

**OPTIONS PAPER ON
“BEYOND PHASE 2”**

Outline: This paper discusses the strategic issue of “beyond Phase 2” and proposes several options for how to address both continuation and termination of funding.

Part 1: INTRODUCTION

1. The Framework Document calls for the Global Fund to *make a sustainable contribution* to the fight against the pandemics, to *support the scale-up* of interventions that work, to *minimize transaction costs*, and to *focus on performance* by linking resources to the achievement of measurable and sustainable results.¹ The Framework Document does not dictate a specific grant architecture to implement these objectives, calling just for “meaningful milestones along the way against which to evaluate the progress of each grantee and to consider disbursement of subsequent tranches of the grant.”²

2. The current five-year, two-phase (2+3 years) grant architecture was set up to fulfill this aim and is codified in the Comprehensive Funding Policy.³ This policy does not, however, specify what happens beyond the end of the full grant term in terms of the possibility of further Global Fund financing.⁴

3. With the maturing of the Global Fund’s portfolio, a large number of grants will soon be reaching the end of their full funding period. Specifically, a preliminary analysis by the Global Fund Secretariat indicates that:

- a. a first wave of 21 grants will reach their end between January and December 2006;
- b. close to 110 additional grants will terminate between January 2007 and December 2008.

4. Faced with this situation, the PSC and Board have recognized that:

- a. there has been to date no formal reflection focused on the merits or drawbacks of the current default scheme for programs that wish to continue funding beyond the end of Phase 2;
- b. the current continuation of services policy – which was only recently extended to also apply to termination at the end of Phase 2 – needs to be revisited in the context of a broader strategic reflection. For this reason, a sunset clause (expiring in 2007) is attached to this policy to ensure reexamination.

5. As a result, the Policy and Strategy Committee (PSC) and the Board have asked that the strategy effort address the issue of whether the current continuation and termination schemes beyond the end of Phase 2 are adequate and that, if necessary, it propose alternative schemes for consideration. Specifically, the strategic question at hand is:

What strategic actions might the Global Fund take – within the current financing model and architecture or through changes to it – to help address the issues raised by grants coming to the natural end of their Phase 2 funding?

Part 2: APPROACH

6. This paper is divided into two sub-issues: one focusing on funding continuation at the end of Phase 2, the other focusing on funding termination at that point. For each sub-issue, the paper is structured as follows:

- a. Discussion of what some possible objectives might be for any scheme that “adequately” ensures continuation or termination of funding. This is important to set the criteria by which schemes get designed and eventually assessed;
- b. Analysis of the current scheme;

¹ The Framework Document of the Global Fund to Fight AIDS, Tuberculosis and Malaria.

² *Ibid.*, Section IX-C.

³ Global Fund. “Comprehensive Funding Policy.” (GF/B6/4) (15-17 October 2003). “Proposals are approved for the entire term of the proposal (up to five years) with a financial commitment for the initial two years with the possibility of renewal for up to an additional three years.”

⁴ Grant agreements currently state that: “If the Principal Recipient chooses to continue program activities after the Global Fund funding has been exhausted, the Principal Recipient understands that the Global Fund makes no commitment beyond the amounts available under the terms of this Agreement.”

- c. Presentation of a range of possible new and alternative schemes (options);⁵
- d. Assessment of all schemes (current and new) against the full set of possible objectives defined earlier. This sets out what the relative ability is of each of the schemes to satisfy each of the factors.

7. The focus for the description of new schemes is on presenting an array of structurally *different types of possible schemes*. At the same time, it should be recognized that for each type of scheme, there are a number of *possible variations on the overall theme*, obtained by adding new non-essential yet worthy features, or by changing the value of some of the non-structural design parameters. This detailed discussion of specific design elements is best left to a policy discussion that would be held following the strategy decision-making, during the period of strategy implementation. For this reason, the options in this paper are deliberately left at the appropriate higher “structural” level, with areas flagged where detailed variations are possible.

Part 3: SUB-ISSUE 1: CONTINUATION OF FUNDING AFTER THE END OF PHASE 2

A. Possible Objectives for Continuation of Funding After Phase 2 End

1. There are a number of possible objectives against which schemes seeking to address the continuation of funding might seek to address could be measured. These possible objectives (and their related definitions⁶) are as follows:
 - a. **Continuity of funding:** The scheme facilitates as much as possible continued funding of well-performing grants at the end-of-Phase-2 transition point;
 - b. **Low transaction cost for recipients and for the Global Fund:** The scheme imposes a minimal administrative burden on recipients and on the Global Fund to operate on an ongoing basis (transaction costs from switching to a new scheme are excluded, since they are one-time considerations);
 - c. **Positive incentives for very strong performance:** The scheme provides strong incentives for recipients to aim for the highest possible level of performance (to be contrasted with a system which provides incentives to avoid performing too badly);
 - d. **Incentives/support for scale-up:** The scheme provides strong support or incentives for recipients to scale up those high-performing interventions that are able to be scaled up;
 - e. **Predictability:** This includes two components:
 - i. process predictability: the scheme allows recipients to reliably know well in advance what to expect in terms of the *process's timing* and *possible qualitative outcomes* (understanding that specific outcomes depend on performance);
 - ii. financial predictability: the scheme gives recipients a clear indication of *financial commitments* (especially in the medium term) and a high degree of reliability in sticking to these;
 - f. **Encouragement of sustainability thinking:** The scheme actively encourages recipients to reflect on alternative funding sources to help ensure the continued funding of the program (or national strategy) beyond the end of any new (beyond-Phase-2) Global Fund funding commitment horizon;
 - g. **Compatibility with and/or encouragement of alignment to national priorities:** The scheme actively enables or even encourages recipients to present proposals that demonstrably and significantly contribute to their identified national priorities and strategies (or when such a national set of priorities and strategies are not yet developed, the scheme encourages their development).

⁵ An analysis of the underlying assumptions and implications of each scheme is presented in Annex 2 of this paper.

⁶ Note that the definitions given here may vary from other definitions of the same words; the definitions here have been designed to be the most applicable relevant concept to the topic at hand.

B. Current Scheme For Continuation Of Funding After Phase 2 End

2. As explained above, the scheme by default under current Global Fund policy is as follows: Recipients with grants reaching the end of their proposal term who wish to continue to receive Global Fund support for their current activities are able to submit a new proposal in a subsequent round and include within it the continuation costs of the existing interventions. These proposals are accepted into the round alongside proposals submitted for completely new activities.

3. An analysis of the current scheme (see Annex 1) shows a number of serious shortcomings when evaluated against the objectives outlined above. There is thus value in investigating possible alternate schemes, and how these might fare in comparison.

C. Possible Alternate Schemes For Continuation Of Funding After Phase 2 End

4. Four different types of schemes have been developed that seek to, better than the current scheme, address the issues associated with continuation of funding for well-performing grants after the end of Phase 2.⁷

5. The schemes are presented in order, from closest to furthest from the current provision. The first two schemes take a piecemeal approach to fixing some of the shortcomings of the current scheme, with the latter two gradually becoming more holistic in doing so. An analysis of the implications and assumptions for the schemes proposed here can be found in Annex 2.

6. Before presenting the schemes, an important note on language is warranted in order to ensure clarity and consistency of terminology in this paper and in subsequent discussions:

- a. *The term “Phase 3”, while appealing for its intuitive value, is deliberately avoided*; this is because experience has shown that it has different meanings to different people and that it further has a number of built-in assumptions that impede clear, “blank-sheet” thinking about possible models. Refusing to use the term forces precise explanations that lead to the required degree of clarity;
- b. The term *“follow-on”* activities (or proposal or funding) is used to refer to activities beyond the end of Phase 2 that are built on currently funded activities. This term is meant to encompass three different possibilities:⁸
 - i. that of “strict continuation” of current activities – i.e. the same activities carried on beyond the end of Phase 2 at the same level of coverage;
 - ii. that of “scaled-up continuation” of current activities – i.e. the same activities carried on beyond the end of Phase 2 at an increased level of coverage;
 - iii. and that of “expansion” of current activities – i.e. the same activities continued and possibly scaled up, plus new complementary activities added to support the same population (for the sake of illustration, a treatment program could be added where there was only a prevention program previously).

⁷ In designing the schemes, the following considerations were taken into account:

- Ensuring a *basic level of attractiveness* of the new scheme against two core criteria:
 - Aiming, first and foremost, to *ensure continuity of funding* for well-performing grants at the end of Phase 2 (see above discussion about the special status of this objective among other possible objectives);
 - Ensuring a basic level of *overall “consistency and feasibility”* of the scheme – in the sense that the Secretariat is confident that each of the alternate schemes could be put in place and operated consistently with the Global Fund’s philosophical and financial framework (such as: compatibility with the Global Fund’s core principles from the Framework Document including consistency with performance-based funding; compatibility with the Comprehensive Funding Policy; etc.) and with basic operational requirements (such as availability of required data, manageability of process, etc.).
- Seeking to *attain the other objectives laid out* in the above section on “Possible objectives for continuation of funding after Phase 2 end”.

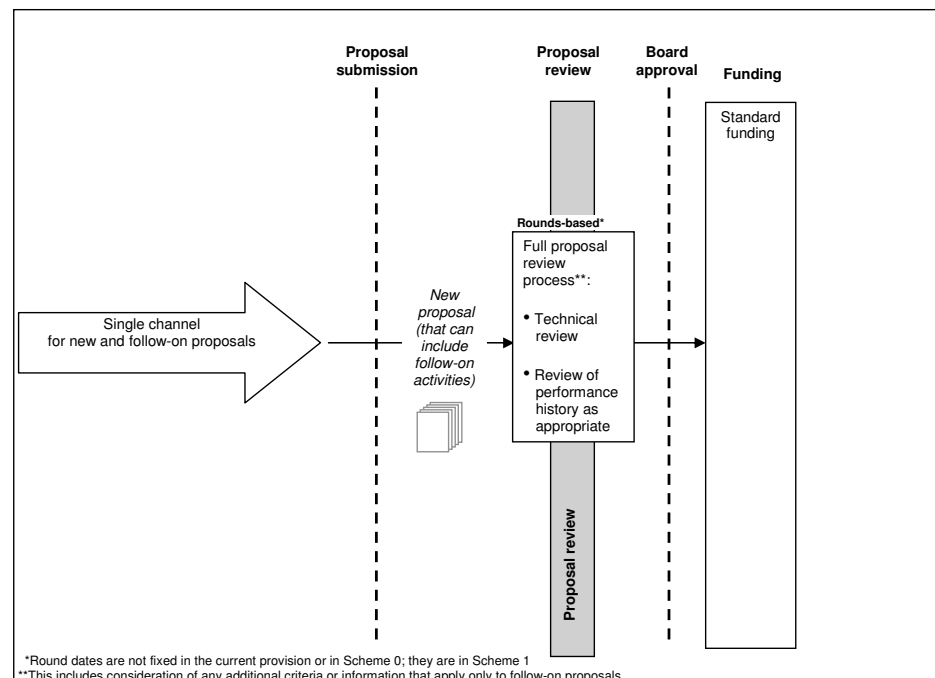
⁸ The distinction between these is obviously important for policy and financial reasons (as costs may differ dramatically depending on the scenario). The term “continuation” on its own is not sufficiently specific in this regard.

7. It is assumed that the schemes presented below would apply not just to the end of Phase 2 but also to the end of any subsequent funding period. In other words, the schemes cover follow-on funding whenever in time it may occur, whether it arises in year five of a grant, year 10, year 15, etc. (and provided of course that there is an ongoing legitimate need for follow-on funding).⁹

Scheme 0: Unpredictable-rounds, single-channel scheme

8. Scheme 0 is a slightly modified (hence the numbering 0) version of the current provision for continued funding. In this scheme, as is currently the case:

- a. Rounds are held at the frequency of 1 or 2 per year, at varying dates;
- b. Recipients with grants reaching the end of their proposal term who wish to continue to receive Global Fund support for their current activities are able to submit a new proposal in an upcoming round and include within it the follow-on costs of the existing interventions;
- c. These follow-on proposals are accepted into the round alongside proposals submitted for completely new activities and all successful proposals (whether new or follow-on) are funded in the same way for up to five years. In that sense, all proposals – whether new or follow-on – are funneled through a same single “channel” (hence the name of the scheme – see Figure 1). In all cases (whether new or follow-on), where there is past performance information for the PR, this is used by the TRP to inform the proposal review process.



*Round dates are not fixed in the current provision or in Scheme 0; they are in Scheme 1
 **This includes consideration of any additional criteria or information that apply only to follow-on proposals

Figure 1: Current provision and Schemes 0 and 1: Single-channel, fully-rounds-based schemes

⁹ This is a good example (among many) of why the term Phase 3 – which focuses too narrowly on what happens in the few years after Phase 2 – is best avoided.

9. In addition, the following two modifications are made to the current model:
 - a. Acknowledging the different character of follow-on proposals, *additional proposal requirements and review criteria are put in place to assess follow-on proposals*. For example, follow-on proposals might only be accepted a certain time interval before the anticipated end of Phase 2 funding. They may require submission of a sustainability plan, a scale-up plan or an “implementation improvement” plan explaining how they will upgrade implementation performance. There could be a stronger requirement to demonstrate continued financial need in the case of follow-on funding. Or past performance could be weighted especially strongly among other criteria in reviewing follow-on proposals. What these criteria or requirements could be does not matter at this stage of the strategy reflection; should this model be selected, this question would be treated in a subsequent policy discussion. All that matters is the principle that there is an allowance in this model for additional requirements or criteria for follow-on proposals;
 - b. *Good performers (whether they submit a new or follow-on proposal) benefit from a lightened degree of paperwork or scrutiny for proposal submission and review*. This acknowledges that implementers with a track record of high performance are inherently lower risk and typically require little revision to their current program, and uses these factors to try to lower transaction costs for both recipients and the Global Fund. For instance, implementers of A-rated grants could be exempted from the requirement to submit an “implementation improvement” plan, which however B1-, B2- and C-rated performers would need. Again here it is the principle – in this case that of risk-differentiated transaction cost – that is put forward; the specifics of how the paperwork and scrutiny can be lightened is left for a later detailed examination and policy discussion.

Scheme 1: Predictable-rounds, single-channel scheme

10. Scheme 1 retains all of the features of Scheme 0 but introduces one important structural modification aimed at enabling improved continuity of funding.

11. The modification is that Scheme 1 *fixes the date of the rounds* to a particular date that remains the same every year. The size of these rounds may vary, but the key feature is that the round dates remain fixed and thus entirely predictable to all parties.

12. There could be one or two fixed round dates per year. The discussion of the relative merits of either design is not taken up in this strategy paper, but is rather left to a later policy discussion.

13. The intrinsic added value of Scheme 1 is that it allows recipients to easily plan well in advance the preparation and submission of their follow-on proposals, and thus helps enable increased continuity of funding compared to Scheme 0. (There are other secondary benefits, particularly to the Global Fund itself in terms of planning ability and workload management.)

Scheme 2: Dual-channel, dual-track scheme

14. Scheme 2 builds on Scheme 1 but, for the purposes of further enabling continuity of funding, it introduces a significant evolution from the basic single-channel model which the current default provision as well as Schemes 0 and 1 are all based on.

15. The basic premise of Scheme 2, and its departure from Schemes 0 and 1, is that new and follow-on proposals should be treated from the outset via *two separate channels: a new funding channel* – for proposals for predominantly or entirely new activities – and a *follow-on funding channel* – open only to grants that are about to reach the end of their Phase 2 and wish to receive follow-on funding for existing interventions.

16. The new funding channel functions exactly as in Scheme 1: it is based on predictable rounds and – in the case of successful proposals – leads to funding for up to five years, broken up into a two-year Phase 1 and a three-year Phase 2.

17. The follow-on funding channel is distinguished by the fact that *follow-on grants have a chance to qualify – based on high performance – for preferential follow-on application and funding conditions* as compared to the conditions for successful proposals in the new funding channel and for lesser-performing follow-on grants. At a high level (details are given further down), the preferential conditions relate to more attractive treatment regarding:

- a. the timing of follow-on proposal submission and approval;
- b. the amount of paperwork and the workload involved in proposal submission;
- c. the nature and level of the scrutiny in the proposal review;
- d. the relative priority of the follow-on funding awarded;
- e. and also possibly the duration and quantity of the follow-on funding (as optional variations on this scheme).

18. Specifically, grants in the follow-on channel undergo *a performance review before the end of Phase 2* which determines the eligibility or not for preferential conditions for follow-on application and funding.

- a. The review assesses the performance of the grant relative to its particular context – as is currently the case at the Phase 2 review.
- b. The performance of the grant is assessed relative to country-defined and country-owned performance targets; consideration is also given to countries' specific situation, or factors such as the level of ambition of the targets set. (This recognizes that, for example, performance of countries in conflict or with particularly weak infrastructure may be impressive relative to their situation even if not all the targets are achieved numerically.)
- c. The performance relative to the situation determines its performance rating (A, B or C);¹⁰

19. The precise modalities of the performance review are not discussed in this strategy paper, but are rather left to a later policy discussion, should this scheme be selected;

- a. The performance review leads to *two possible outcomes, each of which leads to a different "track" for follow-on application and funding*:¹¹

¹⁰ Performance assessment first considers the degree of achievement against the country-defined targets specified in the grant agreements and the goals given in the proposal. As an indication, grants exceeding 80 percent of high-level targets are rated as A, grants meeting between 30 percent and 80 percent of high level targets are rated B (for the purpose of the current Phase 2 reviews, this is further differentiated into B1 and B2 ratings); and C is below 30 percent. This achievement against targets is then examined in the light of additional contextual information, such as the strength of country systems or the ambition level of the targets set. Based on this additional information, an up- or down-grading of the performance rating is made, which yields the final, overall performance assessment.

¹¹ To be explicit, each track is characterized by a different follow-on application process and different characteristics for the available follow-on funding.

- b. Grants that are determined to meet a certain level in the performance review are eligible to apply for follow-on funding through the "*preferential track*", whereby the benefit from preferential follow-on application and funding conditions;
- c. The remaining grants are not eligible for preferential conditions, but can apply for follow-on funding through the "*standard track*."
- d. The general principle is that the preferential track should accept only grants that have performed very strongly, i.e. all those grants receiving an overall A rating. Grants with lower levels of performance, i.e. those that receive an overall B or C performance rating, would proceed through the standard track.

20. The conditions for the *standard track* are discussed first since this track is in a number of ways similar to Schemes 0 and 1. For the standard track, the conditions for follow-on application and funding are that:

- a. Follow-on proposal submission is invited as part of the rounds process, side-by-side with the new proposals emanating from the 'new funding channel' (as is the case for *all* follow-on proposals in Schemes 0 and 1);
- b. The timing of proposal submission, proposal review and decision-making is determined by the timing of the rounds;
- c. In addition to a standard new proposal, an "implementation improvement" plan is required as part of the follow-on submission – this plan is crucial for considering the follow-on funding of grants in the standard track, as these grants have definite (and sometimes considerable) issues with implementation;
- d. As is standard in the rounds, past performance information is taken into account by the TRP during the proposal review, generally giving the comparatively better performing grants a certain advantage; and
- e. Successful proposals can be funded for up to five years (exactly as for new proposals).

21. For the *preferential track*, the preferential follow-on application and funding conditions are as follows (see Figure 2):

- a. *Follow-on proposal submission for the preferential track* is invited *on a rolling basis*, according to the grant's specific timing, as is currently the case with the Requests for Continued Funding at the point of Phase 2 renewal;
- b. A *scale-up plan* is *required* as part of the follow-on submission proposal¹². The rationale for this is that grants in the preferential track are high-performing implementers with no major implementation bottlenecks, and so they should be actively encouraged to scale up their interventions; also, for that same reason as well as to limit paperwork, an implementation improvement plan is not required;
- c. *Proposal review and decision-making* is done *on a schedule that is as close as possible to a rolling basis* (the exact frequency of the decision-making is not important to the fundamentals of the model, what matters is that it occur much more regularly than the frequency of the rounds; the frequency and specific timing should be set based on practical considerations);
- d. The *proposal review* is designed to be *as light as possible*, without however sacrificing rigor: in most cases, it should consist mainly of a technical review of the scale-up plan submitted; however, depending on the technical (e.g., substantial change in scope or reprogramming) and financial (e.g., significant budget increase) aspects of the proposal, *a heavier technical review could be triggered*:¹³
- e. Successful proposals from the preferential rated track are eligible for *more attractive follow-on funding conditions* than those of the standard track:

¹² This would not apply in cases where scale-up does not make sense e.g., when coverage is already at the maximum of a target population.

¹³ For practical reasons, this might take place as part of the normal, full-blown review process of the rounds.

- f. The *follow-on funding* for successful preferential track proposals is *higher priority money*¹⁴ (i.e. gets funding priority in case of resource constraint) compared to the money available to all proposals – new and standard-track follow-ons – funded from the rounds. The rationale for the prioritization just described is given in the assumptions section in Annex 2;
- g. There could also be *additional preferential funding conditions*, which need not be discussed in detail at this stage.¹⁵ Possible examples include a *longer duration of the follow-on funding* compared to the standard track; or a maximum *amount of follow-on funding available under the light proposal review process* that allows not just “scaled-up continuation” of existing interventions but also the possibility of “expansion” beyond current interventions, i.e. the addition of new complementary activities targeted at the same population as the existing or scaled-up interventions (for the sake of illustration, a treatment program could be added where there was only a prevention program previously).
- h. Unsuccessful preferential-track proposals are allowed to resubmit a revised proposal through the standard track, i.e. as part of the rounds process, side-by-side with the follow-on proposals of standard-track grants and the new proposals emanating from the “new funding channel”.

22. The added value of Scheme 2 compared to previous schemes is that, for high-performing grants, it makes continued funding easier, more attractive and more predictable (given the role of performance in eligibility for the preferential track, a high follow-on acceptance rate can reasonably be expected for this channel). Secondary benefits include lower transaction costs for the Global Fund and the positive incentive value to lower performers of offering particularly attractive conditions for high performers.

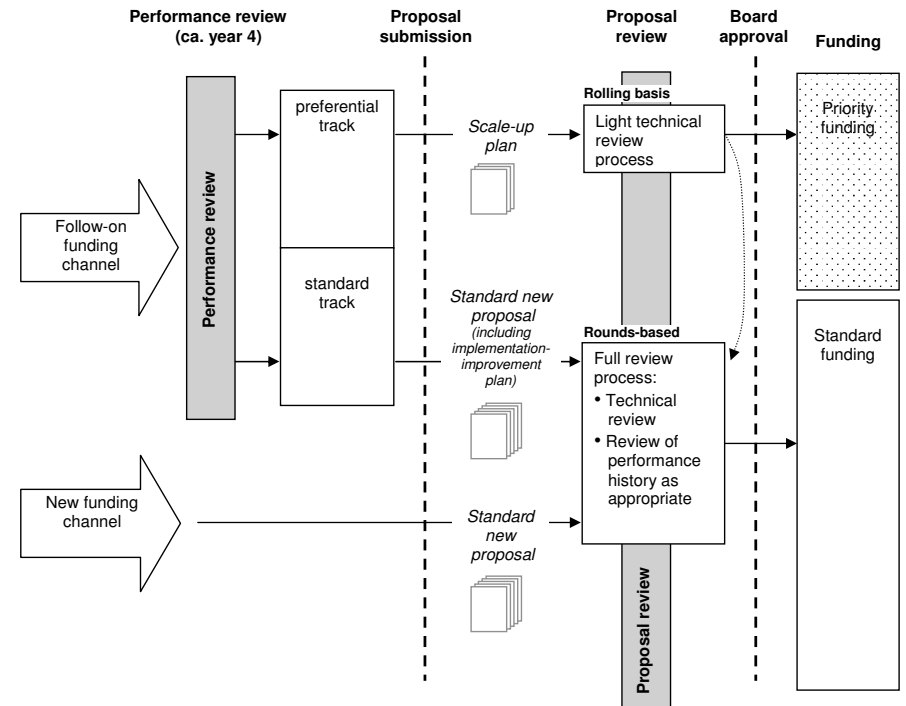


Figure 2: Scheme 2: Dual-channel, dual-track scheme

Scheme 3: Long-term rolling funding

23. Scheme 3 introduces a major conceptual shift compared to the schemes considered so far. The purpose of this modification is to move toward *long-term continuity of funding* for well-performing grants. Beyond this primary design intent, the model helps address a number of additional objectives.

24. In this model:
- Proposals are submitted for a *long-term comprehensive program of work for the disease component* at hand, with particular detail given for the first half-term (e.g., if the long-term program is for ten years, the plan for the first five years is more detailed). For each country, only one comprehensive program is allowed per disease component which can encompass any number of activities, including interventions of different types, in different regions, focused on different target populations. The single program provision forces consolidation of ongoing grants and encourages holistic thinking about future activities. (A possible modification of the model would be that, for each disease component, there could in fact be one program window for funding of government activities and a separate one for the funding of non-government activities; this is a variation on the model that need not be discussed at this stage; it should be deferred to a later policy discussion should this model be selected);

¹⁴ This funding priority principle applies regardless of whether the successful preferential-track proposal emanates from the light or the heavier review processes described above.

¹⁵ These would, if this scheme were selected, be considered in a subsequent policy discussion.

- b. For successful program proposals, the *funding approved* is for half the term of the program;
- c. Consistent with the core Global Fund principle of performance-based funding, disbursements for approved programs during the period of the half-term are subject to *continued high performance* of the program. In particular, there is a rigorous and formal performance review before the end of the half-term, in which evaluation of impact is a key component, which determines continuation of funding;¹⁶
- d. Toward the end of the half-term, programs with a continued high performance rating are asked to submit *an updated comprehensive program of work for the following full term*, with again only the first half-term of it being eligible for funding at that juncture. The program's content in terms of interventions could (and in fact should) evolve over time to reflect the changing needs and potential impact achieved; but *as long as there is demonstrable continued need for Global Fund financing for a given disease component, sustained high performance, and solid technical merit of the program's interventions, the strong mutual expectation is that the program's funding would be renewed*. This last feature is the particular value of this scheme for the purpose of ensuring continuity of funding.

25. In one version of this model, the above mode of funding could be applied to all proposals, whether new or follow-on. However, given the longer-term, comprehensive, and so likely larger, investment that is being made in such a funding mode, it is clear that this may not be appropriate or indeed sustainable for new components – where there is no relevant performance (i.e. risk) history – or for known but poorly-performing recipients.

26. A more reasonable design would be to apply this funding mode only to those follow-on proposals where there is a known track record of good performance, while keeping other proposals on the current funding modality.

27. Based on this conclusion, the specific version of Scheme 3 put forth in this paper is one where the principle of long-term rolling funding described above is applied to the preferential track of Scheme 2, while the new funding channel as well as the standard track of Scheme 2 are kept intact, i.e. on a rounds-based system. This is illustrated in Figure 3.

- a. As in Scheme 2, the funding through the preferential track is *higher priority* than that available to all proposals (new and standard-track follow-ons) funded from the rounds;
- b. The specific details of timing and process for preferential-track proposal submission and proposal review are not of fundamental strategic importance to this scheme; they can be determined based on practical considerations (such as the time constraints arising from the need for a solid technical review of long-term programs).

28. It should be noted that discussion of long-term program-based types of approaches to the grant architecture go beyond the single strategic issue of “Beyond Phase 2”. Such approaches are in particular relevant to the strategic issue of “alignment and harmonization”, which will be treated as part of Batch 2 of the options development work. For this reason the discussion here has been kept at a high level and mostly focused on the elements tied to the “Beyond Phase 2” issue.

D. Additional Possible Variations On The Schemes

29. As mentioned in the introduction, there are a number of possible variations on the schemes presented above. We briefly mention them here partly for completeness, but especially because some of them have an effect on the assessment of the schemes against the objectives defined earlier, which is discussed in the section following this one.

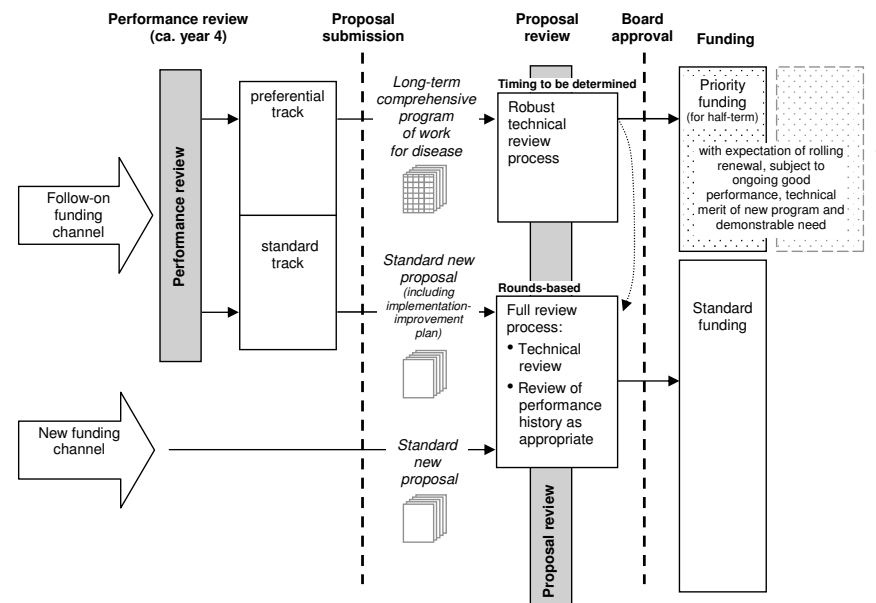


Figure 3: Scheme 3: Long-term rolling funding (applied to dual-channel, dual-track scheme)

30. Possible variations include the following:¹⁷
- a. It would be possible as part of the design of the schemes to *more strongly encourage – or even formally require – the submission of proposals that are closely and demonstrably tied to national disease priorities, strategies and plans*. This would certainly be consistent with the Global Fund's vision of providing funding that fills specific gaps between identified national strategies and other available resources, which stems from its core principles of country ownership, complementarity with and additionality to others, as well as emphasis on results. (When there is no suitable set of national priorities and strategies, the Global Fund could actively encourage their development.) Scheme 3 goes a long way toward this, but the addition of such a measure to the other schemes would contribute toward their rating on the objective of “compatibility with and/or encouragement of alignment to national priorities”.

¹⁶ Depending on the length of the half-term, the design could also include a formal performance review part-way through the half-term. However the design is done, it is critical that this scheme be strongly compliant with the principle of performance-based funding.

¹⁷ Other variations not discussed here are obtained by changing the value of some of the (non-structural) design parameters – such as the duration of funding for the various tracks or relative funding priorities.

- b. Similarly, there could be an *encouragement or requirement that proposals include a sustainability plan*, discussing alternative funding sources to help ensure continued funding beyond the end of any new Global Fund funding commitment horizon. Going further, recipients from countries which satisfied certain criteria (to be carefully defined) related to their ability to become self-financing might be allotted Global Fund *financing on a built-in phase-out schedule*, whereby the funding would be ramped down progressively over time. Again, Scheme 3 – with its requirement for a long-term forward-looking comprehensive plan – intrinsically goes some way toward encouraging sustainability thinking, but the types of measures described could also be built into other schemes, contributing toward their attaining the objective of “encouragement of sustainability thinking”.
- c. Finally, *grant consolidation* is an intrinsic part of Scheme 3, and could also be encouraged or required in other schemes, thus contributing further to diminishing transaction costs.

E. Assessment Of Schemes Against The Potential Objectives Defined For Continuation Of Funding After The End Of Phase 2

31. The table in Figure 4 presents an assessment of the schemes presented above – including the current provision and the proposed Schemes 0 through 3 – against each of the eight potential objectives defined earlier.¹⁸ This is purely a qualitative assessment, but it gives a good indication of the *relative* rating of the schemes on each dimension.

Possible objectives of continuation of funding schemes

Scheme	Continuity of funding for recipient	Low country transaction cost	Low GF transaction cost (overall)	Incentive for very strong performance	Scale-up incentive to high performers	Predictability (process + financial)	Encrgmt of sustainability thinking	Compatibility with / encrgmt of alignment
Current scheme	x	x	x	x	✓	x	✓	✓ can present part of national plan
0 Unpredictable rounds, single channel	x	x/✓ performance-dependent	✓	✓	✓	x	✓ but could be further designed in	not intrinsic to scheme, but could be designed in
1 Predictable rounds, single channel	✓	x/✓ performance-dependent	✓ (but GF work more predictable than in Scheme 0)	✓	✓	✓	✓ but could be further designed in	not intrinsic to scheme, but could be designed in
2 Dual channel, dual track	✓/✓✓✓ performance-dependent	x/✓✓✓ performance-dependent	✓✓	✓✓	✓✓✓ by design	✓/✓✓ performance-dependent	✓ but could be further designed in	not intrinsic to scheme, but could be designed in
3 Long-term rolling funding (dual channel, dual track version)	✓/✓✓✓✓ performance-dependent	x/✓✓* performance-dependent	✓✓✓	✓✓✓	depends on details, but could be designed in	✓/✓✓✓ performance-dependent	✓ for high performers	✓/✓✓✓✓ performance-dependent

*For high-performers, the one-time transaction cost of preparing a comprehensive long-term disease program is high, but over the grant term, the total transaction cost is low

Figure 4: Assessment of continuation schemes against possible objectives

¹⁸ Everywhere possible, a particular rating has been indicated. Some assessments may vary according to the track being considered within the particular scheme at hand (since some schemes deliberately take a differentiated treatment of different tracks); also some features may not be intrinsic parts of the models presented but could reasonably be designed into them if desired. Both types of above occurrences have been noted where they are deemed to be the case.

Part 4: SUB-ISSUE 2: TERMINATION OF FUNDING AFTER PHASE 2 END

1. This section of the paper now turns to the situation where grants are terminated *at the end of Phase 2*. Such termination can come about for a number of reasons: because grants do not seek further Global Fund financing (or do not seek it in time, leading to a funding interruption even if further Global Fund financing is eventually secured) or because they are not successful in obtaining further funding.

2. The current provision for the termination of funding – the continuity of services policy – applies not just when termination happens at the end of Phase 2, but also in the case of termination for any reason during any funding phase or at the end of Phase 1.

3. Though the focus of this paper is on “beyond phase 2,” this section first and foremost considers termination at the end of Phase 2. But recognizing the need to also support strategic reflection on termination at other junctures, that case is briefly addressed by providing a suggested revision to the existing continuity of services policy to specifically address termination at other junctures.

4. With this in mind, it is necessary at the outset to make an important distinction. There are two fundamentally different types of termination:

- Anticipated termination* at the end of a period of funding that is contractually and unambiguously agreed in advance, such as at the end of Phase 2. This is the end of the formal legal commitment of financing by the Global Fund. For such a circumstance, CCMs and PRs have several years of advance notice to take preparatory measures for when the funding period end.
- Unanticipated termination* at any other point, such as during Phase 1 or Phase 2 (for reasons of particularly poor performance or mismanagement) or non-renewal at the Phase 2 review stage. In these cases, CCMs and PRs will have not had time in advance to put in place mitigation measures.

A. Possible Objectives For Termination Of Funding After Phase 2 End

5. In considering potential schemes for the termination of funding at the end of the Phase 2 period, several possible objectives might be addressed. They are listed and defined below:

- Fulfillment of the Global Fund’s ethical obligations based on existing funding commitments:** The scheme helps to mitigate any situation where termination of Global Fund financing either directly places in jeopardy the lives of specific individuals whose likelihood of survival depends unequivocally on Global Fund-financed programs or obviously risks creating public health problems (linked e.g., to the development of resistance to current drugs);
- Encouragement of sustainability beyond the end of the funding period:** The scheme encourages countries to plan early-on for the continued funding of key activities after the end of Global Fund funding, and in appropriate cases, may provide some temporary support toward ensuring longer-term sustainability;
- Consistency with the Global Fund principle of local ownership:** The scheme is in line with the Global Fund principle of country ownership, and in particular the implication from this that countries should assume the responsibilities associated with the terms and conditions of Global Fund financing. To be explicit, this means that countries must take responsibility for the fact that funding that is contractually limited in duration cannot be expected to be renewed;
- Global Fund operational and financial feasibility:** The scheme imposes a minimal administrative and financial burden on the Global Fund, and can be accommodated in a viable way in cases of Global Fund resource constraints;

- e. **Consistency with the principle of performance-based funding:** The scheme is consistent with the Global Fund's overall performance-based funding framework, with performance being the dominant criterion for the disbursement of resources.

6. The first objective above, "fulfillment of the Global Fund's ethical obligations based on existing funding commitments", clearly is the overriding concern underlying the issue of termination of funding. (It is the main intent behind the current policy for continuity of services.) For this reason, this objective plays a special role in guiding the reflection about alternative schemes that are considered.

7. However, apart from this objective, no position is taken in this paper as to the relative importance or priority of the other possible objectives. The approach is simply to objectively assess the current scheme as well as each of the proposed new schemes against all the factors, leaving any discussion of their relative importance entirely to the Committee and the Board.

B. Current Scheme For Termination Of Funding After Phase 2 End

8. At this point in time, by default, when Principal Recipients (PRs) reach the end of their Phase 2 period, they simply stop receiving disbursements from the Global Fund. The one exception to this is when the continuity of services policy applies. The policy allows for grant applicants (typically CCMs) approaching the end of their full funding period to submit an Extraordinary Request for Continued Funding for Treatment to ask for additional, temporary funds for expenses directly related to the continuation of treatment for individuals already placed on treatment under the existing proposal. Key features of the current policy are as follows:

- a. If the request is approved, funding is provided for a maximum of two years;
- b. CCMs must demonstrate that they have tried to identify other sources of funding for this purpose but have been unsuccessful;
- c. In a resource-constrained environment, requests for funding for continuity of services are prioritized at the same level as Phase 2 renewals.
- d. The policy was initially drafted to apply only to discontinuations at the time of the Phase 2 renewal decision, but was then extended at the Twelfth Board meeting to include any termination of funding, including that at the end of Phase 2. A sunset clause was introduced at that stage to ensure the policy is reexamined in the context of the broad strategic reflection currently underway.
- e. An assessment of the current scheme against the objectives set out above shows that the current scheme generally fulfills many of the objectives laid out (for a detailed analysis see Annex 3). In particular, it attains well the core objective of "fulfillment of the Global Fund's ethical obligations based on existing commitments".
- f. As Annex 3 of this document points out, the current policy only applies to "life-long" treatment. The PSC has recommended (at its March 2006) that a decision point modifying the current policy to instead cover "course of treatment" be proposed for Board consideration.

9. However, it does not distinguish between anticipated and unanticipated terminations in determining the appropriate response and obligations of the Global Fund. For this reason, these cases are examined separately below.

C. Anticipated Termination: Possible Alternate Schemes For Termination Of Funding At Phase 2 End

10. Grants reaching the scheduled end of their Phase 2 funding periods are all cases of anticipated termination, with at least three years (and up to five years) of advance notice as to when they will definitely stop receiving funding from the Global Fund.

11. It needs to be acknowledged that there is an inherent tension in the Global Fund model whereby term-limited funding is used to finance inherently long-term objectives and actions (such

as anti-retroviral treatment, or ART). This can create a situation where ongoing activities run the risk of being discontinued once the funding term is up.

12. Therefore the "first-line" strategic approach should be to limit the occurrence of anticipated terminations where possible.

- a. To this effect, *an improved continuation of funding scheme* as compared to the current provision – one that is more proactive about continuation of funding and that makes continuation of funding easier for grants that are performing well – should help reduce the number of cases where anticipated termination might occur.
- b. In addition, *operational measures* can also help mitigate against anticipated termination by further encouraging pre-emptive planning for sustainability. (Though this is beyond the realm of *strategic* reflection, a new possible *operational* measure to this effect is described in Annex 4).
- c. Even with these pre-emptive measures, there will still always be a number of grants who face termination at the end of their anticipated funding periods (e.g., particularly poor performers that cannot obtain follow-on funding).

13. The "second-line" strategic approach applies to these grants for which anticipated termination has not been able to be prevented and revolves around possible strategic schemes that address continuity of services.

Strategic Scheme A for anticipated termination: Provide no allowance for temporary continued funding for treatment at the end of Phase 2

Description

14. Contrary to the case of unanticipated termination, this scheme considers that the Global Fund has no ethical responsibility for providing temporary funding to ensure the continuation of treatment in the case of anticipated termination.

15. It thus provides no funding for continuity of services for grants with a treatment component faced with anticipated termination at the end of Phase 2.

16. The current continuity of services policy is revised to reflect this.

Assumptions

17. It is countries' responsibilities to plan proactively for anticipated termination.

18. The moral and ethical obligations of the Global Fund in terms of supporting people on treatment do not apply to cases of anticipated termination (only to unanticipated termination).

19. With an improved continuation of funding scheme and the proposed operational measure described above in Annex 4 in place, CCMs would have been given sufficient opportunity and advance notice to access continued funding through the Global Fund or other sources and take additional mitigating actions.

20. Any negative political or public relations reactions to this scheme could be managed, in particular using the logic contained in the assumptions above.

Assessment

21. The proposed scheme is assessed as follows versus the six potential objectives presented earlier:

- a. **Fulfillment of the Global Fund's ethical obligations based on existing funding commitments:** The scheme does nothing to directly mitigate the impact from termination in funding, based on the assumption that the Global Fund has no ethical obligation in the case of anticipated termination.
- b. **Encouragement of sustainability beyond the end of the funding period:** The scheme provides a serious incentive for countries to plan in advance to ensure continued Global Fund funding through the continued funding schemes, as otherwise they have no access to continued Global Fund resources. However, it does not provide any support beyond the end of the funding period.
- c. **Consistency with the Global Fund principle of local ownership:** The scheme is fully aligned with local ownership and responsibility, with the Global Fund providing nothing beyond the commitment of funds for the agreed-upon grant term, and leaving all responsibility in the hands of the CCM.
- d. **Global Fund operational and financial feasibility:** This scheme would require no changes in the current Global Fund operation and would be financially feasible, as it requires no additional resource outlays by the Global Fund.
- e. **Consistency with the principle of performance-based funding:** The scheme is in line with the Global Fund's performance-based funding framework, with no resources being disbursed for non-performance based reasons.

**Strategic Scheme B for anticipated termination:
Provide "qualified" allowance for temporary continued funding for treatment at the end of Phase 2**
[REVISED VERSION OF SCHEME AS REQUESTED BY PSC]

Description

22. Under this scheme, Country Coordinating Mechanisms (CCMs) facing anticipated termination can apply for temporary continued funding to cover the expenses directly related to the continuation of treatment subject to the following conditions:

- a. As with the current continuity of services policy, in order to apply CCMs must demonstrate that they have actively looked for alternate sources of funding and have been unsuccessful, and the maximum funding period is two years.
- b. However, in addition in this scheme, there is a qualified allowance for funding which results from one or two of the following conditions:
 - i. There is an *explicit set of criteria that determines eligibility for the additional funding; and/or*
 - ii. There is a *defined set of conditions on the funding that is available to those eligible.*
- c. Also, the following conditions apply:
 - i. During the funding period under Scheme B, CCMs are requested to find alternate sources of funding to ensure a longer-term continuation of treatment;
 - ii. The funding allocated under Scheme B for anticipated termination is prioritized below that for continuation of treatment for unanticipated terminations.

23. Since the PSC requested that specific parameters that determine a qualified allowance for continuation of treatment be suggested, two explicit possible incarnations of Scheme B are proposed below.

Scheme B1: Qualified allowance through co-financing requirement based on Global Fund country eligibility criteria

24. Under Scheme B1, there is no set of criteria that determines eligibility for applying for temporary continued funding. In other words, all grants with a treatment component reaching anticipated termination are eligible to apply (provided they demonstrate that they have actively and unsuccessfully looked for alternate sources of funding).

25. However, under Scheme B1, there is a set of conditions on the maximum level of funding that is available from the Global Fund: Specifically, a CCM applying for continued funding is subject to different requirements for co-financing the total continuation of treatment costs (i.e. sharing the total costs with the Global Fund).

26. These co-financing requirements are proposed to be based on the Global Fund's existing country eligibility criteria for funding, which take into account the World Bank income level and disease burden of the applicant's country.¹⁹ For example:

- a. Low-income countries might have a minimal level of co-financing required (e.g., 10%) for up to two years;
- b. Lower-middle income countries might have a higher level of co-financing required (e.g., 30%), with the level rising (e.g., to 50%) in the second year;²⁰
- c. Upper-middle income countries might have an even higher level of co-financing required (e.g., 50%), with the level rising to close to the full continuation of treatment cost (e.g., 75%) in the second year.

27. The exact levels and terms of co-financing required for each country income category would be determined in a separate policy discussion. (The figures given above are for purely illustrative purposes, in order to make the example concrete, and should not be taken as suggestions that form part of the scheme. It is simply the *principle* of co-financing based on the Global Fund's country eligibility criteria that is being proposed as Scheme B1, with the levels to be discussed subsequently.)

Scheme B2: Qualified allowance based on the size of the treatment program

28. Under Scheme B2, there is a set of criteria that determines eligibility to apply for temporary continued funding for treatment costs, and there are potentially also conditions on the maximum amount of funding that is available from the Global Fund.

29. Specifically, it is proposed that the size of the treatment program be used to determine eligibility and also, potentially, conditions on the funding available:

- a. The size of the treatment program might be measured by the number of patients and/or the total, fully-loaded costs for treatment (i.e. including support and medical personnel costs in addition to the cost of the medicines);
- b. Based on this, CCMs would have varying ability to apply for continued funding as well as different restrictions on the funding (co-financing requirements and/or limitation on the maximum funding length). The basic principle would be to have stronger restrictions on funding for smaller treatment programs, since countries ought to be able to assume a larger proportion of costs in such cases.

30. For example:

- a. For a small number of patients (e.g., less than 100 patients) and/or low total cost of treatment (e.g., less than \$0.1 million per year), the CCM would be ineligible to apply for continued funding for treatment;
- b. For a larger number of patients (e.g., 101 to 1000 patients) and/or higher total cost of treatment (e.g., \$0.1-0.5 million per year), the CCM would be eligible to apply, but would potentially be subject to restrictions on the funding, such as through co-financing requirements or limitations on the maximum length of the funding period;
- c. For a large number of patients (e.g., over 1000 patients) and/or high total cost of treatment (e.g., above \$0.5 million per year), the CCM would be eligible to apply for continued funding with a lighter set of potential restrictions on the funding than those for the above point (b).

¹⁹ See the Round 5 Proposal Guidelines, p. 4 for the detailed criteria.

²⁰ If the period covered under the policy is more than a year

31. The specific threshold levels of patients and/or costs, as well as potential additional restrictions on the funding, would be determined in a separate policy discussion. (The figures given above are for purely illustrative purposes, in order to make the example concrete, and should not be taken as suggestions that form part of the scheme. It is simply the *principle* of eligibility criteria for temporary continued funding for treatment based on the size of the treatment program that is being proposed as Scheme B2, with the details and levels to be discussed subsequently.)

Assumptions

32. Both schemes presume that the Global Fund has an ethical responsibility for providing temporary funding to ensure the continuation of treatment regardless of the circumstances of the termination.

33. However, the schemes presume that the Global Fund has differing levels of obligation in the case of anticipated termination as compared to the case of unanticipated termination, and that more stringent criteria and conditions on any temporary funding of treatment (which may depend on the specific circumstances of the grants) are warranted for anticipated termination as compared to unanticipated termination.

34. In addition, the schemes assume that even low-income countries can either find domestic sources of funding or other donors to provide for a minimal level of co-financing, since they will have had several years of notice to prepare for the anticipated termination of their grant.

Assessment

35. These schemes fare as follows versus the key objectives:
- Fulfillment of the Global Fund's ethical obligations based on existing funding commitments:** The schemes fulfill the Global Fund's ethical obligations to a degree by offering a provision for continuing funding for treatment, albeit with varying sets of criteria for eligibility and conditions on the funding.
 - Encouragement and temporary support of sustainability beyond the end of the funding period:** The schemes provide a differentiated degree (depending on the eligibility criteria) of incentive for countries to plan in advance to ensure continued Global Fund funding through the continued funding schemes, or to find alternate sources of funding from domestic budgets or other donors. They provide some support beyond the end of the funding period in cases where such support is deemed warranted.
 - Consistency with the Global Fund principle of local ownership:** The schemes reflect this in a differentiated way (depending on the specifics) since not all CCMs automatically gain access to additional funding for the full cost of treatment, so they thus have to take responsibility for the anticipated end of the funding.
 - Global Fund operational and financial feasibility:** These schemes would require the Global Fund to develop some capacity to screen the grants for eligibility versus the determined criteria and to monitor the disbursement of funds in a way that complies with whatever conditions are set. While placing a greater financial burden on the Global Fund than Scheme A, these schemes are financially more conservative than the current scheme, which itself was rated as not expected to impose an excessive financial burden on the Global Fund.
 - Consistency with the principle of performance-based funding:** These schemes are not fully aligned with the principle of performance-based funding because resources are disbursed for a reason other than performance within an agreed framework of targets and interventions. (However the poverty reduction principle of

the Global Fund does allow, for example, for means testing, as is currently the case in the country eligibility criteria.)

Strategic Scheme C for anticipated termination: Provide universal allowance for temporary continued funding for treatment at the end of Phase 2

Description

36. Under this scheme, CCMs facing anticipated termination can apply for temporary continued funding to cover the expenses directly related to the continuation of treatment, with a process and conditions (maximum of two years, demonstration of inability to find other funding) similar to the ones described in the current continuity of services policy. (The specific conditions and process for this provision should be defined in a separate policy decision.)

37. This scheme would essentially mean extending the current continuity of services policy. However, a consideration of the relative prioritization of this funding versus other commitments as dictated by the current prioritization scheme, would need to occur to decide whether a change is required.

Assumptions

38. Many of the assumptions from Scheme B apply, with the following additions:
- This scheme presumes that the Global Fund has an ethical responsibility for providing temporary funding to ensure the continuation of treatment regardless of the circumstances of the termination.
 - It further considers that the Global Fund has the *same level* of obligation for all grants that require such funding, regardless of whether they face anticipated termination or unanticipated termination.

Assessment

39. For the following key objectives, this scheme fares differently than Scheme B. For the other objectives, there is not a significant difference in how this scheme fares as opposed to Scheme B.
- Fulfillment of the Global Fund's ethical obligations based on existing funding commitments:** The scheme fully meets this objective;
 - Encouragement of sustainability beyond the end of the funding period:** This scheme does not particularly encourage countries to plan early-on for the continued funding of key activities after the end of Global Fund funding. But it does provide temporary support for eligible grants with a treatment component;
 - Consistency with the Global Fund principle of local ownership:** The scheme does not strongly take into account the responsibility of CCMs to plan for sustainability by offering access to temporary funding even in the cases of anticipated funding. In this sense, it allows minimal country-level prior planning and mitigation for termination;
 - Global Fund operational and financial feasibility:** Being similar to the current scheme, this scheme is not anticipated to cause any significant administrative burden on the Global Fund. Nor is it expected to pose an excessive financial burden, since this scheme is financially equivalent to the current scheme (which itself was rated as not expected to impose an excessive financial burden on the Global Fund). However, this scheme would have a greater financial burden on the Global Fund than Schemes A and B.

D. Unanticipated Termination: Proposed Modifications to the Current Continuity of Services Policy

40. As discussed above, the current continuity of services policy will end in 2007. As noted previously, in general, the current policy rates well against the objectives for the case of unanticipated termination, apart from a few fixable issues.

41. It is thus proposed that the measures in the current policy be extended for the case of unanticipated terminations, but with a few revisions to address the issues identified (see Annex 5).

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.

ANNEXES

ANNEX 1

Evaluation of the Current Scheme for Continued Funding After Phase 2 End Against Identified Objectives

1. **Continuity of funding:** The current default scheme has no explicit discussion of or provision for follow-on funding beyond the end of Phase 2. In this sense, it does not proactively encourage, and may even implicitly discourage, planning for program continuation. In particular, well-performing grants – those which have the highest chance of making an impact and scaling up – are not being actively encouraged to seek continued funding from the Global Fund. Furthermore, the fact that follow-on proposals compete on equal, rather than preferential, footing with proposals for completely new activities does not particularly favor continuity of funding.
2. **Low transaction cost for recipients:** The administrative burden involved is the preparation of a new proposal, and it is the same for all recipients, whether new or follow-on; in that sense, there is no particular attempt in the current scheme to lower transaction costs.
3. **Low transaction cost for the Global Fund:** For the exact same reason, there is no attempt in the current scheme to lower transaction costs for the Global Fund. Specifically, with no distinction being made between new and follow-on proposals, the processing time for proposals is largely similar, regardless of past performance, grant size or overall risk level. More particularly, in the case of follow-on activities, the entire transaction costs of screening for previously reviewed and field-tested activities is repeated.
4. **Positive incentives for very strong performance:** There is in the current scheme no particular incentive to aim for the highest level of performance. The current scheme treats top performers like every other applicant, with possibly a marginal difference arising from the fact that past performance is now just beginning to be taken into account by the TRP during proposal review. But the current incentive structure tends to be to avoid sub-B1 performance rather than to aim for the A level.
5. **Incentives/support for scale-up:** Coverage is considered by the TRP during proposal review, so all grants are implicitly encouraged to aim for a reasonable degree of scale. But the current default scheme for continuity of funding provides no explicit or proactive encouragement for follow-on applicants to scale up (now that they have programs running), and certainly not specifically for follow-on A-performers which would be the perfect candidates for such incentives, given their good track record of implementation.
6. **Predictability:** The current default scheme rates poorly in terms of predictability. Process predictability is low, due to the timing of rounds being unpredictable in the medium term, leaving applicants unable to plan far in advance for follow-on application submission. Moreover, with follow-on programs applying side-by-side with new applications and the overall low success rate of applications in any round, follow-on applicants will tend to feel poor predictability of the outcome. If funding is approved, there is funding predictability for five years, with a major checkpoint two years in.
7. **Encouragement of sustainability thinking:** The current proposal form asks CCMs to "describe how the activities initiated and/or expanded by this proposal will be sustained at the end of the Global Fund grant period"²¹, but the type of answer sought is not made clear and the information submitted is anyway only a minor part of the overall proposal. In that sense, the current provision only goes part way toward encouraging follow-on applicants to think deeply about sustainability beyond the end of any Global Fund funding horizon.

²¹ Round 5 Proposal Form, Question 4.4.2. A similar question is planned to be included in the Round 6 proposal.

Assumptions and Implications of Alternate Schemes for Continuation of Funding After Phase 2 End

Scheme 0:

Assumptions²²

1. Applicants are (or can become) sufficiently proactive to plan in advance to apply for follow-on funding during the relevant prior round, so as to avoid any discontinuity of funding to well-performing programs. In particular, the unpredictability of timing of rounds is not an overly problematic obstacle in this regard.
2. The requirement of having to submit a complete new application for funding should not be a major hurdle for past applicants, and so will not in itself – performance, context and technical merit considerations aside – impede continuity of funding (in other words, the assumption is that all well-performing follow-on applicants should be able to easily clear the hurdle of having to apply as a new proposal).
3. Proper and fair assessment of follow-on proposals requires additional information and criteria compared to those used for new proposals.
4. It is possible to fairly assess and make funding decisions for new and follow-on proposals side-by-side through a single funding channel.²³
5. Implementers with a solid track record of high performance are inherently lower risk; they can be judged without assuming undue risk using a (carefully designed) lighter but nevertheless rigorous process; furthermore, they have “earned the right” to be entitled to lower transaction costs.²⁴

Implications²⁵

6. Changes would be required to the proposal form and to the technical review criteria and process in order to take into account the additional requirements and criteria for follow-on proposals, as well as the lightened process for high performers. In addition, applicants would need to comply with the new requirements.
7. There may be a need to significantly bolster the on-the-ground implementation expertise brought by cross-cutting members of the TRP so as to ensure a consistent and robust ability to assess implementation improvement plans of follow-on applicants.
8. A performance review would need to be instituted toward the end of Phase 2, whose rating would determine eligibility or not of follow-on proposals for the lightened process of submission and review; for new proposals, it is the implementer’s current rating in any ongoing grant that is used.

²² As a reminder, “assumptions” is taken to mean “what you would need to believe for the proposed scheme to make sense and to function as intended”.

²³ Understanding that there may be a need to consider introducing a prioritization scheme between new and follow-on proposals for cases of insufficient funding.

²⁴ This should be true regardless of whether they are applying for new or follow-on funding.

²⁵ As a reminder, “implications” is taken to mean consequences for implementation, i.e. “what would need to change to be able to accommodate the scheme” (in terms of e.g., architectural, operational, organizational, financial and policy consequences, as well as any consequences for recipients and partners).

8. **Encouragement of and compatibility with alignment to national priorities:** It is currently possible for Global Fund applicants to submit proposals based on parts of their national plans; in fact the current proposal form explicitly asks applicants to identify funding gaps and seek to fill them. However, despite this, it has been said that the current rounds model, with its standardized timelines and its low proposal approval rate, tends to favor a “projectization” of proposals, whereby applicants may be tempted to submit discrete projects or else overlapping, “insurance” proposals to the Global Fund.

9. **Other considerations beyond the possible objectives above:**

- a. The current scheme has the merit of transparency and relative simplicity in that every proposal gets treated in the same way;
- b. Also, by definition, it fits with existing practice, requiring no new processes or rules;
- c. It also has the value of strong due diligence: all proposals get thoroughly scrutinized (which of course comes with the transaction costs tradeoffs mentioned above).

Apart from the above *fundamental* considerations about the current scheme, there are some *pragmatic* concerns about the appropriateness of the present Global Fund design and modus operandi to properly execute the current scheme. For example, new and follow-on proposals are currently treated equally in terms of the information that is requested in the proposal and the criteria that are used for proposal review. However, there is in fact an essential difference between taking into account past performance for the sake of assessing a new intervention versus for the purposes of continuing funding for a current Global Fund-supported project (even if the latter is presented formally as a “new” proposal). For this reason, the Global Fund may not currently be optimally equipped (in terms of information requested and criteria used, etc.) to operate the current scheme in an adequate manner.

9. There may be a need to consider introducing a prioritization policy giving guidance on how to rank new vs. follow-on proposals in cases of insufficient funding (or there may be an explicit decision that they are treated as equals in this regard).

Scheme 1:

Assumptions

10. All the Scheme 0 assumptions apply to Scheme 1, with the following modifications or additions:
- Predictability of timing of the rounds particularly helps recipients to be proactive in planning in advance to apply for follow-on funding during the relevant prior round, so as to avoid any discontinuity of funding to well-performing programs.
 - Predictability of timing of the rounds also has significant benefits for the Global Fund (e.g., in terms of planning workload, staffing, TRP timing, etc.)
 - The increased move toward the replenishment mechanism for raising Global Fund resources allows sufficient predictability of funding to permit fixing the round timing to a regular, predictable schedule. Any funding limitation should be dealt with in accordance to the Comprehensive Funding Policy and the existing funding prioritization scheme.

Implications

11. All the Scheme 0 implications apply to Scheme 1, with the following modifications or additions:
- It will be necessary to decide on the number of yearly rounds. This decision should consider a number of factors such as financial considerations (e.g., resource mobilization, timing of commitments), effect on recipients, Secretariat workload volume and variability, etc.
 - There will also be a need to decide on the optimal fixed dates of the annual round(s), taking into account a number of different factors including optimal timing for recipients (e.g., with respect to common budgeting/planning financial year timing) as well as for the Global Fund and its contributions schedule. The Secretariat and TRP will then need to organize their tasks on a schedule linked to the fixed dates.

Scheme 2:

Assumptions

12. The Scheme 1 assumptions apply to Scheme 2. In addition, the following additional assumptions are inherent in Scheme 2:
- New and follow-on proposals are of a sufficiently different character that they should be treated differently from the outset, with – for the latter – a special focus on the opportunity to apply for follow-on funding (hence the two separate channels).
 - While it is important to encourage and enable continuation of funding for follow-on activities, this should be done in a way that – consistent with the Global Fund's philosophy – is based on performance relative to country situation. In particular, implementers with a track record of high performance are inherently a safer investment and thus deserve to be considered for more appealing conditions in seeking follow-on funding (such as a lighter application process and attractive funding conditions; provided of course they demonstrate a legitimate continuing need at the time of application).
13. Performance as defined by the degree of achievement of country-set targets coupled with consideration of the country's specific situation has proven to be a fair and robust way to assess grants.

14. In particular, for this reason, A-rated grants should generally be eligible for preferential follow-on conditions.

15. Grants rated B and C by the end of Phase 2 should not be eligible for preferential follow-on conditions because they have ongoing and significant implementation issues; for this reason, they cannot be given a lightened proposal review process and special follow-on funding conditions without the Global Fund incurring unacceptable risk.

16. According preferential conditions to high-performing follow-on grants is an effective way to implement the Global Fund's principle, embodied in the Framework Document, that it support the scale-up of interventions that work.

17. Giving preferential treatment to high-performing grants is a powerful and effective way to create incentives for lesser performing grants to strive hard for high (particularly A-level) performance; such incentives do in fact motivate behavior and translate into improved performance.

18. According preferential arrangements for high-performing grants also makes good sense for the Global Fund, as this is in fact an effective way to manage risk and workload by according lightened (yet still rigorous) procedures to low-risk grants and more comprehensive procedures for higher-risk grants.

19. Scheme 2 makes a reasonable tradeoff between managing risk, creating incentives for high performance and generating sufficient transaction costs savings for the Global Fund and recipients.²⁶

20. Being inherently lower risk, grants in the preferential track (A-rated implementers) – which have a solid track record of high performance – can be judged without assuming undue risk using a (carefully designed) lighter but nevertheless rigorous process.

21. Funding the follow-on of high-performing grants is a particularly high-return use of Global Fund resources and so this should have high relative funding priority.

22. In particular, preferential-track proposals (that demonstrate a need for follow-on Global Fund financing) should have funding priority over proposals for entirely new interventions based on a number of considerations – many of which relate back to the Global Fund's core performance-based funding philosophy that money should follow performance – specifically:

- Preferential-track follow-on proposals are backed up by a track record of strong performance (substantiated by multiple years of implementation performance data); for this reason they are a particularly low-risk and likely high-impact investment compared to proposals for new interventions;
- Programs covered by preferential-track follow-on proposals are already set up, they are in fact, by the end of Phase 2, typically operating "at cruising speed" and delivering measurable results. So any incremental money to such programs is likely to more directly reach people on the ground and translate more reliably into health impacts. This is to be contrasted with the same money going initially, in the case of new proposals, almost exclusively to set-up costs of new interventions with as yet unproven results;
- Conversely, stopping funding at the end of Phase 2 to a well-performing, fully up-and-running grant that is delivering measurable results and has a demonstrated need for follow-on Global Fund funding is ethically difficult to justify; it is also potentially more damaging in terms of public health impact than forgoing the funding of a new, not yet set-up intervention with as yet unproven results;

²⁶ For reference, based on current experience of the Phase 2 reviews, it can be expected that roughly 30 percent of grants will fall in the A-performing category, while 50 percent and 20 percent would be rated as B and C-performers, respectively.

23. Similarly, preferential-track follow-on proposals should have funding priority over standard track follow-on proposals for reasons of performance (many of the above arguments still apply, but in a more nuanced fashion, given the relative difference in performance, and so results attained, by the grants in each follow-on track); further, this funding prioritization will create desirable incentives for lower performing grants to strive for high performance.

24. Under the conditions set out above for the preferential track, it is possible to treat preferential-track proposal submission, proposal review and decision-making on a (quasi-)rolling basis.

25. As part of the light review process, an assessment of the level of technical change and financial increase in the preferential-track follow-on proposals can be made against a set of objective criteria to decide whether to trigger a heavier technical review.

26. It is possible to make the timing work to cater for the following sequence of events: a review close to the end of Phase 2 (likely about a year before), then submission of a preferential-track proposal and then, if needed, either eventual deferral of the proposal to the next round's proposal review process (in case a heavier review is required) or resubmission of an improved proposal to the next round should the initial follow-on proposal fail – all within a timing that avoids unnecessary discontinuation of funding and allows due consideration of sufficiently up-to-date performance data.

27. A high follow-on acceptance rate can reasonably be expected for high-performing grants, leading to greater predictability of outcome for the preferential track.

28. A lighter application process (i.e. lower transaction costs), a greater attractiveness of the available funding and a higher predictability of the outcome for preferential-track grants will encourage and enable their continuation of funding.

Implications

29. All the Scheme 1 implications apply to Scheme 2, with the following modifications or additions:

- a. A comprehensive and robust performance review will need to be instituted one year before the end of Phase 2 (i.e. at year 4 for five-year grants) which serves to determine the implementers' eligibility or not for the preferential track.²⁷ The specific modalities for this review will need to be defined (in particular during the course of policy discussions). Demonstration of impact (not just coverage) should likely be an important factor among others in this performance assessment.
- b. The activities and resources required for the pre-Phase-2-end review and for the preferential track proposal technical review and decision-making will have to be organized to fit a (quasi-)rolling basis schedule; in particular, a way will have to be devised to conduct the light technical review of preferential-track proposals on a timing separate from that of the rounds.
- c. A prioritization policy will need to be developed codifying how preferential-track follow-on funding is prioritized in cases of insufficient funding availability relative to other funding, particularly that of approved new proposals, standard-track follow-ons and Phase 2 renewals.²⁸

²⁷ Schemes 0 and 1 also require such a review. The difference here is the specific timing requirement (for the reasons discussed above) and the specific use that is made of the review outcome in determining eligibility for the preferential track.

²⁸ Scheme 2 makes no recommendations regarding the prioritization of preferential-track follow-on proposals relative to Phase 2 renewals since this is not fundamental to the model from a strategic perspective. It is proposed that discussion of this question be left to a later policy discussion, should this scheme be selected. (Assessing the possible priority of the preferential track relative to Phase 2 renewals would involve weighing a similar set of arguments to those discussed above – under the section "Assumptions inherent in Scheme 2" – against the legal commitment made at initial approval that Phase 2 would be funded in case of good performance.)

30. An effective but not overly burdensome way might be developed for follow-on (and particularly preferential-track) proposals to clearly demonstrate their need for follow-on financing at the time of application submission. (Also – though this is independent of this particular scheme – considerations of funding phase-out and exit strategy may also come into play. This question is briefly developed under the section on "additional possible variations of the schemes" below.)

31. For the purposes of determining (during the light proposal review process in the preferential track) when to activate a heavier technical review, a set of objective criteria based on a certain level of technical change and financial increase in the follow-on proposal will have to be developed.

32. For financial forecasting purposes, forward-looking estimates would have to be done of the anticipated total amount of the preferential track; these could be done in a similar way as is currently done with Phase 2 renewals.

33. Scheme 2 makes obvious some difficult moral debates that the Global Fund increasingly risks facing to the extent it continues to operate in the current situation of resource constraints.²⁹ Two such issues are discussed below. It should be kept in mind that these are not particular to this scheme – they are in fact also implicitly present in the others – but the two-channel architecture of Scheme 2 makes the issues all the more visible. The two issues are as follows:

- a. It might be hypothesized that any follow-on scheme that relies on performance³⁰ risks – in theory – being confronted with a situation where a significant proportion of high-performing grants are from countries with lesser relative needs compared to other funded countries. These would, according to the principle of funding following performance, attract higher priority funding than other grants, which would raise concerns about equity.
- b. In practice, however, assessment of performance as discussed above (taking into account country-appropriate targets and consideration of country situation) should prevent this from happening. A study of performance in fragile states has in fact shown that some of the weakest countries perform very well in this system;³¹

34. Further possible mitigating measures are possible and a few have already been mentioned above in the case of Scheme 2: a strong requirement that follow-on proposals clearly demonstrate continued need at the time of follow-on proposal review, and the possibility that grants determined at the time of follow-on proposal review to have lesser needs be subjected to a gradual funding phase-out or "ramp-down" (this is discussed below in the section entitled "additional possible variations of the schemes");

35. An additional option is that of a new filter that is based on needs, not on performance.³² The filter – defined by a Board-approved policy – would be applied (likely at the stage of follow-on proposal review) and could be used to determine, for example, whether follow-on funding would be on a phase-out schedule or limited. Such a needs-based filter is intrinsically related to the strategic issue of "funding the right things" that will be addressed later in the strategy development, and so further discussion of this is deferred to that issue.

²⁹ Resource constraint here is defined by insufficient funding available compared to the funding needs of technically sound proposals.

³⁰ This includes Schemes 0 and 1, where past performance information is used by the TRP.

³¹ The Global Fund. "Global Fund Investments in Fragile States: Early Results." (August 2005).

³² The filter could be specific to follow-ons and similar in spirit – though not necessarily in content – to the current country eligibility criteria.

36. As the Global Fund's portfolio matures and the number of follow-on grant applications rises compared to new applications, there is a risk that, in a situation of resource constraint, the value of approved follow-on proposals through the preferential track at some point reaches a size comparable to the total of the available resources.³³ At that stage, a difficult moral tradeoff will have to be made between either fully funding high-performing preferential-track follow-on proposals – and so closing or severely limiting the ability to fund sound proposals from the standard funding window – or rationing the high-performing follow-on proposals to keep the new window open in a significant way. When the funding gap is small, prioritizations schemes (e.g., based on non-performance criteria such as country income, disease burden, etc.) can help, but beyond a certain point – say when the funding gap is of the order of half the value of the preferential-track follow-on proposals – the dilemma becomes very hard to resolve, and there may well be strong moral and political pressure to close the new funding window, as undesirable as that is.

Scheme 3

Assumptions

37. Most of the Scheme 2 assumptions apply to version of Scheme 3 illustrated in Figure 3, given the similar “upstream” (up to approval stage) design of the schemes. In addition, the following additional assumptions are inherent in Scheme 3:

- a. Well-performing recipients can prepare robust long-term comprehensive programs that are costed and include clear targets and they can effectively implement against them.
- b. The Global Fund can adequately assess, manage disbursements and evaluate performance against such a program of work, and in particular ensure strong adherence to the principle of performance-based funding.
- c. There are ways – such as the two-window concept for government and non-government financing – to ensure that the programs submitted are fully inclusive of the different constituencies in country, and in particular do not fail to leverage the potential of non-government funding.

38. A long-term rolling program design, which gives recipients a reasonable expectation that the program will be renewed beyond the first half-term (subject to performance, need and technical merit), enables long-term continuity of funding.

39. In addition, such a design yields significant additional benefits such as: encouraging holistic, long-term national planning for each disease, which is compatible with the objective of alignment with country disease priorities; encouraging consolidation of grants for the same disease component, with attendant transaction costs reductions for recipients and the Global Fund; and creating, thanks to its attractiveness, a powerful positive incentive for low performers to aim for A-level performance.

40. While it would be desirable to develop a long-term rolling program design that is open to all recipients, not just to high performers, such a scheme may not be tenable over time: there would be grants that fail to attain or maintain the requisite performance standards and would likely require a different treatment. The proposed scheme of opening up access to programmatic funding only to recipients that have demonstrated consistently good performance, while keeping others on a rounds-based system is a good way to resolve this issue.

³³ The description here refers specifically to Scheme 2; but a similar dilemma exists for other schemes, when the value of technically sound follow-on proposals reaches the envelope of available funding and so threatens to “crowd out” new proposals.

Implications

41. The specific details of timing and process for preferential-track proposal submission and review will need to be designed; these will likely be determined largely based on practical considerations (such the time and human resource availability constraints arising from the need for a solid technical review of long-term programs).

42. An optimal duration for the program term would have to be decided, that is manageable (for planning and funding purposes) and also gives the benefits of the long-term nature of this scheme.³⁴

43. Grant management processes may need to be reviewed or adapted to deal with the increase in average grant size arising from this scheme.

44. A robust performance review of the program will have to be instituted at the end of the half-term period. Additional measures (such as a review part-way through the half-term) may be considered that help ensure adherence with performance-based funding.

45. Consideration will have to be given to the merits of a two-windows scheme, allowing separate program windows for the funding of government and non-government implementers.

46. With respect to the Comprehensive Funding Policy (CFP), the following ways of releasing funding could be considered:

- a. If the half term of the program is less than or equal to three years, the funding could be committed as done currently under the CFP.
- b. If the half term is greater than three years, funding could be committed in multiple (likely two) tranches of less than three years each, with the disbursement of the second tranche subject only to the availability of funds.
- c. Changing the CFP could also be considered, to modify the conditions under which funding can be committed (e.g. removing the requirement that the full committed amount needs to be on hand in the trustee account).

³⁴ It would be possible, where necessary for Comprehensive Funding Policy purposes, to commit funding for a program half-term exceeding 3 years in two separate tranches, with the second tranche subject only to availability of funds.

ANNEX 3

Assessment of the Current Scheme For Termination of Funding After the End Of Phase 2

1. **Fulfillment of the Global Fund's ethical obligations based on existing funding commitments:** At a high-level, the existing policy meets this priority objective by providing for the temporary continuation of treatment for individuals funded within current programs for a maximum period that amply allows alternative arrangements to be made. However, one detail in the current policy's wording may however restrict the scope of its applicability: Whereas the policy's introduction talks about "need to provide funding for the continuation of treatment in grants where funding ends," its paragraph (ii) refers to "the continuation of treatment [...] for those people already placed on life-long treatment". This may therefore exclude cases where treatment is not life-long, but where there are significant public health consequences to abruptly interrupting treatment – such as in the case of medication for multi-drug resistant tuberculosis. Simple removal of the term "life-long" in the current wording, as suggested below, would help remedy this issue;

2. **Encouragement of sustainability beyond the end of the funding period:** The current scheme provides temporary support for eligible grants with a treatment component as they seek longer-term sustainable funding. In terms of actively encouraging the planning for continued funding beyond the end of Global Fund financing, the scheme does also specify that "the Extraordinary Request shall contain a description of the steps that are being taken to find sustainable sources of financing for the people on treatment." But there is no encouragement to consider sustainability earlier than once the termination has been decided, which in the cases of anticipated termination fails to take into account the ample time CCMs and PRs had in advance of the termination date. (The operational measure proposed below aims to address this for instances of anticipated termination by ensuring that sustainability becomes an explicit consideration in the last 18 months of a grant's funding period.)

3. **Consistency with the Global Fund principle of local ownership:** The existing policy allows minimal country-level prior planning and mitigation for termination, which is reasonable in cases of unanticipated termination but, in the case of anticipated termination, may be overly forgiving of CCMs shirking their essential oversight and management responsibilities;

4. **Global Fund operational and financial feasibility:** The continuity of services policy has yet to be tested operationally (there has at this stage been no case where the policy has been invoked) but it is anticipated that it should not cause any significant administrative burden on the Global Fund.

5. The current scheme is not expected to impose an excessive financial burden on the Global Fund for a number of reasons:

- a. No money is committed by the Global Fund until the policy is successfully invoked;
- b. Cases where the policy may need to be invoked are expected to be rare; this is likely to be all the more the case if an improved continuation of funding scheme were introduced – particularly by being more proactive about continuation of funding and by making continuation of funding easier for grants that are performing well. In addition, more can potentially be done to further reduce situations where the policy needs to be invoked (an operational measure is in fact proposed below to this effect);
- c. Any funding that may need to be committed by the Global Fund is limited in time to a maximum of two years, and limited in scope to just continuation of treatment and directly related services (other parts of the grant are not covered);
- d. In the event that grants reaching the end of their term have money left over that has not been spent, the current continuation of services policy enables that money to be used toward the treatment continuity costs before the Global Fund needs to commit additional funding;

- e. Costs may be quite limited if the policy were invoked in the case of non-renewal due to poor performance of a grant; this is because it is unlikely that many people would currently be on treatment in such a situation. That leaves only the case of relatively well-performing grants, which are exactly those for which termination of funding (e.g., due to a funding interruption until a new proposal is accepted) is anticipated and so can be proactively pre-empted and mitigated, as discussed above.
- f. In terms of viability of the scheme under resource constraints, the prioritization in the current scheme – which put requests for funding for continuity of services (regardless of the reasons for termination) on par with Phase 2 renewals – may need to be reexamined in a policy discussion depending on the outcome of the continuation of funding discussion. (In particular, a funding prioritization that puts continued funding to terminated programs ahead of continuation beyond the end of Phase 2 may risk funding poorly-performing treatment programs over continuing high-performing treatment programs).

6. **Consistency with the principle of performance-based funding:** The continuity of services policy is in tension with the Global Fund's performance-based funding approach, because it does not tie disbursement of resources to performance at all, but is rather based simply on ethical and moral obligations. In part, this is inescapable. But, as mentioned above, the policy's ranking in the overall funding prioritization hierarchy in case of resource constraint may need to be reexamined to ensure that the policy does not threaten the continuation of existing high-performing grants. Furthermore, safeguards to ensure that the additional funding is used for its specifically-designed ends may be helpful.

Operational Measure for Termination of Funding: Instituting a Systematic and Proactive Termination Process for Grants Reaching the Anticipated End of Phase 2 Funding

Description of operational measure

1. Currently, the proposal form asks CCMs to “describe how the activities initiated and/or expanded by this proposal will be sustained at the end of the Global Fund grant period,³⁵ but this information is not currently systematically re-examined once grants start to approach their end dates.
2. The operational measure aims to address sustainability concerns more systematically and more pre-emptively, especially in the cases of anticipated termination. It has two components:
 - a. First, CCMs would be required to develop a plan outlining how all Global Fund-funded interventions and program activities in the grant would continue if funding stopped at the end of Phase 2. The underlying assumption is that the process of developing a sustainability plan will encourage CCMs and PRs to face the possibility of funding termination and initiate mitigating actions, such as looking for alternate sources of funding either by reallocating domestic resources, through other donors or the Global Fund. The plan would need to be submitted 18 months prior to the planned Phase 2 end date. The plan would need to contain:
 1. A description of potential alternate sources of funding for current activities (which could include, among others, a successful continued funding application to the Global Fund);
 2. A proposed prioritization of the currently-funded program activities and interventions that identifies which – and in what order – would be continued in case sufficient funding to continue the entire grant is not found.
 - b. Second, for grants where continued funding has not yet been secured approximately 3-4 months prior to the Phase 2 end date, the Fund Portfolio Manager would convene an “exit meeting” with the CCM, PR, and key country level partners to discuss concrete next steps for identifying and accessing alternate funding, ensuring continuation of service delivery, and operational and logistical details brought up by the closing-out of Global Fund support. For grants with an ART component, this meeting would for example ensure that the appropriate links with the UNAIDS-led effort to procure universal access are made.
3. For anticipated terminations, the measure would apply as above.
4. For cases of unanticipated termination, the measure would simply consist of the exit meeting, which would then be convened as quickly as practically possible after the termination has been decided.

³⁵ Round 5 Proposal Form, Question 4.4.2. A similar question is planned to be included in the Round 6 proposal.

Proposed Modifications to the Current Continuity of Services Policy

The current continuity of services policy is as follows:

The Board recognizes that in exceptional circumstances there may be a need to provide funding for the continuation of treatment in grants where funding ends (whether due to termination, a decision not to provide Phase 2 funding, or a grant reaching the end of its term). The Board recognizes that discussions on whether and how to provide continued funding for treatment will be part of the strategy process. To address exceptional cases that may arise before a comprehensive approach to the issue has been decided, however, the Board replaces the decision at the Ninth Board Meeting on continuity of services (GF/B10/2, Decision Points: Continuity of Services, Decision Point 1) with the following:

The Board adopts the following system for addressing continuity of services:

1. A recipient (typically a CCM, or, if appropriate, in the case of a non-CCM proposal, the grant applicant) whose funding has ended, has been terminated or is less than four months from the end of its term may submit an Extraordinary Request for Continued Funding for Treatment.
2. The Extraordinary Request will be limited to expenses directly related to the continuation of treatment (including medicines [which, in the case of discontinuation of antiretroviral therapy, includes drugs for HIV-related opportunistic infections], diagnostics, and, as appropriate, costs for medical staff and other personnel directly involved in care of the patients on treatment) for those people already placed on life-long treatment under the existing proposal at the time of the Extraordinary Request.
3. The Extraordinary Request will be limited to the amount required to provide services directly related to the continuation of treatment for up to two years (taking into account any amount which remains available under the existing grant).
4. The Extraordinary Request shall contain a description of the steps that are being taken to find sustainable sources of financing for the people on treatment, and to ensure that treatment is being delivered effectively. To be eligible for funding under this provision the CCM (or, in the case of non-CCM proposals, the grant applicant) shall demonstrate that it has used its best efforts to identify other sources of funding to provide continuity of services but has been unsuccessful.
5. The Secretariat will review the Extraordinary Request, and provide a funding recommendation to the Board for its approval. The Secretariat will address performance issues as appropriate, and shall make any adjustments to existing implementation arrangements necessary to ensure the effective use of grant funds.
6. Throughout the process, the Secretariat will actively engage with technical partners to identify mechanisms to ensure continuity of services.
7. In a resource-constrained environment, Extraordinary Requests for Continued Funding for Treatment shall be treated the same as Phase 2 renewals for the purpose of the decision on prioritization set out in GF/B9/2 page 9, Decision Point 2. This decision shall expire at the first Board meeting of 2007 unless renewed.

In addition, a few small but important changes should be made to the policy:

1. The current policy should be re-written to cover only cases of unanticipated termination (e.g., at the point of Phase 2 renewal and during the course – rather than at the end – of a funding phase, such as Phase 1 or Phase 2);
2. The words “life-long” in the current reference to “life-long treatment” should be replaced by “course of treatment” (as proposed in the draft decision point to the 13th Board meeting to modify the current, temporary policy) to recognize that any type of continuing treatment should be covered under the policy (e.g., for tuberculosis, especially multi-drug resistant tuberculosis); this seems to be consistent with the initial intent of the policy that people not be taken off treatment as a result of termination of Global Fund financing;
3. The relative funding prioritization of the temporary financing under the continuity of services policy should be reexamined at the appropriate juncture, particularly once a strategy decision has been made about the choice of a continuity of funding scheme and policy discussions are subsequently being held about funding prioritization of follow-on proposals and to take into account the selected anticipated termination scheme;
4. In addition, to reflect the operational measure proposed above, the requirement in the policy that “the CCM shall demonstrate that it has used its best efforts to identify other sources of funding to provide continuity of services” might be linked to having previously submitted the sustainability plan and conducted the exit meetings required in the operational measure. This would ensure that alternative sources have been fully and pre-emptively explored;
5. The reference to the policy expiring should be struck out to make the policy permanent.