



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

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GF/B22/14
Board Decision

JOINT REPORT OF THE POLICY AND STRATEGY COMMITTEE AND THE PORTFOLIO IMPLEMENTATION COMMITTEE ON THE REVIEW OF THE GLOBAL FUND'S ELIGIBILITY, COST SHARING AND PRIORITIZATION POLICIES

PURPOSE:

1. This report summarizes the deliberations of the Policy and Strategy Committee (PSC) and the Portfolio Implementation Committee (PIC) at a joint meeting held on 27 October 2010 on the ongoing review of the policies of the Global Fund on Eligibility, Cost Sharing and Prioritization. The decision point recommended by the PSC and PIC to the Twenty-Second Board Meeting is included.

PART 1: INTRODUCTION

1.1 The PSC and the PIC met in Geneva on 27 October 2010 to jointly discuss the outcomes of the work of a Board-appointed joint working group of the PSC and PIC (hereinafter called ‘The Working Group’) that was tasked to review the *Eligibility and Cost Sharing Policy* of the Global Fund by the end of 2010¹.

1.2 The ten-member Working Group, co-chaired by the PSC and PIC Chairs, was constituted in May 2010 and held several meetings and teleconferences between June-October 2010.

1.3 To guide its deliberations, the PSC and PIC noted four key principles from the Framework Document:

- i. Highest priority should be given to proposals from countries and regions with the greatest need, based on the highest disease burden and the least ability to bring financial resources to address it;
- ii. Due priority should be given to communities, countries and regions with a high risk potential for rapid increase in disease;
- iii. The Global Fund should seek to operate in a balanced manner in terms of regions, diseases and interventions; and
- iv. There should be high-level, sustained political involvement, ownership, and national commitment in allocating domestic resources for the disease.

It also noted existing resource constraints following the global economic downturn.

1.4 *Eligibility criteria* establish which countries may apply for funding from the Global Fund, and under what conditions. *Cost-Sharing* requirements (redefined by the Working Group as ‘*Counterpart Financing*’) and *Graduation* both seek to address a country’s ability and responsibility to invest in fighting the three diseases and ensure the financial sustainability of disease programs. *Prioritization* rules are applied when there are insufficient financial resources to fund all approved proposals and it is necessary to prioritize available financial resources among such proposals.

1.5 This report covers the following main issues in the joint review:

- i. Eligibility criteria;
- ii. Counterpart financing requirements;
- iii. Country income level graduation and transitions; and
- iv. Prioritization rules.

¹ At its Sixteenth Board Meeting on 12-13 November 2007 in Kunming, China, the Board requested a review of the Eligibility and Cost Sharing Policy by the end of 2010 (Decision Point GF/B16/DP18 and Document GF/B16/7 Revision 1, Attachment 1).

PART 2: ELIGIBILITY CRITERIA

2.1 The current eligibility policy allows all low income countries (LIC) to apply to the Global Fund for funding and sets conditions that must be met by upper middle income countries (UMIC) and lower middle income countries (LMIC) to apply for funding. These conditions specify that UMICs must have a high disease burden; UMICs and LMICs must meet certain cost-sharing requirements; and UMICs and LMICs must focus proposed interventions on poor and/or vulnerable populations. The PSC and PIC noted that LICs have received the greater share of Global Fund funding under the current eligibility criteria.

Potential Options for Eligibility Criteria

2.2 The Working Group proposed potential options to revise the current eligibility criteria with a view to ensuring that resources are made available to countries with the highest disease burdens and the least ability to generate financial resources for disease programs. The Working Group also sought to ensure that the potential criteria used for determining eligibility for funding were clearly defined, more nuanced, and easy to measure and enforce in practice². The proposed options presented by the Working Group involved refining the current income classifications to produce a more graduated income classification scale and using combined income level and disease burden eligibility scores.

2.3 The PSC and PIC recognized the complexity of determining eligibility criteria and the need for appropriate indicators to measure program need and the 'ability to pay' for disease programs. Some constituencies supported maintaining the current eligibility criteria. Other constituencies supported the view that further analysis be undertaken on options to determine eligibility based on income level and disease burden, while others emphasized that the combined approach using disease burden and income level should not further narrow eligibility.

2.4 The PSC and PIC emphasized that the eligibility criteria should be clearly defined, simple and easy to understand. They also stressed the need for coherence between the approach to eligibility and prioritization.

Other Eligibility Filters

2.5 In addition to the options described above, the Working Group also discussed two other criteria for filtering eligibility: (i) considering the funding history of applicants; and (ii) considering whether an applicant is included in the list of countries eligible for Overseas Development Assistance (ODA), as tracked by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD-DAC list).

2.6 Funding history refers to the past record of an applicant in securing Global Fund financing. The PSC and PIC noted that funding history is a factor that the Technical Review Panel (TRP) considers in its evaluation of proposals. Some constituencies requested more information on how the TRP uses funding history and/or a record of underspending in its decision making process.

² Review of the Global Fund's Eligibility, Cost Sharing and Prioritization Policies, Joint PSC-PIC Meeting on Eligibility and Cost Sharing, Geneva, 27 October 2010. GF/PSC14/10. The report (including Revision 1) is available at the Board Member Extranet:
<http://extranet.theglobalfund.org/cme/PSC/default.aspx?RootFolder=%2fcme%2fPSC%2fDocs%2fPSC14%5fOctober2010&FolderCTID=&View=%7b62E1B8DD%2dB218%2d4D6F%2d8F75%2dEC3343D1DC24%7d>

2.7 It was noted, however, that using funding history as an eligibility filter may have a number of disadvantages including: it may delay the scale-up of programs and potentially restrict funding for countries most in need of it; it may disadvantage countries that apply for funding in a staggered manner; and it may delay the rapid uptake of new and effective technologies and practices.

- 2.8 To explore other alternatives, the PSC and PIC requested to Secretariat to:
- i. Request the TRP to report on how it assesses funding history and underspending in grants in their proposal reviews, as requested for Round 10; and
 - ii. Provide a report on unsigned grants and undisbursed funds (by country and by Principal Recipient) and explain how the issue of undisbursed funds is addressed during the Phase 2 review process.

2.9 Some constituencies suggested that the Secretariat consider restricting eligibility by requesting proposals on an invitation-only basis and/or providing technical assistance or resources to particular countries that: (i) have consistently been unable to secure Global Fund grants; (ii) are at risk of rapid emergence or re-emergence of disease; or (iii) are in crisis situations.

2.10 With respect to the OECD-DAC list, the Global Fund has already partially integrated ODA eligibility criteria into its policies, with the stipulation that UMICs must be included in the OECD-DAC List to be eligible to apply for an HIV grant³. However, no consensus was reached by the PSC and PIC on the three options considered by the Working Group: (i) to maintain the current requirement that applies only to HIV grants; (ii) to apply this requirement to all three diseases; or (3) to not require that UMICs be included in the OECD-DAC list to be eligible to apply for funding for all diseases.

2.11 Some constituencies raised strong concerns that by applying the OECD-DAC filter, most-at-risk populations (MARPs) and/or countries with high prevalence of multi-drug resistant tuberculosis (MDR-TB) may not be eligible to apply for funding. The PSC and PIC requested the Working Group, with support from the Secretariat, to explore the possibility of providing direct funding, on a case by case basis, to non-government implementers in OECD-DAC countries that are not eligible for ODA.

PART 3: COUNTERPART FINANCING

3.1 Current cost-sharing requirements apply only to LMICs and UMICs, which can request respectively up to a maximum of 65% and 35% of the amount needed to finance their disease programs. The Working Group recognized that in practice it has been difficult to measure and monitor all contributions as a percentage of need and create incentives to maximize domestic funding that encourages sustainability.

³ Approved at the Sixteenth Board Meeting (GF/B17/2).

3.2 The PSC and PIC agreed that counterpart financing⁴ is a shared responsibility and an important approach to ensure the additionality of Global Fund resources and the sustainability of disease programs. They supported the overall approach and the proposed definition of counterpart financing. However, they noted the need to reach agreement on which resources are to be described alongside the main focus of government domestic and Global Fund investments.

3.3 The PSC and PIC noted that in developing the work further, the following should be undertaken:

- i. Determining reasonable and fair percentages for all income tiers, based on the analysis of available country data on current counterpart financing levels and fiscal considerations;
- ii. Further developing the methodology to measure counterpart financing using health and disease budgets at the proposal submission stage and subsequently at the time of Phase 2 or periodic reviews. Disease budgets may also need to be measured during Phase 1 in UMICs;
- iii. Determining how to address counterpart financing requirements in situations where all funds in a given country are granted to non-government Principal Recipients;
- iv. Defining measures to be applied by the Secretariat where non-compliance with counterpart financing requirements has not been explained and justified by a country. These measures may include: reducing the grant amount, and withholding disbursements until an action plan is submitted by the country to comply with the requirements;
- v. Defining positive incentives to encourage compliance and promote increases in counterpart financing, including flexibilities in budget reallocation; and
- vi. Defining how the Secretariat would make provisions to invest with partners to improve the availability and reliability of data.

3.4 Of the above areas of work, the PSC and PIC identified the following as immediate next steps for the Secretariat:

- i. Begin collecting data on health and disease budget, and assess their value for measuring co-investments;
- ii. Propose short-term steps to more clearly measure counterpart financing requirements, including periodicity of reporting;
- iii. Develop a clear plan of action if counterpart financing requirements are not met;
- iv. Develop a policy to address counterpart financing requirements as they pertain to non-governmental organizations as principal recipients; and
- v. Explore how implementing countries could contribute to the Global Fund as donors, in the interest of global 'solidarity'.

PART 4. COUNTRY INCOME LEVEL GRADUATIONS AND TRANSITIONS

4.1 In the Global Fund context, country graduation refers to the upward movement of a country from an eligible income level to the no longer eligible high income level.

⁴ Counterpart financing, rather than cost sharing, was the preferable term proposed by the Working Group to encompass all domestic resources in the budget for the fiscal year (including contributions from governments, loans from external sources or private creditors, debt relief proceeds) dedicated to the health or disease program of the country.

Transitions, on the other hand, are movements between the different income categories other than the high income level.

4.2 Country graduation can be either automatic or voluntary. Automatic graduation occurs when a country is classified as high income and thus no longer eligible to apply for Global Fund financing. Voluntary graduation occurs when eligible countries have chosen to self-finance their disease programs.

4.3 Some constituencies of the PSC and PIC suggested that:

- i. The Secretariat work with the World Bank to develop an ‘early warning system’ to alert countries in advance of their transitions to a higher income category, especially if this means restricted or no eligibility to apply for funding;
- ii. The Secretariat develop a mechanism for more intensive and regular communications with countries on the transition and graduation process; and
- iii. The Working Group, with support from the Secretariat, explore different incentives for implementing countries to: (a) voluntarily graduate from Global Fund support; or (b) become donors to the Global Fund.

PART 5: PRIORITIZATION

5.1 The prioritization rules reside within the *Comprehensive Funding Policy* and are triggered if the demand from countries exceeds available funds. These rules have been applied several times. In all occasions the rules defined *when* rather than *whether* the TRP-recommended proposals would be approved by the Board for funding.

5.2 For Round 10, the prioritization rules were substantially revised. Most notably, (i) the way in which the TRP’s categorization of a proposal is used in determining priority for funding was revised; (ii) disease burden scores within the Composite Index were refined to make them more gradual; and (iii) an earmarked pool of funds was established for HIV control in MARPs⁵.

5.3 The PSC and PIC discussed two prioritization models presented by the Working Group. However, there was no clear preferred choice between the two models. *Option 1*, a refinement of the Round 10 prioritization model, was favored by some constituencies. This model could potentially involve creating an earmarked reserve of funds per disease for proposals focusing on MARPs or special situations. *Option 2*, the ‘minimum allocation’ model, was favored by other constituencies. This model would involve making allocations of funding based on the income level of countries. More analysis will need to be undertaken on the bases for quantifying appropriate allocations of funding for both options.

⁵ The MARPs definition for the Round 10 MARPs channel referred to groups at a higher risk of HIV infection, demonstrating a higher HIV prevalence than the general population. Particular emphasis is given to: men who have sex with men and transgender people; people who inject drugs; female, male and transgender sex workers; and to the sexual partners of all of these groups. This emphasis does not limit applications to these groups alone.

5.4 The PSC and PIC requested the Working Group, with support from the Secretariat and input from the Interagency Working Group (IAWG)⁶, to undertake further analysis on the two prioritization models. The Secretariat offered to provide ‘lessons learned’ arising from the TRP review of the MARPs-focused applications and the related reserve in Round 10.

Other Issues related to Prioritization

5.5 Disease burden criteria. Revisions to the disease burden criteria, as proposed by the IAWG⁷, were discussed by the PSC and PIC but no formal recommendations were made on the options presented. Further analysis of disease burden indicators and scores may be warranted in the context of an overall approach to prioritization.

5.6 The general issue of serious data gaps in disease burden indicators in some countries was raised. One constituency suggested that the Global Fund should allow proposals from these countries to present and use other credible evidence (i.e., provincial/local data or surveys) in the absence of valid national data.

5.7 Vulnerability. The PSC and PIC recognized that the definition of ‘vulnerable populations’ was an important factor to consider in the context of eligibility and prioritization. The PSC and PIC agreed it was necessary to develop a clear definition of ‘vulnerability’ for each disease before the Twenty-Second Board Meeting, with support from the IAWG⁸. It was further suggested that the risk of rapid increase in disease be explored as part of the definition.

5.8 Sub-tranching. The PSC and PIC were informed that, where there are insufficient funds available to finance all proposals with the same prioritization score, it may be necessary to develop rules to determine how to prioritize funding among such proposals that have been assigned the same score under the Round 10 Prioritization rules. There was no formal recommendation made on whether to use funding history and/or the per capita income levels of countries for sub-tranching. The Secretariat offered to develop options for such sub-tranching rules.

⁶ The IAWG brings together the technical expertise of the key disease-related technical agencies. It includes HIV and AIDS, tuberculosis and malaria experts from WHO, UNAIDS, the Stop TB Partnership and the Roll Back Malaria Partnership.

⁷ Refer to Annex 4 of the report on the Review of the Global Fund’s Eligibility, Cost Sharing and Prioritization Policies and Annex 5 (Revision 1) of the report. Available at the Board Member Extranet: <http://extranet.theglobalfund.org/cme/PSC/default.aspx?RootFolder=%2fcme%2fPSC%2fDocs%2fPSC14%5fOctober2010&FolderCTID=&View=%7b62E1B8DD%2dB218%2d4D6F%2d8F75%2dEC3343D1DC24%7d>

⁸ At the time of this report, this request had already been conveyed to the IAWG for further consideration and joint discussion with the Secretariat.

Decision Point: Review of the Eligibility and Cost Sharing Policy

The Board refers to its decision at the Sixteenth Board Meeting to review the Income Level and Cost Sharing Criteria for determining eligibility for funding (GF/B16/DP18). The Board acknowledges the progress made by the Joint Portfolio Implementation Committee (PIC) and the Policy and Strategy Committee (PSC) Working Group (the 'Joint PIC-PSC Working Group') in reviewing such criteria and the prioritization rules which are to be applied where there are insufficient resources to finance all proposals approved for funding ('Prioritization Rules').

The Board recognizes the complexities of the review and acknowledges that further analysis needs to be undertaken by the Joint PIC-PSC Working Group to present more clearly defined options for the PSC and PIC to consider at a joint meeting in March 2011. The Board requests the PSC and PIC to present recommendations to the Board at the Twenty-Third Board Meeting regarding the outcome of its review of the Income Level and Cost-Sharing Criteria and Prioritization Rules.

This decision does not have any material budgetary implications for the Operating Expenses Budget.