



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

**Sixteenth Board Meeting
Kunming, China, 12 – 13 November 2007**

**GF/B16/7
Revision 1
Decision**

REPORT OF THE PORTFOLIO COMMITTEE

OUTLINE:

1. This report summarizes the deliberations of the Portfolio Committee (PC) at its meeting on 17-19 September 2007 and its recommendations to the Sixteenth Board Meeting. A table detailing background information to the decision points recommended to the Board and issues discussed at the 8th PC Meeting is adjoined to this report.
2. This report also summarizes the deliberations of the PC at its extraordinary meeting on 11 November 2007 in Kunming, China and the PC's recommendation (in Part 6) for an Interim Quality Assurance Policy on Multi-Source Products.

PART 1: INTRODUCTION

1. The Portfolio Committee (PC) met from 17-19 September 2007 in Geneva with Ms. K. Sujatha Rao and Dr. Joseph Andre Tiendrebeogo as Chair and Vice Chair respectively. A table, detailing where background information to the decision points and issues discussed at the 8th PC may be found, is adjoined to this report.
2. This report contains the following sections:
 - Part 2: Strengthening the Role of Civil Society and Private Sector and CCM Funding
 - Part 3: Income Level and Cost-Sharing Eligibility Criteria
 - Part 4: Flexibility in Phase 2 Timing
 - Part 5: Delegated Authority for the PC to Approve Guidelines and Proposal Forms
 - Part 6: Interim Quality Assurance Policy – Multi Source Products
 - Part 7: Information Items

PART 2: STRENGTHENING THE ROLE OF CIVIL SOCIETY AND PRIVATE SECTOR AND CCM FUNDING **Decision**

Decision Point 1: See GF/B16/7 Annex 1.

1. As part of the follow up to GF/B15/DP14 (“Strengthening the Role of Civil Society and the Private Sector in the Global Fund’s Work”) the Secretariat presented its proposal on changes to the CCM Guidelines as follows:

- i. *Representation of Vulnerable Groups*: The PC agreed to the Secretariat’s proposal to adopt UNAIDS’ definition of “key affected populations”. This amends paragraph 10 and 11 of the CCM Guidelines.
- ii. *Guidance to CCMs on Types of Civil Society and Private Sector Representatives*: The PC recommended changes to the Secretariat’s proposal specifically with respect to the categories entitled “women’s organizations” and “children and young people”. The amended guidance will now be included as an Annex to the CCM Guidelines.
- iii. *Simplify Access to Funding for CCMs*: The PC also approved the Secretariat’s proposed new CCM funding policy with the following features: i) elimination of the two-year CCM funding ceiling; ii) creation of a separate line item in the Secretariat budget for CCM funding (ie: funding will no longer come from Board-approved grant funds); iii) creation of a streamlined application process through a central CCM group in the Secretariat instead of directly through each Cluster Team; and iv) setting an approximate ceiling amount of funding for each CCM. CCM funding will continue to be restricted to administrative activities. However, allowances will be made with respect to special needs, such as for Regional CCMs with higher transaction costs. These changes are captured in the CCM Guidelines with the deletion of paragraph 24 and inclusion of a new section entitled “CCM Funding Policy” (from new paragraph 24 onwards).

2. The PC engaged in extensive discussion about whether civil society and private sector representation on CCMs should continue to be voluntary and whether such representation should become a requirement and specified as such as part of the CCM Guidelines.

3. In addition, the proposed approach to CCM funding, while approved, also elicited extensive discussions around the nature of CCM activities and the need to calibrate funding according to function and not to limit CCM functions based on what may appear to be arbitrary funding

ceilings. There was also discussion about allowing funding for capacity building activities to strengthen the role of the CCMs in general and civil society in particular. In this respect, the PC requested the Secretariat to identify future alternative models of CCM funding taking into consideration (i) the intended purpose and role of CCMs, (ii) differing country contexts, (iii) the need for meaningful participation by civil society representatives (iv) the need to strengthen and support the capacity and resources of CCMs to conduct grant oversight and (v) harmonization with other national bodies. If appropriate based on the outcome of this work, the Portfolio Committee may recommend modifications to the Global Fund's CCM funding policy. If a Board decision is required, it will be submitted no later than to the Eighteenth Board Meeting (November 2008).

4. The PC requested the Secretariat to further explore these issues and to report to the PC. The PC may submit a Decision Point addressing these issues at the Eighteenth Board Meeting. **Decision Point 1** sets out the recommendations of the PC (including approval of the revised CCM Guidelines as set out in Attachment 1, Section 1 of GF/B16/7) and the proposed next steps.

PART 3: INCOME LEVEL AND COST-SHARING ELIGIBILITY CRITERIA

Decision

Decision Point 2: "Income level and Cost Sharing Eligibility Criteria for Proposals for Funding from the Global Fund"

The Board decides to revise the current eligibility criteria for proposals for funding and approves the income level and cost-sharing eligibility criteria for Global Fund funding as set out in Attachment 1, Section 2 of GF/B16/7. The Board delegates to the Portfolio Committee the responsibility to oversee the implementation of the Income Level and Cost-Sharing Eligibility Criteria and to make decisions to facilitate such implementation within the parameters of the policy. The Board further requests technical partners to work with the PC to review how the availability of data for concentrated epidemics in HIV/AIDS will impact access to Global Fund financing.

The Board decides to review the Income Level and Cost-Sharing Criteria in three years' time.

This decision does not have material budgetary implications.

1. As follow-up to GF/B15/DP35 ("High Level Principles on Upper Middle Income Economy Eligibility for HIV/AIDS Proposals"), the Secretariat presented the outcome and recommendations emanating from a review of its "counterpart financing" policy, carried out by Dr. Inder Sud, a senior independent consultant with extensive expertise in this area. The PC welcomed the proposal for the Global Fund to move closer to existing best practice of "cost-sharing" based on maximum ceilings for each income category.

2. The Secretariat presented the consolidated income level and cost-sharing eligibility criteria, building on the high level principles approved at the Fifteenth Board Meeting, with three additional features: i) providing a grace period of one year for countries that move up from one income category to the next, ii) placing a 10 percent cap on Global Fund financing to upper-middle income countries and iii) reviewing the entire policy in three years. The PC agreed to the consolidated recommendation with some reservations about the 10 percent ceiling. While some constituencies believed this to be an appropriate cap, others felt it to be too high, and some advocated no cap at all. The Secretariat provided analysis that funding to UMIs from Round 3 -

Round 6 shows that that upper-middle income countries received between 0.3 percent and 4.9 percent of the total funding available in each round and that a major change in this trend is not anticipated. An agreement was reached for retaining the 10 percent cap in order to allow for the possibility for countries with a very high disease burden – such as South Africa – to apply for and receive a large proposal in the future. The PC also agreed that it would closely monitor the 10% cap on an ongoing basis. The main concern by a number of constituencies was to ensure that the poverty focus of Global Fund financing is not eroded and to ensure that upper-middle income countries take responsibility for funding their national HIV/AIDS programs rather than relying on Global Fund financing.

3. The entirety of the income level and cost-sharing eligibility criteria are included in Attachment 1, Section 2 of GF/B16/07 to be approved under **Decision Point 2**. Attachment 1, Section 2 includes all elements of past Board Decisions on this matter, including the new aspects as highlighted in this report.

PART 4: FLEXIBILITY IN PHASE 2 TIMING

Decision

Decision Point 3: “Flexibility in Phase 2 Timing”

The Board decides to amend the Phase 2 Decision Making Policies and Procedures by adding a new paragraph 19 to the Phase 2 Decision-Making Policy and Procedures as set out in Attachment 1, Section 3 of GF/B16/7.

This decision does not have material budgetary implications.

1. As follow-up to GF/B15/DP8 (“Use of Existing Flexibilities and Flexibility in Phase 2 Timing Reviews”), the Secretariat presented its proposal to allow greater flexibilities with respect to the Phase 2 review in order to enable greater alignment with national cycles and harmonization with other donor evaluation efforts. Specifically, such a situation is likely to arise when: i) Global Fund financing contributes to a national or multi-donor funded program where the monitoring and evaluation, and reporting cycle, is fixed; and ii) the reporting schedule is the national reporting schedule or donors (and others) contributing to the program have committed to a harmonized reporting schedule which cannot be easily synchronized with the normal Global Fund Phase 2 review timeframe, and iii) separate reporting timelines for Global Fund purposes would be necessary. The PC agreed to the Secretariat’s proposed conditions for granting additional flexibilities, and recommended that the Secretariat be authorized to provide grant extensions and bridge funding within defined parameters where necessary rather than requiring Board approval on each occasion. The Secretariat is requested to periodically report on approval of bridge funding under this decision to the PC. The policy for Phase 2 flexibility to ensure greater alignment is set out as new paragraph 19 to the Phase 2 Policies and Procedures in Attachment 1, Section 3 to be approved under **Decision Point 3**.

PART 5: DELEGATED AUTHORITY FOR PC TO APPROVE GUIDELINES AND PROPOSAL FORMS

Decision

Decision Point 4: “Delegated Authority to PC to Approve Guidelines and Proposal Forms”

The Board delegates to the Portfolio Committee the authority to approve the guidelines and proposal forms for each future funding opportunity under both the Rounds-Based Channel and the Rolling Continuation Channel.

This decision does not have material budgetary implications.

1. The Secretariat highlighted that in order to simplify the approval process for guidelines and proposal forms for funding channels, it would be preferable for the PC to have the general authority to approve guidelines and proposal forms. The PC agreed and requests that the Board delegate general authority to the PC to review and approve guidelines and proposal forms for all future funding opportunities under both rounds-based and rolling continuation funding channels. **Decision Point 4** provides this delegated authority.

PART 6: QUALITY ASSURANCE POLICY

Decision

Decision Point 5: “Interim Quality Assurance Policy for Multi-Source Products”

The Board requests the Portfolio Committee to conduct a review of the Global Fund’s quality assurance policy for drugs, taking into account alignment with relevant partners’ quality assurance policies, concerns about safety, stability and efficacy of drugs, and market dynamics, and report back to the Board at its Eighteenth Meeting.

Concerns have been raised about the risk of quality assurance problems with drugs previously covered by the Global Fund’s Quality Assurance Policy for Single and Limited Source Products (“Single Source QA Policy”) that have recently been re-categorized as multi-source products (GF/B16/7 Revision 1). As an interim measure to address this risk pending the outcome of the review of quality assurance policy, the Board decides that any drugs for the treatment of HIV/AIDS, TB and malaria for which the formula has been published¹ since the Third Board Meeting (10 October 2002) shall be subject to the Single Source QA Policy.

There are no material budgetary implications for this decision

1. The Secretariat introduced discussion of the quality assurance policy in the PC’s agenda due to concerns raised by some Global Fund stakeholders² about the possible lower level of quality assurance for Ci and Cii pharmaceutical products. In response to these concerns - as well as the opportunity to reflect on lessons learned - the PC agreed that this is an appropriate time to carry out a comprehensive review of the QA Policy and will report to the Board at its Eighteenth Meeting.

2. During its deliberations, the PC expressed concerns about the absence of key information such as: impact on countries’ national programs, data on the quality of medicines, the exposure of the GF to liabilities due to exclusion of manufacturers, delays with respect to WHO pre-qualification, market dynamics and more concrete views and inputs of technical partners.

¹ For this purpose, a published formula means a publicly available monograph for the finished dosage form in the international, US or UK pharmacopeia.

² Including technical partners, recipients of GF grant resources and donors.

3. Subsequently, additional concerns were raised about the Global Fund's quality assurance policy for multi-source products. Currently, multi-source products are subject to lower quality assurance standards than single or limited-source products. Pending the comprehensive review of the QA Policy, and in order to address immediate concerns, the PC recommends an interim measure to mitigate the potential risks with respect to quality assurance of multi-source products. **Decision Point 5** describes this interim measure.

PART 7: INFORMATION ITEMS

Information

Global Fund Policy on Grant Closures

1. The PC endorsed the Secretariat's principles and policies on grant closure. The PC recommends that the Secretariat prepare three decision points for the Board at its Seventeenth Meeting to clarify three specific areas of grant closure.

Revision to Rolling Continuation Channel (RCC) Guidelines and Proposal Form

2. The PC agreed to amendments to the RCC guidelines and proposal form to clarify that income level eligibility for RCC will be determined once a year in March, at the time of the Call for Proposals.

Status Update on Voluntary Pooled Procurement

3. The Secretariat informed the PC on its activities with respect to: i) strengthening the Price Reporting Mechanism, ii) establishing a pooled purchasing service and iii) establishing procurement related capacity-building services and supply-management assistance.

Update on Local Fund Agent (LFA) Re-Competition

4. The Secretariat outlined the way in which the Board's Decision Point on the LFA re-tendering process had been implemented and presented the timeline for the ongoing re-tender exercise.

Grant Consolidation

5. Based on the lessons learned of the Grant Consolidation Pilot Project, the PC provided inputs to the PSC's deliberations which form the basis of a Decision Point to the Sixteenth Board meeting.

Health Systems Strengthening

6. The PC agreed with the Secretariat's recommendations and provided a number of recommendations to the PSC's deliberations on the issue, which form the basis of a Decision Point to Sixteenth Board meeting.

Operations Update

7. The PC requested trends in applications for Round 7 and a more detailed description of the Secretariat's rationale and decision-making process when invoking the Additional Safeguards Policy in time for its February 2008 meeting.