



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

Report of the Portfolio Committee

*Fourteenth Board Meeting
Guatemala City, 31 October – 3 November 2006*

- Phase 2 Decision-Making Policies & Procedures
- South Africa (Western Cape) Phase 2 Request
- Earlier Initiation of TRP Clarifications & LFA Assessments
- Round 6 Update
- Eligibility Criteria for Upper-middle income countries
- Funding for the Green Light Committee
- Implementation of the Quality Assurance Policy
- CCM Compliance
- Grant Consolidation & Beyond Phase 2
- LFA Issues

Issues for decision

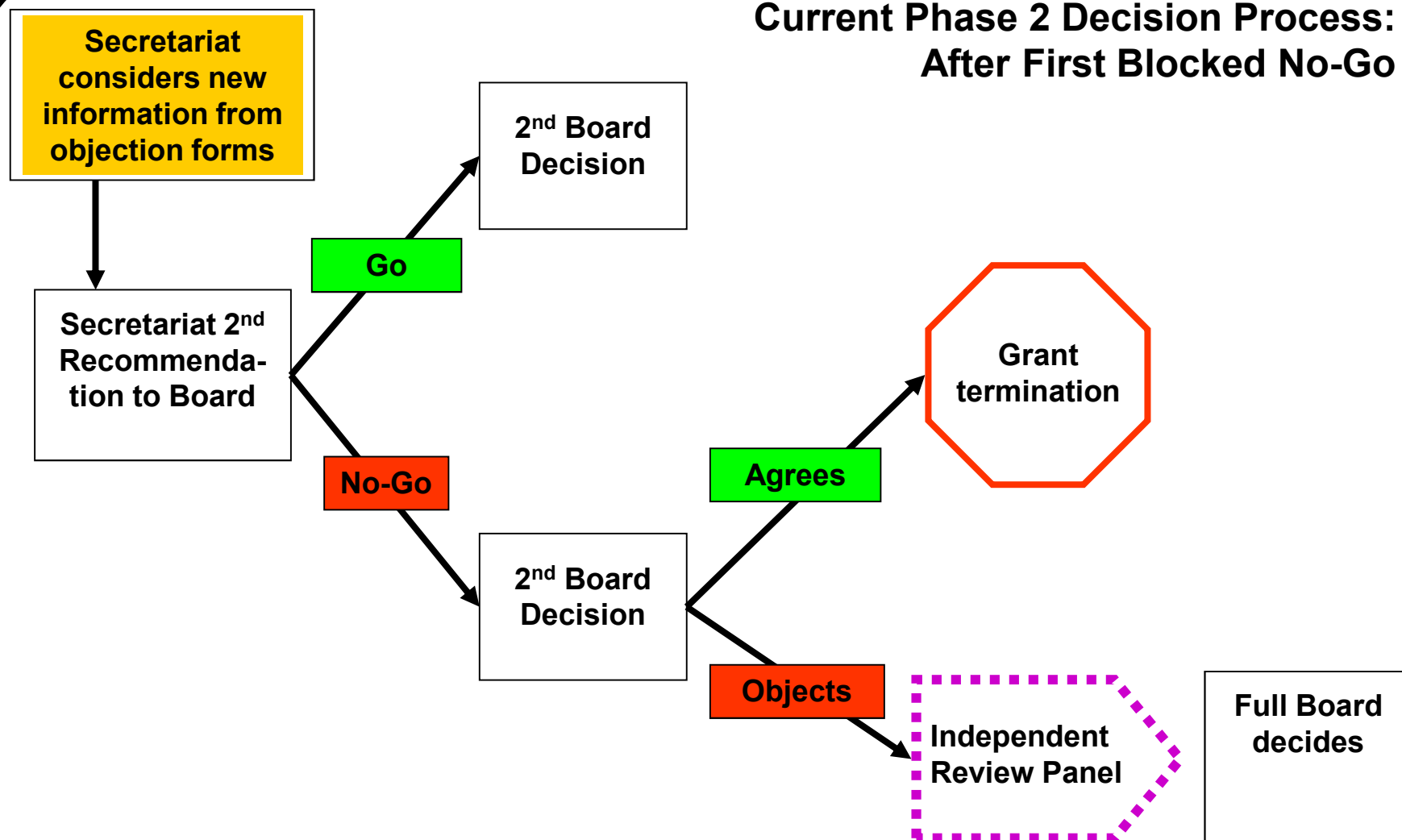
- Phase 2 Decision-Making Policies & Procedures – ***Decision***
- South Africa Round 3 Western Cape HIV/AIDS Phase 2 Request – ***Decision***
- Earlier Initiation of TRP Clarifications & LFA Assessments - ***Discussion & possible decision***

Phase 2 Decision-Making Policies & Procedures



- At its 13th meeting the Board requested the PC to:
 - Review the Phase 2 Decision Making Policies and Procedures; and
 - Develop recommendations for consideration at the 14th Board Meeting.
- The PC recommends two amendments to current Phase 2 policies and procedures to streamline the process:
 - Removal of the second loop of Board review of No Go decisions
 - Beginning the review process 2-3 months later to enable review of results from month 18

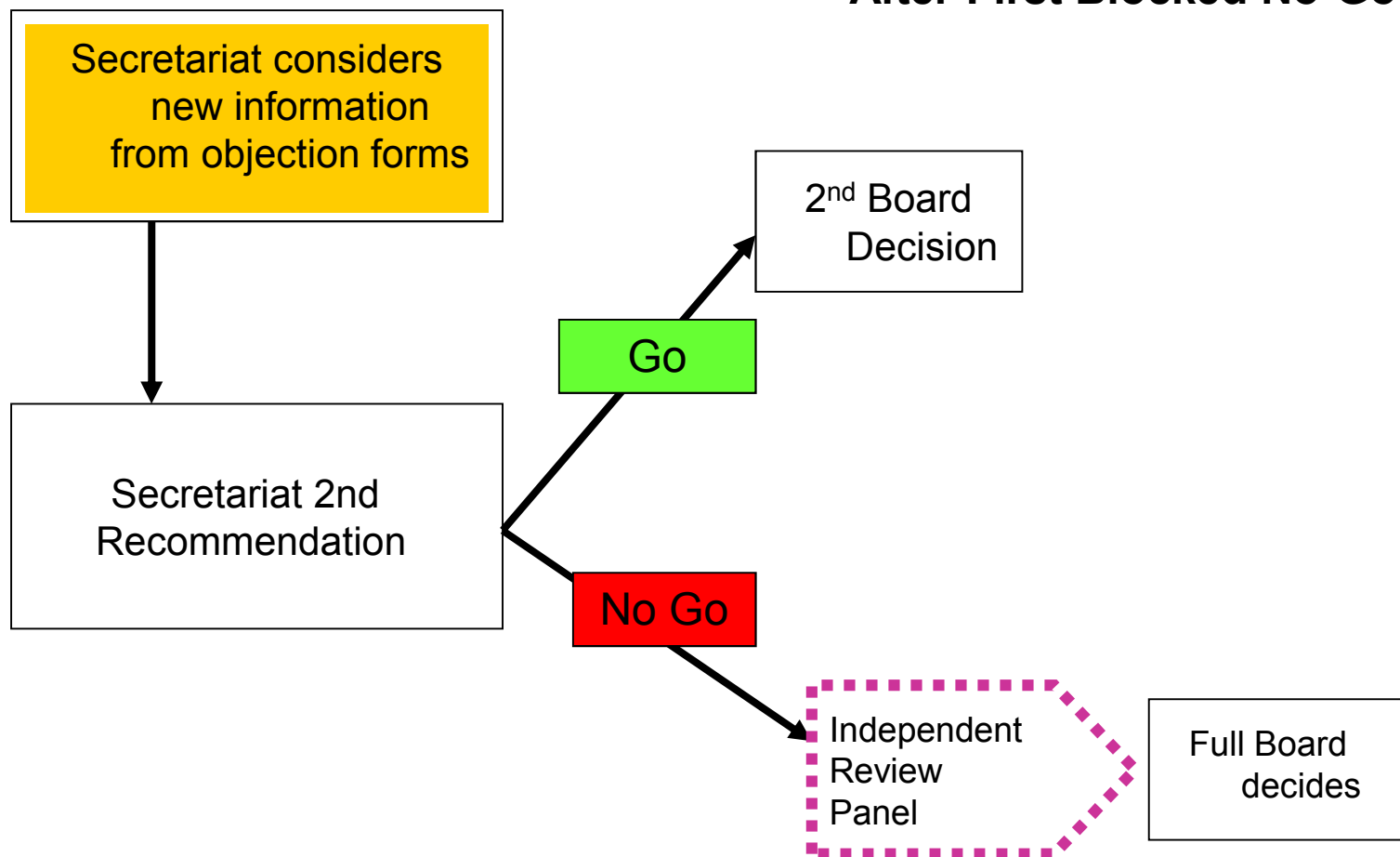
Streamlining Phase 2 process – removing Board's second review



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Streamlining Phase 2 process - removing Board's second review

Proposed Phase 2 Decision Process: After First Blocked No-Go



Streamlining Phase 2 process – removing Board's second review

- Removing the Board's second No-Go review loop would:
 - Save time
 - Reduce transaction costs for recipients, the Secretariat and the Board
 - Not detract from the review process
- Amend **paragraph 10** of the Phase 2 Decision-Making Policies and Procedures

Streamlining Phase 2 process – Deferring review

- The PC recommends deferring Phase 2 review process by up to 3 months:
 - Currently Phase 2 Requests are submitted with results from month 15 – this is too early to judge performance of a 24-month grant
 - Results from 18 months could then be considered
 - Some CCMs are able to provide more recent data (i.e. month 17) resulting in inequity between reviews
 - Grants are increasingly reporting on a 6-monthly cycle – month 15 is not in their regular reporting cycle
 - Deferring the process will lead to better decisions

Streamlining Phase 2 process – Deferring review

- Deferral of the review process would delay grant signing
 - This may affect the cash flow of the PR
 - Many grants could use residual Phase 1 money
 - Some grants may need to borrow against unapproved Phase 2 funds - financial risk is minimal
 - PRs may require a 3-month grant extension and funds for the first quarter of the third year where necessary

Streamlining Phase 2 process – Deferring review

- The PC recommends:
 - Phase 2 review be deferred by up to 3 months to enable consideration of data from month 18 (Quarter 6)
 - Extension of the Phase 1 grant term by 3 months with additional funding for the period, if necessary
- **New paragraph 6** of the Phase 2 Decision-Making Policies and Procedures would reflect these changes

Phase 2 Decision-Making Policies & Procedures



- The PC recommends a number of friendly amendments to the language of the Phase 2 policies & procedures to correct language and reflect the original intent of the Board:
 - Application of Bridge Funding Policy for Revised Gos (original intent)
 - Language for double-blocked Go/Conditional Go decisions (drafting error)
 - Language for TRP to report back to the Board on Revised Go cases (drafting error)
 - Corrections to paragraph 1, paragraph 3 & paragraph 9

Decision Point - Phase 2 Decision-Making Policies and Procedures

- a) ***The Board approves the document entitled “Phase 2 Decision-Making Policies and Procedures” included as Annex 3b to the Report of the Portfolio Committee (GF/B14/8) and revokes the previous version of this document approved at the Twelfth Board Meeting.***
- b) ***The Board revokes Point 1 of the decision approved at the Tenth Board Meeting entitled “Phase 2 Decisions Process” (GF/B11/2, p. 21).***
- c) ***The Board replaces Point 2 of the decision approved at the Twelfth Board Meeting entitled “Extension of Proposal Completion Dates” (GF/B13/2, p. 27) with the following decision:***

The Board decides that in circumstances where the term of a Phase 1 Grant Agreement has been extended in accordance with paragraph 7 of the Phase 2 Decision-Making Policies and Procedures attached as Annex 3b to the Report of the Portfolio Committee (GF/B14/8) (a “Phase 1 Extension”), the Secretariat may extend the Phase 2 term of Grant Agreements by up to an equal length of time as the Phase 1 Extension without committing any additional funding.

Phase 2 Decision-Making Policies & Procedures



- The Portfolio Committee will continue discussions on further improvements to Phase 2 policies and procedures and bring them back to the Board.
 - The Portfolio Committee welcomes any suggestions

South Africa Round 3 Western Cape HIV/AIDS Phase 2 Request



- The PC was requested to review the specific circumstances of a Phase 2 Request from South Africa Western Cape for a 4-year term
- Performance of the grant is excellent
- The Phase 2 request incorporates an innovative approach to sustainability

South Africa Round 3 Western Cape HIV/AIDS Phase 2 Request



- The PC recommends for ***decision*** at the 14th Board Meeting approval of the particular request of Western Cape, on an exceptional basis subject to conditions and recognizing the following:
 - The commitment of the Govt of South Africa to achieve sustainability of the HIV/AIDS program by the end of Phase 2
 - The Govt of South Africa is to provide continuing funding over the next 4 years
 - The CCM commits to achieving or exceeding original targets of 5 years and increased targets for 6th year without additional funding

Decision Point - South Africa Round 3

Western Cape HIV/AIDS Phase 2 Request



The Board recognizes the importance of encouraging countries to actively seek innovative sustainability strategies.

In this context, the Board notes:

- a) the commitment of the Government of South Africa to achieve sustainability of the HIV/AIDS program entitled “Strengthening and Expanding the Western Cape HIV/AIDS prevention, treatment and care programs” (the “Program”) by the end of the Phase 2 term, therefore not requiring further Global Fund support for these activities beyond the next four years;***
- (b) the Program is performing well and is A-rated;***
- (c) the CCM of South Africa and the Principal Recipient of the grant have committed to achieving or exceeding the targets in the proposal within the originally contemplated five-year term and to appropriate increased targets for the sixth year; and***
- (d) the CCM of South Africa has not requested additional funding for Phase 2 of the grant beyond that requested in the proposal.***

Decision Point - South Africa Round 3 Western Cape HIV/AIDS Phase 2 Request *cont.*



Therefore, the Board authorizes the Secretariat, on an exceptional basis and without setting a precedent, to consider the Request for Continued Funding submitted by the CCM of South Africa for the Round 3 South Africa grant for the Program (Grant Number SAF-304-G04-H) which anticipates a 4-year Phase 2 term. The Board requests the Secretariat to provide by 1 December 2006 a recommendation for continued funding for this grant. Such recommendation shall include a condition for continued funding that the Government of South Africa makes significant counterpart financing contributions to the Program over the next four years.

Earlier Initiation of TRP Clarifications & LFA Assessments



- ***Decision of 13th Board Meeting:*** PC to develop conditions for the earlier initiation of TRP Clarifications & LFA Assessments
- PC deliberated the following concerns extensively:
 - Time savings are 3-4 weeks rather than 6-10 weeks
 - Providing notice to a select group of applicants only may contravene principles of transparency and equity
 - The TRP opposes any early initiation fearing that its role as a recommending body will be undermined and that lobbying of TRP members and Board members may increase
- The PC concluded that the issue be discussed again at the Board in light of concerns raised.
- Proceed or not proceed?

Decision Point - Earlier Initiation of TRP Clarifications & LFA Assessments

The Board approves the earlier commencement of the Technical Review Panel (TRP) clarifications and the Local Fund Agent (LFA) assessment processes to be implemented as follows:

- a) *Not later than four weeks after the close of the relevant TRP meeting, the Secretariat shall provide to each of the eligible applicants whose proposal was reviewed by the TRP, notice of the provisional recommendations of the TRP regarding the applicant's proposal. Such notice shall include a clear statement that the notice does not represent approval of funding by the Board or any commitment by the Board to fund that component.*
- b) *For proposal components that the TRP has recommended as Category 1, 2 or 2B, the Secretariat shall include with the notice a copy of the TRP Review Form for the component in order to allow applicants to commence the clarification process as soon as possible.*
- c) *The Secretariat shall initiate LFA assessments of Principal Recipients nominated in Category 1, 2 or 2B proposals as soon as commercially possible after the notice has been sent to the applicants.*

Other issues discussed

- Update on Round 6
- Eligibility Criteria for Upper-middle income countries
- Funding for the Green Light Committee
- Implementation of the Quality Assurance Policy
- CCM Compliance
- Grant Consolidation & Beyond Phase 2
- LFA Issues

Update on Round 6

- Issues raised by the Portfolio Committee:
 - Correlation between poorly performing grants, low income countries and unsuccessful proposals;
 - Variance in quality of technical assistance
 - CCM compliance
 - Involvement of civil society sector
 - Harmonization & alignment of CCMs with national bodies
- Portfolio Committee requested the Secretariat to complete an analysis of Round 6 proposals on trends as compared to previous rounds and lessons learned and report back to the PC at its next meeting in March 2007

Eligibility criteria for Upper-middle income countries

- ***Decision of 13th Board Meeting:*** PC requested to review eligibility criteria for Upper-middle income countries for Round 7 and provide recommendations at the 14th Board Meeting
- Sub Working Group on Eligibility addressed concerns raised by the Board at its 13th meeting:
 - Definition of vulnerable groups
 - Costing
 - Criteria needs to be comprehensive to cover three diseases

Eligibility criteria for Upper-middle income countries

- The PC recommended that the Sub Working Group on Eligibility continue its efforts:
 - Solicit technical information from WHO/UNAIDS on definitions of vulnerable groups and costs of interventions for each of the three diseases
 - Review the comparative advantage of the Global Fund financing such interventions
 - Consider other possible criteria for ‘populations’
- The sub working group will develop recommendations for the PC at its 6th meeting for **decision** at the 15th Board Meeting

Funding for the Green Light Committee

- ***Decision of 13th Board Meeting:*** Costs for GLC services are to be borne in part by recipients on a cost-sharing basis at a flat rate with an upper-ceiling of US\$ 50,000 per grant per year
- Implementation is to ensure:
 - Funding to GLC is additional to funding from other donors
 - Transaction costs for Principal Recipients and the Secretariat are minimized
 - Some level of certainty of funding is provided by the Global Fund to the GLC

Funding for the Green Light Committee

- Implementation according to three categories:

Round 6 grants & beyond	Applicants submitting a request for Phase 2 after 1 January 2007	Round 1 – 5 grants with Phase 2 request submitted end-2006
<ul style="list-style-type: none"> • Grant recipients will be required to include US\$ 50,000 in annual budgets • Specified in Round 6 Guidelines 	<ul style="list-style-type: none"> • Grant recipients must include US\$ 50,000 in annual budgets • Specified in letter inviting CCM to request Phase 2 • A lesser amount will be required if result is major reprogramming 	<ul style="list-style-type: none"> • 'Backfitting' would require major renegotiation & reprogramming of existing budgets and work plans • Transaction costs for Secretariat & PRs would be high

Funding for the Green Light Committee



- The PC endorsed the interpretation of the Secretariat of the decision point to incorporate costs for GLC services at a rate of US \$50,000 per grant per year:
 - Round 6 grants & beyond
 - Grants where Phase 2 submission after 1 January 2007
- The PC will ask the Chair of the Board to write to the Stop TB Partnership to engage in fundraising to cover US \$2.5 million which would have come from 'back-fitting' costs into grants of Rounds 1 - 5

Quality Assurance Policy

- ***Decision of 10th Board Meeting:*** Board approved an amended Quality Assurance Policy for single and limited-source pharmaceuticals
- Key steps undertaken by the Secretariat:
 - A Quality Control Agent has been contracted to conduct random quality analysis of pharmaceuticals procured under new option (c)
 - Tools and processes have been developed to support implementation of the policy including the publication of a Global Fund Compliance List, development of a database to track notices from PRs intending to procure under new option (c) and training of PRs

Implementation of the Quality Assurance Policy

- The PC raised concern with cases of non-compliance and requested the Secretariat to:
 - Analyze cases of non-compliance (countries & medicines purchased)
 - Develop a policy outlining consequences where countries are non-compliant
 - Report back to the PC at its 6th meeting
- The PC noted the need to link with the PSC to ensure cross-fertilization of discussions on pricing of health products

- ***Decision of 9th Board Meeting:*** Six requirements adopted for CCMs to fulfill to be eligible for future funding
- Secretariat undertook an analysis of CCM compliance for Round 5 & Phase 2 reviews in August 2006
- Key findings:
 - Six requirements operationalize the Global Fund’s founding principles; have contributed to the positive reform of CCM composition, inclusiveness & transparency; have brought about a “social transformation in health”
 - Need for flexibility to consider country contexts, particularly with regard to documentation
 - Unexpected & high transaction costs have led to delays in grant signings and Phase 2 reviews

- The PC recommended that the Secretariat:
 - Continue supporting CCMs with the implementation of CCM requirements beyond documentation
 - Look at further alignment & harmonization of CCMs with national bodies
 - Continue supporting partners involvement in CCMs
 - Share best practices amongst all stakeholders

- PC raised the following concerns with the recommended *Decision Point* of the PSC on the grant consolidation pilot project:
 - Timeframe is currently lengthy
 - Proposed budget is high
- The PC recommended that the Secretariat:
 - Accelerate implementation to reduce costs
 - Save time
- The Secretariat revised the timeframe & budget as reflected in the PSC Report to the Board Meeting

- The PC raised concerns about the potential overlaps and gaps of 4 evaluations/audits being undertaken currently on various aspects of LFA model
- The PC therefore requests the Secretariat to undertake a mapping exercise (matrix) of the 4 evaluations:
 - Outlining issues being addressed by each evaluation
 - Identifying key gaps/questions which are not being addressed
- The PC requests the Secretariat:
 - To publicize the matrix on the web enabling countries to provide input to the parties undertaking the exercise – *and*
 - Report outcomes of the evaluations to the PC at its 6th meeting