used to evaluate the bids. A summary sheet of the bid amount will be prepared.

Clarification of bids. The PCIMU may ask the bidders questions to clarify their bids. These questions and bidder's responses will have to be in writing. No change in prices or bid substance shall be made.

5.3.5 Evaluation and comparison of bids

The PCIMU will conduct a preliminary examination of the bids to ensure that the bids are complete; all securities / guarantees are provided and are in an acceptable form; there are no arithmetical errors are (unit prices and the amount in words will prevail). The PCIMU will reject non-responsive bids from further consideration.

The PCIMU will conduct the evaluation and comparison of bids solely in accordance with the bid documents. An Evaluation Report will be prepared, including all clarification requests and replies.

For evaluation of bids the PCIMU will use a checklist that includes the following:

- Late bids (will have to be rejected);
- Check for eligible bidders – commercial and legal entity; financial and managerial autonomy of bidders;
- Qualification section submitted;
- Compare against bid data sheet requirements;

- Each bidder has one bid; alternatives will be allowed if stated in Bid Data Sheet;
- No modification or withdrawal allowed after bid closing;
- Process to be confidential;
- Substantial responsive bid which conform to all the terms, conditions, and specification of bidding documents, with no major deviations;
- Correct arithmetical errors;
- Check bid prices arithmetic for each bid.

5.3.6 Award of contracts

After completing the Evaluation Report, the PCIMU will make sure that bidder has been determined to be eligible according to the provisions of the bid documents. The PCIMU will notify the successful bidder with "Notification of Award" (NOA) by registered mail of the award and advice that the bid has been accepted. The "Form of Agreement" included in the bidding documents shall be sent to the successful bidder with the NOA.

The PCIMU will sign the Contract with the successful bidder within 15 days from the date of NOA. The Bidder will sign and date the Contract and return it to the PCIMU within 15 days after receipt of the Contract together with the Performance Security (for ICB).

5.3.7 Contracts

Each contract signed will generally include general and specific provisions. The "general" part of the contract will contain standard clauses or conditions that will normally reappear, unchanged from one contract to another. The "special" conditions will appear in a separate section and are elements that must be agreed upon separately in each case, e.g. price, method of payment, delivery terms etc. The Procurement Specialist will be responsible for drawing up the contracts while the other PCIMU staff will assist in providing information whenever required.

Once signed, the original documents of each contract will be kept by the Financial Specialist and a copy given to the Procurement Specialist for the file.

5.3.8 Delivery and acceptance

There are various levels of "acceptance" in the procurement process. During the term of a contract, certificates of "preliminary acceptance", "site acceptance" and "final acceptance" will be prepared by the PCIMU and delivered to responsible persons at the sites. These will be completed by the supplier/contractor and site personnel as verification of delivery and receipt of items. The acceptance procedure for each type of procurement contract will be determined by an Acceptance Committee.

- *"Preliminary Acceptance"* occurs when the goods are delivered to the site. Preliminary acceptance is formalized by the issuance of the preliminary acceptance

certificate that attests to the delivery of goods to the site.

- *"Equipment Acceptance"* occurs when all items of a project "site" are delivered and all incidental services are complete and a Site Acceptance Certificate (SAC) is issued. A SAC is issued at when the buyer agrees that all the following incidental services and activities (as applicable) have been completed for all items at a Project site, e.g. installation, testing/calibration/ commissioning/inspection, basic training, and demonstrations, receipt of manuals, receipt of spare parts, tools and consumables, receipt of warranty agreements.
- *"Final Equipment Acceptance"* occurs when *all* site acceptance certificates at *all* project sites SACs have been issued and the Final Acceptance Certificate (FAC) is issued. The warranty period begins upon the issuance of the FAC.

5.3.9 Responsibility matrix – procurement of goods and works

Table 5.1. Responsibilities of parties in the process of procurement of goods and works

Steps	GoM	CCM	PCIMU		
	PSC	TWGs	ED	TAPC	PS
Setting up Evaluation Committees	X		X	X	
Identification of requirements		X		X	
Lot breakdown				X	X
Cost estimate				X	X
Definition of procurement method					X
Drafting of technical specifications		X		X	
Finalizing of technical specifications		X	X	X	X
Preparation of bidding documents					X
SPN preparation				X	X
Approval of documents			X	X	
Advertising					X
Issuing of bidding documents					X
Clarifications to bidders				X	X
Receiving bids					X
Public bids' opening	X	X		X	X
Minutes of bid opening				X	X
Preliminary examination and drafting of evaluation report		X		X	X
Approval of evaluation report	X	X	X	X	X
Notification of award			X	X	X
Preparation of contract					X
Contract signing	X		X		
Copy of signed contract to GFATM			X	X	X
Performance security and return of bid security					X

5.4 Procurement methods: consultancy services

5.4.1 Procurement methods and packages

Consulting services including, among others, organizational development, project audits, supervision services, technical assistance from foreign and local firms and consultants will be contracted in accordance with the World Bank Guidelines.

The following procurement methods will be used for contracting consultancy services:

- *Quality-and-Cost-Based Selection (QCBS)* uses a competitive process among short-listed firms that takes into account the quality of the proposal and the cost of the services in the selection of the successful firm. Cost as a factor of selection will be used judiciously. The relative weight to be given to the quality and cost will be determined for each case depending on the nature of the assignment. The weight of cost will normally be in the range of 10 to 20 points, but in no case will exceed 30 points out of the total score of 100. QCBS will be employed for hiring consulting firms for technical assistance, public awareness campaigns and other major activities under the Project, for contracts estimated to cost USD 200,000 equivalent or more.
- *Least-Cost Selection (LCS)* is an appropriate procurement method for selecting consultants for assignments of a standard or routine nature (audits, engineering design of noncomplex works, etc.) where well-established practices and standards exist. Under this method, a "minimum" qualifying mark for the "quality" is established. Under this method, the minimum qualifying mark will be established, understanding that all proposals above the minimum compete only on "cost." The minimum qualifying mark will be stated in the RFP. Proposals are invited from a short list. Technical proposals are opened first and evaluated. Those securing less than the minimum qualifying mark are rejected, and the financial proposals of the rest are opened in public. The firm with the lowest price will then be selected. The cost of contracts under LCS generally will not exceed USD 20,000 equivalent.
- *Consultant qualifications (CQ).* This method will be used in case of services for technical assistance on specific sector studies, laboratory assessments, promotion and communication campaigns, impact studies, and other consulting services, for contracts estimated to cost less than USD 200,000 equivalent. This method is appropriate for relatively small assignments for which the need for preparing and evaluating competitive proposals is not justified. In such cases, the PCIMU will prepare the Terms of Reference for the activity of concern, request expressions of interest and information on the consultants' experience and competence relevant to the assignment, establish a short list, and select the agency with the most appropriate qualifications and references. The selected firm will be asked to submit a combined technical-financial proposal and then be invited to negotiate the contract.
- *Individual consultants (IC)* will be employed on consultancy assignments for which teams of personnel or additional outside professional support are not required, and the experience and qualifications of the individual are the key requirement. Individual

consultants will be selected on the basis of their qualifications for the assignment through comparison of qualifications of at least three candidates who have expressed interest in the assignment or have been approached by the PCIMU. Whenever possible, the Project will publish requests for expressions of interest for individual assignments in national and international media.

Trainings, workshops and study tours related to the Program will be procured through obtaining a reasonable proposal directly from the relevant and potential service providers.

QCBS procurement process generally includes the following steps:

- Preparation of an invitation for Expression of Interest (EOI) and advertising online on the UN Development Business website and local newspapers. This will provide the PCIMU with consulting firm's qualifications, type of key personnel, brochures, etc. The PCIMU will use this material to prepare a short list from all firms who responded; the short list will include three to six firms.
- Preparation of Request for Proposals (RFP) including: Letter Of Invitation, Terms of Reference, Information to Consultants, Technical Proposal Standard Forms, Financial Proposal Standard Forms. The RFP used will be the latest version available at the World Bank website.
- Sending the RFP documents to the short listed firms. For documentation purposes all mail or courier receipts shall be filed in the contract files.
- Firms will be allowed at least 30 days to prepare proposals.
- Where pre-proposal conferences are included in the RFP, the PCIMU will arrange them.
- Firms may send questions for clarification of RFP documents any time during preparation or as specified in the Data Sheet. The PCIMU will document any questions and their respective answers, and respond to all consulting firms without identifying the name(s) of the consulting firms requesting clarification.
- If there is a need to modify RFP documents due to answers provided to the consultants, or due to PCIMU own initiative, such modifications will be made through an Amendment. The PCIMU may extend the deadline date for submission if an Amendment so warrants.
- The firms shall submit proposals in accordance with the requirements. The PCIMU will ensure the following at the time of opening:
  - Technical and financial proposals are received in separate envelopes. Each envelope is marked "original" and "copy" as appropriate.
  - Both envelopes are sealed in an outer envelope and marked "DO NOT OPEN EXCEPT IN THE PRESENCE OF THE EVALUATION COMMITTEE".
  - The PCIMU will mark the time and date the proposal was received. Any proposal received after the deadline will be returned unopened.
  - The Evaluation Committee will open the technical proposals immediately after the deadline for submission of proposals.
  - The financial proposals will remain sealed and kept in a safe. They will only be opened after the technical evaluation is complete and documented in the

Technical Evaluation Report.

- The Evaluation Committee will score the technical proposals based on the points assigned in the Data Sheet - Evaluation Criteria. Each member will have to score independently.
- Firms scoring points equal to or higher than the minimum score will be considered for second stage evaluation of financial proposals.
- The PCIMU will prepare the Technical Evaluation Report.
- The PCIMU will notify the firms that passed the minimum score and will advise the date, time and address for public opening of the financial proposals. Notice by fax or e-mail will be sent at least 10 days prior to the opening date of financial proposals.
- At the public opening the PCIMU will announce the names of the consultants, their technical score, and the amounts of the financial proposals. Minutes of the meeting will be prepared.
- The Evaluation Committee shall determine that financial proposals are complete and ensure: (i) if any cost of tasks are missing, cost them out and add them to the proposal[2]; (ii) Correct any computational errors; (iii) Convert prices to a common currency for comparison. The PCIMU will rank the proposals according to their combined technical and financial scores using the assigned weights (for example T (technical) = 0.8 and P (financial) = 0.2) and will recommend for selection the firm scoring the highest combined technical and financial score.
- The negotiation may include: discussion of technical proposal, work plan, staffing and firm's suggestions to improve the TOR; the PCIMU and firm's agreement on the final TOR to be incorporated in the description of services, including adjustment of the financial proposal where appropriate; clarification on tax issues, if any, and on how to account for them in the Contract, based on the conditions stipulated previously in the RFP.
- PCU shall conclude the negotiations with initialing of the Draft Contract by both parties.
- If negotiations fail with the top ranked firm, the PCIMU will invite the firm with the second highest score.
- The PCIMU and the firm will sign the Contract.
- The firm will submit the invoice and bank guarantee for advance payment as agreed in the Contract and the PCIMU will pay the amount promptly for work to begin.
- The firm will deliver draft and final products / documents stipulated in the contract.
- The PCIMU M&E officer or appointed expert will verify the content and quality of the offered product/documents and authorize the next payment if proceeds.

CQ procurement process generally includes the following steps:

- The PCIMU will prepare the request for Expression of Interest (EOI) and requirements on consultant's experience and competence relevant to the assignment.
- The PCIMU will advertise the EOI in the local newspaper. This will provide the

[2] For purposes of evaluation, costs shall not include taxes.

PCIMU with Consulting firm's qualifications, brochures if any, type of key personnel etc. PCU will use this material to prepare a short list from all firms who responded to the SPN advertisement.

- The short list will include not more than three firms. The PCIMU will select firms with the most appropriate qualifications and references.
- The PCIMU will evaluate the firms and select the one most qualified for the assignment based on its relevant experience and qualifications and complete a simple evaluation report.
- The PCIMU will send the Terms of Reference to the selected firm requesting combined technical and financial proposal.
- The PCIMU will conclude the negotiations and draft the contract.
- If negotiations fail with the first firm, the PCIMU will invite the firm with the second most appropriate qualifications.
- The PCIMU and the firm will sign the Contract.
- The firm will submit the invoice for advance payment as agreed in the Contract and the PCIMU will pay the amount promptly for work to begin.
- The firm will deliver draft and final products / documents stipulated in the contract.
- The PCIMU M&E officer or appointed expert will verify the content and quality of the offered product/documents and authorize the next payment if proceeds.

IC procurement process generally includes the following steps:

- The PCIMU will collect CVs and elaborate a short list which will include at least three experts. The PCIMU will select individuals with the most appropriate qualifications and references.
- The PCIMU will evaluate at least 3 CV's and select the one most qualified for the assignment based on his/her relevant experience and qualifications and complete a simple evaluation report.
- The PCIMU will prepare a draft contract.
- The PCIMU will conclude the negotiations with the selected consultant.
- If negotiations fail with the first consultant, the PCIMU shall invite the consultant with the second most appropriate qualifications.
- The PCIMU and the Consultant will sign the Contract.
- The Consultant shall submit the invoice for advance payment as agreed in the Contract and PCU shall pay the amount promptly for work to begin.
- The Consultant will deliver draft and final products / documents stipulated in the contract.
- The PCIMU M&E officer or appointed expert will verify the content and quality of the offered product / documents and authorize the next payment if proceeds.

5.4.2 Bid opening for technical proposals

A public bid opening is required for QCBS and LCS at the financial evaluation stage. It is not required for CQ. The Technical Proposal envelopes should be opened on the deadline set in the Information To Consultants (ITC) for opening of proposals. It is not necessary to hold a public opening of technical proposals. Any proposals received after the deadline set for the receipt of proposals will be rejected.

Proposals for QCBS and LCS will have to be provided in two envelopes i.e. technical proposal in one envelope and a separate envelope with a financial proposal submitted at the same time. Under no circumstances whatsoever must envelopes marked "Financial Proposal" be opened until after the technical evaluation has been completed. Doing so will invalidate the evaluation process and necessitate a re-invitation. The envelopes should preferably be deposited with an independent body such as an auditor until they need to be opened.

The PCIMU Procurement Specialist will register all proposals received and will provide a receipt to the bidder for any hand-delivered proposals.

5.4.3 Evaluation of technical proposals

The procedure for evaluation of proposals depends upon the selection process included in the ITC. The general rules are:

- There should be no communication with firms during the evaluation stage;
- Evaluation will strictly follow the points allocation and weighting system laid out in the ITC.

The PCIMU will form an Evaluation Committee. The Evaluation Committee will include relevant members representing the PCIMU, Ministry of Health, CCM Working Groups and specialists in the field and beneficiaries, e.g.:

- PCIMU Executive Director
- PCIMU TB/AIDS Program Coordinator
- PCIMU Procurement Officer
- Representative of the Working Group(s)
- 2-3 specialists in the subject, including representative of the beneficiary.
- Other relevant representatives of the public authorities, where necessary.

The Evaluation Committee will be flexible in the composition, having the permanent members (around 3) and the profile specialists / experts, which will be called depending on the subject of procurement.

The overriding consideration in the formation of Evaluation Committees should be professional skills of its members in regard to the particular contract, rather than their administrative position.

The PCIMU will first read all the proposals so as to be in a position to clarify any queries raised by the committee members. The members of the Evaluation Committee will then each have a copy of the Technical Proposal and marking sheets should be prepared for them to complete with a matrix of scores for each criteria and sub-criteria for each firm and be allowed between 2-4 hours to complete a review of each proposal.

Each member of the committee will review the technical proposals in line with the criteria in the ITC and complete the marking sheets independently of each other. The chairman of the EC will set a deadline for review of proposals, and will collect the marking sheets and produce average values for each of the members markings on a separate sheet. The work of the Evaluation Committee remains strictly confidential.

The PCIMU Procurement Specialist shall always be a member of the Evaluation Committee and will ensure that this process is not unduly delayed. Upon completion of the evaluation, the Procurement Specialist will collect the individual marking sheets and prepare the Technical Evaluation Report, which follows a standard format which gives details of the Program; firms invited; proposals received; the evaluation procedure followed; the members of the evaluation committee; the evaluation scores and the recommendation. The marking sheets must be retained on file in case of audit.

5.4.4 Evaluation of financial proposals

Financial proposals' evaluation as described below is required for QCBS and LCS only. The qualified consultants are notified that Financial Proposals will be opened on a certain time and date (not less than 2 weeks from the date of such notification).

A public opening is then held and the name of the consultancy firm, the quality scores as included in the Technical Evaluation Report (by criteria not sub-criteria) and prices from the financial proposal are read out. No other information needs to be provided. Only the financial proposals of those firms reaching the minimum technical score (where specified) may be opened. Minutes of the opening will be prepared by the Procurement Specialist and sent to consultancy firms.

Then the Financial Proposal is evaluated. The evaluation committee will determine whether the Financial Proposals are complete (i.e., whether they have costed all items of the corresponding Technical Proposals; if not, the Client will cost them and add their cost to the initial price), correct any computational errors, and convert prices in various currencies to the single currency specified in the ITC Data Sheet.

In the case of QCBS, the lowest Financial Proposal (Fm) will be given a financial score (Sf) of 100 points. The financial scores (Sf) of the other Financial Proposals will be computed as indicated in the Data Sheet, usually:

$$Sf = 100 \times Fm/F$$

in which *Sf* is the financial score, *Fm* is the lowest price and *F* the price of the proposal under consideration.

Proposals will be ranked according to their combined technical (*St*) and financial (*Sf*) scores using the weights (*T* = the weight given to the Technical Proposal; *P* = the weight given to the Financial Proposal; *T* + *P* = 1) indicated in the Data Sheet:

$$S = St \times T\% + Sf \times P\%$$

The firm achieving the highest combined technical and financial score will be recommended for negotiations.

In the case of the Least-Cost Selection, the cheapest ("evaluated" price) will be recommended.

5.4.5 Types of contracts for consultancy services

For contracts above USD 50,000 the PCIMU will the use one of the following two Standard Forms of Contracts:

- *Standard Form of Contract (Complex Time Based).* This form is used in case of complex assignments, where remuneration is determined on the basis of time actually spent.
- *Standard Form of Contract (Lump Sum Based).* This form is used when tasks to be performed are clear; risk taken by the consultant is minimal; and the consultant is to perform assignment on specific milestones or deliverables.

For contracts less than USD 50,000, *Sample Form of Contract, Small Assignments (Time Based or Lump Sum)* included in the standard RFP document will be used adapted as necessary for the Program.

5.4.6 Contract negotiations

The recommended firm will be invited to sign the contract. Generally for small value contracts, using standard 'Small Assignments' contracts, there is no need for negotiations.

The content of negotiations for other standard contract types will be limited to review of breakdown of price and adjustments to the TOR, workplan and staffing. Because price has already been evaluated, the idea is not necessarily to negotiate the price but to finalize details for preparation of the contract.

The content of negotiations will depend upon the detail included in the Letter of Invitation and the proposal but could include:

- Workplan and staffing
- Changes to the TOR
- Services and costs to be met by the Client.

Unless there are exceptional reasons, the financial negotiations will involve neither the

remuneration rates for staff (no breakdown of fees) nor other proposed unit rates in the cases of QCBS, and the Least-Cost Selection methods. Usually, financial negotiation would be limited to: (i) reimbursable costs; (ii) payment schedule; and (iii) contingencies.

If for some reason, it is impossible to conclude negotiations with the winning firm, then, subject to the approval of the Bank, the second ranked firm may be invited to negotiations.

On completion of negotiations, both parties will sign the contract prepared by the Client. Two originals will be prepared by the Procurement Specialist for signature with one signed original each for the PCIMU and the Consultant. A copy of contract will be passed on to the Financial Specialist for payment purposes and filing.

5.4.7 Responsibility matrix – procurement of consultancy services

Table 5.2. Responsibilities of parties in the process of procurement of consultancy services

Steps	GoM	CCM	PCIMU		
	PSC	TWGs	ED	TAPC	PS
Identification of requirements		X		X	
Cost estimate		X		X	X
Definition of procurement method					X
Drafting of TOR		X		X	
Finalizing of TOR				X	X
Preparation of RFP / REOI					X
Advertising					X
Issuing of RFP / REOI					X
Clarifications				X	X
Receiving Proposals					X
Setting up Evaluation Committee	X	X	X	X	X
Proposal opening		X	X	X	X
Preliminary examination and drafting of evaluation report		X		X	X
Approval of evaluation report	X	X	X		
Public opening of financial proposals		X	X	X	X
Preliminary examination and drafting of final evaluation report		X		X	X
Approval of final evaluation report	X	X	X		
Invitation to negotiations				X	X
Contract negotiations			X	X	X
Preparation of contract documentation				X	X
Contract signing			X		
Copy of signed contract to GFATM					X

5.5 Other procurement issues

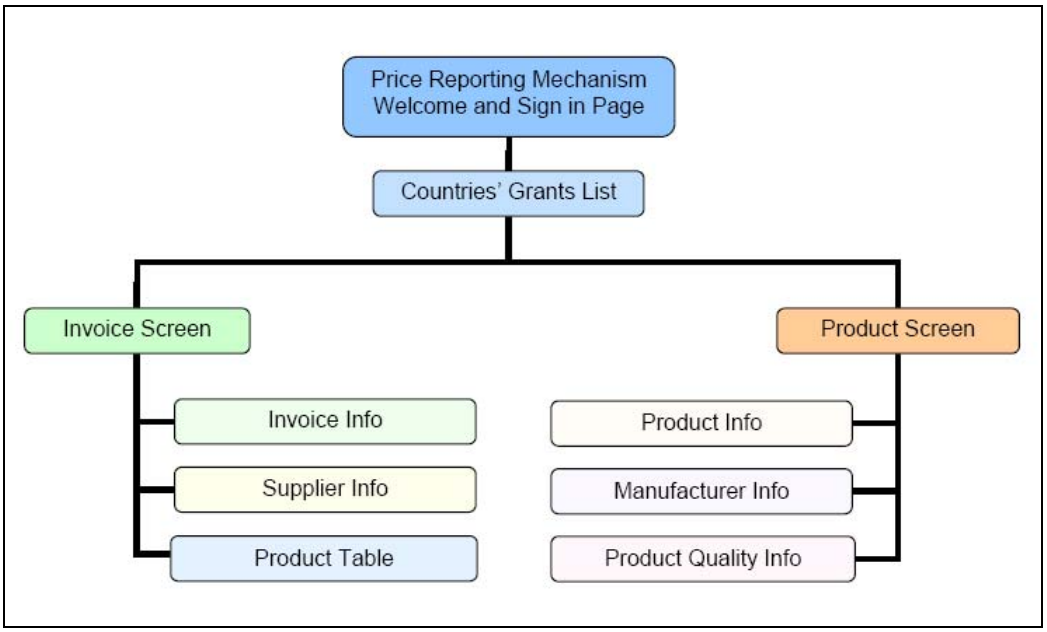
5.5.1 Price Reporting Mechanism

The Price Reporting Mechanism (PRM) is a tool introduced by the Global Fund in 2006 that allows to keep track of purchase information for pharmaceuticals and some other health products procured with funds received from the GFATM. The system allows the Principal Recipients to have full access to this information from their respective countries over the Internet. The following medicines and heath products are to be reported in the PRM: ARVs, ACTs, anti-TB drugs, bed nets and condoms.

The PRM allows the PR to not only maintain secure records of its own procurement activity, but also to compare its activity to the activity of other Principal Recipients. This pooled and up-to-date information enables the PRs to compare offers received for particular procurements with the prices available globally and regionally and to ensure they are buying quality assured medicines and other health products at the lowest possible price. Further, the PRM helps the PRs in operational planning of future purchases and making necessary adjustments in the budgets.

The real-time information contained in the database will help the Global Fund Secretariat keep track of procurement prices, supplier performance, product quality and overall procurement efficiency of country operations.

Figure 5.1. Schematic representation of the GFATM Price Reporting Mechanism



The system allows to view the country-specific information for five different categories: Purchase Price Information, Quality Related Information, Procurement Agent Information, Supplier and Delivery Information, and Financial Information. The Purchase Price Reports can be downloaded into Word or Excel or printed by category for further analysis.

Each PR, including the PCIMU for Moldova grants, is obliged to regularly upload the information for respective projects in the PRM via Internet having specially assigned logon

and password. The PCIMU Procurement Specialist(s) will be responsible for adding procured products and respective invoices to the system and editing them as necessary, as well as for analyzing Purchase Price Reports and submitting relevant information to the TB/AIDS Program Coordinator and Executive Director for planning purposes.

Detailed information on how to use the PRM is contained in the *Price Reporting Mechanism. Principal Recipient Manual (GFATM, December 2006),* attached to this POM in Annex 5.m.

5.5.2 Confidentiality in procurement

Confidentiality must be maintained at all times. The contents of any bidding documents or bids/proposals must not be discussed outside of the procurement team or Evaluation Committee. Documents with sensitive or confidential information should be locked in the safe at all times, unless being worked with. Confidentiality is maintained until announcement of the award of contract to the successful bidder is done.

The WB Procurement Guidelines also stress the confidential nature of the evaluation procedures, and the Standard Bidding Documents warn the bidders that any attempt to influence the client in bid evaluation may result in rejection of the bid.

5.5.3 Procurement reporting

For the GFATM's procurement planning purposes the following procurement reports have been prepared:

- 2-year Procurement and Supply Management Plan
- 2-year Procurement Schedule.

For internal PCIMU procurement monitoring purposes (e.g. supervision of Sub-Recipients), as well as for the disbursement and control, the following reports will be prepared:

- PMR 3A - Procurement Monitoring – for goods and works (Annex 5.p)
- PMR 3B - Procurement Monitoring – for consultants (Annex 5.o).

Annexes relevant to this Chapter

5.a *Guide to the Global Fund's Policies on Procurement and Supply Management* (GFATM, May 2005)

5.b *Guidelines on Procurement under IBRD Loans and IDA Credits* (the World Bank, January 1995, revised January 1999)

5.c *Guidelines on Selection and Employment of Consultants by World Bank Borrowers* (the World Bank, May 2004).

5.d *Technical Note. Procurement of Health Sector Goods* (the World Bank, May 2000)

5.e *Standard Bidding Documents. Procurement of Health Sector Goods: Pharmaceuticals, Vaccines and Condoms* (the World Bank, May 2004)

5.f *Standard Bidding Documents. Procurement of Goods* (the World Bank, May 2004, revised May 2005)

5.g *Standard Bidding Documents. Supply and Installation of Plant and Equipment* (the World Bank, May 2005)

5.h *Standard Bidding Documents. Procurement of Works & User's Guide* (the World Bank, May 2005)

5.i *Standard Requests for Proposals. Selection of Consultants* (the World Bank, May 2004)

5.j *Operational Principles for Good Pharmaceutical Procurement* (Interagency Guidelines, WHO, UNICEF, UNFPA, World Bank, 1999)

5.k Procurement and Supply Management Plan, HIV/AIDS/STI component

5.l Procurement and Supply Management Plan, TB component

5.m *Price Reporting Mechanism. Principal Recipient Manual* (GFATM, December 2006)

5.p Sample Procurement Management Report PMR 3A: Procurement Monitoring, Goods and Works

5.o Sample Procurement Management Report PMR 3B: Procurement Monitoring, Consultants

6. Financial Management Procedures

6.1 Overview of financial procedures

6.1.1 General requirements for financial management

Procedures described in this chapter represent the principles, bases, conventions, rules and practices adopted by the PCIMU in regard to the financial management of the project.

The objective is to comply with the Grant Agreement covenant that the Principal Recipient shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Global Fund, adequate to reflect the operations, resources and expenditures related to project implementation; and to meet the financial management requirements of the Republic of Moldova.

The GFATM requires that proceeds of grants be used economically, efficiently, and only for the purpose for which the financing is provided as described in the Grant Agreement and supporting project documents. Therefore, the GFATM:

- Requires the PCIMU to ensure that financial management and accounting systems are adequate to generate timely and reliable financial information;
- Requires & reviews periodic financial reports relevant to each disbursement; and
- Requires verification of financial reports through regular audits.

Accounting policies are defined as guidelines specifying the accounting treatment for particular financial transactions while at the same time disclosing the underlying rationale. They constitute basic principles designed to ensure that the accounting records are complete, relevant, and reliable, and that the accounting practices are followed consistently from one period to another, so that financial reporting is comparable.

6.1.2 Responsibilities in PCIMU financial management

Under the overall oversight of the Executive Director and supervision of the TB/AIDS Program Coordinator, the PCIMU Financial Specialist is in charge of financial management procedures of the TB/AIDS Program supported by the Global Fund. As the main tools to perform his/her work, the FS will have: (i) this Project Operations Manual chapter; and (ii) Project Information System that manages technical and financial data. He/she is responsible to ensure that accounting records and reconciliations are reliable, current and prepared on a timely basis. The PCIMU Executive Director will review and authorize accounting and finance transactions for the project. No prior review or authorization of financial transactions from the Global Fund or the Government is required. At the same time, on a quarterly basis the PCIMU will provide the financial reports to the Government (Ministry of Finance, Ministry of Economy and Trade and the Ministry of Health).

6.1.3 Customs, duties and taxes

According to the Government decision No. 543 from 17 May 2007 (as addition to another Government decision No. 361 from 27 March 2003), all financial operations within the GFATM's financial support are "exempt from value added tax, excise taxes, customs taxes and duties for effectuation of customs procedures" (see Annex 6.a). In this decision, the PCIMU with respective GFATM grants (MOL-607-G02-T and MOL-607-G03-H) was listed among the implementing agencies that are subject to integral exemption of these taxes and duties. The fees payable to local consultants will be subject to taxes. The PCIMU wages are also subject to taxes and contributions as per the national legislation.

6.2 PCIMU transaction procedures

6.2.1 Special project accounts

During the lifetime of the Program, the PCIMU will operate two special project accounts (SPA) to ensure effective project implementation and disbursement of GFATM funding. These accounts have the following details:

Bank:	BC Moldova-Agroindbank S.A.	
Bank code:	AGRNMD2X723	
SWIFT:	AGRNMD2X	
Account No.	2271 886 557	for grant MOL-607-G03-H (HIV/AIDS):
Account No.	2271 880 125	for grant MOL-607-G02-T (Tuberculosis):

The SPAs will act as revolving accounts whereby GFATM deposits an advance disbursement from the grants in these accounts and then replenishes the SPAs on the basis of semi-annual Disbursement Requests submitted by the Principal Recipient (PCIMU). The Global Fund views the use of SPAs as a way to assist with any cash flow difficulties and to speed disbursements by: making funds readily available; reducing the time for processing payments; and reducing the volume of financial documentation processed.

The SPAs for each Program component (HIV/AIDS and TB) were opened at the Moldova-Agroindbank S.A. These accounts are denominated in USD however payments can be made in both USD and in local currency for local expenditures, after converting to MDL, at the conversion exchange rate applicable on the day of payment. Interest earned on the SPAs will be recorded in the accounts as income earned from bank interest.

The SPAs will be used to cover the eligible expenditures in both local and foreign currency financed by the Global Fund only. It is strictly prohibited to use the SPAs to finance any other types of expenditures.

The PCIMU Executive Director and TB/AIDS Program Coordinator are the authorized signatories for accounts' operations. All requests to GFATM to replenish the SPAs will be approved by authorized signatories on Disbursement Request form. PCIMU provided the "Moldova-Agroindbank S.A" with specimen signatures of persons authorized to operate the SPAs.

6.2.2 Disbursement of funds by GFATM

The initial advance to the SPAs will be made upon the submission of the first Disbursement Request (separately for each grant) based on the financial needs' estimate for the initial period of project implementation (six months or as negotiated between the PCIMU and GFATM Portfolio Manager). The arrival of funds at the SPAs will indicate the start date of the project.

On semi-annual basis, the Principal Recipient (PCIMU) will submit the Progress Reports and Disbursement Requests to the Local Fund Agent and the GFATM Portfolio Manager. Subject to positive review by the LFA, the GFATM Portfolio Manager will authorize the Trustee (the World Bank) to transfer the requested amount of funds for the next project implementation period to the special account of the PCIMU.

The amount approved for disbursement will be based on achievement of the Program results and the expected cash flow needs. The Global Fund may approve for disbursement an amount less than the disbursement request if the Global Fund concludes that the full disbursement request is not justified.

6.2.3 PCIMU bank operations

The PCIMU Executive Director will authorize payments from the special accounts. Whenever possible, all payments by the project should be made by bank transfer. The PCIMU Financial Specialist will prepare the Bank Payment Order, International Funds Transfer Request and Foreign Exchange Order as required, revised by the TB/AIDS Program Coordinator and approved by the PCIMU Executive Director. Payments for procurement contracts should be processed when the Financial Specialist receives the completed Contract Invoice Approval Voucher forms prepared by the Procurement Specialists and approved by the Executive Director.

Supporting documentation such as the signed contract and invoices should be attached and the transaction processed by the bank. The bank advice evidencing the completed transaction should be included with the documents attached to the journal voucher form, which will be prepared, authorized and input into the accounting system with prompt paper filing.

Reconciliations of bank statements of all bank accounts to the cashbook and accounting records will be performed regularly (at a minimum, monthly) by the Financial Specialist. The calculation of bank fees and commissions will be checked to ensure they are justifiable and correct.

All records of operations of the special accounts will be properly maintained and will be retained for at least one year after receipt by GFATM of the annual audit report. This includes all original records of receipts and payments, bank statements and reconciliations.

6.2.4 Methods of payment

The PCIMU as Principal Recipient of the GFATM grants will execute direct payments to the

Program implementing bodies / contractors from its special account. When advance payments are made, the PCIMU Financial Specialist will ensure that this amount is recouped against invoices received and future payment requests of the contractor/supplier. The individual contract registers will be updated for all payments made so that these registers show an accurate position and status of each procurement contract.

6.2.5 Prepayments

Prepayments refer to expenditure on goods (other than inventories) or services before the goods are used or services received. For the project, prepayments will include items such as prepaid insurance, prepaid rent, prepaid utility charges and prepaid telecommunication charges etc. Prepayments will generally be deferred and charged to operations as the benefits are realized. Prepayments that are identifiable with specific future revenue should be charged to expense in the period in which the related revenue is recognized. Prepayments that relate to specific time periods will be recognized as an expense in such periods. The program will only deal with the latter type of prepayment. For example, if a payment is made for 3 months of basic Internet services, the whole amount should be recognized as a prepayment and then each month, a proportion (one third in this example) should be charged (debited) as an expense and the corresponding credit should be against the prepayment account.

6.3 Accounting procedures

6.3.1 PCIMU internal accounting system

The PCIMU employs a special software to generate the internal and external financial reports. A chart of accounts has been developed for use with the computerized accounting system (based on '1S' software). The aim of this system is to categorize the transactions of the project into relevant accounts to be able to assist in the process of controlling expenditure, gathering information for reporting purposes and analyzing accounting information for the production of the Financial Monitoring Reports (FMRs[3]). The system is tailor made to generate the financial reports to the Global Fund, which are submitted on a semi-annual basis or more frequently as required by the GFATM.

The PCIMU performs regular (daily, weekly or monthly, depending on the nature of the documentation) ZIP-based backup copies. All supporting documents for each transaction are kept and stapled to a voucher in the format of Appendix. The voucher details all entries posted and is signed by the staff who entered the transaction and validated it. Each voucher is pre-numbered sequentially and has the same number as the related transaction in the software. Wrong entries are not deleted but corrected by a second voucher rectifying the wrong entry and explaining the reason for the correction (reversible transactions).

All local currency transactions are entered in the local currency values and the US Dollar transactions – in US Dollars. The consolidated Reports are produced in US Dollars.

[3] Previously part of external financial reporting to the World Bank, now the FMRs (samples annexed) continue to be used by the PCIMU with the scope of internal control of contractual parties.

6.3.2 Accounting records

Accounting records consist of a set of special journals, general journals, general ledgers, cash books and other established means of record-keeping in conformity with cash bookkeeping requirements. One ledger records US dollar receipts and expenditures and the other the local currency denominated expenditures.

Special journals are books of original entries in which transactions are recorded in chronological order as they occur. A purchase journal is used to account for items purchased on credit so that there are formal records maintained of the liabilities that are incurred. General journals in US Dollars and local currency are used to record all transactions.

The PCIMU manages one consolidated general ledger that corresponds to the Moldovan Government accounting system and financiers (donors) accounting and reporting requirements. All details of each transaction are recorded in the daily journal and the summary of these transactions recorded in one general ledger.

6.3.3 Maintenance

The accounting records are maintained in the PCIMU 1S software system in a way that prevents any unauthorized and improper corrections (unauthorized subsequent amendments of transactions). Any necessary corrections are be made in a manner that permits the correction to be distinguishable and identifies the individual who made it.

Individual sets of accounting records such as the cash books and general journals are organized in the form of attached pages bound together in a permanent fashion. An individual journal can not be in the form of loose pages kept in a folder.

Accounting documents and records are maintained for the periods required by the GFATM and state regulations.

6.3.4 Foreign currency transactions

All foreign currency transactions will be recorded by using the foreign currency exchange rate of the current date. At each balance sheet date, foreign currency monetary items will be reported using the closing exchange rate; non-monetary items which are carried in terms of historical cost denominated in a foreign currency will be reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair market value denominated in a foreign currency will be reported using the exchange rates that existed when the values were determined. Monetary items refer to items such as cash, receivables, payables; it is unlikely the project would have any non-monetary foreign currency items.

In the project, the reporting currency used in the computerized accounting system and financial statements will be in USD. Based on the previous project experience, the Government will accept financial information stated in USD. Foreign exchange losses or

gains will be calculated and charged as expense or income in the period to which it relates, if incurred by the project due to fluctuations in exchange rates.

The project will need to deal with foreign currency transactions in the procurement process of foreign goods or services. The individual contracts will state the currency required for payment to be made. The PCIMU Financial Specialist will initially recognize the foreign currency transaction in the accounts in the project's reporting currency (being USD) by using the commercial / market exchange rate between the reporting currency and the foreign currency at the date of the transaction. For practical purposes, if the National Bank of Moldova rate does not differ substantially from the commercial rate, the National Bank of Moldova's exchange rate will be used. The Financial Specialist will obtain a copy of the National Bank of Moldova's official exchange rate on the day of recognizing the foreign currency transaction in the accounts and file these.

6.3.5 Fixed assets

The main fixed assets that the project will record in the accounts include office vehicle(s), furniture and fixtures, computer equipment and other equipment of the PCIMU. A fixed assets' register will be maintained by the PCIMU Financial Specialist to record all fixed assets of the project. Given that the Program will have a limited number of fixed assets, it will be possible to maintain the register by using a spreadsheet. The details included in the fixed asset register should include description of fixed asset, purchase date, purchase price, number allocated to the fixed asset and location of asset.

If a fixed asset type of item is purchased for the PCU with a low value item (less than equivalent to USD 100), this item should be expensed immediately instead of being recorded as a fixed asset.

6.3.6 Payables and accrued liabilities

The types of liabilities and funding that the project will encounter throughout it's life will include accounts payable (for goods), liabilities for opening letters of credit, deposits received & retentions withheld, customs fees payable, PCIMU staff payables and other types of accrued expenses.

Payables for the purchase of assets will be recorded when the risks of ownership have passed. For procurement contracts, the PCIMU Financial Specialist will keep track of payment terms and milestones such as shipping, delivery and acceptance to record the account payable or open letter of credit liability. For purchase of the TB/AIDS Program fixed assets, title will pass when the goods are physically received by the PCIMU and the account payable will be recorded at that time. As soon as a retention amount is withheld from payment of invoices, the retention liability will be recorded in the accounts. Obligations that accrue over time (such as PCIMU wages payable) will be recorded over the time period in a systematic way. For the project, this will mean that PCIMU wages payable should be recorded monthly as it is expected that wages will be paid monthly. It is expected that no VAT taxes on wages payments will need to be paid under the project.

6.3.7 Revenues

The main purpose of the TB/AIDS Program is to distribute benefits from funding by the Global Fund and not to generate revenue or make a profit. Therefore, the types of revenue that the project will receive will be mainly "incidental" income from sale of tender documents, interest earned on bank accounts and any foreign exchange gains realized rather than from established revenue making purposes.

6.3.8 Investments / expenses

The Moldova TB/AIDS Program objective is to reduce the diseases' burden and thus to improve the overall health status of the population. The funds that are received by the Program will be utilized towards achieving that objective. The PCIMU will continue to act as a channel by which the funds will be invested / spent for the benefit of the Program's goals.

As mentioned above, the only fixed assets recorded by the TB/AIDS Program will be the fixed assets used by the PCIMU and recorded in the fixed assets' register. The items purchased for the health facilities and other project implementing bodies will not be recorded as fixed assets of the project but as investments / expenses.

6.4 Financial aspects of contract administration

The PCIMU Financial Specialist will be in close contact with the Procurement Specialists at all times in order to ensure contracts are maintained sufficiently and contract administration and payment are carried out efficiently and properly. Several financial issues related to procurement and contract administration monitoring are given below. Precise information including pricing and payment terms, securities required, etc. will be specified in the bidding documents and contracts.

6.4.1 Tender fees

A non-reimbursable fee will be charged to each bidder wishing to purchase tender documents. The cost of the tender fee will be within USD 100-200 for tender documents for goods. There will be no tender fee payable for tender documents for requests for proposals for consultants' services. The method of payment of tender fees will be a direct deposit into the PCIMU bank accounts and the funds received will be booked as "income from sale of tender documents".

6.4.2 Receiving bids and exchange rate for comparison of bids

Any bids received in advance of bid opening will be received, recorded and stored by the Procurement Specialist until transferring responsibility to the Tender Evaluation Committee on the day of bid opening. S/he will prepare and maintain a register of bids received which

will be presented with the unopened packages at the time of bid opening.

In order to evaluate and compare bids, the Purchaser will convert all bid prices expressed in the amounts in various currencies in which the bid prices are payable to one currency. Generally, the exchange rate to be used will be the exchange rate of the National Bank of Moldova at the day of the bid opening.

On the day of bid opening, the Procurement Specialist will prepare an exchange rate form and attach a list of the exchange rates to be used for evaluation purposes. The official exchange rate should be made available or distributed on the day of bid opening so that the bidders are aware of the exchange rate to be used.

6.4.3 Bid Security

During the lifetime of the project, several types of securities will be received that relate to procurement contracts. The tender package and contract documents will give precise details of which securities are required for each contract, including the amount, validity, and acceptable form of security etc.

A bid security is usually required in connection with a public tender. A company participating in such a tender will normally submit a bid security with its offer. The bidding documents and instructions to bidders will specify if a bid security must be provided and the amount required. If so, the bid security must conform to the requirements of the Instructions to Bidders and must accompany the bid. The purpose of the bid security is to provide assurance that the bidder is prepared to sign a contract if his bid is accepted. A bid security secures payment of the guaranteed sum in various situations, such as when the bidder withdraws the bid during the period of bid validity or fails or refuses to execute the contract or does not accept the correction of the bid price.

The amount of the bid security will be advised by the Procurement Specialist and is usually fixed and based on the tender package budget. The types of acceptable bid securities include bank guarantees, irrevocable letters of credit and cashier/certified cheque. The bid security must be for the amount and period stated in the instructions to bidders and any security for a smaller amount or shorter period must be rejected. The bid security will usually remain valid up to 30 days after the end of the validity period of the bid.

The Financial Specialist will maintain a register for each tender should be kept to record the receipt and release or forfeiture of bid securities and will be responsible for the safekeeping of bid securities. S/he is also responsible for the appropriate release/return or forfeiture of each bid security.

6.4.4 Performance Security

In a contract to supply, it is necessary for the buyer to be protected if the seller fails to perform his obligations. In order to get some protection, a supplier/contractor is often required to give a contract guarantee, usually issued by a bank or insurance company that will guarantee the obligations of the supplier/contractor to the buyer.

The form of the contract guarantee can vary but generally falls into one of two categories:

- *Performance Bond* – issued by insurance companies; and
- *Performance Guarantee* – issued by commercial banks.

A performance security will be given by the successful bidder in conjunction with the return of his bid security. The performance security will be payable if the seller does not met or insufficiently fulfills his contractual obligations to deliver the goods or services. The amount of the performance bond for the project may be between 5-10% of the total contract amount and will be specified in the bidding documents and contract.

The Financial Specialist is responsible for the safekeeping of the performance securities and monitoring their release or forfeiture. A register for performance securities will be maintained.

6.4.5 Advance Payment Guarantee

This type of security (usually in the form of a bank guarantee) will be used when an advance payment is made to the supplier/contractor. Advance payment securities are required so the buyer is sure of getting a refund of the advance payment if the seller fails to perform his contractual obligations. The amount of an advance payment required for the project will be between 10-20%, and the amount of the security will usually be the same as the amount of the advance payment.

A register for advance payment guarantees will be maintained and receipt and release or forfeiture controlled by the Financial Specialist. Payment of future invoices must be adjusted for advance payments given.

6.4.6 Warranty Bond / Guarantee Security

When buyers accept goods, they would still like to have some assurance for losses resulting from defects that are unknown at the time of acceptance, which may appear during a certain period following delivery. A standard condition of a contract may provide for a "warranty or guarantee period" that requires the contractor to remedy any latent defects during a specific time period after delivery and acceptance.

The warranty period starts at the issuance of the Final Acceptance Certificate. The warranty period for all procurement types will be specified in the contract documents.

At the end of the contract, the performance security will be returned and a warranty guarantee bond may be obtained in its place to protect the buyer during the warranty period of the goods or services.

The Financial Specialist will monitor warranty securities and return or forfeit them as appropriate. A register will again be used to monitor these securities. One month before the expiration of equipment warranty periods, the PCIMU will send a notification to the sites

reminding of the date of warranty expiry in order to establish any further obligations of the seller before the warranty expires.

Standard forms of tender and contract securities are presented in Annex 6.b to this POM.

6.4.7 Pricing of procured contracts

The bidding documents and the contracts will state the pricing details for procurement of the project however it is envisaged that mostly, goods and services within Moldova will be priced and paid in MDL. Generally imported goods and services will be priced in USD or other acceptable foreign currencies as allowed in accordance with the bidding documents. If any price adjustments are to be allowed, this will be specified in the contract documents.

All prices should include the cost of all incidental services in the delivery to site or CIP price such as cost of goods, all transportation and insurance to site, unloading, unpacking and setup, installation, commissioning, calibration, start-up demonstrations and on-site basic training.

All goods, works and services procured under this Program will be exempt from local taxes and duties according to the Government's Decision No. 543 from 17 May 2007. The PCIMU will provide all successful bidders with a tax exemption letter issued by the Ministry of Finance.

The PCIMU Financial Specialist will ensure that correct prices are paid, in the correct currencies for each contract and that any foreign exchange gains or losses incurred are correctly recorded as either income or financial expense in the period in which it was incurred.

For the contracts for goods and services where the exchange rate to be used for payment, it is the official exchange rate on that actual date of payment.

6.4.8 Payment terms

Buyers may often obtain better results from a seller if the buyer is willing to offers terms of payment which provide minimal financial strains on the seller, while providing reasonable safeguards to the buyer. This should allow more firms to compete and prevent some bidders from inflating prices with financing charges. The Financial Specialist must be familiar with the terms of payment for procurement contracts in the project, in order to process payments correctly and efficiently.

The terms of payment and payment schedule will be specifically stated in the bidding and contract documents however a general guide can be given. For most cases of procurement of goods (both imported and local), and advance payment of max. 10% (maximum) of the contract price will be paid to the seller at the time of signing the contract against an advance payment guarantee, provided by the seller in a form acceptable to the buyer. Upon shipping, a max. 80% of the contract price of the value of the goods shipped will be paid. Finally, a max. 10% will be paid upon final acceptance of all goods at all sites.

Payments to consultants, both foreign and local, can be made in accordance with a lump sum (fixed price) contract or a time-based contract, as specified in the contract documents. The Financial Specialist will need to refer to the contract documents in order to ascertain the exact currency and schedule of payments. Payments will be made on the basis of invoices and relevant reports/documentation.

6.4.9 Advance payments

The amount of advance payment required during the project is expected to vary between 10-20% of the contract amount. The advance payment for consultant's services and shopping (goods) contracts is expected to be a maximum of 10%, with appropriate bank guarantee provided. As mentioned previously, the advance payment bank guarantees will remain valid until full repayment of the advance payment amount from the contractor, although the guarantee amount should be progressively reduced by the amounts repaid by the contractor.

6.4.10 Liquidated damages

Liquidated damage clauses seek to protect the buyer from delays to the completion of the project that may arise as the fault of the seller. These clauses give the buyer the right to deduct a certain amount of money from the price payable for each period of delay as compensation for losses sustained. The amount of the damages is usually expressed as a percentage of the total value and is limited to a certain percentage of the total contract price. For the project, the standard amount of liquidated damages that will be applicable according to current information is as follows:

- *Shopping (goods)* - 0.1% per day (or portion thereof), up to a maximum of 10% of the contract price;
- *Consultants' services* - 0.5% per month, up to a maximum of 10% of the total contract price.

The Financial Specialist must be aware of the possibilities available to the Program to claim liquidated damages if the situation arises and completion is delayed. In such situations, s/he will refer to the contract and supporting documents and will liaise with the Procurement Specialist to establish the length of the delay in order to calculate the amount of liquidated damages to claim.

6.4.11 Payment procedure

Payment of procurement contracts can be made in various ways including direct reimbursement or by Letter of Credit facility.

Payment to suppliers/contractors will be made upon receipt of invoices and other supporting documentation. The Financial Specialist will provide the Procurement Specialist with a copy of the invoice and supporting documentation for checking. The latter will verify consistency with the contract and note issues/clarifications necessary. This form should be approved by the Executive Director and returned to the Financial Specialist for payment. A separate form

will be completed for each individual payment. The Financial Specialist will update the individual contract invoice registers with the details of invoices received and payments.

Payments should be made promptly upon receipt of invoices and appropriate documentation in the currency stated in the contract documents. Some contracts may provide for interest to be payable to suppliers/contractors if payments are delayed. Therefore it is essential that payments be processed on a timely basis.

Some suppliers/contractors may require payment using irrevocable Letters of Credit (L/Cs). A L/C is a method of payment where the buyer arranges with a bank to provide finance for the seller in the seller's country, upon delivery of shipment documents. Most banks in Moldova will be able to provide L/C facilities.

L/Cs may be "revocable" or "irrevocable". With a revocable L/C, the bank gives no absolute undertaking to pay. Therefore this type of L/C does not provide the seller with the type of security commodity that would be recognized as credit worthy. An irrevocable L/C includes the issuing bank's statement that payment will be made provided that the beneficiary (seller) complies with the terms of the L/C. The bank's obligation to pay rests on the seller's fulfillment of the terms and conditions of the L/C, and not on performance of the contract.

When a L/C is raised, this should be recognized in the accounts as a liability with the other side of the entry recognizing an asset as goods in transit. When the goods are received, the entry is reversed and a normal entry passed to record the goods and amount payable.

Sample Letter of Credit form is attached in Annex 6.c.

6.4.12 Payment upon delivery and acceptance

Payment of invoices by the Financial Specialist will be made in accordance with the contract and issuance of an appropriate acceptance certificate that attests that the contract has been completed until a certain stage and payment can be made. The originals of these certificate documents will be kept by the Financial Specialist and copies will be kept by the Procurement Officers for their files.

6.5 Financial reporting and audit

6.5.1 Reports produced by the accounting software

While the fiscal year of the Government of Moldova is 1 January - 31 December, the Program fiscal year is dependent on the start dates of grants' implementation, currently foreseen as 1 October 2007 for TB grant and 1 January 2008 – for HIV/AIDS grant.

The accounting software will produce a number of financial statements and reports. In accordance with the GFATM requirements, PCIMU Financial Specialist will produce the following reports semi-annually and annually; they will form the basis of the documentation

to be provided for the LFA semi-annual audits and independent annual audits to be undertaken: Balance Sheet, General Ledger Account Summary, General Ledger Trial Balance, General Ledger, General Journal and Audit Trail.

The computerized accounting system will be closed off at the end of the project year and a new year system will be opened. Any subsequent adjustments that may be required will need to be processed in the next period. Once the period is closed, it will no longer be possible to make amendments or adjustments within the previous period. While it is important to ensure that all possible entries and adjustments have been included in the financial year before closing, it is not appropriate to excessively delay the closing of the financial period.

Prior to closing the fiscal year, a back up of the accounting records will be taken on a CD. This will ensure that a record is kept of all the transactions of that fiscal year. The back up records will be maintained throughout the life of the project. Therefore, at the closing of the project, a comprehensive record of all transactions throughout the whole life of the project will be available by way of all back up disks for each fiscal year and upon final closing of the accounts.

6.5.2 Internal financial management reports and project progress reports

There were a number of standard financial management and project progress reports (FMRs) the PCIMU was required to submit to the World Bank during the former project in accordance to the IDA requirements. Although submission of such reports is no longer required for the GFATM grants, it has been decided internally in the PCIMU to continue with the same FMRs for internal control purposes, management of Sub-Recipients and financial monitoring of contracts.

A brief description of the contents of the FMRs to be used by the Program is presented below. While FMRs 1-A and 1-B are limited to presentation of financial situation only, FMRs 2-A and 2-B describe physical progress in project implementation over the reporting period. The information to complete the reports is sourced from the accounting records and from PCIMU team members and the Government as necessary. Samples of all FMRs are annexed to this document.

- *FMR 1-A: Summary of sources and uses of funds* (Annex 6.d). This report gives a summary of activity of the project over the current quarter as well as information for the year to date and cumulatively over the project life. A comparison of actual to planned figures is also shown with the variance stated. The estimated total sources and uses of funds will be shown to enable tracking to the cumulative amounts as at each quarter of the project life.
- *FMR 1-B: Use of funds by project activity* (Annex 6.e). This report shows the total expenses of the quarter by project activity, without any adjustments made for payables, prepayments etc. The project activities shown include training and capacity building, medical equipment, non-medical equipment, drugs and medical products, specialized technical services, materials and supplies and incremental operating and maintenance costs. Details of actual, planned amounts and variances should be shown and compared to the total amounts budgeted over the project's life.
- *FMR 2-A: Output monitoring report* (Annex 6.f). This report monitors the project's

progress by measuring outputs or results of the project. The cost per unit is shown, therefore it is important to establish what a unit is. The definition of a unit will vary depending on the type of output. The PCIMU Monitoring and Evaluation Officer will specifically define the units and calculate the individual cost of the unit chosen. A comparison of planned to actual units and costs will be shown in addition to the total costs.

- *FMR 2-B Project progress report* (Annex 6.g). This report gives a detailed explanation about the variances as shown in FMR 1-A. Variances between actual and planned (both positive and negative) are to be explained. The amount of variance in cost and units (outputs) will be recorded and the percentage difference calculated. A written explanation will also be provided.

6.5.3 GFATM financial reporting requirements

The PCIMU as the Principal Recipient of the Global Fund grants will furnish to the Global Fund through the LFA semi-annual and annual financial reports or interim reports as required and requested by the Fund's Portfolio Manager. The reports will present the financial status for all funds and activities financed under the grants.

The Global Fund will notify the Principal Recipient on the changes in the financial reporting requirements if these are necessary due to decisions of the Fund's Board or Secretariat. The Principal Recipient will furnish to the Country Coordinating Mechanism and LFA copies of all reports submitted to the Global Fund.

The financial reports, incorporated in the general Progress Report and Disbursement Request form, will be provided not later than 45 days after the close of each reporting period (6 months). The reports will reflect the financial activity during the period in question and cumulatively from the beginning of the Program until the end of the reporting period, using the line items set forth in the Program budget in Grant Agreements and a description of progress towards achieving the agreed-upon results set forth in Annex A to the Grant Agreements. The Principal Recipient will have to explain any variances between the planned and actual financial expenditures for the period in question.

Within 90 days after the close of each fiscal (project implementation) year, the PCIMU will submit to the Global Fund, in form and substance satisfactory to the GFATM, an annual financial and programmatic monitoring report (in addition to the semi-annual reports) covering the preceding year.

Not later than 45 days before the Phase I (first two years of the grants' implementation) ending date, the PCIMU will prepare and submit to the Global Fund, in form and substance satisfactory to the Global Fund, the Phase I Evaluation Report on Program activities to the date of the report. This will form a basis for the projects' extension for the next period (Phase II of three years).

6.5.4 Government reporting requirements

The Government of Moldova has specified its reporting requirement from the Program. According to these requirements, the PCIMU furnishes on a quarterly basis the programmatic

and financial reports to the three Ministries: Ministry of Finance, Ministry of Economy and Trade and Ministry of Health.

These reports reflect the financial situation as generated from the described above FMRs, include programmatic performance indicators and also a narrative part that describes the Program's progress and identifies the bottlenecks which need to be addressed by the Principal Recipient and necessary interventions to ensure the achievements of the Program's objectives that need to be undertaken by the CCM and/or the Government.

The PCIMU Financial Specialist will ensure that all information provided is in accordance with the project's records and accounting software. All financial reports will be prepared by the Financial Specialist and reviewed by TB/AIDS Program Coordinator and approved by the Executive Director. Whenever required, additional information, further review and authorization of the reports will be obtained from the Ministry of Health and other relevant bodies prior to official submission.

6.5.5 Auditing

The PCIMU has no internal audit function and none is considered necessary given to the size of the organization.

Bound by the contract with the GFATM, the Local Fund Agent (for Moldovan projects currently Price Waterhouse Coopers, PWC) will perform external semi-annual audits of the PCIMU procurement and financial management practices. In addition, there will be annual external audits by independent auditors on terms of reference acceptable to the Global Fund and procured by the PCIMU through the Least-Cost Selection procurement process. The annual audited project financial statements will be provided to the GFATM within six months of the end of each project year and at the closing of the projects. The contract for the audit awarded during the first year of the project implementation and thereafter may be extended form year-to-year with the same auditor, subject to satisfactory performance.

The Moldovan Court of Accounts, the country's supreme audit institution may perform as hoc external audits of the PCIMU.

6.6 Financial monitoring of Sub-Recipients

6.6.1 Funding Agreement

As mentioned in Section 3.4, the PCIMU has established a system for monitoring the integrity and quality of the financial data reported by the Sub-Recipients. The Funding Agreement, which will be concluded between the PCIMU as Principal Recipient and each of the SRs, contains special provisions related to the financial management by the SRs:

- Responsibilities of the SR to conform with appropriate financial policies
- Clear outline of the schedule of payments to the SR. The disbursement schedule is generally semi-annual, though it may be adjusted subject to the nature of the activities

to be implemented by the SR and the timeframe of the Funding Agreement;

- Payments to the SR are made upon acceptance of the quarterly reports and submission of written payment request(s);
- Obligation of the SR to keep the grant funds in a separate account;
- Responsibilities of the SR to maintain financial records to adequately monitor the progress of the Program;
- Procedure to enable the PR and the financing agencies to examine project records, goods, and facilities on an as-needed basis
- Responsibilities of the SR furnish to the PR and the financing agencies upon request information regarding the Program expenditures, and goods and services financed with grant proceeds, including any plans, specifications, reports, contract documents and procurement schedules
- Obligations of the SR to provide regular financial reports to the PR in a specified format
- Obligations of the SR to keep all copies of tender documents including all financial supporting documentation and make them available to the PR upon request
- Obligations of the SR to keep all financial documentation, including all expenditure evidence, for at least one year following the final date of the final grant financial and activity reports.

6.6.2 Financial reporting by Sub-Recipients

In accordance with the terms of the Funding Agreements with the Sub-Recipients, the SRs' will provide to the PCIMU quarterly financial reports. These reports will include financial activity during the preceding quarter and on a cumulative basis from the start of the program through the end of the reporting period, budget vs. actual expenditures analysis (using the line items set forth in the program budgets) and reasons for variances (if any). The financial report has to be accompanied by copies of supportive documents (invoice, payment order, fiscal bill, etc.) for each payment exceeding USD 5,000.

To ensure consistency and compatibility of data, the SR financial reports will be linked to the programmatic reports in the same standard format as being used for the PR's reporting to the Global Fund.

Not later than 45 days after the close of each fiscal year, the SRs will be required to submit to the PR annual financial reports (combined with the programmatic reports) on expenditures incurred during the preceding year. The final SR reports are to be submitted not later than 3 months after the termination date of the SR's Funding Agreement.

6.6.3 Procedures for financial monitoring of Sub-Recipients

The PCIMU has implemented a standard operating procedure to ensure overall accountability for the grant funds managed by the SRs. This procedure includes a two-step review of

financial reports. The PCIMU Financial Specialist bears the primary responsibility for this activity.

The verification of the SR financial reports includes review of reported expenditures, budget vs. actual expenditures analysis (on a quarterly and cumulative basis) and consideration of the SR payment request. This review includes:

- Checking whether expenditures are in line with the requirements outlined in the Funding Agreement between the PCIMU and the SR
- Checking the reported balance against the SR's bank statements as of the last day of the reporting period and supporting documents for any significant procurement procedure.

The Financial Specialist will follow-up with the SR to discuss any outstanding issues, including discrepancies in the financial reports, prior to accepting the report. The Financial officer will discuss the results of their review with the PCIMU Monitoring and Evaluation Specialist and TB/AIDS Program Coordinator and document the results of their review and recommendations in writing.

Upon acceptance of the SRs' quarterly reports, the reported financial data will be updated in the PCIMU database based on 1C accounting software which contains information by contract (contract amount and period of implementation, progress to date in terms of disbursement and execution). All SRs' quarterly reports will be stored electronically and in hard copy.

Further disbursements to the SRs will be released on the basis of adequate documentation and justification by the SRs. Following completion of the above reviews, the PCIMU TB/AIDS Program Coordinator will finalize the review of the SRs' payment request and make a disbursement decision.

The PCIMU will analyze any shortcomings identified during the review of the SRs' quarterly reports and outline applicable follow-up actions with the SRs.

6.6.4 Auditing of Sub-Recipients

In accordance with the terms of the Funding Agreement between the PCIMU and the SRs, annual audits of the projects implemented by Sub-Recipients will be conducted by an independent auditor.

In addition, the PCIMU plans to engage an external financial / auditing service provider who will perform financial monitoring of SRs and their subcontractors at least once on a quarterly basis. The schedule will be determined in consultation with the PCIMU and agreed upon in writing.

6.7 Other financial management issues

6.7.1 Inventory

The PCIMU is responsible for administration of the project, procurement, financial management and coordination with related implementing agencies, as well as coordinating M&E efforts for the project. In this sense the PCIMU will uphold specific procedures in place regarding safeguarding the inventories, since the project will finance the acquisition of important and high value drugs, medicines, equipment laboratory, medical consumables and testing kits; the costs of storage will cover the insurance of these goods.

There are specific internal control procedures in place regarding the inventory distribution. Regular deliveries of goods will be received at the warehouses used under the project, in order to ensure the needed level of supply. The contracts with the suppliers will stipulate the schedule of deliveries on a monthly basis, considering the needs of usage and the storage capacity of the warehouses. Deliveries will have purchase orders that are matched to the goods inwards notes, certified by the warehouse officers and verified by the PCIMU staff (M&E Officer). Goods delivery notes signed by an authorized recipient will be matched to supply orders by the PCU. The warehouses will communicate to the PCU the inventory status on a monthly basis.

6.7.2 PCIMU office operating costs

Limited funds are included in the program to cover incremental operating and recurrent costs directly attributable to the project over the five-year implementation period. These consist of incremental operating and maintenance costs of the PCIMU (such as office supplies, training material, office rent and utilities, communication costs and travel).

6.7.3 Payroll

The PCIMU team members and support staff will be employed on a continuing basis as during the life of the project and will receive monthly payments for their services. At the end of each month, the PCIMU Financial Specialist will prepare a schedule of salaries. Any deductions or adjustments to wages will be made as appropriate. The PCIMU Executive Director will authorize the salary schedule.

Whenever possible, wages should be paid by bank transfer into individual bank accounts. In this case, the Executive Director will sign the bank transfer documents prepared by the Financial Specialist. Otherwise wages will be paid by cash. In such cases, the Financial Specialist will prepare an individual Cash Payment Form for each individual's wages. All PCIMU staff will sign the form to verify receipt of wages.

6.7.4 Changes to accounting policies and procedures

As changes in accounting may significantly affect the financial position and the results of operations, these changes should therefore be reported in a manner that will facilitate analysis and understanding of the financial statements. If during the project's lifetime there are any

changes in accounting policy or accounting estimates or correction of previous errors that have a material effect, the PCIMU Financial Specialist will be responsible to disclose these facts when reporting and also in the financial statements.

6.7.5 Internal controls

Internal controls refer to the policies and procedures that are used by the management to protect an entity's assets and to ensure the accounting records are accurate and reliable; it should also include controls that deal with the implementation and measurement of operating efficiency and adherence to management's policies. The following types of internal control measures will be employed in the PCIMU:

- *Authorization* – the management will properly authorize all transactions and activities as appropriate. Limits of authority for levels of expenditure, etc. will be set and adhered to.
- *Recording transactions* - all transactions will be recorded to facilitate preparation of complete financial statements and to establish accountability of the assets.
- *Documents and records* - the design and use of adequate documents should help to ensure the proper recording of transactions: relevant internal documents will be pre-numbered and all numbers accounted for. Special attention will be paid to proper maintenance of records - both the physical records and electronic data.
- *Limited access* - access to assets will be permitted only with the management's authorization. Access to accounting records, including computers, will be controlled.
- *Periodic independent verification* - accounting records and assets will be checked by someone other than the persons responsible for the records and assets, wherever possible.
- *Segregation of Duties* - the organizational plan will where possible include separate functional responsibilities. Authorizing transactions, operating the PCIMU, handling assets and transactions, and keeping the records of assets and transactions should not be the responsibility of one person. This will assist in preventing errors and omissions.
- *Sound Personnel Procedures* - sound practices will be followed in managing the people who carry out the duties and functions of the PCIMU. Among these practices are supervision, rotation of key personnel among different jobs (if possible) and insistence that consultants/employees take time off or holidays (in accordance with the law of the Republic of Moldova).
- *Documentary Controls* - in all cases, accounting documents should be prepared by one person and generally reviewed or authorized by another person. In most cases within the PCIMU, preparation of the document will be the responsibility of the Financial Specialist and review will be undertaken by the TB/AIDS Program Coordinator and authorization by PCIMU Executive Director. The Government through its Ministries of Finance, Economy and Trade and Health will also be involved in the review and authorization of transactions throughout the project life.

6.7.6 IT security issues

The information contained in the computer system is of a confidential nature and access and use thereof must be restricted to authorized PCIMU staff members. Only authorized persons will have access to the system and outside parties will not be allowed to gain entry. System

passwords will be installed on all computers. Documents of a particularly sensitive nature will be further protected by passwords. Passwords will be changed on a regular basis. The actual password will be chosen to avoid using obvious or easy-to-break passwords such as position in the PCIMU, family names, birthdays etc.

In addition, special attention will be given to access to the computerized accounting software system. The information system will be installed in all PCIMU workstations but the accounting software should only be accessed and operated by the PCIMU Financial Specialist. The users of the accounting system will be confined to those needing access, such as the Financial Specialist, TB/AIDS Program Coordinator and the Executive Director. Different access rights to the accounting software will be granted, based on the specific duty requirements.

The services of external computer consultants should be formally engaged by the PCIMU. Access to the system by these specialists should be closely monitored so services performed are necessary and appropriate.

All necessary financial data will be backed up regularly. The back-ups of the computerized accounting software on CDs will be taken monthly at a minimum. The backups taken for the closing of the accounts at the end of each fiscal year and also upon final closure of the project will be maintained at all times so that a record of the project's operations will be available and filed. The backup disks will be labeled clearly and kept in the safe under the control of the Financial Specialist.

Complete inventories of all computer hardware and software will be maintained. Proper anti-virus software will be installed at all workstations and virus definitions' database will be regularly updated through the central server.

Annexes relevant to this Chapter:

3.e	Guidelines on Financial and Programmatic Monitoring of Sub-Recipients under the Global Fund Round 6 HIV/AIDS and TB Grants in Moldova
6.a	Decree of the Government of Moldova No. 543 from 17 May 2007 (on tax exemptions)
6.b	Standard forms of tender and contract Securities: Bid Security, Advance Payment Bond/Guarantee, Performance Bond, Performance Guarantee, Warranty Bond
6.c	Sample Letter of Credit
6.d	Sample internal Financial Management Report FMR 1-A: Summary of sources and uses of funds
6.e	Sample internal Financial Management Report FMR 1-B: Use of funds by project activity
6.f	Sample internal Financial Management Report FMR 2-A: Output monitoring report
6.g	Sample internal Financial Management Report FMR 2-B: Project progress report

7. Program Monitoring and Evaluation Arrangements

7.1 General Program Monitoring and Evaluation framework

7.1.1 GFATM Monitoring and Evaluation requirements

The GFATM's key principle of Performance-Based Funding implies that ongoing disbursements are linked to attainment of programmatic results as well as financial expenditures. It allows:

- *On the long term*, to ensure that investments are made where impact on the three diseases can be achieved;
- *On strategy level*, to provide incentives to focus on results and timely implementation;
- *On implementation level*, to identify effective efforts for early replication and scale-up & take corrective actions.

Therefore, Monitoring and Evaluation (M&E) is a crucial component of the GFATM-funded projects. *Monitoring* refers to the routine tracking of the key elements of program/project performance (usually inputs and outputs) through record-keeping, regular reporting and surveillance systems, as well as health facility observation and surveys. *Evaluation* is the episodic assessment of the change in targeted results related to the program or project intervention; it attempts to link a particular output or outcome directly to an intervention after a period of time has passed.

The monitoring of program performance is a critical responsibility of a Principal Recipient of a Global Fund grant to ensure that program activities achieve the intended results. The monitoring and evaluation of program implementation will highlight successes as well as shortcomings, both of which are crucial for successful public health programs.

The general GFATM requirements for M&E are the following:

- The Program should be an integral part of the national strategic health development plan
- Consistency between goals, objectives, strategies and the selected indicators must be ensured
- Reporting on results should build on and strengthen the existing M&E systems
- Indicators and targets selected for reporting should be supported by the Workplan and budget
- The M&E system should ensure impact / outcome measurement.

7.1.2 National Monitoring and Evaluation system

The Government of Moldova, in collaboration with international partners, has developed and endorsed the concept of a comprehensive National Monitoring and Evaluation system for

health. This concept recognizes its advantages and importance over separate systems that monitor separate initiatives, programs and projects. The GoM has established a multi-stakeholder Technical Working Group on M&E within the CCM, which acts as 'one national authority' coordinating national responses to HIV/AIDS/STI and TB epidemics.

Following the UN recommendations to implement 'The Three Ones' principle, the functions of the single M&E mechanism for the diseases concerned were delegated to the Monitoring and Evaluation Division of the National Scientific and Practical Center of Public Health and Health Management (NCPHM) of the Ministry of Health.

This unit is in charge of M&E of the National Programs on Prevention and Control of HIV/AIDS/STI and TB. At present, a full design of the M&E system has been conceived with a set of indicators agreed upon by all major stakeholders according to the international recommendations of Stop TB Partnership, UNAIDS, UNGASS. At the moment, the National M&E Plans for HIV/AIDS/STI and TB exist in their first drafts. After finalization the plans will be discussed again and submitted to the CCM for approval. The plans will include activities and strategies aimed at capacity development, advocacy and technical assistance. These activities will allow for the revision and modification of the informational flow, application of the 'One M&E Unit' concept, better use of collected information for decision making at different levels.

The M&E system for the Round 6 grants is compliant with the GFATM requirements, will be implemented in accordance with, and will be integral part of, the National M&E system for HIV/AIDS/STI and TB.

7.2 Program performance indicators and targets

7.2.1 Selection of indicators

Indicators are used at different levels to measure what goes into a program or project and what comes out of it. The Global Fund uses a largely agreed upon framework of 'input-process-output-outcome-impact'. For a program or project to achieve its goals, *inputs* such as money and staff time are used to employ specific *processes* such as training for staff that should be included as key activities of the Program. These processes must result in *outputs* such as new or improved services, trained staff, persons reached with services, etc. If the outputs are well designed and reach the populations for which they were intended, the program or project is likely to have positive short-term effects or *outcomes*, for example increased condom use with casual partners, improved adherence to TB treatment, etc. These positive outcomes should lead to changes in the longer-term *impact* of programs, measured in fewer new cases of HIV/AIDS and TB, decreased burden of disease among certain population groups, higher quality of life and life expectancy in PLWHA.

The use of *standard indicators* provides the National Program with valuable measures of the same indicator in different populations, permitting analysis of trends. This helps to direct resources to regions or populations with greater needs and to identify areas for intensification or reduction of effort at the national level, ultimately improving the overall effectiveness of the national response. Over time, the use of standard indicators also ensures comparability of

information across countries.

During the process of Round 6 proposals' development, indicators for monitoring program performance were selected in compliance with the Global Fund requirements, in particular:

- Use of a *limited set of indicators* relevant for reporting including impact measurement, which are agreed by a wide range of partners and used in most countries.
- Use of a set of *priority* indicators and *additional* indicators at different levels of M&E.
- Selection of *consistent* indicators that are comparable over time and with clear targets.
- Selection of a number of key indicators that are comparable with *other countries*.

The Global Fund does not provide a 'standard' set of indicators to be used in the projects, therefore the key (i.e. impact and outcome) indicators and their definitions were selected from the internationally approved lists and sources developed by WHO, UNAIDS and Stop TB Partnership. In particular, *Monitoring and Evaluation Toolkit for HIV/AIDS, Tuberculosis and Malaria* (Interagency guidelines, Second Edition, January 2006) was used as reference (see Annex 7.a to the POM). Output and process indicators were developed in line with the Service Delivery Areas and Activities included in the proposal.

7.2.2 Program impact and outcome targets

The following two tables represent the key Program performance targets per component for 5 years (at impact and outcome level).

Table 7.1. Program impact and outcome targets, HIV/AIDS/STI component

	Indicator formulation	Baseline			Targets			
		Value	Year	Year 1	Year 2	Year 3	Year 4	Year 5
1	Percentage of general population who are HIV infected	0.013%	2005	0.015%	0.020%	0.020%	0.020%	0.020%
2	Percentage of IDUs who have adopted behaviors that reduce transmission of HIV (i.e. who both avoid sharing non-sterile injecting equipment and use condoms)	48%	2004	55%	Not applicable	TBD	Not applicable	TBD
3	Percentage of young people (15-24) reporting use of condoms the last time they had sex with a non-regular partner	73%	2006	73%	Not applicable	78%	Not applicable	85%
4	Percentage of young people who correctly identify ways of preventing the sexual transmission of HIV and who reject major misconceptions about HIV	28.3%	2005	65%	Not applicable	75%	Not applicable	85%
5	Percentage of people with advanced HIV infection receiving antiretroviral combination therapy from those in need	83.9%	2005	100%	100%	100%	100%	100%
6	Percentage of infants born to HIV infected mothers who are HIV infected	6.4% (4 / 63)	2005	< 3%	< 3%	< 3%	< 3%	< 3%
7	Percentage of adults and children with HIV still alive 12 months after initiation of antiretroviral therapy	80.7% (92 / 114)	2005	80%	90%	90%	92%	93%
8	HIV seroprevalence among all newly and relapses registered TB patients during the year	57.3% (3,229 / 5,632)	2005	60%	70%	75	80	> 80

Table 7.2. Program impact and outcome targets, TB component

	Indicator formulation	Baseline			Targets			
		Value	Year	Year 1	Year 2	Year 3	Year 4	Year 5
1	TB case notification rate	133.4	2005	130	120	110	100	90
2	TB mortality rate	19	2005	14	13	12	11	10
3	Case detection rate, new sputum smear positive TB cases	59%	2004	70%	70%	70%	70%	70%
4	Treatment success rate, new sputum smear positive TB cases	61.7%	2004	78%	79%	> 80%	> 80%	> 80%

7.2.3 Attachment A (Targets and Indicators Table) to the Proposal Form

Attachment A to the Proposal Form[4] is a key document that presents a detailed description of indicators to be used to monitor the Program performance by Objectives and Service Delivery Areas for each component, baseline values and targets to be achieved over specific periods of time as well as methods and frequency of data collection. Besides the impact indicators outlines in the sub-section above, during the process of grant negotiation a number of output indicators have been agreed upon between the PCIMU and GFATM for inclusion in the final version of the Targets and Indicators Table. Attachments A for both components are included in Annexes 7.b and 7.c.

7.2.4 Component Monitoring and Evaluation Plans

Besides the Attachment A to the Proposal Form, which contains a limited set of indicators and serves as the basis for regular reporting to the Global Fund, the PCIMU has developed Monitoring and Evaluation Plans for each component. These M&E Plans contain an extended set of indicators (with more detailed output indicators per SDA and Activity) that will be monitored by the PCIMU to ensure that the activities are implemented according to the Workplan timeframe and preliminary outputs are attained. In particular, the M&E Plan will assist the PCIMU to monitor interventions implemented by Sub-Recipients and to undertake corrective actions as required.

The M&E Plans present detailed descriptions of sources, methods and frequency of data collection for each indicator, methods for data quality control, data processing, use and dissemination. Responsibilities of different institutions and persons in M&E, as well as formal reporting requirements, are also outlined.

The final versions of the M&E Plans for both components are included in this POM in Annexes 7.d and 7.e.

[4] Formerly Attachment 1&2 to Annex A of the Grant Agreement

7.3 Procedures for data collection, processing and reporting

7.3.1 Monitoring and Evaluation Division

The Scientific and Practical Center of Public Health and Health Management (NCPHM) of the Ministry of Health has been selected as Sub-Recipient of the Round 6 GFATM grants and is responsible for implementation of different activities related to the Program monitoring and evaluation. This function will be carried out by the Monitoring and Evaluation Division, established within the NCPHM in 2004.

The M&E Division of the NCPHM is responsible for monitoring and evaluating the national health programs and other interventions and activities aimed to improve public health. The main functions of the M&E Division are:

- Design and implementation of the M&E systems for the national health programs and other health development initiatives at country level
- Collecting, processing, analyzing and interpreting relevant information for the M&E systems
- Conducting operational research in priority areas relevant to M&E of the national health programs
- Development and publication of analytical reports based on the information from the health programs' M&E systems
- Development, implementation and maintenance of the electronic informational monitoring systems within the national health programs and initiatives, information support to the activities of the NCPHM and other health institutions engaged in data collection, processing and analysis
- Provision of technical assistance and capacity building support to the Ministry of Health and health care institutions and specialists in data collection, processing and analysis, use of new information technologies and other topics relevant to health programs' M&E.
- Development and maintenance of the web page and online applications for M&E of the health programs and other initiatives.

The collection and management of data as per Components' M&E Plans for the Round 6 GFATM Grants on TB and HIV/AIDS will be integrated within the overall activity of the M&E Division. The NCPHM M&E Division is in charge of elaboration and implementation of the M&E plans for the National Programs on Prevention and Control of HIV/AIDS/STI and TB for 2006-2010. It functions as a sole monitoring and evaluation mechanism at the country level for these diseases.

The M&E Plans for the Round 6 GFATM projects derive from the National M&E Plans for the above National Programs and will mainly collect and process data through the established mechanisms. This will ensure coherency and comprehensiveness of the Program's M&E arrangements and their integration with the National M&E Plans, strengthen the in-country capacities and collaboration with partners, and contribute to ensuring the sustainability of the robust national health M&E system in the future.

In order to accomplish the objectives of the M&E Plans for the TB/AIDS Program supported by the Round 6 GFATM grants, two consultants – one for HIV/AIDS/STI Component and one for TB Component – will be designated within the structure of the M&E Division. The objective of the consultancy assignments will be to support the full functionality of the M&E system by facilitating data collection thought routine statistics, data management, execution of systematic monitoring trips, supervision of operational research and behavioral surveys according to the Components' M&E Plans. The consultants will report to the Head of the M&E Division.

Having the overall responsibility for all M&E activities for the GFATM projects within the Principal Recipient, the PCIMU Monitoring and Evaluation Specialist will work in close collaboration with the NCPHM M&E Division and will have the duty of finalization and clearance of all data and reports which will be deriving the Program implementing entities and processed by the M&E Division. He/she will participate in the design, implementation and oversight of M&E activities implemented by the Division including supervisory visits to the field.

7.3.2 Data collection, validation, analysis and dissemination

Within the framework of the Program's M&E system, data will be collected according to the indicators identified in the Components' M&E Plans using three main sources:

- Routine health statistics at the national and sub-national levels
- Operational surveys and studies
- Data collected by the National Programs specifically for relevant interventions.

Collection of the routine statistical data and special data from service delivery sites will be performed by the M&E Division of the NCPHM on a quarterly basis. Special standardized forms will be used in order to ensure the completeness and uniformity of data across different sources and possibility for further proper compilation and comparability:

- By the 25th day of the 1st month of the following quarter, the implementing entities will submit the data for indicators stipulated in the Targets and Indicators Table of the Attachment A to the Proposal Form (i.e. indicators that will be further reported to the Global Fund) to the M&E Division. These will have to be accompanied by quarterly activity reports if applicable and as specified in the Sub-Recipients' Agreements with the PCIMU.
- By the 30th day of the 1st month of the following quarter, the M&E Division will submit the data for indicators stipulated in the Attachment A to the M&E Specialist of the PCIMU.
- By the 10th day of the 2nd month of the following quarter, the implementing entities will submit the data for indicators that are not included in Attachment A, but are part of Components' M&E Plans, to the M&E Division.
- By the 20th day of the 2nd month of the following quarter, the M&E Division will submit the data for indicators that are not included in Attachment A, but are part of Components' M&E Plans, to the M&E Specialist of the PCIMU.

The M&E Division will conduct Knowledge, Attitude and Practice (KAP) surveys according to the Workplan in cooperation with relevant national partners and PCIMU. The indicators collected from the surveys will be reported upon finalization of the survey report but not later than by the end of the Program year.

The quality and consistency of data will be assured by:

- Internal consistency checking of data collection tools
- Periodic site visits organized M&E Division and PCIMU M&E Specialist
- Quarterly revision of indicators and activity reports (if applicable), submitted by Sub-Recipients and other implementing agencies
- Quarterly (and more frequent as necessary) meetings of M&E Division and PCIMU staff
- Periodic common meetings with Sub-Recipients by the PCIMU and M&E Division staff
- Meetings with the Local Fund Agent on M&E issues and/or site visits as necessary
- Technical assistance by external consultants if necessary.

The data for indicators and activity reports (where applicable) received from the implementing organizations will be stored at the M&E Division of the NCPHM and submitted to the PCIMU on a quarterly basis. In order to improve the routine statistics for TB and HIV/AIDS/STI, especially regarding case notifications and treatment success indicators, special software programs for TB and HIV/AIDS/STI cases monitoring were developed, which at the moment are being bridged into one program (SYMETA: computerized System for Monitoring and Evaluation of TB and AIDS). The central database is located at the national level (M&E unit of the NCPHM). Using the synchronization procedure, the local (district) levels enter data and transfer them to the central database and vice versa. The laboratories are also part of this system and are involved in the data exchange.

The analysis of information and compilation in relevant reports will be performed by the M&E Division, coordinated with the PCIMU M&E Specialist and submitted to the Ministry of Health on a quarterly basis. After the end of a Program implementation year, annual reports will be developed by the M&E Division and submitted to the PCIMU and further to the Ministry of Health and CCM as relevant.

The Program M&E information will be used for providing feedback to the implementing entities, presenting best practices and lessons learned for broad dissemination to the national and international partners, including presentation at the CCM meetings as necessary. The information collected within the Program will feed the M&E Reports of the National HIV/AIDS/STI and TB Programs, Annual Report on Drug Situation in Moldova, website of the M&E Division, statistical country reports to Euro HIV, WHO Global TB annual reports and other destinations.

A detailed description of proceeds at the M&E Division related to the GFATM projects is presented in the *Protocol of the M&E Division of Scientific and Practical Center of Public Health and Health Management of Ministry of Health* (Annex 7.f to this POM).

7.4 Programmatic monitoring of Sub-Recipients

7.4.1 Funding Agreement

Funding to Sub-recipients will be provided on the basis of demonstrated performance against agreed upon programmatic targets. The PCIMU will conclude a Funding Agreement with each Sub-Recipient, which establishes the contractual relationship between the PR and the SR and outlines the responsibilities of the parties with relation to the goals, objectives and targets of the Program supported by the grant. The Funding Agreement contains special provisions related to the program (sub-project) management by the SRs, including clear outline of the programmatic activities to be carried out by the SRs with relation to the goals, objectives and targets of the Program supported by the grants.

The PCIMU has also developed a set of guidelines and forms for the SRs to facilitate the implementation of the Program activities under the SR Funding Agreements; it will be complemented by targeted training provided to the SRs in different areas including M&E.

7.4.2 Programmatic reporting by Sub-Recipients

In accordance with the terms of the Funding Agreements with the Sub-Recipients, not later than within 25 days after the end of each quarter the SRs' will provide to the PCIMU (through the M&E Division of the NCPHM) quarterly programmatic reports. These reports will present both qualitative and quantitative information and will include the update on progress made during the preceding quarter against the agreed Workplan, achievement of the agreed quarterly process / output targets and results, planned vs. actual analysis and reasons for variances (if any), and challenges encountered and actions taken to resolve them.

To ensure consistency and compatibility of data, the SR programmatic reports will be linked to the financial reports in the same standard format as being used for the PR's reporting to the Global Fund.

Not later than 45 days after the close of each fiscal year, the SRs will be required to submit to the PR through the M&E Division annual programmatic reports (combined with the financial reports) on program activities and results during the preceding year. The final SR reports are to be submitted within 3 months after the termination date of the SR's Funding Agreement.

7.4.3 Procedures for programmatic monitoring of Sub-Recipients

The PCIMU has implemented a standard operating procedure to ensure overall accountability for the grant funds managed by the SRs. This procedure includes a two-step review of programmatic reports. The PCIMU M&E Specialist bears the primary responsibility for this activity and undertakes the task in close cooperation with the M&E Division.

The M&E Specialist will review and verify each SR's quarterly reports to determine whether

the reported activities are in compliance with the Funding Agreement between the PR and the SR, whether the implementation of the program activities is in accordance with the agreed upon workplan(s), and confirm the achievement of the expected results and outcomes. S/he will take into consideration any other relevant information (e.g. progress with procurement activities, other reports, etc.), which may be at their disposal at the time of the review of the SR's quarterly report.

Follow-up with the SRs will be ensured to discuss any outstanding issues, discrepancies in the reported results or data quality-related issues prior to accepting the report. The M&E officer will discuss the results of their review with the PCIMU Financial Specialist and the TB/AIDS Program Coordinator and document the results of their review and recommendations in writing.

Upon acceptance of the SRs' quarterly reports, the reported programmatic data will be updated in the M&E Division database and further in the PCIMU database. All SRs' quarterly reports will be stored electronically and in hard copy. All SRs quarterly reports will be stored electronically and in hard copy. Programmatic data from the SRs' quarterly reports accessible on the PCIMU network will be cumulated on a quarterly basis in a Progress Update format and will be also cross-checked against the data provided by the M&E Division of the NCPHM.

Further disbursements to the SRs will be released on the basis of adequate documentation and justification by the SRs. Following completion of the above reviews, the PCIMU TB/AIDS Program Coordinator will finalize the review of the SRs' payment request and make a disbursement decision.

The PCIMU will analyze any shortcomings identified during the review of the SRs' quarterly reports and outline applicable follow-up actions with the SRs.

7.4.4 Data validation, capacity building and feedback by Sub-Recipients

With the scope of verification and quality checks of SRs' activities, the PCIMU jointly with the NCPHM M&E Division will conduct periodic random field visits to the SRs' offices and service delivery sites. The frequency of these visits will depend on the risk assessment of each SR. The PCIMU staff (including M&E Specialist) and consultants as needed will be involved in such activities to verify the data reported by the SRs. The SRs are required to keep documentary evidence and individual activity reports (if applicable) that form the basis of their quarterly reports. These records will be made available during monitoring visits to assist the process of data verification.

The results of such visits will be documented in writing through reports, check lists or monthly activity reports (the monthly activity reports are submitted by the IT Specialists responsible for monitoring the progress of the activities related to the SYMETA implementation). Follow-up will be ensured on irregularities and deficiencies to determine the cause and identify corrective actions.

The PCIMU through the M&E Division will also organize trainings and regular information sessions for the Sub-Recipients. The M&E Specialist will work regularly with the SRs to identify their training and information needs. The PCIMU will facilitate the provision of

training and/or technical assistance to ensure that the SRs have adequate knowledge (through information about the grant's M&E plan and the applicable sections for the individual SRs), technical resources (standard data collection and reporting forms, databases, etc.) and skills to carry out the program activities and ensure the integrity and quality of data reported by the SRs.

The M&E Division and the PCIMU M&E Specialist will work with the SRs on the definition and development of applicable indicator systems for the individual SRs in line with the grant's M&E plan. In addition, the PCIMU will coordinate the implementation of seminars, trainings, information sessions, to familiarize the SRs with main data collection, processing and analysis principles and methods, and applicable tools to be used by the SRs.

In accordance with the terms of the Funding Agreement between the PR and the SRs, the SRs will exchange views with the PR on the performance of their obligations under the Funding Agreement and any other matters related to the goals and objectives of the Programs financed by the grants; inform the PR of any unforeseen increases in commitments (and/or expenditures); and inform the PR of any conditions which interfere or threaten to interfere with the Program progress.

In detail the above procedures are described in PCIMU *Guidelines on Financial and Programmatic Monitoring of Sub-Recipients under the Global Fund Round 6 HIV/AIDS and TB Grants in Moldova* (Annex 3.f).

7.5 Reporting to the Global Fund

The Global Fund has developed a set of tools to facilitate grant management and Performance-Based Funding throughout the lifecycle of a grant. These tools track relevant performance targets and achievements by using a clear set of indicators and targets built into the Grant Agreement and ensure that the reported data are used for decisions at each stage. The information collected is used at three main stages of grant performance evaluation:

- *Regular disbursements (semi-annually as the default).* Agreement on a few indicators of progress is used for regular Financial Release on a quarterly or 6-monthly basis. Finances are released based on disbursement requests accompanied by progress updates of results against targets with an explanation or self assessment from the program.
- *Annual reviews (every 12 months).* These reviews collect the results for all indicators for the year and include a self-assessment of progress, barriers, successes and failures. The Global Fund uses these updates to report on progress in program implementation across its portfolio, and as a key source of contextual information to interpret the minimal performance focus of results against targets.
- *Phase 1 evaluation (from 18 to 20 months).* Funding is committed for a first period of two years. After 18 months the program makes a submission for Phase 2 funding to cover up to an additional three years (a total of 5 years of funding). An overall review of performance is used as a basis for the Secretariat of the Global Fund to recommend further funding into Phase 2. This includes a comprehensive report on results against

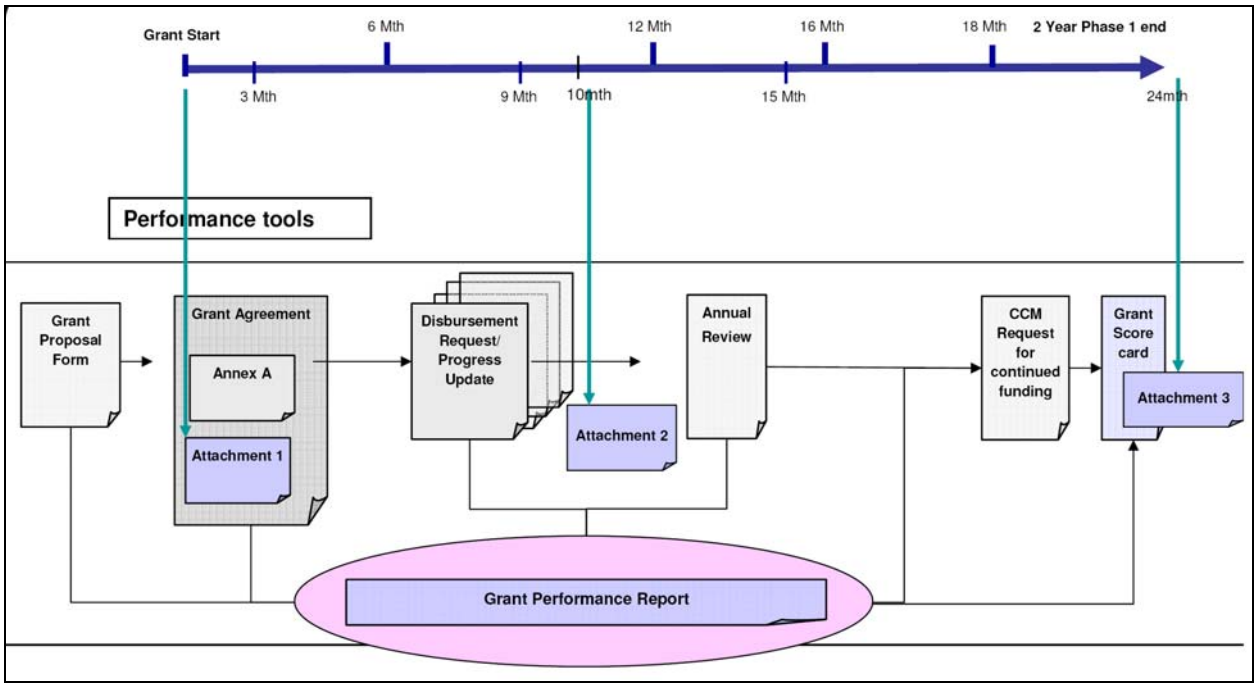
targets, against the goals of the proposal, and of the delivery of key services relevant to fighting the diseases. Self assessment by the program is an important element, including the possibility to suggest changes in the program from experience.

A *Grant Scorecard* is prepared combining the aggregate results with independent verification and assessment of data on the grant's performance. The Grant Scorecard becomes the basis for the Phase 2 funding decisions taken by the Board.

While Performance-based Funding of grants reaches a critical milestone at the Phase 2 funding stage, the measurement and evaluation system starts at the beginning of a grant when indicators and targets are agreed by recipients and the Global Fund and made part of the first grant agreement.

Targets are tracked at every stage in the process: defined in the grant proposal, incorporated into the Grant Agreement, progress reported before each disbursement (progress update), in annual reviews, and consolidated in the CCM Request for Continued Funding for Phase 2, and beyond into Phase 2 reporting.

Figure 7.1. Stages of a Global Fund grant and reporting on results



In accordance with these requirements, the PCIMU as the Principal Recipient of the Global Fund grants will furnish to the GFATM through the LFA semi-annual programmatic reports in the form of the Progress Update combined with the Disbursement Request for the next Program period. Interim reports and other programmatic information may need to be provided additionally as requested by the Fund's Portfolio Manager. Sample Progress Update and Disbursement Request is attached to this POM in Annex 7.g.

The Global Fund will notify the Principal Recipient on the changes in the reporting requirements if these are necessary due to decisions of the Fund's Board or Secretariat. The Principal Recipient will submit to the CCM copies of reports submitted to the Global Fund.

The semi-annual reports will be submitted not later than 45 days after the close of each reporting period. The reports will reflect the programmatic activity information during the period in question and cumulatively from the beginning of the Program until the end of the reporting period, using the indicators set forth in the Targets and Indicators Table of the Annex A to the Proposal Form. The Principal Recipient will have to explain any variances between the planned and actual programmatic targets for the period in question.

Within 90 days after the close of each project implementation year, the PCIMU will submit to the Global Fund, in form and substance satisfactory to the GFATM, an annual financial and programmatic monitoring report (in addition to the semi-annual report) covering the preceding year.

At the end of Phase I (first two years of the grants' implementation), the PCIMU will prepare and submit to the Global Fund, in form and substance satisfactory to the Global Fund, the Phase I Evaluation Report on Program activities to the date of the report. This will form a basis for the Request for Continued Funding for the projects' extension for the next period (Phase II of three years).

Annexes relevant to this Chapter:

3.f	*Guidelines on Financial and Programmatic Monitoring of Sub-Recipients under the Global Fund Round 6 HIV/AIDS and TB Grants in Moldova*
7.a	*Monitoring and Evaluation Toolkit for HIV/AIDS, Tuberculosis and Malaria* (Interagency guidelines, Second Edition, January 2006)
7.b	Attachment A to the Proposal Form – HIV/AIDS/STI Component
7.c	Attachment A to the Proposal Form – TB Component
7.d	Monitoring and Evaluation Plan – HIV/AIDS/STI Component
7.e	Monitoring and Evaluation Plan – TB Component
7.f	Protocol of the M&E Division of Scientific and Practical Center of Public Health and Health Management of Ministry of Health
7.g	Progress Report and Disbursement Request template (NOTE: to be replaced with newer version(s) when revised by GFATM)

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List of Annexes

1.a Grant Agreement for grant MOL-607-G03-H (HIV/AIDS/STI component)

1.b Annex A to the Grant Agreement for grant MOL-607-G03-H (HIV/AIDS/STI component)

1.c Grant Agreement for grant MOL-607-G02-T (TB component)

1.d Annex A to the Grant Agreement for grant MOL-607-G02-T (TB component)

2.a Moldova Round 6 Proposal to the Global Fund Round 6 (HIV/AIDS/STI and TB components)

3.a *Revised Guidelines on the Purpose, Structure and Composition of Country Coordinating Mechanisms and Requirements for Grant Eligibility* (GFATM, April 2005)

3.b Decree of the Government of the Republic of Moldova No. 825 from 3 August 2005 on the Regulations for the Coordination Council for National Programs for Prevention and Control of HIV/AIDS, Sexually Transmitted Infections and Tuberculosis (CCM)

3.c *Fiduciary Arrangements for Grant Recipients* (GFATM, adopted by the 5th Board Meeting in June 2003)

3.d Job descriptions of PCIMU staff

3.e Sample Funding Agreement with Sub-Recipients

3.f Guidelines on Financial and Programmatic Monitoring of Sub-Recipients under the Global Fund Round 6 HIV/AIDS and TB Grants in Moldova

4.a Workplan for Years 1-2, HIV/AIDS/STI component

4.b Workplan for Years 1-2, TB component

4.c Budget for 5 years with breakdown by quarters for Year 1, HIV/AIDS/STI component

4.d Budget for 5 years with breakdown by quarters for Year 1, TB component

5.a *Guide to the Global Fund's Policies on Procurement and Supply Management* (GFATM, May 2005)

5.b *Guidelines on Procurement under IBRD Loans and IDA Credits* (the World Bank, January 1995, revised January 1999)

5.c *Guidelines on Selection and Employment of Consultants by World Bank Borrowers* (the World Bank, May 2004).

5.d *Technical Note. Procurement of Health Sector Goods* (the World Bank, May 2000)

5.e *Standard Bidding Documents. Procurement of Health Sector Goods: Pharmaceuticals, Vaccines and Condoms* (the World Bank, May 2004)

5.f *Standard Bidding Documents. Procurement of Goods* (the World Bank, May 2004, revised May 2005)

5.g *Standard Bidding Documents. Supply and Installation of Plant and Equipment* (the World Bank, May 2005)

5.h *Standard Bidding Documents. Procurement of Works & User's Guide* (the World Bank, May 2005)

5.i *Standard Requests for Proposals. Selection of Consultants* (the World Bank, May 2004)

5.j *Operational Principles for Good Pharmaceutical Procurement* (Interagency Guidelines, WHO, UNICEF, UNFPA, World Bank, 1999)

5.k Procurement and Supply Management Plan, HIV/AIDS/STI component

5.l Procurement and Supply Management Plan, TB component

5.m *Price Reporting Mechanism. Principal Recipient Manual* (GFATM, December 2006)

5.p Sample Procurement Management Report PMR 3A: Procurement Monitoring, Goods and Works

5.o Sample Procurement Management Report PMR 3B: Procurement Monitoring, Consultants

6.a Decree of the Government of Moldova No. 543 from 17 May 2007 (on tax exemptions)

6.b Standard forms of tender and contract Securities: Bid Security, Advance Payment Bond/Guarantee, Performance Bond, Performance Guarantee, Warranty Bond

6.c Sample Letter of Credit

6.d Sample internal Financial Management Report FMR 1-A: Summary of sources and uses of funds

6.e Sample internal Financial Management Report FMR 1-B: Use of funds by project activity

6.f Sample internal Financial Management Report FMR 2-A: Output monitoring report

6.g Sample internal Financial Management Report FMR 2-B: Project progress report

7.a *Monitoring and Evaluation Toolkit for HIV/AIDS, Tuberculosis and Malaria* (Interagency guidelines, Second Edition, January 2006)

7.b Attachment A to the Proposal Form – HIV/AIDS/STI Component

7.c Attachment A to the Proposal Form – TB Component

7.d Monitoring and Evaluation Plan – HIV/AIDS/STI Component

7.e Monitoring and Evaluation Plan – TB Component

7.f Protocol of the M&E Division of Scientific and Practical Center of Public Health and Health Management of Ministry of Health

7.g Progress Report and Disbursement Request template (NOTE: to be replaced with newer version(s) when revised by GFATM)