



Policy to Continue Grant Funding beyond the Initially Committed Two Years (Phase 2 Grant Renewals)

Outline:

This document presents a series of recommendations for a policy to renew grant commitments for the remaining time of a Board approved Proposal (phase 2) beyond the initial two year grant (phase 1). It covers the information upon which this decision will be based; decision criteria; the grant amount, program objectives and targets; the review and decision process; timing; quality assurance system; resource considerations; and phase 2 renewal for Rounds 1 and 2 grants.

The document also presents recommendations for further related work to be undertaken by the Secretariat. This includes situations of resource constraints; special considerations for on-going drug treatment; data quality assurances; and the need for technical assistance to enhance implementation capacities.

Decision Points:

1. Decision criteria and information upon which the decision will be based

Phase 2 grant renewal decisions will be made according to clear criteria for satisfactory grant performance and contextual considerations, subject to Global Fund resource availability. The decision will be based on systematically collected information, which will be made transparently available by the Global Fund through Grant Fact Sheets and Grant Score Cards.

2. Phase 2 grant amount and program objectives

A CCM Request for Continued Funding, up to a maximum of the original approved Proposal less funds spent during the initial grant period (years 1-2),¹ will be reviewed and adjusted for reasonableness as appropriate. Program objectives for phase 2 are expected to be broadly consistent with approved Proposals, with reprogramming subject to review.

3. Review and decision process

The Board delegates the authority to make phase 2 grant commitments to the Secretariat according to the policies and review and decision process set forth in this document. The Board will confirm all decisions to discontinue funding based on reviews by the Secretariat and the TRP. The Secretariat will regularly report on phase 2 grant commitments to MEFA and PMPC. The PMPC Chair will inform the full Board at each Board meeting. The Technical Evaluation Reference Group (TERG) will regularly review and report on the soundness of the phase 2 review and decision process to the Board through MEFA.

Phase 2 decisions will be taken 20 month after the start date for grant programs with exceptions for *force majeure* situations. The decision may be taken earlier in cases of (i) accelerated implementation; or (ii) severe exchange rate fluctuations.

¹ The amount in the original approved Proposal for the full Proposal period, following adjustments from TRP clarifications and phase 1 grant negotiations, less the amount disbursed by the Global Fund to PRs at the end of the phase 1 period.

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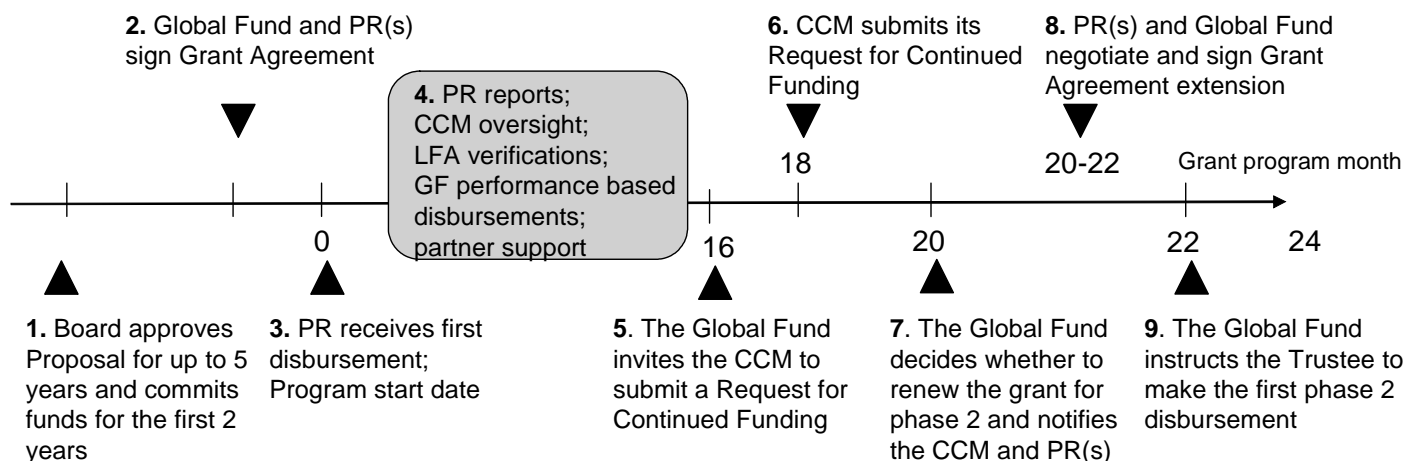
Part 10: Further related work:

- Phase 2 renewals in situations of resource constraints
- Special considerations for grant programs involving on-going drug treatment
- Data quality assurance
- Technical assistance to enhance implementation capacities

Attachments:

1. Information for the phase 2 grant renewal decision
2. Phase 2 grant renewal criteria
3. Phase 2 grant amount and program objectives
4. Phase 2 grant renewal review and decision process
5. Phase 2 resource projections for 2004 and 2005

Overview of the first two years of a grant and the phase 2 renewal process



Part 1: Policy background

1. The Global Fund's Board approves grant Proposals covering up to a five year period based on recommendations from the Technical Review Panel (TRP). The Global Fund initially commits grants for the first two years of the Proposal period. According to previous Board decisions,² continued grant funding should be conditional upon satisfactory program performance and the availability of resources to the Global Fund.
2. This Board decision document presents policies and procedures to renew grant commitments for years 3-5 of approved Proposals. These policies will constitute a key component of the Global Fund's system for performance based funding in order to:
 - i. Provide incentives for grantees to focus on results and timely implementation of their program according to approved Proposals;
 - ii. At an early stage identify opportunities to expand effective efforts and address potential issues;
 - iii. Provide a tool to facilitate CCM oversight of grant implementation and thus ensure that the ownership for an approved Proposal resides with a broad group of stakeholders; and
 - iv. Free-up committed resources from non-performing grant programs for reallocation to programs where results can be achieved.
3. This Board policy decision document draws upon the Global Fund's founding principles as per the Fund's *Framework Document* and subsequent Board policy decisions as described in the documents *Fiduciary Arrangements for Grant Recipients*, *Monitoring and Evaluation Strategy*, and *Comprehensive Funding Policy*.³ The document also refers to procedures described in the Global Fund's operational policy notes *Guidelines for Performance Based Funding*, *Guidelines for Annual Audits of Program Financial Statements* and *Guidelines for Proposals*.
4. Throughout this document, the initial two year grant period is referred to as "phase 1." The remaining Proposal period (years 3 to 5) is referred to as "phase 2."
5. Grant agreements for Proposals approved in the same Round are concluded at different points in time depending on the readiness of Principal Recipients (PRs) and other specific country circumstances. Programs therefore reach the end of their initial two year grant at different points in time. Phase 2 grant renewal decisions accordingly have to be taken on an on-going basis throughout the year.

Part 2: Resource considerations

6. According to the Global Fund's *Comprehensive Funding Policy*, renewed commitments to existing grants have priority over new grants in situations of limited resources available to the Global Fund. At the beginning of each calendar year, the Global Fund Secretariat estimates the total amount of resources necessary for renewed phase 2 grant commitments for that year. The remaining amount of resources pledged to the Global Fund for that calendar year may be available for new grant Rounds. These

² *Fiduciary Arrangements for Grant Recipients, Monitoring and Evaluation Strategy, Comprehensive Funding Policy*

³ Endorsed by the Board of the Global Fund at the 5th and 6th Board meetings in 2003.

resource projections will be made transparently available and up-dated when the Global Fund receives new donations as well as when specific grant amounts are committed for continued funding to existing grant programs (phase 2).

7. Situations of resource constraints are not covered in further detail in this policy document. (See attachment 5 and part 10: Further related work.)

Part 3: Information for phase 2 grant renewal decision

8. The phase 2 grant renewal decision will be based on three types of information:
 - i. Grant performance during the initial grant period (phase 1; Proposal years 1-2);
 - ii. Contextual considerations; and
 - iii. The phase 2 budget, objectives and intended results in the CCM's Request for Continued Funding.
9. This information is collected primarily through (i) the Global Fund's grant information systems⁴ and (ii) the CCM's Request for Continued Funding. The key information for phase 2 grant renewal decisions will be compiled in Grant Score Cards, which will be made transparently available including through the Global Fund website.
10. The following system has to be in place for the Global Fund to be able to base the phase 2 grant renewal decision on performance:
 - o *Full clarity about the Global Fund's performance criteria for actual results achieved as compared to targets;*
 - o *Appropriate targets for grant performance with baselines.* These are included in the grant agreement between a PR and the Global Fund based on an approved CCM Proposal.
 - o *Reporting on actual results as compared to targets prior to the phase 2 decision.* PRs are responsible for reporting on program results as compared to targets to the Global Fund Secretariat through:
 - (i) progress updates as a basis for each periodic disbursement (in Disbursement Requests and Progress Updates); and
 - (ii) aggregate results reported annually (in Fiscal Year Reports).
 - o *Adequate data quality assurances.* The Global Fund will link up with existing systems for data quality assurance at the country-level and work with partners to strengthen systems for data collection and analysis as necessary. LFAs verify the accuracy of the data reported by PRs as appropriate through spot-checks, etc.
 - o *Transparency of information flows.* PRs are responsible for sharing their reports with other CCM members. To ensure transparency, the Global Fund's grant





⁴ As described in the Board endorsed documents *Fiduciary Arrangements for Grant Recipients and Monitoring and Evaluation Strategy* and the operational policy notes *Guidelines for Performance Based Funding and Annual Audits for Program Financial Statements*.

information systems will compile the key information generated for each grant program into a Grant Fact Sheet which will be available on the Global Fund's website.

- o *Dialogue between key stakeholders.* There is an on-going dialogue between a PR and the Global Fund Secretariat based primarily on the PR's reports and the LFA's verifications. To ensure that the broad group of stakeholders that submitted the original Proposal stay involved throughout implementation, it is the responsibility of a CCM to submit a Request for Continued Funding for phase 2. In this Request, CCM members may raise issues, including with the Global Fund's processes, and provide their own assessment of program progress thus far. The Global Fund encourages development partners in-country to contribute to this assessment.⁵
 - o *Access to appropriate technical capacity strengthening support for grantees to enhance implementation.* Global Fund grants may be used to finance technical assistance.
11. Less than two years is usually a short period of time to conduct a full external program evaluation. If evaluations have been completed for programs supported by the Global Fund, however, the findings would be taken into account for the phase 2 decision.
 12. For contextual information, the Global Fund primarily relies on partners through the CCM process in their Request for Continued Funding as well as direct observations and other relevant information received by the Secretariat. If relevant in-country partners are not included in the CCM, the Secretariat could solicit their input directly.
 13. Further details are provided in the operational policy note *Information for the Phase 2 Decision* (attachment 1).





Part 4: Decision criteria

14. The phase 2 grant renewal decision will fall into one of four categories:

Decision category	Phase 2 grant renewal consequence
1: "Go" 	Phase 2 grant committed for the remaining proposal period (years 3-5)
2: "Conditional go" 	Phase 2 grant committed conditional upon time-bound actions to be taken by the PR/CCM (maximum 1 year)
3: "Revised go" 	CCM/PR reprogramming (targets and budget substantially revised for phase 2) subject to Global Fund review
4: "No go" 	Phase 2 grant not committed

⁵ E.g., by incorporating in the CCM Request conclusions and recommendations from independent evaluations, trip reports and other assessments which may have been conducted for the Global Fund program, related programs in-country or the country's disease interventions in general.

15. The phase 2 grant renewal decisions will be based on criteria for grant performance and contextual considerations as outlined below:

Decision category	Performance rating		Contextual considerations
1: "Go" 	A	<i>and</i>	No or minor contextual issues
2: "Conditional go" 	B1	<i>and/or</i>	Major contextual issues that can be addressed by the PR/CCM
3: "Revised go" 	B2	<i>and/or</i>	Major recent improvements in program supporting environment
4: "No go" 	C	<i>or</i>	Critical contextual risks beyond PR and/or CCM control

16. A grant performance rating system will reflect actual program results as compared to targets in grant agreements. Funding shall not be continued unless grantees demonstrate *credible potential* to reach program targets.

Grant performance rating			
A	B1	B2	C
Expected or exceeding expectations	Adequate	Inadequate but potential demonstrated	Unacceptable

17. The grant performance rating will be made in view of country-level disease trends and impact.

18. In addition, the following types of contextual information will be considered:

- Major changes in the program supporting environment⁶
- Significant adverse external influences (*force majeure*)
- Financial and program management issues⁷
- Systematic weaknesses, e.g., in data collection and quality assurance systems
- Information that would indicate that a grant was not advancing the Global Fund's operating principles to:
 - Promote broad and inclusive partnerships;
 - Promote sustainability and national ownership through use of existing systems and linkages with related strategies and programs;

⁶ E.g., strengthened national political commitment to fight the disease(s); recent initiation of capacity strengthening support for implementation by technical partner

⁷ E.g., slow or incomplete disbursements to sub-recipients or issues with a PR

- Provide *additional* resources; and
 - Use the best available technical information.
19. A PR and/or CCM could be required to undertake certain time-bound actions to address identified contextual issues during the first year of the phase 2 grant.
20. Further details are provided in the operational policy note *Phase 2 decision criteria* (attachment 2).

Part 5: The phase 2 grant amount and program objectives

21. Grant performance during phase 1 will guide the phase 2 grant amount decision.
22. The maximum grant amount for phase 2 is based on the original approved Proposal amount less the amount spent during the initial grant period.⁸
23. The amount requested by the CCM will be reviewed and adjusted for reasonableness as appropriate by the Secretariat, assisted by advice from the LFA, based on the following considerations:
- i. The usage of funds and performance during phase 1;
 - ii. Anticipated program realities for phase 2 (including grantees abilities to speed up implementation as compared to phase 1); and
 - iii. The reasonableness of key unit costs for the budget (e.g., changes in price for health products since the original Proposal was approved).
24. Uncommitted funds will revert to the Global Fund's general resource pool as a result of the phase 2 grant renewal process.
25. The program objectives and intended results in the CCM Request for Continued Funding are expected to be broadly consistent with the original approved Proposal. Reprogramming is encouraged as necessary and appropriate to reflect program realities.
26. The Secretariat will review the CCM's Request and at its discretion arrange for a second review by the TRP. This may be appropriate if the CCM Request involves significant reprogramming, such as a change in program objectives, e.g., in terms of disease interventions, or a substantial reduction in targets.
27. Further details are provided in the operational policy note *Phase 2 grant amount, objectives and intended results* (attachment 3).

Part 6: Review and decision process

28. The Board delegates the majority of the phase 2 grant renewal review and decision work to the Secretariat according to the policies and criteria set forth in this document.

⁸ The amount in the original approved Proposal for the full Proposal period, following adjustments from TRP clarifications and phase 1 grant negotiations, less the amount disbursed by the Global Fund to PRs at the end of the phase 1 period.

29. The Secretariat will:

- i. Review relevant information for the phase 2 grant renewal;
- ii. At its discretion, request the TRP to perform a second review of CCM Requests that involve significant reprogramming from the original approved Proposal;
- iii. Commit grants for the phase 2 period;
- iv. Negotiate grant agreement extensions with PRs including performance targets for phase 2;
- v. Regularly report to MEFA and PMPC on the results of phase 2 grant renewal reviews and decisions.

30. The Board will:

- i. Establish and periodically review the policies and procedures for phase 2 grant renewals;
- ii. Through its Chair and Vice Chair decide to discontinue grants based on reviews by the Secretariat and the TRP;
- iii. At each Board meeting receive reports from the PMPC Chair on phase 2 grant renewal decisions.

31. Further details are provided in the operational policy note *Phase 2 review and decision process* (attachment 4)

Part 7: Timing

32. Phase 2 grant renewal decisions will normally be taken 20 months after the program start date. The program start date is defined as when a PR receives its first disbursement from the Global Fund.⁹ Decisions to discontinue funding will normally be taken by program month 22.

33. In order not to distort the performance incentive from the phase 2 grant renewal process, extensions to the normal timeframe for phase 2 decisions will only be granted in *force majeure* situations.¹⁰

34. Phase 2 decisions could be made ahead of schedule based on a CCM Request for Continued Funding with justifications in cases of (i) accelerated implementation; or (ii) severe exchange rate fluctuations.

Part 8: Quality assurance system

35. The Technical Evaluation Reference Group (TERG) will regularly review the soundness of the phase 2 review and decision process and report to MEFA and the Board.

36. A formal review of the phase 2 grant renewal policies and procedures based on lessons learned will be undertaken one year after the March 2004 Board meeting.

⁹ The date of the first disbursement from the Trustee to a PR plus one week.

¹⁰ E.g., the SARS epidemic in China, major natural disasters, civil unrest or war.

MEFA will oversee this review and the Chair of MEFA will present its results to the Board.

37. Data quality checks may be undertaken for some grants each year by a team of external experts.

Part 9: Phase 2 grant renewals for Rounds 1 and 2 grants

38. The principles and policies for phase 2 grant renewals should be applied also to Rounds 1 and 2 grants. This includes a performance review based on the targets in grant agreements.
39. It is recognized that during the Global Fund's first two years of operation, grantees may have been adversely affected by lack of clarity about Global Fund policies and procedures as these were under development. It is further recognized that grant performance information may not have been collected in as systematic a manner as will be the case in the future.
40. As agreed between the Secretariat and PRs of already signed Rounds 1 and 2 grants, grant agreement start dates may be adjusted to reflect program realities.
41. For some Rounds 1 and 2 grants, operational adaptation of the performance rating system for situations of unclear targets and sub-optimal reporting may be required.¹¹

Part 10: Further related work

42. The Global Fund needs a policy for phase 2 grant renewals in situations of resource constraints. The Secretariat will conduct further work on this issue and, under the policy guidance from MEFA and PMPC, prepare Board decisions for the June 2004 meeting.
43. Special considerations are necessary for decisions to discontinue grants for programs involving on-going drug treatment, e.g., ARV therapy. The Secretariat will conduct further work on this issue before the June Board meeting in view of different possible alternative arrangements to continue provision of on-going drug treatment.
44. Data quality assurance systems are inadequate in many grant recipient countries. This is a challenge for grant recipients' own monitoring as well as for the Global Fund's performance based funding system and partner efforts. Jointly with partners, the Secretariat will conduct further work on this issue and report to the Board through MEFA.
45. Technical assistance to strengthen capacities is required for many grant programs to ensure successful program implementation. While Global Fund grants may be used to finance technical assistance, all grantees may not receive adequate support. The Secretariat will conduct further work on this issue and report to the Board.

¹¹ Including "retrofitting" of grant agreements to ensure the inclusion of appropriate indicators to measure results against targets