



Investing in our future

# The Global Fund

To Fight AIDS, Tuberculosis and Malaria

Eleventh Board Meeting  
Geneva, 28-30 September 2005

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GF/B11/8

## REPORT OF THE PORTFOLIO COMMITTEE

**Outline:** This report covers the 20 July 2005 deliberations of the Portfolio Committee. Discussions centered around the points raised in the Operations Update, eligibility criteria, prioritization in a resource-constrained environment and the upcoming process that will be put in place to replace TRP members whose terms are due to expire in 2006.

### Decision Point:

1. All of the proposals which are recommended for funding by the Technical Review Panel as "Category 2" but cannot be funded due to the unavailability of sufficient resources, shall be submitted as a whole to the Board for approval at such time as sufficient funding becomes available.

## Part 1: Introduction

1. The Portfolio Committee met on 20 July 2005 in Geneva. The Chair and Vice Chair of the meeting were Minister Urbain Olanguena Awono (West and Central Africa) and Mr. Flavio Lavisolo (Italy) respectively. The agenda for the meeting and the list of participants are included as Annexes 1 and 2.

## Part 2: Operations Update

1. The Chief of Operations (COO) provided an update of key portfolio activities, including the numbers of grants signed, commitment and disbursement amounts, as well as updates on procurement initiatives and the Early Response and Alert System (EARS). He also summarized the numbers and types of proposals received under Round 5. In closing, he highlighted a number of operational issues for PC consideration. The Committee discussed the issues raised by the Chief of Operations, and made specific recommendations for follow up. The discussion and recommendations around each issue raised in the Operations Update are clustered around subject matters rather than in the order in which they were addressed for ease of reference. The PC also suggested that more time be accorded for presentation and discussion of operational issues at its next meeting (scheduled for during the week of 24 October 2005).

2. Health Strengthening Support (HSS): In response to the COO's presentation on the percentage of Round 5 applications for HSS (12%), concerns were raised about the ability of the TRP to evaluate such proposals given their complexity. The GF is one among many other financing institutions providing funds for such activities and questions were raised about the value-added role of the GF in this area. It was suggested that this issue be examined in light of the Global Task Team report, harmonization and other efforts underway to streamline and delineate "who does what" or a division of labor in spending for the three diseases. To this end, the Secretariat was requested to prepare an analysis on HSS proposals for further debate at the next PC meeting. To the extent possible, this analysis should be undertaken in consultation with the World Bank.

3. Non-CCM Proposals: Committee members expressed concern about the large numbers of proposals received independently of the CCMs. In some cases, the proposals submitted to the GF were rejected by the CCM yet submitted to the GF; in other cases, the proposals were submitted without prior submission to the CCM. In this context, it was felt that smaller national NGOs may not have the necessary capacity to prepare proposals for CCMs and that financial barriers may be an important impediment. Members agreed that there is a need to explore ways in which "rejected" NGO applicants (to the GF and/or to the CCMs) may become sub-recipients. They also agreed that the GF could find ways to encourage CCMs to explore options to address financial barriers as they relate to NGO interactions with and submissions to CCMs. Concern was also voiced about possible exclusion of NGOs from the CCM proposal process particularly with regard to NGOs that have capacities but whose contributions may be deliberately excluded. These issues were seen as a potential bottleneck in scaling up response to the three diseases. The PC requested the Secretariat to prepare an analysis on non-CCM proposals for submission to the next PC meeting. The analysis should provide details on non-CCM proposals received from Rounds 1-5 to illustrate the scope of the problem, identify any changes in trends from Rounds 1-5 and propose ways in which the issue could be addressed.

4. The Green Light Committee (GLC): The GLC was created under the aegis of WHO to provide advice on access to second-line anti-TB drugs to projects world-wide. The GLC reviews project proposals to determine if they are within the principles presented in its *Guidelines*; if so, proposals have the option of procuring second line anti-TB drugs at preferential prices via a pooled procurement mechanism. The GLC process also includes monitoring visits to help ensure that projects continue to adhere to their original protocols. The GLC is an *independent* group of

experts in programmatic, scientific, and clinical aspects of TB that serves WHO in a technical *advisory* capacity. As such, the GLC's endorsement is a pre-requisite for GF approval of proposals that intend to introduce Multi-Drug Resistance TB treatments and funds are therefore tied to the GLC's recommendations. The GLC is currently facing funding shortfalls and if support is not identified during the upcoming months, its important services risk being discontinued, creating a potential vacuum for such important technical advice in the area of TB treatment. As the GLC provides a key service to the GF, the Chief of Operations proposed that the PC may wish to consider using a small proportion of TB grant proceeds to fund the continuation of the GLC.

5. While the PC recognized the importance of the GLC, it agreed that the GF was not the sole user of its technical advice and rejected the possibility of using TB grant proceeds to fund its activities. It did, however, leave open the possibility of the GF funding part of its activities as a "third party" service that is used by GF-funded programs. An inclusive, longer term and sustainable support should be identified with the GF as one supporter among others. The Secretariat will work with the GLC to support its fund-raising activities.

6. Grant Consolidation: A number of countries currently receiving funding from different rounds for the same disease component have expressed a wish to streamline the implementation, reporting, and monitoring and evaluation work involved in each grant. Existing policies do not make provisions for such "consolidation".

7. The PC welcomed the opportunity to discuss grant consolidation especially in contexts where Principal Recipients are managing grants for the same disease component from different rounds. A number of PC members cited countries where they had been acutely aware of the high transaction costs involved and the need to bring coherence to GF funded programs. The PC requested the Secretariat to prepare an analysis on the scope of the problem and propose a way forward for the next PC meeting.

8. No-Cost Extensions at the end of the term of a grant: The upcoming expiry of a number of 3-year Round 1 Grants has raised questions from recipients about whether unspent funds may be disbursed and spent based on a no-cost extension beyond the Board-approved lifespan of the grant. Under existing policies, the Secretariat does not have the ability to make this determination without prior Board approval. The upcoming expiry of a number of three-year grants gives urgency to consideration of this issue.

9. The PC also welcomed introduction of this issue in the Chief of Operations briefing and requested that a background paper on this issue be prepared for discussion at the next PC meeting.

### **Part 3: Eligibility Criteria**

1. Existing eligibility criteria has been agreed upon with the exception of criteria for whether and how to expand access to the GF by Upper Middle Income countries. The predecessor to the PC, the Portfolio and Procurement Committee (PMPC), was requested by the Board to consider this issue and deferred its decision to the PC.
2. Existing eligibility criteria was reviewed:
  - a. Countries classified as "Low Income" are fully eligible to apply for financial support from the Global Fund.
  - b. Countries classified as "Lower Middle Income" are eligible to apply for financial support with the following additional criteria:

- i. Counterpart financing with a progressive increase from 10% in year 2, to 20% over the duration of the proposal; non-CCM proposals are exempt from this counterpart financing requirement; and
      - ii. Focus on poor or vulnerable populations.
    - c. Countries classified as “Upper Middle Income” are eligible to apply if they face a very high current disease burden in each disease, defined as follows:
      - i. HIV/AIDS: if the country’s per capita ratio of adult HIV sero-prevalence (as reported by UNAIDS, multiplied by 1000) to Gross National Income (Atlas method, as reported by the WB) exceeds 5;
      - ii. Tuberculosis: if the country is included on the WHO list of 22 high burden countries or on the WHO list of 37 countries that account for 95% of all new TB cases attributable to HIV/AIDS;
      - iii. Malaria: if the country experiences more than 1 death per 1000 due to malaria;
      - iv. Counterpart financing with a progressive increase from 20% in year 1, to 40% over the duration of the proposal; and
      - v. Focusing on poor or vulnerable populations.
    - d. Countries classified as “High Income” are not eligible to apply for support from the Global Fund.
2. In February 2005, a small sub-working group of the PMPC was established under the chairmanship of the Latin America and Caribbean constituency to explore ways to address eligibility criteria, including:
- a. Legal constraints: The question to be further explored should address whether donors would face legal obstacles to expanding eligibility criteria allowing Upper Middle Income countries to receive GF support;
  - b. Defining vulnerable or poor populations: These definitions would be used to inform applicants rather than set standards;
  - c. Introducing sub-categories within World Bank Income thresholds (into several income bands); or using alternative income thresholds, such as those used by the OECD/DAC;
  - d. Identifying alternative funding mechanisms for Upper Middle Income countries;
  - e. Establishing lower and upper limits for proposals from Upper Middle Income countries
  - f. Establishing a special fund for UMIs and/or prioritizing them with other proposals;
  - g. Changing disease burden criteria;
  - h. Strengthening co-financing criteria; and
  - i. Adding provisions for emergency and/or disaster situations.
3. The conclusions of the sub-working group were not available to the Portfolio Committee and the discussion focused on two possible options: i) expanding eligibility criteria in line with World Bank/International Development Association (IDA) exception accorded to small island economies, four of which are classified as Upper Middle Income countries; and ii) expanding eligibility criteria in line with World Bank classification of “Heavily Indebted” countries.
4. In this context, the case of Uruguay was cited as an example: the Uruguay CCM submitted a proposal for Round 5 fully aware of eligibility restrictions. They argued that as a highly indebted country that had undergone a severe economic shock they were currently under an IMF adjustment programme limiting public spending. As a result, they expected that they would need 3-5 years to regularize social spending. They further argue that their income classification did not adequately illustrate their ability to invest in social spending. GF support would therefore provide essential support during their transition phase.
5. PC members agreed that the Uruguay example illustrates the need to take a non-static approach to income in any new deliberations on expanding eligibility criteria. Concerns were voiced, however, about the need to keep a “poverty” focus and make resources available to

countries with the greatest need. Indeed, a number of Upper Middle Income countries are now EU members, waiting for EU accession, or oil producing countries, all with the ability to mobilize a variety of international or regional public finance mechanisms.

6. It was agreed that a small task team should work to prepare concrete proposals for the PC at its next meeting. The focus of the task team should be to find ways to expand eligibility criteria, taking into consideration severe economic shocks, availability of public financing, clear and stringent co-financing requirements while taking into account pockets of vulnerability. The following constituencies volunteered for the Sub-Working Group on Eligibility under the chairmanship of the Vice Chair of the PC, Mr. Flavio Lovisolo: i) Australia, Canada, Germany, Switzerland and UK; ii) Latin America and the Caribbean; iii) West and Central Africa; and iv) UNAIDS. The Secretariat was requested to support this work and to share all available documentation of previous meetings and discussions on the subject.

#### Part 4: Prioritization in a Resource Constrained Environment

1. At its 7<sup>th</sup> Board meeting, the criteria for prioritization in a resource-constrained environment was approved for Round 4 which specified that a composite index based on poverty and disease burden would be used to assign scores to TRP-recommended proposals. The decision foresaw that 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. 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:
  - a. Proposals in TRP category 1: Recommended proposals with no or minor clarifications, which should be met within 4 weeks and given the final approval of the TRP.
  - b. Proposals in TRP category 2: Recommended proposals provided clarifications are met within a limited timeframe.
2. 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.
3. 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 table below. They would then be financed in descending order (with the highest scoring proposals receiving priority).
4. The criteria is detailed below:

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

5. At the same time as the policy above was approved (7<sup>th</sup> Board meeting), the Board requested the PMPC

“review the possibility of including an additional criteria for the fifth and subsequent Rounds around repeated failures and countries that have not previously received funding” (GF/B8/2).

6. The discussion on this issue centered on equity, and whether successful proposals should be “penalized” in the eventuality that additional points are given to “repeat rejections”. Others argued that the Global Fund needed to ensure that eligible applicants are not excluded from financing.

The PC agreed that the merit of sound proposals should take precedence over repeat rejections, particularly with the availability of technical assistance that may help improve the quality of proposals submitted. The PC agreed that it does not recommend changing the existing criteria for prioritizing proposals in a resource-constrained environment. Specifically, prioritization will continue to be based on poverty and disease burden as established at the 7th Board Meeting in March 2004.

7. The links of the existing prioritization criteria and the possible shortfall in resources raised questions on the links with the comprehensive funding policy. Concerns were voiced about the possibility that prioritization beyond categories 1 and 2 may need to take place in the case of funding shortfalls for Round 5. The question was further raised about what would happen to technically sound, TRP-approved proposals for which funds may not be available. The PC, taking into consideration equity considerations and the principle of funding technically sound proposals, agreed to recommend the decision point below to the Board.

8. In addition, the PC requested the Secretariat to provide an indication as to the scope of repeat rejections and countries that have not applied before at its next meeting.

**Decision Point:**

***1. All of the proposals which are recommended for funding by the Technical Review Panel as “Category 2” but cannot be funded due to the unavailability of sufficient resources for Round 5, shall be submitted as a whole to the Board for approval at such time as sufficient funding becomes available.***

**Part 5: TRP Matters**

1. By October 2005, the Secretariat will launch the search process to replace 2 malaria experts for the TRP: i) Dr. Giancarlo Majori who has served four Rounds; and ii) Dr Mary Ettling who has declined her participation in Round 5 due to health problems. No other replacements are foreseen. The Secretariat informed the process of selection for the new members: Based on the lessons learned during the last renewal process, the Secretariat will request constituencies and technical partners to nominate suitable experts. Nominees will be subsequently approached by the Secretariat with detailed application information. The Secretariat will also engage Health Systems Resources Centre (HSRC) to provide a ranking of candidates against a set of criteria, which will ensure a regional and gender balance. The TRP Chair and Vice-Chair will be invited to participate in the recruitment process and to provide their feed-back on the quality.

2. PC members welcomed this point of information but raised concerns about the cost-effectiveness of an externally contracted search. WHO offered the support of Roll Back Malaria and STOP TB Departments to help identify suitable candidates. While PC members welcomed this offer, they expressed strong concerns about the lack of gender and geographic representation on the TRP. The role of alternate TRP members was also queried and it was suggested that the TRP may wish to pursue a more sustainable approach to identifying alternates that can step in at the end of a the term of a full members. The PC suggested that the possibility of inviting the TRP Chair to the PC should be explored so as to offer him the opportunity to give his own views about the replacement process, the role of alternates and how best to achieve geographic and gender balance in the TRP.

This document is part of an internal deliberative process of the Fund and as such cannot be made public. Please refer to the Global Fund's documents policy for further guidance.

**AGENDA**  
**Portfolio Committee Meeting**

<b>Date :</b>	19-20 July
<b>Venue :</b>	Crowne Plaza Hotel, Geneva
<b>Chair :</b>	H.E. Mr. Urbain Olanguena Awono
<b>Vice –Chair :</b>	Mr. Flavio Lovisolo
<b>Focal Point :</b>	Mr. Bradford Wm. Herbert

**Tuesday, 19 July 2005**

**19:00 – 21:30**      **Dinner**  
Auberge des Trois Coqs  
Chemin de Valerie, 26  
Chambesy, Geneve  
- Introduction of Committee members

**Wednesday, 6 July 2005**

**8.30 – 9.00**      **Welcome coffee**

**9.00 – 9.15**      **Review and approval of the agenda**

**9.15 – 10.15**      **Operations Update (Mr. B. W. Herbert)**

-Update on operational matters, including Early Warning System

**10.15 – 10.30**      **Break**

**10.30 – 12.30**      **Eligibility Criteria**

-Status review of discussion to date  
-Discussion of options for the way forward

**12.30- 14.00**      **Lunch**

**14.00 – 16.00**      **Prioritization in Resource Constrained Environment**

-Status review of discussions taken place to date  
-Discussion of options to apply for Round 5

**16.00 – 16.15**      **Break**

**16.15 – 16.45**      **TRP Matters**

-Information to PC regarding expiration dates of terms of current TRP members and the process for selection of future members

**16.45 – 17.00**      **Close of meeting**



**Annex 2**  
**List of Participants**

<b>Constituency</b>	<b>TITLE</b>	<b>NAME</b>	<b>SURNAME</b>
Canada	Mr.	Jacques	Martin
East and Southern Africa		Not Attending	
Eastern Europe	Mrs.	Zhanna	Tsenilova
Italy	Mr.	Flavio	Lovisolò
Latin America & Caribbean	Dr.	Ernest	Massiah
NGO Developing	Ms.	Rita Arauz	Molina
NGO Rep. Communities	Dr.	Francoise	Ndayishimiye
Private Foundations	Mr.	Todd	Summers
Private Sector	Ms.	Joelle	Tanguy
South East Asia	Mrs.	Churnrurtai	Kanchanachitra
UNAIDS	Mr.	Luis	Loures
Western and Central Africa	Dr.	Maurice	Fezeu
WHO	Dr.	Andrew Lee	Ball
<b>Observers</b>			
Representative of the Chair of the Board	Ms.	Alies	Jordan
Vice-Chair of the Board	Prof.	Michel	Kazatchkine
<b>Global Fund Staff Members</b>			
Deputy Executive Director	Ms.	Helen	Evans
Operational Policy Officer	Ms.	Paula	Hacopian