GF/B7/9
Revision 2

REPORT OF THE PORTFOLIO MANAGEMENT AND PROCUREMENT COMMITTEE

Outline: This report of the Portfolio Management and Procurement Committee (PMPC), with its 8 annexes, covers the renewal of the Technical Review Panel, a number of other portfolio management issues, and two procurement and supply management topics.

Summary of Decision Points:

The PMPC recommends that the Board:

1. Accept the recommendations for TRP Renewal as outlined on page 3 (and in Annex 3);

2. Adopt the proposed system for prioritization of TRP-recommended proposals in resource-constrained settings as outlined on pages 6-7 (and in Annex 5);

3. Accept the eligibility criteria related to proposals from Upper-Middle Income countries that focus exclusively on vulnerable populations that do not receive significant funding from domestic or external sources as outlined on pages 9-10 (and in Annex 7);

4. Adopt the recommendations on pre-qualification of and competition between procurement agents as outlined on page 12 (and in Annex 8).

Part 1: Introduction

1. This report, with its 8 Annexes, summarises the deliberations of the PMPC at its meetings of 17 – 18 November 2003 and 25 - 26 February 2004. The Agenda and Attendance lists for these meetings are available in Annexes 1 and 2.

Part 2: Portfolio Management: TRP Renewal

1. At its Fifth meeting in June 2003, the Board of the Global Fund asked the PMPC to launch the TRP renewal process for 2004, on the basis of the recommendations and lessons learned from the 2003 renewal.

2. Health Systems Resource Centre (HSRC) was contracted in September to start the recruitment process. Overall the process ran more smoothly and efficient than in the 2003 renewal. It was more expansive than in the previous renewal, with a greater range of advertisements, a more concentrated effort to attract candidates directly, a greater focus on specialized institutions, and special attention to experts from regions currently underrepresented in the TRP.

3. Further, the ranking produced by the consultancy firm was generally the basis for further identification of the best candidates by the pre-selection panel. Despite the costs and possible limitations of using a consultancy firm, the PMPC considered that using such a firm was probably the best way of reconciling the need for efficiency, effectiveness, fairness and transparency in the entire TRP renewal process.

4. For the first time, the TRP Chair and Vice Chair were invited to participate in the recruitment process and to provide their feedback on the quality and retention of TRP members (as approved by the Board ref. GF/B7/2, p. 18)

5. There were 576 applications in total. The consultancy firm provided the Global Fund with two separate short lists, one that included 173 names and the second short list that included 105.

6. Despite the improvement of the process, some concerns remain with ultimate pool of applicants. For example, while the regional distribution of applicants improved considerably, the gender balance remains unsatisfactory with 71% of applicants male and only 29% female.

7. Further, despite the attention given to the need to identify experts with both the clinical and the programmatic aspects of disease management, few applications were received from people with clinical expertise. Applications for TB experts were considered the weakest of the three diseases.

8. More generally, the proportion of candidates initially ranked excellent and good was lower than the previous recruitment, although the final selections were considered as strong as in earlier recruitments (see Annex 3). Additionally, sufficient qualified candidates were identified to compose a TRP Support Group (as established by the Sixth Board Meeting (GF/B7/2, p. 18; and reflected in Annex 4).

9. An analysis of the source of information cited by applicants showed that *The Economist* was the most successful publication in producing high calibre applicants, while the internet was cited by 15% of the shortlist. However, the best means of attracting quality applicants was personal contact through the email sent by HSRC, the Global Fund and through nominations received from TRP members. Despite the length of time given this time most applications came on the last day.

10. In addition to the consensus decision points listed below, the PMPC requested the Secretariat to work with technical partners such as WHO and Stop TB to prompt nominations for TB experts for the TRP support group.

11. The PMPC also asked the Secretariat to work with technical agencies and the TRP to ensure sufficient nominations for experts in all three diseases with clinical experience for the TRP support group.

Decision points:

1. ***The PMPC recommends that the Board accept the list of persons contained in Annex 3 that have been selected by the PMPC and the Executive Director to fill the vacancies on the Technical Review Panel for 3 HIV/AIDS experts, 1 malaria expert, 1 tuberculosis expert, and 4 cross-cutting experts.***

2. ***The PMPC recommends that the Board accept the list of persons contained in Annex 4 that have been selected by the PMPC and the Executive Director to comprise the TRP Support Group.***

Part 3: Portfolio Management: Prioritization of TRP-recommended proposals in resource-constrained settings

1. As part of the process of developing the Comprehensive Funding Policy, PMPC and subsequently the Board of the Global Fund discussed how to prioritize among TRP-recommended proposals if insufficient funds are available to immediately approve all recommended proposals.

2. At the Sixth Board Meeting, the Board agreed that the technical merit would be the criteria used to determine proposal approval. Further, it asked the Technical Review Panel to “refine its recommendations in

category 2 in a way that will facilitate the Board's prioritization of proposals for approval" (GF/B7/2, page 7).

3. In its last set of recommendations to the Board, the TRP sub-classified category 2 proposals into subcategory 2A and subcategory 2B. The TRP has indicated that it can continue to present these two subcategories in the future (although it has also noted that it considers both of these two subcategories as "recommended for funding" and that the primary difference between them is the time estimated to complete TRP clarifications [GF/B6/6, page 6]).

4. The Board then further decided that:

   > If it is necessary to further prioritize within these sub-categories, the following additional criteria will be used by the Board: poverty, disease burden, repeated failures for the same component and other criteria which the Board deems appropriate.…
   > The Secretariat will work with PMPC to operationalize the principles for prioritization among TRP-recommended proposals, to be presented to the Board at its seventh meeting. (GF/B7/2, page 7)

5. At its July and September 2003 joint meeting with the MEFA Committee and at its November 2003 and February 2004 meetings the PMPC discussed two methodology approaches to prioritizing among TRP-recommended proposals (see Annex 5 for the discussion paper for the February 2004 meeting). The first is a composite index that weighs and combines the three criteria previously identified by the Board to assign a single "score" to each proposal, and uses these to organize proposals into groups. The second approach is a decision tree, which utilizes objective answers to a series of questions to group proposals into priority categories. Examples of each are provided in Annex 5.

6. The PMPC unanimously agreed on the use of a composite index, primarily because it was considered the more flexible option. In particular, it allows an equal weighting to be given to multiple criteria, something that is not possible in the decision tree approach (in which a hierarchy must be established).

7. The PMPC also discussed the indicators to be used for quantifying the three criteria, and the values for each indicator. The committee unanimously recommended continuing with the World Bank income classification system currently used as part of the eligibility criteria for proposals, which classifies countries as "Low", "Lower-Middle", "Upper-Middle" or "High" income.

8. For disease burden, the committee recommended utilizing the indicators that were previously adopted by the Board to identify upper-middle income countries with "very high" disease burdens, which vary by disease as follows:

- HIV/AIDS: if the country's ratio of adult HIV seroprevalence (as reported by UNAIDS, multiplied by 1000) to GNI per capita (Atlas method, as reported by the World Bank) exceeds 5;
- Tuberculosis: if the country is included on the WHO list of 22 high-burden countries, or on the WHO list of the 36 countries that account for 95% of all new TB cases attributable to HIV/AIDS;
- Malaria: if the country experiences more than 1 death due to malaria per 1000 people (as reported by WHO).

(GF/B7/2, page 18)

9. Some members queried whether there were not other possible indicators that reflected both current disease burden and the risk of a future epidemic. However, the analytical work previously carried out by WHO and UNAIDS had demonstrated that no such indicators could be identified.

10. The definition of "repeated failures" is clear-cut, although the PMPC noted that the applicants should only benefit from this criterion if they demonstrated that they had sought technical assistance. As discussed below, the weighting of this criterion was the point of most significant divergence in the committee.

11. The committee unanimously agreed that poverty and disease burden would be accorded equal weighting (although, as shown in the table below, there are three possible values for poverty and only two for disease burden, meaning that while the highest value for each indicator is given an identical weighting, other values are not).

12. No consensus could be reached on the relative weighting of repeated failures. Many committee members felt that it should be accorded a lower score or even not included at all (both out of a sense that it was less important than the other two and from a concern that scoring it highly would create a perverse incentive for applicants to regularly submit proposals even additional financing was not needed or if the proposals were not fully formed, out of a desire to accumulate points towards future proposals). Others argued that the Global Fund needed to ensure that applicants were not systematically excluded from financing and so that repeated failures should be accorded a weighting equivalent to the other criteria. An alternative suggestion was that poverty be weighted more heavily to reflect the fact that repeated failures often originate from poorer countries. Ultimately, the committee agreed to put forward two options for the weighting of repeated failures (see point 4 in the decision points).

13. The committee further agreed that in the event of resource constraints, the Secretariat would be responsible for presenting the Board with a score for each proposal in the category (or subcategory, if category 2 is broken down by the TRP into subcategories) that is rated most highly by the TRP but for which insufficient resources are available. For example, if the TRP continues to subdivide category 2 into 2A and 2B and insufficient

resources are available to approve all of subcategory 2B, scores will be assigned to each proposal in this subcategory.

14. Proposals would then be grouped by common scores, and financed in descending order (i.e., proposals that have the highest composite score for poverty, disease burden, and repeated failures would be financed first). The groups would only be financed in their entirety (i.e., there would be no further sub-classifications once a proposal had been assigned to a group based on the composite of its TRP recommendation and poverty, disease burden, and repeated failures score; see slide 9 on p. 28 for an example).

15. The committee was thus able to unanimously recommend the system set out in the decision point, with the sole non-consensus topic the weighting of repeated failures.

Decision points:

The PMPC recommends that the Board adopt the following system for prioritizing among TRP-recommended proposals in the event that insufficient resources are immediately available to approve all TRP-recommended proposals. The PMPC presents two options for the Board to consider on the weighting of repeated failures in this system (see paragraph 4).

1. ***A composite index would be used to assign scores to TRP-recommended proposals, as described below.***

2. ***The criteria used in this composite index would be poverty, disease burden, and repeated failures for the same component.***

3. ***The indicators, values, and scores for the first two criteria are:***

Criteria	*Indicator*	*Value*	*Score*
Disease burden	*Eligibility criteria for proposals from Upper-Middle Income countries*	*"Very high"*	*4*
		Not "very high"	*1*
Poverty	*World Bank classification*	*Low Income*	*4*
		Lower-Middle Income	*2*
		Upper-Middle Income	*0*

4. ***For the third criterion, repeated failures, there was not consensus on the relative weighting to assign to it. Two options were discussed, one in which repeated failures was weighted lower than the disease and income criteria, one in which it was accorded the same weight:***

Criteria	*Indicator*	*Value*	*Option 1 (lower weighting to repeated failures) score*	*Option 2 (equal weighting to repeated failures) score*
Previous failure	*Failure for the same component, with evidence that technical assistance has been sought for proposal preparation*	*Multiple*	*2*	*4*
		Single	*1*	*2*
		None	*0*	*0*

5. ***In the event that insufficient resources are immediately available to finance all TRP-recommended proposals, TRP-recommended proposals would be financed in the following order:***
    1. ***Proposals in TRP category 1***
    2. ***Proposals in TRP category 2.***

6. ***If category 2 is sub-classified by the TRP into subcategories, these would be financed sequentially, with the proposals in the higher-rated subcategories being financed before those in lower-rated subcategories.***

7. ***Proposals in the highest-rated category (or subcategory, if category 2 is broken down by the TRP into subcategories) for which insufficient resources are available would be assigned a score in accordance with the above table. They would then be financed in descending order (with the highest scoring proposals receiving priority).***

8. ***There would be no further subdivision of the groups formed by the combination of the TRP category/subcategory and score would be made.***

9. ***If insufficient resources are available to immediately finance all TRP-recommended proposals, the Secretariat would be responsible for assigning scores to proposals and would present the Board with these scores at the time of the Board's consideration of the TRP's recommendations.***

Part 4: Portfolio Management: Applicability of the eligibility criteria for lower- and upper-middle income countries for non-CCM proposals

1. Starting with the Third Call for Proposals, the Board of the Global Fund added additional eligibility criteria for proposals from lower- and upper-middle income countries. In particular, proposals from these countries are

required to demonstrate co-financing, a focus on poor or vulnerable populations, and an increasing reliance on domestic resources.

2. Currently, these eligibility criteria apply to all proposals from lower- and upper-middle income countries: no distinction is drawn as to whether the proposals originate from CCMs or from other (eligible) types of applicants (such as sub-national CCMs, Regional Coordinating Mechanisms, regional organizations, or non-CCM applicants from eligible individual organizations).

3. At the Sixth Board Meeting some Board members raised the concern that these eligibility criteria may not be appropriate for non-CCM applicants, and the Board requested a review of the applicability of the eligibility criteria to non-CCM proposals.

4. The PMPC discussed some of the advantages and disadvantages to changing the additional eligibility criteria to exempt proposals that do not originate from CCMs (as covered in the discussion paper in Annex 6). However, it decided that it was unable to make a recommendation to the Board at the moment because of the uncertainty surrounding the definitions of the additional eligibility criteria themselves.

5. Therefore, in light of the fact that the PMPC intends to develop definitions for “co-financing,” “focusing on poor or vulnerable populations,” and “increasing reliance on domestic resources,” it informs the Board that it will return to the question of the applicability of these eligibility criteria to non-CCM proposals after it has completed its work on the definitions.

Part 5: Portfolio Management: Proposals from Upper-Middle Income countries that focus exclusively on vulnerable populations that do not receive significant funding from domestic or external sources

1. At its Sixth meeting, the Board of the Global Fund debated at great length the eligibility criteria for proposals from upper-middle income countries. For the Fourth Call for Proposals, it agreed that proposals from upper-middle income countries would be eligible only if the countries face a “very high” current disease burden.

2. The Board also requested the PMPC to “review the issue of future applications focusing exclusively on vulnerable populations that do not receive significant funding from domestic or external sources from Upper-Middle Income countries ineligible under [this approach]” (GF/B7/2, page 19).

3. The PMPC reviewed the advantages and disadvantages of changing the eligibility criteria, as summarized in the discussion paper included as Annex 7. The main argument advanced in favour of permitting proposals “focusing exclusively on vulnerable populations that do not receive

significant funding from domestic or external sources from Upper-Middle Income countries ineligible" under the current eligibility criteria is that upper-middle income countries often contain pockets of vulnerable populations that that are socially marginalized and so excluded from access to financing despite being at high risk for HIV, TB, and/or malaria. Further, those in favour of this change argue that the introduction of Global Fund resources could bring much-needed attention and resources to these vulnerable populations and so catalyze a broader national response.

4. Those opposed to modifying the current criteria argued that upper-middle income countries should be able to address epidemics in concentrated populations with their own domestic resources. The failure of these countries to use their comparative wealth to assist vulnerable populations often reflects a lack of political commitment to tackling AIDS, tuberculosis, and malaria, and this failure should not be rewarded with the introduction of significant external resources. Additionally they argued that the Global Fund was set up to focus on countries in the greatest need and those least able to bring financial resources to address these epidemics, and that by definition upper-middle income countries do not meet these criteria.

5. The PMPC also discussed some of the potential operational challenges that would arise if the Board decided to permit proposals "focusing exclusively on vulnerable populations that do not receive significant funding from domestic or external sources from Upper-Middle Income countries ineligible" under the current eligibility criteria. In particular, the committee look at the difficulties surrounding the definition of "vulnerable" populations (for which definitive and internationally agreed-upon lists do not exist for any of the three diseases) and on how to measure "significant" funding.

6. The committee was nearly evenly split on the modification of the current eligibility criteria, with a slim majority in favour of continuing to use the existing eligibility criteria in the Fifth and subsequent Rounds. Therefore, the committee presents two options for the Board's consideration.

Decision point:

Option 1:

The current eligibility criteria for proposals from upper-middle income countries should apply for the Fifth and subsequent Rounds:

- ***a. Countries classified as "Upper-Middle Income" by the World Bank are eligible to apply for support from the Global Fund only if they face very high current disease burden. This is defined (based on technical input from WHO and UNAIDS) for each disease as follows:***
  - ***i. HIV/AIDS: if the country's ratio of adult HIV seroprevalence (as reported by UNAIDS, multiplied by 1000) to GNI per***

capita (Atlas method, as reported by the World Bank) exceeds 5;

ii. Tuberculosis: if the country is included on the WHO list of 22 high-burden countries, or on the WHO list of the 36 countries that account for 95% of all new TB cases attributable to HIV/AIDS;

iii. Malaria: if the country experiences more than 1 death due to malaria per 1000 people (as reported by WHO).

b. Eligible countries must meet additional requirements, including co-financing, focusing on poor or vulnerable populations, and moving over time towards greater reliance on domestic resources.

Option 2:

The current eligibility criteria for proposals [criteria listed above] from upper-middle income countries should apply for the Fifth and subsequent Rounds.

In addition, proposals from Upper-Middle Income countries ineligible under the current eligibility policy that focus exclusively on vulnerable populations that do not receive significant funding from domestic or external sources are eligible for financing.

The Board asks the PMPC to revise the current eligibility criteria for proposals from Upper-Middle Income countries to allow such proposals (including a definition of "vulnerable populations that do not receive significant funding from domestic or external sources") and to report back to the Eighth Board Meeting.

Part 6: Portfolio Management: Phase II

1. At its November meeting, the PMPC agreed that the Monitoring, Evaluation, Finance and Audit Committee should take the lead on the request from the Sixth Board Meeting "to determine the process for the extension of two-year grants, to be presented to the Board at its seventh meeting." (GF/B7/2, p. 7)

2. The MEFA Committee Chair presented the results of that committee's deliberations. The PMPC discussed the recommendations and agreed that it would endorse the MEFA committee's recommendations to the Board.

Part 7: Portfolio Management: Criteria for Non-CCM Proposals

1. The Board requested the PMPC and the Governance and Partnership Committee to examine the issue of non-CCM proposals that have been approved by the Board and that may be against the criteria for non-CCM proposals and report to the Seventh Board Meeting (see GF/B7/2, p. 11].

2. The January GPC meeting discussed a background paper on the topic and made recommendations to the Board (see GF/B7/7). GPC's recommendations were endorsed by the PMPC during its February meeting. In addition to the GPC recommendations, the PMPC requested the Secretariat to work with the Raks Thai Foundation (the Thai NGO that was awarded a Round 2 grant prior to CCM endorsement) and the Thai CCM to ensure harmonization of the work program between the NGO and CCM.

Part 8: Procurement and Supply Management: In-Kind Donations

1. The PMPC listened to and discussed a presentation and paper prepared by a consulting firm that had been requested by the Private Sector delegation to study the issue of in-kind donations. The Procurement and Supply Management Advisory Panel also provided comments on the topic.

2. The committee felt that it was unable to reach a common position on the issue, and so requested the Secretariat to prepare a discussion document that both summarized the work previously done on the topic and specifically addressed the four operational issues highlighted by the Board at its Sixth meeting (guarding against conflicts of interest; potential legal liabilities; long-term sustainability; and valuation of contribution, GF/B7/2, page 20).

3. This paper would be used to facilitate discussion at a May PMPC meeting that would identify a common PMPC position. Until this occurs, the PMPC felt that it was premature for the joint working group with the Resource Mobilization and Communication Committee, as set up by the Board at its Sixth meeting (GF/B7/2, p. 16), to begin its work.

Part 9: Procurement and Supply Management: Pre-qualification of and competition between procurement agents

1. The Board of the Global Fund has previously approved procurement and supply management policies that allow recipients to use procurement agents and that note that if recipients have insufficient capacity, in which case the use of an agent may be required by the Global Fund (GF/B4/2, p. 24).

2. Recipients that wish to contract out procurement services look to the Secretariat to provide guidance on which of the numerous possible procurement agencies are able to deliver quality products at low prices with reliable and efficient service. However, there is no international system to pre-qualify or accredit procurement agents, limiting the ability of

the Secretariat (or the Procurement and Supply Management Advisory Panel) to recommend agents.

3. The World Health Organization has already begun working with partners to set up such a system. The PMPC unanimously endorsed this development and invited them to report back on the progress at the Eighth Board Meeting.

4. The PMPC also considered the issue of competition between procurement agents for health products (see Annex 8 for the discussion paper). Currently, recipients wishing to use a procurement agent are allowed to freely choose how they select their agents (e.g., if they wish to conduct a tender, continue working with an existing agent, etc.). Two options were considered: allowing recipients to continue to choose how they select procurement agents, and requiring them to competitively select agents.

5. The primary advantages of the first option include the speed with which procurement can be begun and the fact that it allows counties to continue to use agents with which they have developed relationships. Additionally, there is no evidence that this approach would lead to higher prices for health products, as procurement agents typically carry out tendering processes to ensure access to low prices.

6. The main advantage to the second option is that competition between procurement agents may lead to improved service and a reduction in the fees charged by the agents.

7. The majority of the committee favoured the first option, but consensus could not be reached, so near consensus and alternate recommendations are presented.

Decision points:

1. The PMPC recommends to the Board that it invite the World Health Organization to work with partners to develop a system for pre-qualifying procurement agents and report back to the Eighth Board Meeting on the progress in developing such a system.

2. Near consensus recommendation:
The PMPC recommends to the Board that it allow recipients that are using procurement agents for health products to select among them using whatever system the recipients wish.

[Alternate recommendation:
The PMPC recommends to the Board that it require recipients that are using procurement agents for health products to competitively and transparently select among them, based on quality, cost, and level of service.]

Annex 1

Meeting	*PMPC Meeting*
Date	17th November, 2003
Time	*9:00am-18:30h*
Place	*Global Fund Secretariat, Centre Casai, 4th Floor, Geneva*
Chair	*Francis Omaswa*

Draft Agenda

1. Approval of the report from the meeting of September 9th and 10th **9:00-9:15 am**

2. Board-mandated issues and work plan (Secretariat to provide up-date on work-in-progress) **9:15-9:45 am**

3. Guidelines for Proposals

a. Round 4 (Annex 1*, iii, iv*) **9:45- 10:30 am**

Coffee Break **10:30-10:45 am**

b. Co-financing **10:45-11:45 am**

4. Eligibility **11:45-12:15 pm**

a. Upper-Middle Income Eligibility (Annex 1, *v, vi)*

Lunch **12: 15-1:15 pm**

5. Prioritization (Annex 1, *vii)* **1:15-3:15 pm**

VI. Procurement **3:15-3:45 pm**

b. Draft Guidelines for Procurement

c. PSM-Advisory Panel

- Monitoring indicators
- Business of accreditation of procurement agencies
- Price reporting
- Sampling and Quality testing

Coffee Break **3:45-4:00 pm**

7 In-Kind Donations **4:00-6:00 pm**

a. PSM-AP (Annex 1, *viii*)
b. Accenture
c. RMCC and PMPC joint working group: up-date on work to date (Annex 1, i*x*)

PORTFOLIO MANAGEMENT AND PROCUREMENT COMMITTEE Meeting, Attendees, 17th-18th Sept. 2003

CONSTITUENCY	Representative		
European Commission	Ms	Lena	Sund
East and Southern Africa (Chair)	Prof	Francis	Omaswa
France	Ms.	Catherine	Bilger
Italy	Mr.	Sergio	Palladini
Latin America & Caribbean	Dr.	Eloan	de Santos Pinheiro
China	Ms.	Lan	Mei
Developped Country NGO	Ms.	Mohga	Kamal Smith
Ukraine	Ms.	Zhanna	Tsenilova
South East Asia	Dr.	Viroj	Tangcharoensathein
Japan	Mr	Takeshi	Kasai
Private Sector (Vice Chair)	Dr.	Kate	Taylor
NGO Communities	Dr.	Kim	Nichols
UK, Canada and Switzerland	Dr	Carole	Presern
UK, Canada and Switzerland	Mr.	Thomas	Fetz
USA	Dr	Judith	Kaufmann
World Health Organization	Mr	Alex	Ross
World Bank	Mr	Jonathan	Brown
Additional Invitees			
Accenture	Mr.	Michael	Edwards
TRP	Dr.	Michel	Kazatchkine
UNAIDS	Dr.	Catherine	Hankins
PSMAP	Dr.	Richard	Laing
SECRETARIAT	Prof.	Richard	Feachem
	Mr.	Brad	Herbert
	Mrs	Purnima	Mane
	Mrs	Hind	Othman Khatib
	Mr	Bernhard	Schwartlander
	Mr	Toby	Kasper
	Ms	Keri	Lijinsky
	Mr.	Houtan	Afkhami

Annex 2

Portfolio Management and Procurement Meeting
Date 25th-26th February, 2004
Time *9:00am-6:00pm*
Place *Secretariat Headquarters, 53 Avenue Louis Casai, Geneva*
Chair *Francis Omaswa*
Vice Chair *Kate Taylor*

Draft Agenda

Wednesday Feb. 25, 2004

1. Approval of the agenda 9:00 - 9:05

2. Approval of the minutes from last meeting 9:05 - 9:15

3. Up-date on PMPC Work Plan Nov 2003-May 2004 9:15 - 9:30

4. TRP Recruitment (*including coffee break*) 9:30 -12:30

Lunch **12:30-1:30**

TRP Recruitment continued (*including coffee break*) 1:30 – 5:00

5. Presentation on In-Kind Donations
5:00 – 6:00

Thursday Feb. 26, 2004

1. Briefing on MEFA's outcomes on Phase II Grant Go/No Go decision policy 9:00-9:30

2. Prioritization in a Resource Constrained Environment (*including coffee break*) 9:30-12:30

Lunch **12:30-1:30**

3. Procurement Issues:
1:30-3:00
- Up-date on In-Kind Donations
- Prequalification of Procurement Agents

Coffee Break
3:00-3:15

4. Eligibility
3:15-6:00
- Update from GPC discussion on eligibility criteria for non-CCM applicants
- Applicability of eligibility criteria for proposals from lower and upper middle income countries from non-CCM applicants.
- Eligibility of proposals from Upper-Middle Income countries focusing exclusively on vulnerable populations

PORTFOLIO MANAGEMENT AND PROCUREMENT COMMITTEE
Meeting, Attendees, 25th-26th February 2004

Francis Omaswa (Chair)	Eastern and Southern Africa
Kate Taylor (Vice Chair)	Private Sector

Members

Alex Ross	WHO
Catherine Hankins	UNAIDS
Churnrurtai Kanchanachitra	SEA
Jonathan Brown	World Bank
Kim Nichols	Communities
Lena Sund	European Commission
Margaret Grebe	United States
Mengjie Han	China
Peter Figueroa	LAC
Philippa Saunders	Developed Country NGOs
Serge Tomasi	France
Sergio Palladini	Italy
Takeshi Kasai	Japan
Thomas Fetz	UK/Canada/Switzerland
Zhanna Tsenilova	Eastern Europe

Observers	**(for during handover only)**
Anandi Yuvaraj	Communities
Flavio Lovisolo	Italy

Invited Guests

David Hoos	PSMAP
Carmen Perez Casas	PSMAP
Richard Laing	PSMAP
Michael Edwards	Accenture

Secretariat

Brad Herbert	Secretariat
Purnima Mane	Secretariat
Toby Kasper	Secretariat

Annex 3

Current TRP members

	1st Round			2nd Round			3rd Round		
	Surname	**Gender**	**Country**	**Surname**	**Gender**	**Country**	**Surname**	**Gender**	**Country**
HIV/AIDS	Kazatchkine	M	France	Himmich	F	Morocco	Godfrey-Faussett	M	UK
							Hoos	M	USA
Malaria				Majori	M	Italy	Chimumbwa	M	Zambia
							Ettling	F	USA
TB	Luelmo	M	Argentina				Norval	M	France
	Fujiwara	F	USA						
Cross-cutting	Griekspoor	M	Netherlands	Broomberg	M	South Africa	Standing	F	UK
				Skolnik	M	USA	Hsu	F	USA
							Munar	M	Colombia
							Peters	M	Canada

Proposed New TRP Members

	4th Round				Alternate 4th Round			
	Surname	**First name**	**Gender**	**Country**	**Surname**	**First name**	**Gender**	**Country**
HIV/AIDS	Burrows	David	M	Australia	Sarang	Anja	F	Russian Federation
	Sikipa	Godfrey	M	Zimbabwe	Rojanapithayakorn	Wiwat	M	Thailand
	Vella	Stefano	M	Italy	Sow	Papa	M	Senegal
Malaria	Beljaev	Andrei	M	Russian Federation	Amexo	Mark	M	Ghana
TB	Pio	Antonio	M	Argentina	Endo	Shoichi	M	Japan
Cross-cutting	Elo	Kaarle O	M	Finland	Alilio	Martin S	M	Tanzania
	Shivakumar	Jayasankar	M	India	Clark	Malcolm	M	UK
	Simmonds	Stephanie	F	UK	McKenzie	Andrew	M	South Africa
	Toole	Michael J	M	Australia	Post	Glenn	M	USA

Regional Distribution of TRP Members (Current and Proposed)

WHO Region	HIV	Malaria	TB	Cross-cutting	Total	Percentage
AFRO	1	1	0	1	3	12%
AMRO	1	1	3	4	9	35%
EMRO	1	0	0	0	1	4%
EURO	3	2	1	4	10	38%
SEARO	0	0	0	1	1	4%
WPRO	1	0	0	1	2	8%
					26	**100%**

Gender Distribution of TRP Members (Current and Proposed)

Gender	Number	Percentage
Female	6	23%
Male	20	77%

Annex 4

Proposed TRP Support Group Members

	Surname	First name	Gender	Country
HIV/AIDS	Agarwal	Ashok	M	India
	Allison	Deirdre	F	UK
	Araoye	Margaret	F	Nigeria
	Barber-Madden	Rosemary	F	USA
	Barcellos	Nemora	F	Brazil
	Barradas	Ricardo	M	Mozambique
	Baryomunsi	Chris	M	Uganda
	Bashmakova	Larisa	F	Kyrgyzstan
	Bray	Dorothy	F	UK
	Carael	Michel	M	Belgium
	Chowdhury	Habiba T	F	Bangladesh
	Cucic	Viktorija	F	Serbia & Montenegro
	Dabis	Francois	M	France
	Drew	Roger	M	UK
	Emery	Sean	M	UK & Australia
	Fernandes	Maria E	F	Brazil
	Friel	Patrick	M	USA
	Fylkesnes	Knut	M	Norway
	Glaziou	Philippe	M	France
	Gogate	Alka	F	India
	Grund	Jean-Paul	M	Netherlands
	Gueguen	Monique	F	France
	Jayawardena	Hemamal	M	Sri Lanka
	Kerouedan	Dominique M	F	France
	Kipp	Walter E	M	Germany
	Laga	Marie	F	Belgium
	Lifson	Alan	M	USA
	Lin	Oi-chu	F	China
	Massiah	Ernest	M	Trinidad & Tobago
	Mesquita	Fabio	M	Brazil
	Miller	Veronica	F	Canada
	O'Farrell	Nigel	M	UK
	Rojanapithayako	Wiwat	M	Thailand
	Roseberry	Wendy	F	USA
	Sarang	Anja	F	Russian Federation
	Sherr	Lorraine	F	UK
	Sow	Papa	M	Senegal
	Subramaniam	Ramasundaram	M	India
	Sullivan	Joan	F	Ireland & USA
	Van Roey	Jens	M	Belgium
	Vande Perre	Philippe	M	Belgium
	Walley	John	M	UK
	Yuntadilok	Nuntawun	F	Thailand

	Surname	First name	Gender	Country
Malaria	Aruwa	Julyan EO	M	Kenya
	van Beers	Stella	F	Netherlands

[No TB members]

	Surname	First name	Gender	Country
Cross-cutting	Aruwa	Julyan EO	M	Kenya
	Baker	Shawn	M	USA
	Bryant	Malcolm	M	Canada
	Decosas	Josef	M	Germany
	Dusseljee	Jos	M	Netherlands
	Eder	Bernhard	M	Austria
	Hornetz	Klaus J	M	Germany
	Jankauskiene	Danguole	F	Lithuania
	Jeugmans	Jacques	M	Belgium
	Nuyens	Yvo	M	Belgium
	Olowu	Folarin	M	Nigeria
	Van der Borght	Stefaan	M	Belgium
	Wheeler	Mark	M	UK
	Wolf	Pamela	F	USA

Annex 5

DISCUSSION PAPER ON PRIORITIZATION OF TRP-RECOMMENDED PROPOSALS [DISCUSSED AT FEBRUARY 25-26, 2004 PMPC MEETING]

Background

1. At its Sixth Board Meeting, as part of the decisions on the Comprehensive Funding Policy, the Board of the Global Fund adopted some broad principles to guide the prioritization of TRP-recommended proposals in the event that insufficient resources are immediately available to approve all TRP-recommended proposals.

2. In particular, the Board agreed that:

   Technical merit will be the criteria used to determine proposal approval.

   The Technical Review Panel should refine its recommendations in category 2 in a way that will facilitate the Board's prioritization of proposals for approval.

   If it is necessary to further prioritize within these sub-categories, the following additional criteria will be used by the Board: poverty, disease burden, repeated failures for the same component and other criteria which the Board deems appropriate….

   The Secretariat will work with PMPC to operationalize the principles for prioritization among TRP-recommended proposals, to be presented to the Board at its seventh meeting.

3. Although discussions on how to define and combine these three indicators were begun at the May 2003 PMPC meeting and continued at the June PMPC meeting and the July and September joint MEFA-PMPC meetings, no decisions were reached on the matter, although some possible approaches were considered and discarded. This led to a revised set of options, presented to the November PMPC meeting (included as Annex A). At that time, PMPC members were not able to reach any decisions and decided to take more time to consider the issues involved.

Key questions

4. As discussed in the presentation given at the November PMPC meeting (Annex A, slide 4), there are two distinct sets of questions that need to be answered to address the Board decision on operationalizing the prioritization principles:
   a. The methodology used to combine the three criteria agreed by the Board; and
   b. The indicators for the criteria.

5. On the former, two approaches to prioritization have been described in a number of documents previously circulated to PMPC, including in May and June 2003

and, in the most detail, in the "Options Paper" of July 2003 and the presentation to the November 2003 meeting. See in particular slides 4-9 of the November presentation included in Annex A.

6. The advantages and disadvantages of each of these two were summarized in the July Options Paper as follows:

Option	Pros	Cons
A. Use an algorithm to prioritize among TRP-recommended proposals	• Simple and relatively transparent	• May be difficult to develop algorithm, particularly because it requires prioritization among principles (because criteria cannot receive equal weighting but rather must be ranked hierarchically)
B. Use a composite index to prioritize among TRP-recommended proposals	• Allows principles to be weighted equally • Used in some other similar settings	• May be less transparent • May be difficult to develop weighting system

7. Once the PMPC decides between these two options (or agrees upon an alternative), it is still necessary to determine the specific mechanism of how either option would work.

8. For example, in a decision tree (a.k.a., algorithm) approach to prioritization, precise definitions for the prioritization criteria (the last columns in each of the four tables on slide 6) and the order in which they are applied must be established (slide 6). As described in examples in slides 5 and 6, there are myriad possible ways of defining these criteria and of determining the order amongst them.

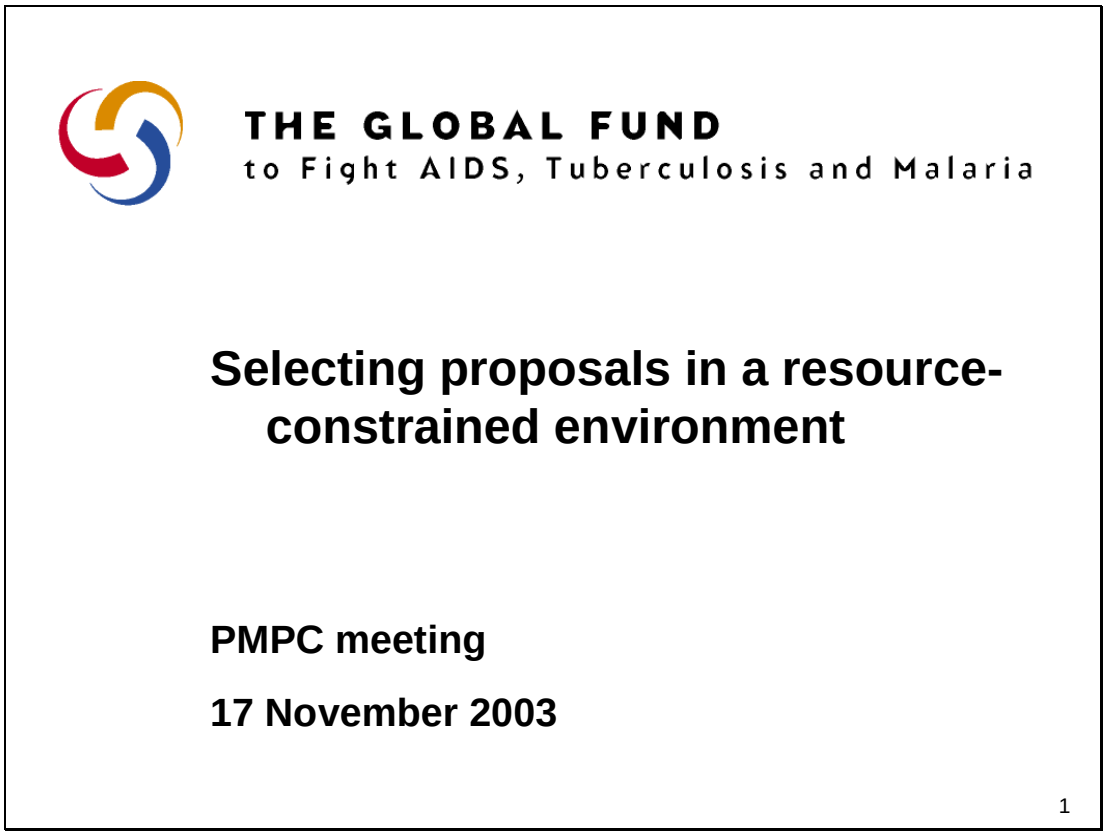
9. Similarly, with a composite index, the possible values for each criteria must be defined (the middle column of the table on slide 7) and each value must be assigned a score (the last column in the table on slide 7).

10. In addition to determining the mechanics of the approach to prioritization, the specific indicators for poverty and disease burden must be established. As the World Bank income classification system is consistently used elsewhere in the functioning of the Global Fund, it is proposed that the same system be used for this purpose.

11. The only comparable instance in the Global Fund's operations in which indicators are used for disease burden is the additional eligibility criteria for proposals from upper-middle income countries (slide 11). These were originally proposed by WHO and UNAIDS and could be used for prioritization. Alternatively, PMPC could ask WHO, UNAIDS and/or other technical partners to develop a new set of indicators that could be used for one or more of the diseases.

12. To facilitate decision-making, an example of the possible format and content of a PMPC recommendation to the Board is included as Annex B.

Annex 5 A: Presentation to the November 2003 PMPC meeting
The presentation is also available from the Secretariat in PowerPoint format, which allows viewing of the effects contained in the presentation (which may facilitate comprehension of some of the graphics)



Sixth Board decisions

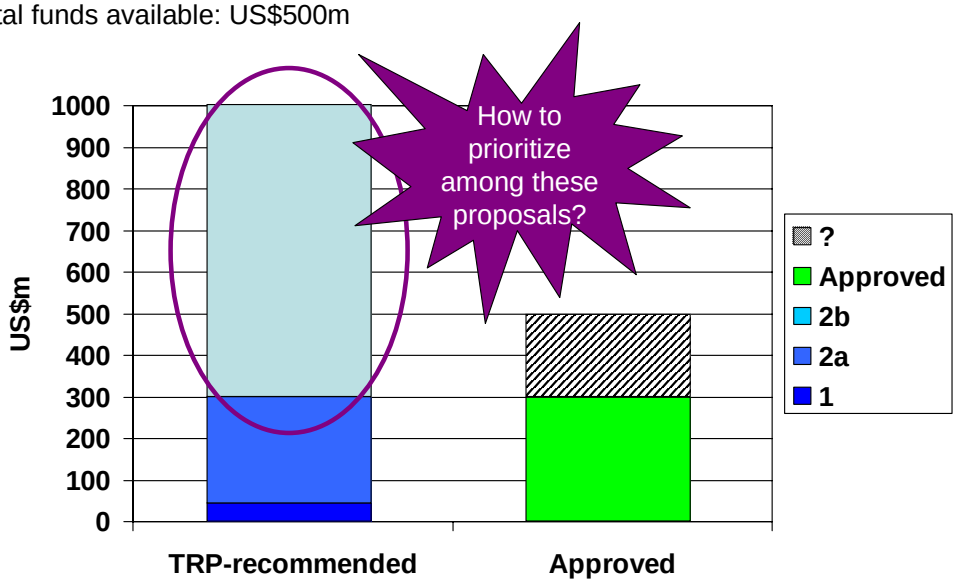
- Technical merit will be the criteria used to determine proposal approval.
- The Technical Review Panel should refine its recommendations in category 2 in a way that will facilitate the Board's prioritization of proposals for approval.
- If it is necessary to further prioritize within these sub-categories, the following additional criteria will be used by the Board: ***poverty***, ***disease burden***, ***repeated failures*** for the same component and other criteria which the Board deems appropriate.

2

Problem of "left-over" funds

purely illustrative example

Total TRP-recommended proposals: US$1000m
Total funds available: US$500m



3

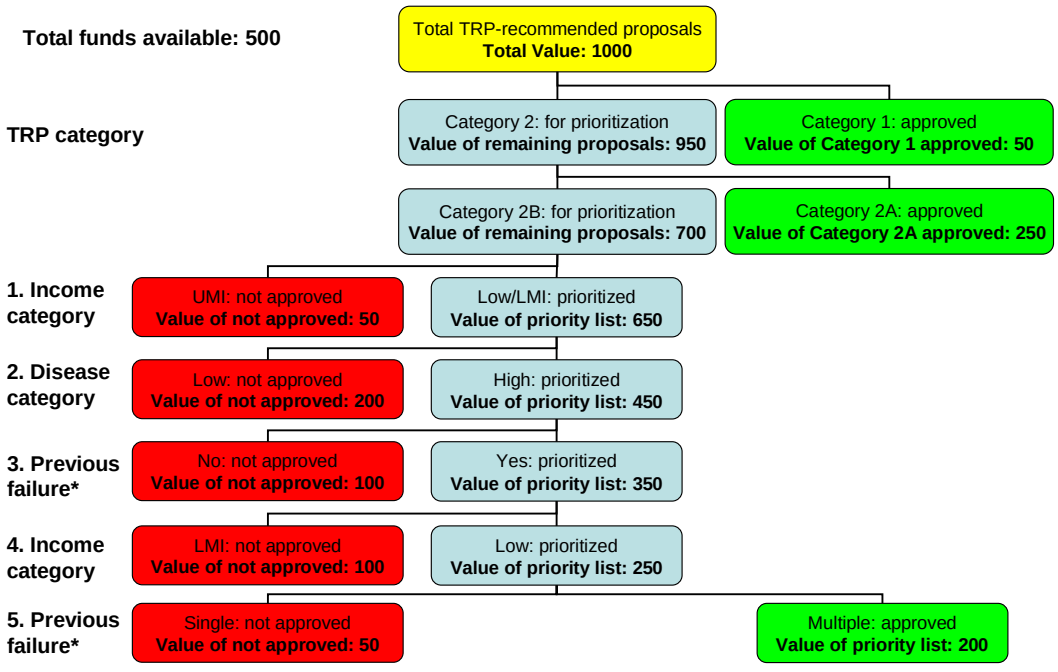
Key questions

- Methodology for combining three criteria
  - Decision tree
  - Composite index

- Indicators for criteria (in particular for disease burden)

Decision tree

purely illustrative example



*For the same component

Examples of approaches to combining criteria

Mixed

1*	Income	UMI vs LMI/Low
2	Disease	High vs. Low
3	Failure	Multiple vs. Single/None
4	Income	LMI vs. Low
5	Failure	Single vs. None

Income

1	Income	UMI vs LMI/Low
2	Income	LMI vs. Low
3	Disease	High vs. Low
4	Failure	Multiple vs. Single/None
5	Failure	Single vs. None

Disease

1	Disease	High vs. Low
2	Income	UMI vs LMI/Low
3	Income	LMI vs. Low
4	Failure	Multiple vs. Single/None
5	Failure	Single vs. None

Failure

1	Failure	Multiple vs. Single/None
2	Failure	Single vs. None
3	Income	UMI vs LMI/Low
4	Income	LMI vs. Low
5	Disease	High vs. Low

*Numbers refer to positions in the decision tree on the previous slide

6

Composite index

purely illustrative example

Criteria	***Value***	***Score***
Disease category	High	2
	Low	0
Income category	Low	2
	LMI	1
	UMI	0
Previous failure	Multiple	2
	Single	1
	None	0

7

Composite index

purely illustrative example

Burkina Faso TB

Criteria	*Value*	*Score*
Disease category	High	2
Income category	Low	2
Previous failure	Multiple	2
Total		6

Bolivia HIV

Criteria	*Value*	*Score*
Disease category	Low	0
Income category	LMI	1
Previous failure	No	0
Total		1

8

Composite index

purely illustrative example

Total TRP-recommended: 1000	Category value	Cumulative value	Total funds available: 500	Total funds available: 650
TRP category 1	50	50	Approved	Approved
TRP category 2A	250	300	Approved	Approved
TRP category 2B, score 6	50	350	Approved	Approved
TRP category 2B, score 5	125	475	Approved	Approved
TRP category 2B, score 4	75	550	Not approved	Approved
TRP category 2B, score 3	100	650	Not approved	Approved
TRP category 2B, score 2	150	800	Not approved	Not approved
TRP category 2B, score 1	125	925	Not approved	Not approved
TRP category 2B, score 0	75	1000	Not approved	Not approved

9

Key questions

- Methodology for combining three criteria

- Indicators for criteria (in particular for disease burden)
  - Income: World Bank
  - Disease
    - Use eligibility criteria for UMI
    - Develop new criteria for prioritization

10

Current disease-related eligibility criteria for UMI countries

- HIV/AIDS: if the country's ratio of adult HIV seroprevalence (as reported by UNAIDS, multiplied by 1000) to GNI per capita (Atlas method, as reported by the World Bank) exceeds 5;

- Tuberculosis: if the country is included on the WHO list of 22 high-burden countries, or on the WHO list of the 36 countries that account for 95% of all new TB cases attributable to HIV/AIDS;

- Malaria: if the country experiences more than 1 death due to malaria per 1000 people (as reported by WHO).

11

Annex 5 B: Example of possible PMPC recommendation to the Board

1. The PMPC recommends that the Board use a composite index to assign scores to TRP-recommended proposals, as described below.

2. The criteria used in this composite index would be poverty, disease burden, and repeated failures for the same component.

3. The World Bank classification system would be used as the indicator for poverty. The additional eligibility criteria for proposals from upper-middle income countries (as defined by the Board and found in the Guidelines for Proposals) would be used as the indicator for disease burden.

4. The following table defines the values and scores for use in combining the criteria:

Criteria	***Value***	***Score***
Disease category	High ("very high" as used in the eligibility criteria)	2
Disease category	Low (not "very high" as used in the eligibility criteria)	0
Income category	Low	2
Income category	LMI	1
Income category	UMI	0
Previous failure	Multiple	2
Previous failure	Single	1
Previous failure	None	0

5. In the event that insufficient resources are immediately available to finance all TRP-recommended proposals, TRP-recommended proposals would be financed in the following order:
   Proposals in TRP category 1
   Proposals in TRP category 2a
   Proposals in TRP category 2b

6. Category 2b proposals would be assigned a score in accordance with the above table and financed in the following order:
   Proposals in TRP category 2b scoring 6
   Proposals in TRP category 2b scoring 5
   Proposals in TRP category 2b scoring 4
   Proposals in TRP category 2b scoring 3
   Proposals in TRP category 2b scoring 2
   Proposals in TRP category 2b scoring 1
   Proposals in TRP category 2b scoring 0

7. If insufficient resources are available to finance any proposals in category 2b, category 2a proposals would be assigned a score in accordance with the above table and financed in the same sequence as detailed above for category 2b.

8. If insufficient resources are available to finance any proposals in categories 2a and 2b, category 1 proposals would be assigned a score in accordance with the above table and financed in the same sequence as detailed above for category 2b.

9. In all instances, no further subdivision of a subcategory (i.e., a TRP category and a score) would be made.

10. The Secretariat would be responsible for assigning scores to proposals and would present the Board with these scores as appropriate given the level of resources available.

Annex 6

DISCUSSION PAPER ON THE APPLICABILITY OF THE ELIGIBILITY CRITERIA FOR LOWER- AND UPPER-MIDDLE INCOME COUNTRIES FOR NON-CCM PROPOSALS [DISCUSSED AT FEBRUARY 25-26, 2004 PMPC MEETING]

Background

1. At its Sixth Board Meeting, the Board of the Global Fund decided that for the fourth and subsequent rounds of applications, proposals from countries classified by the World Bank as "Lower-Middle Income" and "Upper-Middle Income" are eligible only if they meet certain criteria[1]:
    a. Co-financing for the proposal;
    b. Focusing on poor or vulnerable populations; and
    c. Moving over time towards greater reliance on domestic resources.

2. No distinction was drawn between whether the proposals originate from CCMs or from other (eligible) types of applicants (such as sub-national CCMs, Regional Coordinating Mechanisms, regional organizations, or non-CCM applicants from eligible individual organizations; see Section II.B of the Guidelines for Proposals for more information on the different types of applicants).

3. At the Sixth Board Meeting some Board members raised the concern that these eligibility criteria may not be appropriate for non-CCM applicants, and requested that the Portfolio Management and Procurement Committee (PMPC) and Governance and Partnerships Committee (GPC) look at the issue of the applicability of these eligibility requirements to non-CCM applicants and report back to the Seventh Board Meeting. Discussions in GPC suggested that PMPC was the more appropriate forum for the initial discussions of this topic, given PMPC's extensive experience developing the Global Fund's eligibility criteria.

4. This paper addresses itself solely to this issue. A separate GPC paper discusses the conditions in which an applicant is not required to apply through a CCM. In the examples used in this paper, all non-CCM proposals are considered to have first fulfilled the conditions for them to be considered outside the CCM.

Key concerns

5. The principle reservation about the current policy articulated at Sixth Board Meeting was that the eligibility criteria impose requirements that are not feasible for many non-CCM applicants, and so create an additional *de facto* barrier to non-CCM proposals.

[1] Proposals from upper-middle income countries also have additional eligibility criteria based on the disease burden in the country. However, this aspect of the eligibility criteria was considered separately from the three requirements listed herein in the discussions at the Sixth Board Meeting, and so is omitted from consideration in this paper; all references to "eligibility criteria" refer solely to the three listed criteria.

6. For example, demonstrating “increasing reliance on domestic resources” would be difficult to show for regional proposals, which often address cross-border or transnational public goods that are not typically adequately financed domestically. Similarly, non-governmental organizations may be predominantly reliant upon external financing and may be unable to shift this if they work extensively with marginalized populations unlikely to garner much financial backing domestically.

7. Similarly, many non-CCM applicants are likely to face considerable difficulties meeting the co-financing requirement, particularly over the life of a Global Fund proposal, as they are likely to be dependent on unpredictable sources of financing (in contrast to most CCMs, which can typically draw upon the collective resources of multiple partners).

Options

8. The PMPC can either leave the status quo unchanged, or can recommend a modification of the current eligibility criteria to specify that the three criteria listed above apply only to CCM applicants:
   - Option 1: The PMPC recommends to the Board that it not modify the eligibility criteria applicable to proposals from lower- and upper-middle income countries.
   - Option 2: The PMPC recommends to the Board that it modify the current eligibility criteria such that only CCM applicants are subject to the additional requirements for lower- and upper-middle income countries.

9. Advantages of each of these two options are described in Annex A. For Option 2, the proposed revision to the approved decision on eligibility criteria from the Sixth Board Meeting is included in Annex B.

10. Consideration of these options is complicated by the fact that the PMPC has not reached a position on the level and type of co-financing required for proposals from lower- and upper-middle Income countries (nor established benchmarks for focusing on vulnerable populations or increasing reliance on domestic resources). It is possible that the definitions established might obviate the need for drawing a distinction between CCM and non-CCM proposals.

11. For example, a possible definition of co-financing would focus on binding multiyear commitments of domestic resources. In such a case, the PMPC might decide that the requirement of co-financing would only apply to proposals that are predominantly or entirely for governmental interventions, and that proposals that are primarily focused on interventions by non-governmental actors (whether or not the proposal originated from a CCM) would not be subject to the co-financing requirement (because very few non-public organizations would be able to make the relevant commitments).

12. The PMPC may therefore wish to defer consideration of the applicability of the eligibility criteria to non-CCM proposals until after it has reached an agreement on the definitions for these eligibility criteria.

Annex 6 A: Key advantages for Options 1 and 2

	Key advantages
Option 1 (status quo)	• By treating CCM and non-CCM proposals equally, ensures that there are no incentives to apply outside the CCM, thus avoiding any weakening the Global Fund's emphasis on a coordinated country response • Preserves principle that all proposals from lower- and upper-middle income countries must demonstrate supplemental commitment to the proposal
Option 2 (eligibility criteria apply only to CCM proposals)	• Removes a significant hurdle that may impede legitimate non-CCM applications simply by virtue of the fact that they are not structurally able to provide assurances of longer term financing, thereby avoiding: o undermining the Framework Document's recognition that there may be circumstances in which non-CCM proposals are entirely appropriate; and o lessening the Global Fund's ability to reach populations in need that may be best served by non-CCM proposals

Annex 6 B: Revised language under Option 2 (with key changes from the decision from the Sixth Board Meeting in bold italics)

For the Fifth and subsequent rounds of applications to the Global Fund:

- Proposals from countries classified as "Low Income" by the World Bank are fully eligible to apply for support from the Global Fund.

- ***CCM*** proposals from countries classified as "Lower-Middle Income" by the World Bank are eligible to apply for support from the Global Fund but must meet additional requirements, including co-financing, focusing on poor or vulnerable populations and moving over time towards greater reliance on domestic resources. ***Proposals from other sources are fully eligible to apply for support from the Global Fund.***

- Proposals from countries classified as "Upper-Middle Income" by the World Bank are eligible to apply for support from the Global Fund only if they face very high current disease burden. This is defined (based on technical input from WHO and UNAIDS) for each disease as follows:
    - HIV/AIDS: if the country's ratio of adult HIV seroprevalence (as reported by UNAIDS, multiplied by 1000) to GNI per capita (Atlas method, as reported by the World Bank) exceeds 5;
    - Tuberculosis: if the country is included on the WHO list of 22 high-burden countries, or on the WHO list of the 36 countries that account for 95% of all new TB cases attributable to HIV/AIDS;
    - Malaria: if the country experiences more than 1 death due to malaria per 1000 people (as reported by WHO).

  CCM proposals from these countries must meet additional requirements, including co-financing, focusing on poor or vulnerable populations, and moving over time towards greater reliance on domestic resources. ***Proposals from other sources from these countries are fully eligible to apply for support from the Global Fund.***

- Proposals from countries classified as "High Income" by the World Bank are not eligible to apply for support from the Global Fund.

- Regional proposals that include a majority of eligible countries may submit applications to the Global Fund.

Annex 7

DISCUSSION PAPER ON PROPOSALS FROM UPPER-MIDDLE INCOME COUNTRIES THAT FOCUS EXCLUSIVELY ON VULNERABLE POPULATIONS THAT DO NOT RECEIVE SIGNIFICANT FUNDING FROM DOMESTIC OR EXTERNAL SOURCES
[DISCUSSED AT FEBRUARY 25-26, 2004 PMPC MEETING]

Background

1. At the Sixth Board Meeting, the Board of the Global Fund approved eligibility criteria for the Fourth Call for Proposals which excluded proposals from nearly all countries classified by the World Bank as "Upper-Middle Income." The Board also asked the Portfolio Management and Procurement Committee to carry out further work on proposals from these countries, as described in the following Board decision:

   > The Board requests that the PMPC review the issue of future applications focusing exclusively on vulnerable populations that do not receive significant funding from domestic or external sources from Upper-Middle Income countries ineligible under Option 1.[2]
   >
   > The PMPC will present recommendations to the Board for consideration at the Seventh Board Meeting.

2. There are two distinct aspects to this task. First, the PMPC must weigh the merits of introducing a provision permitting these proposals. Second, should the committee wish to permit these proposals, it must consider the policy issues surrounding the operationalization of this, particularly the definition of "vulnerable populations that do not receive significant funding from domestic or external sources."

3. The primary argument in favor of modifying the eligibility criteria is that upper-middle income countries often contain pockets of vulnerable populations that are socially marginalized and so excluded from access to financing despite being at high risk for HIV, TB, and/or malaria. These populations can be considered similar to those in poorer countries, as they are confronted with serious and/or growing epidemics in the absence of significant financial resources to mount an effective response.

4. Further, those in favor of this change argue that the introduction of Global Fund resources could bring much-needed attention and resources to these vulnerable populations and so catalyze a broader national response.

5. The primary argument against changing the eligibility criteria is that upper-middle income countries should be able to address epidemics in concentrated populations with their own domestic resources. The failure of these countries to

[2] The "Option 1" referred to in this decision is included in Annex A, while the list of ineligible countries is listed in Annex B.

use their comparative wealth to assist vulnerable populations often reflects a lack of political commitment to tackling AIDS, tuberculosis, and malaria, and this failure should not be rewarded with the introduction of significant external resources.

6. Additionally, opponents of the change argue that the Global Fund was set up to focus on countries in the greatest need and those least able to bring financial resources to address these epidemics, and that by definition upper-middle income countries do not meet these criteria.

Key policy issues relating to operationalization of a change in the criteria

7. Should the PMPC decide to recommend to the Board that it revise its eligibility criteria to permit proposals focusing exclusively on vulnerable populations that do not receive significant funding from domestic or external sources from Upper-Middle Income countries ineligible under Option 1, the committee would also need to decide on a definition of "vulnerable populations that do not receive significant funding from domestic or external sources."

8. Such a definition has two key parts: the definition of "vulnerable" and the definition of "significant" funding.

9. Although considerable analysis has been done in identifying populations vulnerable to the three diseases, there does not appear to be international consensus on a definitive list of vulnerable populations for any of the three diseases. International consensus has developed the furthest around HIV/AIDS, with the UN General Assembly Special Session on HIV/AIDS (UNGASS) Declaration of Commitment representing a global agreement that provides significant guidance on the definition of vulnerability.

10. The PMPC therefore has two options for defining "vulnerable" populations:
    - Option 1: Allow applicants to use their own definitions of vulnerable populations, with the Secretariat then responsible for reviewing the justifications provided for the definition as part of the normal eligibility screening process (guided by the UNGASS Declaration and other international agreements as appropriate);
    - Option 2: Request partners such as the World Health Organization and the Joint United Nations Programme on HIV/AIDS (UNAIDS) to develop definitive lists of vulnerable populations for HIV/AIDS, tuberculosis and malaria, and requires that proposals address populations on the respective lists.

11. The definition of "significant" funding has several dimensions. First, significant can be either an absolute term (e.g., "significant" means funding in excess of US$*x* million or US$*y* per capita targeting the vulnerable population) or relative to the size of the problem confronting the vulnerable population (e.g., "significant" means filling more than *z*% of the total need of the population). The latter approach would provide a more accurate reflection of the potential added-value of Global Fund financing, but is likely to be difficult if not impossible to calculate.

12. In either case, PMPC would have to define both the indicator and the value. For example, it could decide that per capita expenditure on the vulnerable population is the most appropriate benchmark, and establish a figure of US$5 per capita as the threshold for “significant” funding.

13. A second aspect of the definition is whether the funding must be earmarked for the specific disease, or if general health or welfare expenditure should also be considered. This is largely a problem for tuberculosis and malaria, for which funding is less likely to be earmarked, but for which general expenditure may nonetheless be considered “significant.”

14. For example, prisoners may be considered a vulnerable population for tuberculosis. The definition of significant funding could either focus narrowly on any tuberculosis-specific funding or more broadly on health-related expenditure in a penal system.

Annex 7 A: Sixth Board decision on the eligibility criteria for proposals from countries classified by the World Bank as "Upper-Middle Income"

Option 1: Countries classified as "Upper-Middle Income" by the World Bank are eligible to apply for support from the Global Fund only if they face very high current disease burden. This is defined (based on technical input from WHO and UNAIDS) for each disease as follows:

- HIV/AIDS: if the country's ratio of adult HIV seroprevalence (as reported by UNAIDS, multiplied by 1000) to GNI per capita (Atlas method, as reported by the World Bank) exceeds 5;
- Tuberculosis: if the country is included on the WHO list of 22 high-burden countries, or on the WHO list of the 36 countries that account for 95% of all new TB cases attributable to HIV/AIDS;
- Malaria: if the country experiences more than 1 death due to malaria per 1000 people (as reported by WHO).

Eligible countries must meet additional requirements, including co-financing, focusing on poor or vulnerable populations, and moving over time towards greater reliance on domestic resources.

Annex 7 B: Countries ineligible under Option 1

Argentina
Belize
Chile
Costa Rica
Croatia
Czech Republic
Dominica
Estonia
Gabon [eligible for malaria only]
Grenada
Hungary
Latvia
Lebanon
Libya
Lithuania
Malaysia
Mauritius
Mayotte
Mexico
Oman
Palau
Panama
Poland
Saudi Arabia
Seychelles
Slovak Republic
St. Kitts and Nevis
St. Lucia
Trinidad and Tobago
Uruguay
Venezuela

Annex 8

DISCUSSION PAPER ON PRE-QUALIFICATION OF AND COMPETITION BETWEEN PROCUREMENT AGENTS [DISCUSSED AT FEBRUARY 25-26, 2004 PMPC MEETING]

Background

1. At the Third Board Meeting, the Board of the Global Fund approved the following decision:

   > The Recipient is responsible for all procurement, with the use of contracted local, regional or international procurement agents being at the discretion of the Recipient. The exception to this would be for those product categories for which local procurement capacity is insufficient, as judged by the Procurement and Supply Management Assessment. For such product categories, Recipients would be required to use established regional or international procurement services and will be informed by the Fund on which mechanisms are available. (GF/B4/2, p. 24)

2. As this decision suggests, recipients that wish to contract out procurement services look to the Secretariat to provide guidance on which of the numerous possible procurement agencies are able to deliver quality products at low prices with reliable and efficient service. The experience to date has been that a number of recipients do wish to contract out some elements of the procurement (often while simultaneously building national capacity), but that they are not well-positioned to be able to assess the claims made by the various procurement agents.

3. The Procurement and Supply Management Advisory Panel (PSM-AP) has provided some assistance to the Secretariat on this matter, information which has been transmitted to recipients. However, this *ad hoc* approach is insufficient, and both the PSM-AP and Secretariat recommend the development of a more formal system to identify procurement agents that are capable of delivering quality products at low prices with reliable and efficient service.

4. The development of standards for procurement agents is fundamentally a normative role that is not the mandate of the Global Fund. Therefore, the Secretariat would recommend that a technical partner (or a group of them) develop a system for pre-qualifying procurement agents. This could be the United Nations system (perhaps under the leadership of the World Health Organization, as in the UN Procurement Quality and Sourcing Project) or a group of public and private partners.

5. The PMPC must decide if it wishes to recommend this approach to the Board. If it did, an example of the form of the recommendation would be: "The PMPC recommends to the Board that it request the World Health Organization to work with partners to develop a system for pre-qualifying procurement agents and report back to the Eighth Board Meeting on the progress in developing such a system."

6. The development of a list of pre-qualified procurement agents would not change the decision from the Third Board Meeting that the use of procurement agents is at the discretion of recipients (unless local capacity is judged insufficient).

7. In addition to the pre-qualification of procurement agents, there is also the question of how recipients select between them. Currently, recipients are free to select a procurement agent.

8. The PMPC has two options: either it can continue to allow recipients to select procurement agents using whatever system they wish, or it can require recipients to competitively choose between procurement agents.
   Option 1: The PMPC recommends to the Board that it allow recipients that are using procurement agents to select among them using whatever system the recipients wish.
   Option 2: The PMPC recommends to the Board that it require recipients that are using procurement agents to competitively and transparently select among them, based on quality, cost, and level of service.

9. The primary advantage of the first approach is that it allows recipients maximal flexibility to move rapidly into procurement. Further, as procurement agents have systems to ensure competition between suppliers, this speed typically would not be at the expense of higher prices for drugs and commodities. The primary disadvantage to this approach is that without a competitive process to select the procurement agent, recipients may be more likely to choose an agent that offers worse service and/or charges higher fees.

10. The major advantage of the second option is that it would promote competition between procurement agents, which could lead to reductions in the service fees that the agents charge, as well as improvements in service. Its main disadvantage is that in procurement systems that are already weak – the prime candidates for contracting procurement agents in the first place – the process of carrying out a competition selection of procurement agents may take a considerable period of time, thus significantly delaying the commencement of procurement.