



## **POLICY FOR APPROVING AND FUNDING GRANT APPLICATIONS**

**Outline:** The Board needs to formally endorse the funding guidelines agreed to in principle at the Third Board meeting. The Board also needs to put in place a system to prioritize technically sound proposals in the event the amount of proposals in Round Three exceeds available resources, and to agree to develop a comprehensive policy.

### **Decision Points:**

1. The Board is requested to endorse two key principles for funding grant applications:
  - a) The Board may approve proposals and commit funds for two years up to the cumulative amount pledged until and including the current year.
  - b) A sufficient amount of cash and/or liquid assets to meet the full cost of two years of implementation of approved grants must be deposited with the Trustee or readily available on demand prior to the Secretariat signing a grant agreement.
2. The Board is requested to adopt one of the following approaches to prioritizing TRP-recommended Round 3 proposals:
  - a) Ask the TRP to revise their current approach to recommendations in a way that will facilitate the Board's prioritization of proposals for approval
  - OR
  - b) Request the Secretariat in consultation with the PMPC to develop additional criteria for prioritizing among TRP-recommended proposals.
3. The Board is requested to ask the Secretariat in consultation with PMPC and MEFA to develop a comprehensive policy on funding grant obligations, for approval at the October 2003 Board meeting.
4. The Board is requested to ask the Secretariat in consultation with MEFA to define reserve levels as a contingency to fund successful appeals to be presented to the Board for approval at the October 2003 Board meeting.

## **Part 1: Introduction**

1. After gaining considerable experience from two rounds of managing the process of receiving pledges and cash contributions, approving proposals, and signing grants, the Board needs to clarify and formally adopt an official policy on managing its finances in respect to grant applications.
2. The guiding principles for the approval of proposals and the signing of grant agreements were discussed and generally agreed to during the Third meeting of the Board in October 2002 but were never formally adopted by the Board as a written policy. These principles included:
  - the Board may approve proposals and commit funds for two years up to the cumulative amount pledged until and including the current year;
  - a sufficient amount of cash and/or liquid assets to meet the full cost of two years of implementation of approved grants must be deposited with the Trustee or readily available on demand prior to the Secretariat signing a grant agreement.
3. To date, the Global Fund has had adequate pledges to fully fund all technically sound proposals submitted in the first two rounds. However, due to resource-constraints, it is possible the Board will not be able to immediately fund all TRP-recommended proposals for Round 3. Therefore, it is necessary to establish a mechanism to prioritize among TRP-recommended proposals and decide if additional criteria should be applied when prioritizing which proposals should be approved for funding.

## **Part 2: Principles for Approving and Funding Grant Applications**

4. As noted above, the Board has yet to formally adopt the principles to ensure that grant applications are adequately funded.

### ***Decision point***

The Board is therefore requested to approve the following:

- a) The Board may approve proposals and commit funds for two years up to the cumulative amount pledged until and including the current year.
- b) A sufficient amount of cash and/or liquid assets to meet the full cost of two years of implementation of approved grants must be deposited with the Trustee or readily available on demand prior to the Secretariat signing a grant agreement.

### **Part 3: Prioritization of Proposals in Round Three**

5. In the event of a resource-constrained environment, there needs to be a transparent system in place for prioritizing proposals.
6. There are a number of possible approaches to prioritizing proposals. However, some of these approaches are no longer possible for Round Three (such as further restricting the eligibility criteria for applications to the Global Fund, setting upper limits on the size of applications, and announcing Calls for Proposals less frequently). For this reason, the approaches to prioritization may differ between Round Three and subsequent rounds.

#### ***Decision point***

The Board is requested to adopt one of the following approaches to prioritizing among TRP-recommended Round 3 proposals:

Ask the TRP to revise their current approach to recommending proposals in a way that will facilitate the Board's prioritization of proposals for approval

OR

Request the Secretariat in consultation with the PMPC to develop additional criteria for prioritizing among TRP-recommended proposals.

7. In the event that the second option is chosen, the Board must also adopt an approach for finalizing the additional criteria to be used to prioritize among TRP-recommended proposals.

#### ***Optional decision point***

The Board is requested to ask the Secretariat in consultation with the PMPC to develop options for prioritizing TRP-recommended Round 3 proposals by the end of July and adopt one of the following processes for agreeing upon these recommendations:

Option 1: Approval by the Board by email consultation (and, if necessary, vote) by the end of August;

Option 2: Approval by the Board by teleconference/ videoconference by the end of August;

Option 3: Approval by the Board at the October Board meeting.

#### **Part 4: Develop a Comprehensive Policy on Funding Grant Applications for the Global Fund**

8. To ensure a sustainable, transparent, and fair mechanism for approving future rounds, the Global Fund needs a comprehensive policy on funding grant applications for the Global Fund. This policy should include:
  - Pledge levels required to approval proposals;
  - Asset requirements to sign grant agreements;
  - Reserve requirements to fund successful appeals;
  - A methodology to prioritize proposals.

##### ***Decision point***

The Board is requested to ask the Secretariat in consultation with PMPC and MEFA to develop a comprehensive policy on funding grant obligations, for approval at the October 2003 Board meeting.

9. Following the adoption of an appeals mechanism at the Fourth Board meeting, the Global Fund needs to adopt a policy defining the reserve levels required as a contingency for the successful appeal of proposals.

##### ***Decision point***

The Board is requested to ask the Secretariat in consultation with MEFA to define reserve levels as a contingency to fund successful appeals to be presented to the Board for approval at the October 2003 Board meeting.