



Investing in our future

# The Global Fund

To Fight AIDS, Tuberculosis and Malaria

Twenty-Third Board Meeting  
Geneva, Switzerland, 11-12 May 2011

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GF/B23/4  
Board Decision

## REPORT OF THE POLICY AND STRATEGY COMMITTEE

### PURPOSE:

This report summarizes the deliberations of the Policy and Strategy Committee (PSC) at its 15<sup>th</sup> meeting on 14-15 March 2011. It includes the decision points the PSC recommends to the Board for approval at its Twenty-Third Meeting, and the decision points taken by the PSC at its 15<sup>th</sup> meeting under delegated authority by the Board.

## PART 1: INTRODUCTION

1.1 The PSC met in Geneva on 14-15 March 2011 for its 15<sup>th</sup> meeting. The Chair was Dr. Suwit Wibulpolprasert (South East Asia); the Vice-Chair was Todd Summers (Private Foundations).

1.2 This report contains the following topics:

**i. Items for Board decision:**

- Governance-related matters (Part 2)
- Providing opportunities for continuation of National Strategy Application funding (Part 3)
- A strategy for the Global Fund 2012-2016 (Part 4)
- Risk management: progress report on Corporate Risk Register (Part 5)
- Appointment of new Technical Evaluation Reference Group (TERG) members and 2010 activity report (Part 6)

**ii. Items for information: (Part 7)**

- Update on work of Board-Level Comprehensive Reform Working Group
- Update on review of the eligibility, cost sharing and prioritization policies
- Key Performance Indicators: year-end report on results for 2010 and proposed modifications for 2011
- The Global Fund draft Evaluation Strategy 2011-2015
- Update on the Fourth Partnership Forum
- Update on Second Wave of National Strategy Applications
- Update on Health Systems Funding Platform

1.3 Guidance on the location of further information is provided in Annex 1 to this report.

## PART 2: GOVERNANCE-RELATED MATTERS

### Decision

2.1 In 2009, the Board decided to make a number of changes in the governance structures of the Global Fund<sup>1</sup>. It decided that it would review two of these governance decisions, the term of the Market Dynamics and Commodities Ad Hoc Committee (MDC) and the make-up of the non-voting Board seats during the first half of 2011.

2.2 At its 15<sup>th</sup> meeting it was proposed to the PSC that these reviews be postponed to the second half of 2011<sup>2</sup> because the Board, through the Comprehensive Reform Working Group (CRWG), is currently considering reforms to the Global Fund's governance structures. In addition, the Board leadership will change after the Board meeting in May 2011, and the new leadership may wish to consider holistically how the committees are structured and led (based on the CRWG recommendations). Finally the MDC will in the coming months explore how the Global Fund can become a "market shaper" by expanding its market dynamics impact; a review of the MDC's term during this work is untimely.

2.3 The PSC was updated on the new proposed process and timelines for these reviews, including the consultation process with the Board and relevant stakeholders, which will be guided by the PSC leadership. Based on the outcome of these consultations, options regarding the two reviews will be submitted to the PSC in time for its meeting in September/October 2011. The PSC will then make relevant recommendations to the Board. During the intervening period, the MDC will

<sup>1</sup> Decisions: GF/B19/DP8 - "Review of Board Committee Structure", GF/B19/DP9 - "Executive Director as Non-Voting Board Member" and GF/B19/DP11 - "Allocation of Non-Voting Board Seats".

<sup>2</sup> "Governance-related Matters" (GF/PSC15/03)

continue to fulfill the functions in its current Terms of Reference, and the Partners constituency will continue with the same composition as when it was first established in 2009 (UNAIDS, Roll Back Malaria and the Stop TB Partnership).

2.4 The PSC acknowledged that, given work underway on the reform agenda and strategy, it was untimely to review the term of the MDC and the non-voting Board seats. The PSC also noted the proposed processes for conducting the reviews of the MDC and the Partners constituency Board seat, and highlighted these reviews should take place with the necessary consultations with Board constituencies and other stakeholders.

2.5 The PSC decided to recommend the following decision points to the Board:

**DECISION POINT 1: TERM OF THE MARKET DYNAMICS AND COMMODITIES AD HOC COMMITTEE**

- 1. Recalling its decision GF/B19/DP8 “Review of Board Committee Structure”, the Board decides to extend the mandate of the Market Dynamics and Commodities Committee (MDC) until the close of the Board’s last meeting in 2011.*
- 2. The Board requests the Policy and Strategy Committee to recommend a course of action about the continuation of the MDC at its last meeting in 2011. The recommendation of the Policy and Strategy Committee should be based on consultations with Board constituencies and external stakeholders, as appropriate.*
- 3. From the close of the Twenty-Third Board Meeting until the close of the Board’s last meeting in 2011, the MDC shall continue to fulfill its responsibilities as set out in its Terms of Reference as per GF/B19/4 Attachment 4, as amended by electronic vote on 4 September 2009. The leadership and membership of the MDC shall not be subject to change from the close of the Twenty-Third Board Meeting, until the close of the Board’s last meeting in 2011.*

**This decision does not have material budgetary implications for the 2011 operating expenses budget.**

**DECISION POINT 2: REVIEW OF NON-VOTING BOARD SEATS**

- 1. Recalling its decision GF/B19/DP11 “Allocation of Non-Voting Board Seats”, the Board decides to postpone review of the non-voting seats to its last meeting in 2011.*
- 2. The Board requests the Policy and Strategy Committee to make its recommendation to the Board based on consultations with Board constituencies, including partners and stakeholders, in time for its last meeting in 2011.*

**This decision does not have material budgetary implications for the 2011 operating expenses budget.**

**PART 3: PROVIDING OPPORTUNITIES FOR CONTINUATION OF NATIONAL STRATEGY APPLICATION FUNDING** **Decision**

3.1 The timing of a National Strategy Application (NSA) grant is directly aligned with the timing of the related national disease strategy. However, a Global Fund funding opportunity may not be available at the time a given country transitions from its current strategy to its next. At the time the Board launched NSAs in 2008, it also decided<sup>3</sup> the Global Fund should offer two predictable funding windows per year, at six month intervals<sup>3</sup>. This would have allowed countries with NSA

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<sup>3</sup> Decision GF/B18/DP19 - Global Fund Architecture

grants to access funding for their next national strategies at a date sufficiently aligned with the start of the new strategy. However, the Global Fund has not implemented this decision.

3.2 Three First Learning Wave grants are affected: Madagascar/malaria, Rwanda/HIV and Rwanda/tuberculosis. Round 11 and the concurrent NSA Second Wave are too early for these countries (the new national strategy will not be ready); Round 12 will be too late. Madagascar and Rwanda have both expressed a preference to remain in the NSA modality. Unless the Global Fund makes available a suitable alternative, both countries will have no choice but to seek continuation funding through the rounds modality via Round 11. This would be a retrograde step, requiring the countries to realign to the Global Fund rounds timeline rather than that of their national strategy.

3.3 The PSC was presented with an exceptional proposal to meet the urgent needs for timely continuation of NSA funding of Madagascar and Rwanda<sup>4</sup>. It recognized the importance of aligning funding with national planning cycles. To address the fundamental issue, the PSC requested the Secretariat to develop, for PSC discussion at its late 2011 meeting, options for a long-term solution that allows the submission of NSA and Health Systems Funding Platform (HSFP) funding requests at a time suited to country-specific national strategy cycles. As this issue has implications for the Global Fund's approach to funding the PSC noted that discussions should happen in the context of the work on the new Global Fund Strategy, and discussions on the future and harmonization of the Global Fund's funding modalities (rounds, NSA, HSFP - and their link to the new grant architecture).

3.4 To address the immediate situation of the three First Learning Wave grants of Madagascar and Rwanda, the PSC agreed to recommend extension funding for these grants (using already forecast funds) to provide continuity until either Round 12 or the next NSA opportunity for these countries (whether or not concurrent with Round 12). The Board will need to determine by December 2011 whether it will offer such an NSA opportunity.

3.5 The PSC decided to recommend the following decision point to the Board:

**DECISION POINT 3: INTERIM MEASURE TO ADDRESS CHALLENGES EXPERIENCED BY FIRST LEARNING WAVE GRANTS BASED ON NATIONAL STRATEGY APPLICATIONS FOR MADAGASCAR AND RWANDA**

**1. The Board:**

- i. refers to its decision (GF/B18/DP20) to bring the National Strategy Applications ("NSA") procedure into operation through a phased roll-out beginning with the First Learning Wave ("FLW");*
- ii. notes the specific challenges faced by certain FLW grants in relation to NSA funding continuation, particularly relating to the timing of the rounds-based process for proposal review and approval, which has posed planning difficulties and the possible prospect of significant funding gaps;*
- iii. underscores the nature of the NSA procedure as a response to country requests for more streamlined funding mechanisms and as an expression of the Global Fund's commitment to principles of alignment and harmonization embodied in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action; and*

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<sup>4</sup> "Providing opportunities for continuation of 'National Strategy Application' funding" (GF/PSC15/06)

- iv. *reiterates the importance of ensuring that future NSA funding opportunities that may be approved by the Board take into account the lessons learned in the FLW.*
2. *To provide a long-term solution to the challenges noted above, the Board requests the Policy and Strategy Committee to consider at its meeting in or around October 2011 options, which the Secretariat will develop, for allowing the submission of funding requests through the NSA and Health Systems Funding Platform (“HSFP”) modalities in an equitable fashion and at a time suited to country-specific national planning cycles.*
3. *Such discussions should be conducted in the context of the work on the new Global Fund Strategy 2012-2016 and, specifically, discussions to occur as part of this strategy on the future of Global Fund funding modalities and harmonization between them (including the rounds-based modality, NSAs, and the HSFP, in the context of the Global Fund’s new architecture).*
4. *In addition, as an interim and exceptional measure to address the specific challenges faced for the NSA FLW grants for Madagascar (malaria) and Rwanda (HIV and tuberculosis) in having timely and uninterrupted access to funding in a way that does not prejudice future Board decisions on funding modalities, and provided the country in question has not submitted a proposal to address the same disease component through Round 11, the Board decides as follows:*
  - i. *To allow the Country Coordinating Mechanism of each of Madagascar and Rwanda to seek an extension with bridge funding (“FLW extension funding”) under the stipulations included in the Annex to this decision point, for a time-limited period such that the length of this extension period will not cause the combined lifespan of the original grant and the extension period to exceed five years, to provide continuity of funding until either:*
    - a) *Round 12, or*
    - b) *the next NSA funding opportunity made available to those countries by the Board, whether concurrent with Round 12 or not.*
5. *To determine, no later than December 2011, in the context of its discussions on the future of Global Fund funding modalities, whether it will offer an NSA funding opportunity of the type described under 1(b) above.*
6. *To authorize the Secretariat to make limited exceptions to existing policies and procedures to the extent necessary to implement this decision and within the parameters described in the Annex to this decision point.*

**The decision does not have material budgetary implications for the 2011 operating expenses budget.**

**Annex to GF/B23/DPXX:**

1. *The FLW extension funding in each case will have “Additional Commitments” priority, and the associated funds will be taken from those already included for the FLW grants of Madagascar and Rwanda in the forecast of Additional Commitments as described in Annex 2 of the ‘Report of the Policy and Strategy Committee’ GF/B23/4.*
2. *The maximum total duration of the FLW extension funding in each case will be limited to the duration already forecast for the “Additional Commitments” funds as described in Table 1 of Annex 3 of the ‘Report of the Policy and Strategy Committee’ GF/B23/4.*
3. *The maximum FLW extension funding amount will not be higher than the maximum annual extension amount, as per Table 1 of Annex 3 of the ‘Report of the Policy and*

*Strategy Committee' GF/B23/4 multiplied by the duration of the extension measured in years.*

- 4. The FLW extension funding will be subject to TRP review and Board approval.*
- 5. The procedure to provide FLW extension funding will be as described in Annex 3 of the 'Report of the Policy and Strategy Committee' GF/B23/4*
- 6. All Global Fund policies and procedures, including rules relating to eligibility and cost-sharing, will apply to the FLW extension funding except as otherwise provided herein. The limited exceptions to existing policies and procedures granted in this decision in order to implement it include the timing and format of submission, and the TRP review procedure. Any exceptions needed beyond these will be notified to the Board for its consideration and approval.*

#### **PART 4: A STRATEGY FOR THE GLOBAL FUND 2012-2016**

**Decision**

4.1 The current Global Fund strategy “A Strategy for the Global Fund: Accelerating the Effort to Save Lives”<sup>5</sup> was a three year strategy expiring at the end of 2010. Development of a new strategy for the Global Fund commenced at the Board Retreat in Sofia, Bulgaria in December 2010. Following the retreat, at the Twenty-Second Board Meeting (also in Sofia in December 2010) the PSC was asked to oversee further work on the development of this new strategy<sup>6</sup>. At its 15<sup>th</sup> meeting it therefore spent several hours discussing a draft of the Global Fund Strategy for 2012-2016. Whilst refinements were proposed to the draft Strategy, there was broad agreement around its Strategic Objectives. There was also broad agreement around the framework through which the PSC discussed the strategy - namely elevating Strategic Objectives 1 and 2 to “Strategic Goals” into which the other Objectives and Initiatives fed.

4.2 The PSC highlighted the interconnectivity between the different Strategic Objectives, and between these Objectives and the Strategic Initiatives. It agreed that as the work of the CRWG concludes in May 2011, care needs to be taken to ensure relevant work from this group is incorporated into the Strategy. PSC members stressed that as the Board and committee leadership will change in May 2011, attention needs to be given to ensuring continuity of work on the strategy in this period of transition; and that the Partnership Forum Steering Committee should design a process to enable effective consultation on the Strategy at the Fourth Partnership Forum. Other forums (technical, regional and political) should also be convened as appropriate to allow a full consultation on all aspects of the draft strategy.

4.3 At its in-person meeting, the PSC agreed the below decision point on revision of the draft Strategy for consideration at the Twenty-Third Board Meeting:

*PSC Decision Point 1:*

*The PSC requests the Secretariat, based on discussions at the 15<sup>th</sup> PSC meeting and comments received in writing from PSC members, to refine the draft strategy, in consultation with the PSC Chair and Vice-Chair, for presentation to the Board at its Twenty-Third Meeting.*

*This decision does not have any material budgetary implications for the 2011 operating expenses budget.*

<sup>5</sup> See: [http://www.theglobalfund.org/documents/publications/other/Strategy/Strategy\\_Document\\_HI.pdf](http://www.theglobalfund.org/documents/publications/other/Strategy/Strategy_Document_HI.pdf)

<sup>6</sup> Decision GF/B22/DP16 - “Global Fund Strategy Development Process”

4.4 PSC members were invited to submit additional written comments on the draft Strategy, with a deadline (extended once) of March 31, 2011. Comments were received from 10 constituencies<sup>7</sup>. These comments included expressions of more significant concern with the status of the draft Strategy, with some requesting substantial revisions in both format and content. The PSC Chair and Vice-Chair requested the secretariat to produce a revised version of the draft Strategy, incorporating comments received to the extent possible, and converting those items that remain contentious or that require further analyses into bracketed text to make clear that they are still to be finalized.

4.5 Accordingly a next iteration of the draft Strategy has been produced for Board consideration, which appears in document GF/B23/15 “A Strategy for the Global Fund 2012-2016”

4.6 The PSC also decided to recommend to the Board the following decision point, regarding the process for the finalization of this draft strategy and its implementation plan:

#### **DECISION POINT 4: A STRATEGY FOR THE GLOBAL FUND 2012-2016**

##### ***The Board:***

- 1. Acknowledges the first draft of the high-level strategy document “A Strategy for the Global Fund 2012-2016”, which sets out the broad strategic direction of the Global Fund for the next five years;***
- 2. Requests the Secretariat, taking into account input from the Twenty-Third Board Meeting, and in consultation with relevant stakeholders, particularly at the Fourth Partnership Forum, to further refine this strategy;***
- 3. Asks the Partnership Forum Steering Committee to design an appropriate and efficient process to enable effective consultation on the strategy at the Fourth Partnership Forum;***
- 4. Asks the Secretariat to ensure appropriate linkages between the action plan of the Board Comprehensive Reform Working Group and the initiatives outlined in the Strategy and its Implementation Plan;***
- 5. Asks the Secretariat, working with the PSC, to host additional necessary regional and technical forums to gather additional input on the strategy; and***
- 6. Requests the Secretariat to submit the revised strategy, together with an implementation plan, through the PSC to the Twenty-Fourth Board Meeting for approval.***

**The budgetary implications of this decision for the 2011 Operating Expenses Budget are estimated at approximately US\$ [XXX] for consultant fees and travel costs.**

#### **PART 5: RISK MANAGEMENT: PROGRESS REPORT ON CORPORATE RISK REGISTER Decision**

5.1 The Board at its Twentieth Meeting endorsed a corporate risk management framework, including nine identified corporate risks<sup>8</sup>. The PSC at its 13<sup>th</sup> meeting discussed the topic of risk management, requested a more comprehensive view of the key corporate risks and asked the

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<sup>7</sup> seven from donor constituencies, two from implementing constituencies and one from partner constituencies

<sup>8</sup> Decision - GF/B20/DP15 - “Endorsement of Risk Management Framework”

Secretariat to “prepare an annual review of corporate risks and the controls in place to address these risks”.

5.2 At its 15<sup>th</sup> meeting, the PSC was presented with an update on the current Secretariat corporate risk management framework and the nine corporate risks<sup>9</sup>. The PSC emphasized the need to link the review of corporate risks with the new Global Fund strategy and the work of the CRWG. The importance of strengthening the capacity of Board/committee members and senior Global Fund staff as well as representatives of Country Coordinating Mechanisms and Principal Recipients on risk management was noted. Some PSC members also highlighted that key risks do not appear in the nine corporate risks previously identified e.g., the risks associated with sustainability of funding.

5.3 The PSC also stressed the need for a clear communication strategy and for centralized communication in case of crisis, especially regarding the work of the Office of the Inspector General (OIG). The PSC welcomed the cooperation between the Secretariat and OIG in this area, stressing the need for the OIG to be independent while at the same time working within and as part of the Secretariat.

5.4 PSC members acknowledged that it is the Board’s responsibility to regularly review the risks faced by the Global Fund and provide oversight to risk management and that there is a need to establish a clear process for the review of risks by the Board and its committees.

5.5 The PSC decided to recommend the following decision point to the Board:

**DECISION POINT 5: RISK MANAGEMENT OVERSIGHT**

- 1. The Board emphasizes its lead role in overseeing corporate risk management at the Global Fund.*
- 2. The Board requests the Policy and Strategy Committee (PSC) to assume responsibility for cross-committee oversight of corporate risk management.*
- 3. The Board further requests the PSC to present to the Board, at each meeting, a consolidated update on corporate risk management, which includes inputs from all Board committees.*

**This decision does not have material budgetary implications for the 2011 operating expenses budget**

**PART 6: APPOINTMENT OF NEW TECHNICAL EVALUATION REFERENCE GROUP (TERG) MEMBERS AND 2010 ACTIVITY REPORT** **Decision**

6.1 The PSC was updated on the recruitment process to fill four vacant TERG positions (including a new Chair for the TERG)<sup>10</sup>. As mandated by the Board<sup>11</sup>, the Secretariat launched the recruitment process for new TERG members in early 2011 - with the aim of having the selected members electronically approved by the Board by the end of February 2011. However, the selection panel<sup>12</sup>, on considering applications felt it was not possible to identify four candidates that would contribute to an optimal balance of skills, gender and geographic regions on the TERG. It was

<sup>9</sup> “Corporate risk management - progress update” (GF/PSC15/04)

<sup>10</sup> “Technical Evaluation Reference Group (TERG) Update” (GF/PSC15/10)

<sup>11</sup> Decision GF/B22/DP7 - “ Technical Evaluation and Reference Group (TERG) - Related matters”

<sup>12</sup> composed of the Global Fund Deputy Executive Director, the PSC Vice-Chair, and the TERG Vice-Chair



therefore decided the panel would personally approach highly reputed experts to encourage further applications, before submitting a shortlist for PSC consideration.

6.2 The PSC requested the selection panel to propose a list of new TERG members to the PSC electronically for its consideration and for recommendation to the Board in time for decision at its Twenty-Third Board Meeting. The selection panel made its recommendations to the PSC on the 19<sup>th</sup> April, 2011, with PSC endorsement being sought by the 26<sup>th</sup> April, 2011. Once agreed by the PSC the proposed new TERG members will be shared with the Board for approval at its Twenty-Third Meeting.

6.3 The PSC was also updated on the TERG's work in 2010, including the TERG's thoughts on the distribution of evaluation work between the Secretariat, the OIG, and the TERG; and three independent evaluations launched in 2010<sup>13</sup>.

6.4 The PSC thanked the TERG for the work carried out in 2010, stressed the importance of having a fully functioning TERG to contribute to and oversee quality monitoring and evaluation work and noted the importance of this work has in ensuring the Global Fund's reputation is preserved.

## **PART 7: ITEMS FOR INFORMATION**

### **Update on work of Board-level Comprehensive Reform Working Group (CRWG)                      Information**

7.1 Members of the CRWG presented the PSC with an update on the work of the group to date<sup>14</sup>. The PSC thanked the CRWG for the extensive work completed since the Sofia Board Retreat, noted the breadth of reform goals identified by the CRWG and called for more focus and prioritization of these goals. It was suggested that the CRWG:

- Ensure coordination and avoid overlaps between the reform agenda, the new strategy, recommendations from the High-Level Independent Review Panel of Global Fund Fiduciary Controls and Oversight and the Secretariat's on-going work on reforms;
- Clarify the process and plan sufficient time for reform actions that will be presented to the Board for endorsement; and
- Engage Global Fund implementing countries more effectively in defining reforms.

7.2 The CRWG outcomes will be discussed at the Twenty-Third Board Meeting. The report of this group is document GF/B23/13 "*Report of the Comprehensive Reform Working Group*".

### **Update on review of the eligibility, cost sharing and prioritization policies                      Information**

7.3 The Secretariat and Co-Chairs of the Joint PIC/PSC Working Group on Eligibility and Cost Sharing (JWGE) presented an integrated model for eligibility, counterpart financing and prioritization to the PSC<sup>15</sup> in preparation for the joint meeting with the Portfolio and Implementation Committee (PIC)<sup>16</sup>.

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<sup>13</sup> The evaluation of the AMFm, the evaluation framework of the Health Systems Funding Platform and the evaluation of the Global Fund's funding of monitoring and evaluation activities

<sup>14</sup> A similar update was also presented to all other Board committees

<sup>15</sup> "Update on review of the eligibility, cost sharing and prioritization policies" (GF/PSC15/08)

<sup>16</sup> The PSC met jointly with the PIC on the 16<sup>th</sup> March to further consider eligibility, cost sharing and prioritization policies

7.4 PSC members expressed the following concerns, which the JWGE co-chairs noted for further discussion in the joint meeting:

- The linkage of the eligibility criteria to the disease burden criteria used for prioritization;
- The varying cut-off points used to define ‘high’ HIV burden based on the MARPs prevalence rates (i.e., 10% versus 5% in the current eligibility rules);
- The possibility of exclusion of large populations of at-risk populations in middle-income countries, e.g., in Latin America and the Caribbean and Eastern Europe;
- The need for clearer definitions of “vulnerability”, “at-risk populations” and “high-impact interventions”; and
- That funds should reach those most in need.

7.5 Document GF/B23/14 “*Joint PSC/PIC Report: Eligibility, Cost-Sharing and Prioritization*” gives a full report of the outcomes of the joint PIC/PSC Meeting on this topic, including the relevant decisions recommended to the Board.

#### **Key Performance Indicators: year-end report on results for 2010 and proposed modifications for 2011** **Information**

7.6 As mandated by the Board<sup>17</sup>, the PSC at its 15<sup>th</sup> meeting assessed the year-end results achieved against the 2010 Key Performance Indicators (KPIs). It also discussed revisions to the KPI framework and indicators for 2011<sup>18</sup>. The PSC emphasized the importance of the KPI framework and commended the Secretariat on the comprehensive and transparent KPI report. In reviewing the year-end results for the 2010 KPIs the PSC recognized the strong performance reported on the majority of indicators, noting issues of performance in a few areas as outlined in its decision point.

7.7 The PSC was satisfied with the explanations provided for the targets not met and the proposed corrective actions, and requested the Secretariat to carry out additional work on a number of KPIs as specified in its decision point.

7.8 The PSC approved the following decision point:

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<sup>17</sup> Decision GF/B16/DP13 - “Amendment of Assessment Process for Key Performance Indicators”

<sup>18</sup> “Key Performance Indicators: Year-end report on results for 2010 and proposed modifications for 2011” (GF/PSC15/02 Revision 2)

PSC Decision Point 2:

*The Policy and Strategy Committee (PSC):*

1. *Noted the year-end results for the 2010 Key Performance Indicators presented in GF/PSC15/02 and recognized the strong performance reported on the majority of indicators.*
2. *Noted the issues of performance in the following areas which require follow up from the Secretariat through the Performance Management Sub-committee:*
  - *Grant Signing - request a review of bottlenecks, potential improvements, balanced measurement, and realistic targets and new approaches as part of the reform agenda.*
  - *HSS - diagnose reasons for decreased demand and decreased approval of HSS proposals, and performance of procurement, and propose solutions as part of the reform agenda.*
  - *Staff diversity - request specific actions, with a focus on Gender, to be implemented and reported to the next PSC.*
  - *Private Sector and donor pledges - noting joint responsibility of the Global Fund's Secretariat and the Board in this area, to review the resource mobilisation strategy as part of the strategy process.*
3. *Was satisfied with the explanations provided for the targets not met and the proposed corrective actions. The PSC requested additional work on:*
  - *Proposing a more balanced overall measure of grant signing and disbursement, including quality and, performance-based funding and the tension with speed of financing.*
  - *Providing a further breakdown of civil society funding.*
  - *Assessing issues of aid effectiveness for alignment and grant signing, and use of financial and budget systems, to propose actions.*
  - *Ensuring a strong link with the on-going strategy and reform process, including inputs from the independent review. The results of the independent review should be reported to the PSC at its next meeting through the Performance Management Sub-committee.*
4. *Approved the KPI Framework and targets for 2011, with the following modifications as presented in Annex 2 of GF/PSC15/02:*
  - *Modification of Quality of Services (KPI 15) sub-indicators on HIV and malaria*
  - *Finalization of the indicator on Equity (including Gender) (KPI 20)*
  - *Revision of the Private Sector KPI (KPI 3) definition and measurement*
  - *Revision of the Donor Pledges KPI (KPI 2)*

*This decision does not have any material budgetary implications for the 2011 operating expenses budget.*

7.9 The PSC was updated on the proposed process, timeline and content of an Evaluation Strategy for the Global Fund<sup>19</sup>. The PSC indicated broad support for the draft Evaluation Strategy presented<sup>20</sup> and highlighted the strategic importance of rigorous evaluation to ensure organizational accountability. It expressed appreciation for the integration of learning from the Five-Year Evaluation into the Evaluation Strategy process, particularly the use of smaller periodic evaluations rather than one large multi-year evaluation. PSC members asked the Secretariat to evaluate the cost-effectiveness of using smaller periodic evaluations rather than a single multi-year evaluation.

7.10 The PSC highlighted the need to:

- Ensure that impact, cost-effectiveness, quality of services and capacity development, are included in the Evaluation Strategy; as well as the programmatic impact on health, community and monitoring and evaluation systems strengthening and on vulnerable groups;
- Ensure close linkages with the corporate strategy and the reform agenda; and
- Identify mechanisms to validate estimates of contributions to the first (“Save [20] million lives”) and second (“Avert [X] million infections”) Strategic Objectives of the draft 2012-2016 Global Fund strategy, in collaboration with other partners.

7.11 The PSC stressed that it expects the active participation of the TERG in the finalization of this draft Evaluation Strategy.

7.12 Based on comments received from the PSC the Evaluation Strategy will be further developed. It will then be shared with partners and stakeholders for input - including the TERG and the OIG. The Evaluation Strategy will then be finalized for PSC review at its 16<sup>th</sup> meeting in late 2011, Finance and Audit Committee review of the budgetary implications and Board endorsement at its Twenty-Fourth Meeting.

## **Update on the Fourth Partnership Forum**

## **Information**

7.13 The Chair of the Partnership Forum Steering Committee (PFSC) and the Secretariat delivered a brief overview presentation of preparations to date for the Fourth Partnership Forum<sup>21</sup>. The PFSC Chair noted that momentum around the Partnership Forum was building and that there will be a number of opportunities for participants to get involved in the Partnership Forum in addition to the 3-day event in Sao Paulo e.g., site visits to programs supported by the Global Fund, the e-Forum and exhibitions, etc. The PFSC is working to ensure that the theme for the PF, “Working together, shaping our future: Access, Accountability, Rights” works as a mechanism to ensure an appropriate and informed dialogue around the Global Fund’s Strategy 2012 - 2016.

7.14 The PSC thanked the PFSC for its work in preparing for this important event, stressing that this sub-committee should design an appropriate and efficient process to enable effective consultation on the new Global Fund Strategy at the Partnership Forum. PSC members further highlighted that the Partnership Forum has a key role in the Global Fund governance structure and that the forum’s program should reflect this role.

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<sup>19</sup> “The Global Fund Draft Evaluation Strategy 2011-2015” (GF/PSC15/13)

<sup>20</sup> The full draft Evaluation Strategy document was not distributed pending review by the TERG

<sup>21</sup> “4<sup>th</sup> Partnership Forum: Working together, shaping our future” (GF/PSC15/09)

7.15 At its Twenty-Second meeting in December 2011, the Board decided to initiate the Second Wave of National Strategy Applications (NSAs) in January 2011<sup>22</sup>, with proposals emanating from this wave to be reviewed by the Technical Review Panel (TRP) in time for approval at the first Board Meeting of 2012 (concurrent with Round 11).

7.16 The Second Wave was launched in mid-January 2011 via an open invitation to all eligible countries to express interest in participation. The PSC was updated on the Second Wave,<sup>23</sup> including on:

- How the Second Wave has built on the lessons from the First Learning Wave;
- The extensive multi-partner engagement in the design and implementation of the Second Wave;
- Sample measures to further strengthen multi-stakeholder inclusion;
- The process steps and timeline for its implementation, including:
  - Selection of Second Wave participants by 31 March 2011;
  - Country-organized joint assessments of national disease strategies, supported by a multi-partner joint assessment support group,<sup>24</sup> from mid-June to end August 2011;
  - Country development of NSA proposal, for submission by 15 December 2011;
  - TRP review of proposals for Board consideration in early 2012; and
- The harmonization potential of the NSA approach, based on discussions with other donors on how the joint assessment outcomes can be used to inform their decisions on financial and technical support.

7.17 The PSC recognized the progress made on the NSA Second Wave, noted the strong participation of partners in the work to date, and applauded the collaborative approach taken throughout the design and implementation steps. The NSA approach was highlighted as an important way forward for evolving the Global Fund's model, with its design being innovative yet respectful of key Global Fund principles (e.g., multi-stakeholder involvement, partnership, alignment and harmonization).

7.18 Some PSC members flagged the important link with national health strategies (and joint assessment of such strategies). Others re-emphasized the importance of meaningful multi-stakeholder involvement (including affected communities, NGOs, private sector, etc.) in the development and implementation of national strategies, and in the Second Wave. The Secretariat explained the steps being taken in the above two areas. The role countries and partners can play there was also emphasized, both by PSC members and the Secretariat. The PSC stressed the Second Wave's explicit learning intent in these areas, as well as more generally, for both the Global Fund and for all partners.

**Update on the Health Systems Funding Platform****Information**

7.19 The Health Systems Funding Platform ("the Platform") is a joint partner initiative of the Global Alliance for Vaccines and Immunization (GAVI), the Global Fund and the World Bank, with facilitation from the World Health Organization (WHO) and input from country partners and civil

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<sup>22</sup> Decision GF/B22/DP26 - "Launch of Round 11, the Second Wave of National Strategy Applications and a Health Systems Funding Platform Pilot"

<sup>23</sup> "Update on the Second Wave of National Strategy Applications" (GF/PSC15/05)

<sup>24</sup> including donors, technical partners, civil society, First Learning Wave implementing country representatives and Global Fund Secretariat members

society. Its objective is to make better use of new and existing funds for health systems strengthening (HSS).

7.20 At its Twenty-First Meeting<sup>25</sup> the Board requested the Secretariat to work with GAVI to ensure, where possible, the harmonization of existing HSS funding, and that a common application form be designed for potential future access to HSS funding. At the 14<sup>th</sup> PSC meeting, under delegation from the Board, the PSC also approved the design of a pilot to take place in 4-5 countries to enable funding requests for HSS based on jointly assessed national health plans<sup>26</sup>. At the 15<sup>th</sup> PSC meeting an update was given on the progress with the roll-out of this pilot as well as the other aspects of the Platform<sup>27</sup>.

7.21 With regards to the harmonization of existing funding a number of joint missions have taken place in 2010 and 2011 to countries where all partners already support HSS programs (e.g., Cambodia, Benin) and the first tangible results in the areas of monitoring and evaluation and financial management have been achieved.

7.22 The PSC was informed about the key principles underlying the common application form, which could be used for requests to only one of the agencies or to present funding requests to both agencies in one common form. It will be tested by GAVI in selected countries from March to June 2011. The PIC will then review the final proposal form and guidelines in June 2011 for sign-off prior to a joint launch of the form with GAVI in August 2011 (concurrently with Round 11). For the pilot for funding requests for HSS based on jointly-assessed national health plans a number of Joint Assessments of National Strategies (JANS) have already been conducted and others will take place later in 2011. It is planned that expressions of interest for participation in the pilot will be submitted by May 2011, with pilot application materials being released to participants by August 2011 and funding decisions made concurrently with Round 11.

7.23 The PSC acknowledged the progress made so far with respect to the Platform. It noted the importance of systematically collecting lessons learned and bringing them back to the PSC at the appropriate juncture and highlighted the need to coordinate this initiative closely with other ongoing initiatives, in particular with the NSA Second Wave and with the new Global Fund grant architecture. It also stressed that risks relating to this initiative need to be regularly reviewed and monitored and that the Secretariat must explore ways to harmonize the different in-country governance bodies used by GAVI (Health Sector Coordinating Committee) and by the Global Fund (Country Coordinating Mechanism).

This document is part of an internal deliberative process of the Global Fund and as such cannot be made public until after the Board Meeting

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<sup>25</sup> Decision GF/B21/DP5 - "Health Systems Funding Platform"

<sup>26</sup> 14<sup>th</sup> PSC Meeting Decision 1 - "Health Systems Funding Platform - Pilot for funding requests based on jointly assessed national health strategies"

<sup>27</sup> "Health System Funding Platform: Status Update" (GF/PSC15/07)

## GUIDANCE ON LOCATION OF FURTHER INFORMATION

The following table indicates where further information on items dealt with in this report can be found:

Where indicated with (\*) documents are available on the Governance Extranet password-protected website: <http://extranet.theglobalfund.org/board>  
Other documents are available on the Global Fund public website

Item:	Location of further information:
Governance-related matters	<ul style="list-style-type: none"> <li>- “Governance-related Matters” (GF/PSC15/03)*</li> <li>- Board Decision: GF/B19/DP8 - Review of Board Committee Structure</li> <li>- Board Decision: GF/B19/DP9 - Executive Director as Non-Voting Board Member</li> <li>- Board Decision: GF/B19/DP11 - Allocation of Non-Voting Board Seats</li> <li>- Board Decision: GF/B19/DP8 - Review of Board Committee Structure</li> </ul>
Providing opportunities for continuation of National Strategy Application funding	<ul style="list-style-type: none"> <li>- “Providing opportunities for continuation of ‘National Strategy Application’ funding” (GF/PSC15/06)*</li> </ul>
A Strategy for the Global Fund 2012-2016	<ul style="list-style-type: none"> <li>- “A Strategy for the Global Fund 2012-2016” (GF/B23/15)</li> <li>- “A Strategy for the Global Fund. Accelerating the Effort to Save Lives” <a href="http://www.theglobalfund.org/documents/publications/other/Strategy/Strategy_Document_HI.pdf">http://www.theglobalfund.org/documents/publications/other/Strategy/Strategy_Document_HI.pdf</a></li> <li>- Board Decision: GF/B22/DP16 - “Global Fund Strategy Development Process”</li> </ul>
Risk management: progress report on Corporate Risk Register	<ul style="list-style-type: none"> <li>- “Corporate risk management - progress update” (GF/PSC15/04)*</li> <li>- Board Decision: GF/B20/DP15 - Endorsement of Risk Management Framework</li> </ul>
Appointment of new Technical Evaluation Reference Group (TERG) members and 2010 activity report	<ul style="list-style-type: none"> <li>- “Technical Evaluation Reference Group (TERG) Update” (GF/PSC15/10)*</li> <li>- “Update on TERG Activities” (GF/PSC13/06)*</li> </ul>
Update on work of Board-Level Comprehensive Reform Working Group	<ul style="list-style-type: none"> <li>- “Report of the Comprehensive Reform Working Group” (GF/B23/13)</li> </ul>
Update on review of the eligibility, cost sharing and prioritization policies	<ul style="list-style-type: none"> <li>- “Joint PSC/PIC Report: Eligibility, Cost-Sharing and Prioritization” (GF/B23/14)</li> <li>- “Update on review of the eligibility, cost sharing and prioritization policies” (GF/PSC15/08)*</li> <li>- “Joint report of the PSC and the PIC on the review of the global fund’s eligibility, cost sharing and prioritization policies” (GF/B22/14)</li> </ul>

Item:	Location of further information:
Key Performance Indicators: year-end report on results for 2010 and proposed modifications for 2011	<ul style="list-style-type: none"> <li>- “Key Performance Indicators: Year-end report on results for 2010 and proposed modifications for 2011” (GF/PSC15/02 Revision 2)*</li> <li>- “Key Performance Indicators: Mid-year report on results for 2010 and proposed modifications for 2011” (GF/PSC14/02)*</li> </ul>
The Global Fund draft Evaluation Strategy 2011-2015	<ul style="list-style-type: none"> <li>- “The Global Fund Draft Evaluation Strategy 2011-2015” (GF/PSC15/13)*</li> </ul>
Update on the Fourth Partnership Forum	<ul style="list-style-type: none"> <li>- “4<sup>th</sup> Partnership Forum: Working together, shaping our future” (GF/PSC15/09)*</li> <li>- “Partnership Forum: 2008 recommendations and 2011 preparations” (GF/PSC14/09)*</li> <li>- “Partnership Forum 2011” (GF/PSC13/08)*</li> </ul>
Update on Second Wave of National Strategy Applications	<ul style="list-style-type: none"> <li>- “Update on the Second Wave of National Strategy Applications” (GF/PSC15/05)*</li> <li>- “National Strategy Applications” (GF/PSC10/04)*</li> <li>- Board Decision Point: GF/B21/DP4 Next National Strategy Funding Opportunity</li> <li>- Board Decision Point: GF/B18/DP20 Phased Roll-out of National Strategy Applications with First Learning Wave</li> </ul>
Update on Health Systems Funding Platform	<ul style="list-style-type: none"> <li>- “Health System Funding Platform: Status Update” (GF/PSC15/07)*</li> <li>- “Health Systems Funding Platform - Proposed design for a pilot to enable funding requests based on jointly assessed national health strategies” (GF/PSC14/04)*</li> <li>- “Health Systems Funding Platform” (GF/PSC13/03)*</li> <li>- “Developing a common platform for joint funding and programming of health systems strengthening with the World Bank and the GAVI Alliance” (GF/PSC12/04)*</li> <li>- Board Decision Point: GF/B20/DP4 Joint HSS platform with GAVI and World Bank</li> <li>- Board Decision Point: GF/B21/DP5 Health Systems Funding Platform</li> </ul>



**FORECAST FOR ADDITIONAL COMMITMENTS FOR THE FIRST LEARNING WAVE GRANTS OF MADAGASCAR (MALARIA), RWANDA (HIV) AND RWANDA (TB)**

Following the Board's approval of the NSA First Learning Wave and its associated policy flexibilities, the Secretariat communicated to prospective First Learning Wave applicants that "in cases where the remaining timeframe of the national strategy is less than five years, [...] the CCM will - before the expiry of its national strategy - be able to request further funding based on its new national strategy [... and...] Phase 2 funding priority will be given to the years completing the full-five year period from the time of grant signing", subject to a successful new request.<sup>28</sup> This measure aimed to ensure that NSA applicants with less than five years of funding were not substantially disadvantaged compared to a rounds-based submission that enables five years of funding.

Consistent with the above guidance, both Rwanda and Madagascar would be entitled to "Additional Commitments" (formerly called "Phase 2") funding prioritization for part of their next funding requests based on their new national strategy. The First Learning Wave Rwanda HIV and TB grants were for three years; therefore they will be entitled to two years of Additional Commitments funding prioritization for their next funding request. The First Learning Wave Madagascar malaria grants were for two years and three months; therefore they will be entitled to two years and nine months of Additional Commitments funding prioritization for their next funding request.

For each of these grants, funding beyond the end of the current NSA grant term is already included in the Global Fund's forecast of Additional Commitments (renewal funding with commensurate prioritization). This funding is forecast to be available based on the financial information available in March 2011. Access to this funding is subject to the relevant request and approval processes.

Should the duration of funding extension be less than the duration in the Global Fund's forecast of Additional Commitments, the remaining portion of the funds with Additional Commitments priority will be a subject to a successful application based on the new national strategy. In all cases, the total combined duration of the original grant, the extension period and the portion of the new NSA grant with Additional Commitment priority will not exceed five years.

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<sup>28</sup> This measure was communicated to applicants in the NSA proposal guidelines. It was deemed necessary for the First Learning Wave and will apply to the grants of Madagascar and Rwanda only, but will not need to be repeated for the Second Wave or beyond.

## **EXTENSION FUNDING FOR THE FIRST LEARNING WAVE GRANTS OF MADAGASCAR (MALARIA), RWANDA (HIV) AND RWANDA (TB): PROCESS FOR SUBMISSION, REVIEW AND APPROVAL; MAXIMUM DURATION AND AMOUNT**

The **duration of an extension funding** for NSA continuation purposes will be based on country needs, but in all cases the duration of this extension period will not cause the combined lifespan of the original grant and the extension period to exceed five years.

**The approach for the request, review and approval of the extension funding** for the Madagascar and Rwanda First Learning Wave NSA grants is as follows:

1. The Secretariat will inform the Country Coordinating Mechanism (CCM) of its eligibility for extension funding for NSA continuation purposes and indicate the maximum period and the maximum funding amount available.
2. The CCM will submit a request for extension funding containing essential information for the extension funding review and approval; this will include at minimum a proposed work plan, a budget, a performance framework, a list of pharmaceutical products to be procured (if applicable) and a financial gap analysis. The range of activities and expenditures described in the CCM request may be based on the activities supported by the First Learning Wave NSA. Material departures from the First Learning Wave NSA may be permissible if approved by the Technical Review Panel (TRP).
3. The request will be reviewed first by the Secretariat at the time of the Periodic Review of the First Learning Wave NSA grant in question (and will therefore be subject to a performance-based assessment) and subsequently by the TRP.
4. Based on the TRP's recommendation, the Secretariat will make a recommendation on the extension funding, which it will communicate to the Board for its consideration. The Board will have sole authority to approve the extension funding request.

**The approach<sup>29</sup> for calculating the incremental funding amount of the extension** is as follows:

- (i) The number of months during which extension funding is to be provided;
- (ii) Multiplied by: the average monthly amount the Principal Recipient (PR) is expected to spend or has spent during Phase 1, based on the program budget contained in the grant agreement for Phase 1;
- (iii) Less: any funds disbursed to the PR under an expiring grant agreement that are expected to be or have been unspent and uncommitted at the end of Phase 1 and may be used during the extension funding period, and any undisbursed funds at the end of Phase 1 which can be made available during the extension funding period;
- (iv) Less: any efficiency gains or other adjustment that will be relevant to the period covered by the extension;
- (v) If the amount calculated is larger than the maximum amount obtained by multiplication of the relevant annual amount in Table 1 by the duration of the extension measured in years, the latter amount will be used.

<sup>29</sup> The proposed approach for calculating the incremental amount of bridge funding is adapted from the calculation of the maximum bridge funding amount allowed under the RCC Bridge Funding and Interim Bridge Funding policy (2008).

Table 1. Maximum extension duration and maximum average annual extension amount

<i>Country/disease:</i>	Madagascar/ malaria	Rwanda/ HIV	Rwanda/ tuberculosis
<b>Timing</b>			
Maximum extension duration (note: the actual duration of the extension will depend on timing of the funding opportunity)	2 years and 9 months	2 years	2 years
<b>Amount</b>			
Maximum average annual extension amount (note: the average yearly amount as requested in the First Learning Wave NSA is used as a maximum, but the actual extension funding amount will depend on the amount of the funding request and the total maximum amount will be calculated as described in this annex.)	US\$ 42 million	US\$ 118 million	US\$ 14 million