

**STRATEGY, INVESTMENT, AND IMPACT COMMITTEE
DECISIONS AND RECOMMENDATIONS TO THE BOARD**

Purpose:

1. This report serves to inform the Board about the decisions taken by the Strategy, Investment, and Impact Committee (“SIIC”) since the June 2013 Board Meeting in accordance with its Charter.

INTRODUCTION

This report compiles decisions recommended to the Board by the Strategy, Investment, and Impact Committee (“SIIC”), decisions taken by the Committee under its delegated authority according to its Charter and previous Board decisions, and an overview of items discussed under the Committee’s oversight. For a more detailed account of committee deliberations, governance officials are invited to read the SIIC Chair’s Summary reports.

Since the Twenty-Ninth Board meeting in June 2013, the SIIC held two in-person meetings: one in July and another in October 2013, in addition to another virtual meeting. This report captures the outcomes from these meetings, as well as decisions taken by the Board electronically based on the SIIC’s review and recommendation.

The report is divided as follows:

- Part 1: Decisions recommended to the Board
- Part 2: Decisions taken by SIIC pursuant to its delegated authority
 - GF/SIIC08/DP3: Approval of the revised Terms of Reference of the Market Dynamics Advisory Group
 - GF/SIIC08/DP4: Revisions to CCM Guidelines and Requirements
 - GF/SIIC09/DP1: Indicators for the Allocation Formula and the Band 4 Methodology
 - GF/SIIC09/DP2: Management of Incentive Funding and Unfunded Quality Demand
 - GF/SIIC09/DP3: Optimizing Investments in Health Systems Strengthening
 - GC/SIIC09/DP4: Technical Review Panel Terms of Reference
 - GF/SIIC09/DP5: Implementing TB-HIV Collaboration Services
- Part 3: Matters addressed by SIIC as part of its oversight and advisory functions in accordance with its Charter
- Part 4: Decisions recommended by SIIC and approved by the the Board via electronic vote

PART 1: DECISIONS RECOMMENDED TO THE BOARD

- 1.1 The SIIC recommends the following decision point to the Board for approval at its Thirtieth Meeting in November 2013. In light of the importance of this decision, a paper has been shared with the Board with the rationale and associated attachments and recommendations. Please see GF/B30/06 “New Funding Model: Eligibility, Counterpart Financing and Prioritization Policy Revision”.

GF/B30/DP__ : Revision of the Policy on Eligibility Criteria, Counterpart Financing Requirements and Prioritization of Proposals for Funding from the Global Fund

The Board approves the amended policy on “Eligibility Criteria, Counterpart Financing Requirements and Prioritization of Proposals for Funding from the Global Fund” as set out in GF/B30/06, Attachment 1 (the “Amended Policy”). The Amended Policy, “The Global Fund Eligibility and Counterpart Financing Policy,” is effective upon the date of this decision and applies to all subsequent eligibility determinations.

PART 2: DECISIONS TAKEN BY SIIC PURSUANT TO ITS DELEGATED AUTHORITY

Approval of the revised Terms of Reference of the Market Dynamics Advisory Group

- 2.1 Following discussions with the Chair of the Market Dynamics Advisory Group (“MDAG”) and the Chief Procurement Officer, it was proposed to revise the Terms of Reference of the MDAG to allow its Chair to invite up to five external experts from partner or technical organizations engaged in the global health-products market, to attend MDAG meetings in a non-voting advisory capacity. To facilitate this, the following text was proposed as the new paragraph 6 in the Terms of Reference of the MDAG:

“For each MDAG meeting, the Chair of the MDAG may invite up to five external experts from partner or technical organizations engaged in the global health-products market, such as the World Health Organization (WHO), to attend in a non-voting advisory capacity. External experts shall be invited on the basis of their technical qualifications and subject to the same conflicts of interest requirements as MDAG members. However, they will not be eligible for any honoraria or expense reimbursements. While invitations expire at the end of each related meeting, external experts may be invited to attend subsequent meetings.”

- 2.2 The proposed Decision Point was circulated electronically to SIIC Members the week before the 8th SIIC meeting, and was subsequently approved by consensus at the July meeting.

Decision Point GF/SIIC08/DP3:

The Strategy, Investment and Impact Committee decides to approve the revised Terms of Reference of the Market Dynamics Advisory Group, as set forth in Annex 1 to GF/SIIC08/14.

Revisions to CCM Guidelines and Requirements

2.3 As a result of the implementation of the new funding model, the Secretariat brought to the 8th SIIC Meeting proposed modifications to the CCM Guidelines and Requirements¹, concerning CCM eligibility requirement for participation of affected communities to better respond to the Global Fund Strategy 2012-2016 Strategic Action 4.2 “Integrate human rights considerations throughout the grant life cycle”. The proposed modifications were comprised of three components: including Key Affected Populations (KAPs) as a CCM requirement, increasing representation of persons living with the diseases, and linking the need for representatives in contexts where those diseases are a significant public health issue.

2.4 The Committee agreed that the proposed changes were not “material” and did not require Board approval. The proposed amendments were approved by consensus, with minor modifications to ensure that participation requirements did not put individuals at risk.

Decision Point GF/SIIC08/DP4:

1. The Strategy, Investment and Impact Committee (the “SIIC”) acknowledges:
 - a. The Board’s decision (GF/B20/DP12) to delegate to the Portfolio and Implementation Committee (the “PIC”) the authority to approve changes to the Guidelines and Requirements for Country Coordinating Mechanisms (the “CCM Guidelines”);
 - b. The Board’s decision (GF/B23/DP17) that CCM performance frameworks would be developed by the Secretariat under the oversight of the PIC; and
 - c. The SIIC inherited responsibilities and authorities previously delegated to the PIC under the Board’s adoption of the current committee structure (GF/B25/DP7).
2. Accordingly, the SIIC approves the revised CCM Minimum Requirements and CCM Minimum Standards, as set forth in Table 1 of GF/SIIC08/13 – Revision 1, to modify existing requirements for CCM members living with or affected by HIV, tuberculosis and malaria.
3. The SIIC further notes the Secretariat’s plan to operationalize the monitoring and enforcement of the CCM Guidelines by developing a CCM performance framework.

Indicators for the Allocation Formula and the Band 4 Methodology

2.5 In November 2012 the Board approved the principles of the allocation formula², and further approved that the formula be based on each country's “ability to pay” (measured by GNI per capita) and disease burden³. At that time, the Board also requested SIIC to assess the indicators used in the formula prior to each allocation period, and approve changes deemed appropriate⁴; A set of indicators was presented to the SIIC in January 2013 and

¹ GF/SIIC08/15 Chair’s Summary Report

² GF/B28/DP4, 4 b.

³ GF/B28/DP4, 4 b

⁴ GF/B28/DP4, 4

approved for the Transition period⁵. Since January, the four proposed indicators for the 2014-2016 allocation period have been refined based on input from technical partners and lessons learned during the transition, and these were presented to the SIIC for approval at its October meeting, together with a summary of the main changes made to each indicator and the resulting effect on country allocations⁶. The Decision Point was approved by consensus.

Decision Point GF/SIIC09/DPI:

As requested by the Board (GF/B28/DP4), the Strategy, Investment and Impact Committee approves the updated parameters set forth in GF/SIIC09/08 for the 2014 - 2016 allocation period, consisting of: (i) indicators for disease burden and ability to pay; (ii) "Band 4" allocation methodology; and (iii) maximum and minimum shares for apportioning indicative funding to countries.

Management of Incentive Funding and Unfunded Quality Demand

2.6 Following the Board's electronic approval of the percentage split between Indicative and Incentive Funding on 1 October 2013, the Secretariat presented to the SIIC at its 9th Meeting proposed modalities for management of incentive funding and unfunded quality demand. The process outlined by the Secretariat for management of incentive funding was based on Board-approved principles of ambition, strategic focus, alignment, sustainability, simplicity and willingness to pay, and included modalities to allow competition by Country Band through pre-determined "windows", with provision for carry-forward to future review windows of unused incentive funding. Further, at the end of the year, any incentive funding remaining unused may be carried forward and used to fund the Register of Unfunded Quality Demand ("UQD"). During its presentation, the Secretariat reminded the Committee that disease components which receive funding at levels that exceed their notional shares under the allocation methodology by more than 50% over the 2014 – 2016 allocation period are not eligible to apply for incentive funding.

2.7 With regard to the Register of UQD, the amount available would be based on an annual assessment and endorsement of the resources available to finance UQD by the Secretariat and Finance and Operational Performance Committee ("FOPC"), respectively. Investments on the UQD register for disease components that receive funding at levels below their notional shares under the allocation formula will receive higher priority than the UQD investments of other disease components. Any unfunded quality proposals would have a "shelf life" on the Register for up to three years and awards to UQD would be evaluated on an annual basis, with funding awarded across the portfolio to the highest priority demand. The Decision Point was agreed by consensus.

Decision Point GF/SIIC09/DP2:

1. In its decision to evolve the funding model, the Board requested the Strategy, Investment and Impact Committee (the "SIIC") to approve a process and methodology for awarding incentive funding, and prioritizing and awarding financing to Unfunded Quality Demand (the "UQD") for the 2014 – 2016 allocation period (GF/B28/DP4).
2. The process and methodology, as developed by the Technical Review Panel (the "TRP") and Secretariat, for awarding incentive funding, and prioritizing and

⁵ GF/SIIC06/DP1

⁶ See GF/SIIC09/08 Allocation Formula Parameters 2014-2016

awarding financing to UQD will be informed by the principles already approved by the Board (GF/B28/DP4 Paragraph 5.d.ii).

3. Accordingly, the SIIC approves the following in relation to the awarding of incentive funding:
 - a. Disease components that receive funding at levels that exceed their notional shares under the allocation methodology by more than 50% over the 2014 – 2016 allocation period despite the application of a graduated reduction are not eligible to receive incentive funding (the “Significantly Over-Allocated Components”);
 - b. The overall amount of incentive funding available will be apportioned proportionately across and within each review window by Country Band according to the proportion of indicative funding for disease components eligible to receive incentive funding;
 - c. Any remaining amounts of incentive funding within a Country Band at the end of a review window may be apportioned within the same Country Band in subsequent review windows, and added to the resources for financing Unfunded Quality Demand at the time of each determination of resources available for Unfunded Quality Demand; and
 - d. Incentive funding amounts and indicative funding amounts are recommended by the Secretariat, based on recommendations of the TRP, to the Board for approval.
4. The SIIC further approves the following in relation to prioritizing and awarding of Unfunded Quality Demand:
 - a. Funding requests above the amount that can be funded by indicative and incentive funding, which the TRP recommends as technically sound and strategically focused, will be added to the Register of Unfunded Quality Demand (the “Register”) for the period of three years;
 - b. Investments on the Register may be financed by Global Fund resources or made available for other sources of support;
 - c. Investments on the Register for disease components that receive funding at levels below their notional shares under the allocation formula will receive higher priority over investments on the Register for disease components that receive funding at levels above their notional shares under the allocation formula;
 - d. Resources available to finance Unfunded Quality Demand will be based on an annual financial assessment by the Secretariat and endorsed by the Finance and Operational Performance Committee, and awarded across the entire grant portfolio based on the priority of investments on the Register;
 - e. Investments on the Register will be prioritized based on the review and recommendations of the TRP and confirmed by the Secretariat;
 - f. The Secretariat will engage the TRP, as appropriate, to validate the continued technical soundness and strategic focus of the Register over the allocation period; and

- | |
|---|
| <p>g. Based on the recommendations of the TRP, investments on the Register are recommended by the Secretariat to the Board for approval.</p> <p>5. The SIIC will review and modify this decision, as appropriate, prior to the 2017 – 2019 allocation period.</p> |
|---|

Optimizing Investments in Health Systems Strengthening

2.8 Since its first presentation at the July SIIC meeting, the Secretariat interviewed a wide range of stakeholders to determine the optimal approach for Global Fund investment in Health Systems Strengthening (“HSS”). These discussions revealed a wide range of thought on the best approach. These were distilled by the Secretariat into three main options ranging from a broad to a much more restricted approach⁷. The Secretariat recommended Option 2, which provides for Global Fund prioritization of a narrower scope of HSS investments tied more directly to risks in addressing HIV, tuberculosis and malaria: procurement and supply chain management; the health management information system; human resources for health; and service delivery. It also provides flexibility for funding requests outside these prioritized areas, if strongly justified. This approach had also received support from TRP leadership, GAVI Alliance and multiple constituencies. The following decision was approved by consensus:

Decision Point GF/SIIC09/DP3:

- | |
|--|
| <ol style="list-style-type: none">1. The Strategy, Investment and Impact Committee (the “SIIC”) reaffirms the Board’s prior decisions to support health systems strengthening (“HSS”) investments focused on HIV/AIDS, tuberculosis and malaria.⁸2. Accordingly, the SIIC endorses the Secretariat’s proposal to further develop and implement guidance on prioritized HSS investment areas, including parameters for applying flexibility based on relevant country context, as described under Option 2 in the paper titled “Optimizing Global Fund Investments in Health Systems Strengthening” (GF/SIIC09/03). The Secretariat shall update the SIIC on specific details, criteria or data required to implement the HSS investment guidance.3. The Global Fund’s HSS investments shall take into account an applicant’s other sources of HSS support to complement, rather than replace, domestic or other external financing for HSS.4. The SIIC requests the Secretariat to develop similar guidance for community systems strengthening investments. |
|--|

Technical Review Panel Terms of Reference

2.9 The Secretariat outlined proposed revisions to the Terms of Reference of the TRP intended to bring about better alignment with the new funding model. Under the iterative model (compared to the previous Rounds-based system) these revisions allow for the TRP to engage more effectively with the Secretariat and technical partners, and permits the sharing of lessons learned with the Board through both the SIIC and Secretariat. Fundamental

⁷ See SIIC09/12 Chair’s Summary Notes

⁸ Decision Points GF/B16/DP10 and GF/B22/DP4.

principles and mandate of the TRP, however, remain unchanged: conducting technical reviews of requests for funding through collective decision-making, which is independent, transparent and well-documented, while also maintaining flexibility in panel composition and review modalities based on needs. The following decision was approved by consensus:

Decision Point GF/SIIC09/DP4:

The Strategy, Investment and Impact Committee approves the revised Terms of Reference of the Technical Review Panel, as set forth in Annex 1 to GF/SIIC09/09, which shall be effective as of the date of this decision.

Implementing TB-HIV Collaboration Services

2.10 During a discussion at the October SIIC Meeting on lessons learned from the transition to the new funding model, the Secretariat informed the SIIC that in many cases, countries with a heavy HIV and TB burden were not linking these together through joint proposals, despite previous explicit encouragement of this by the Board and the Committee. It was therefore proposed that SIIC approve a decision expressing the need for collaboration between HIV and TB services in countries with high co-morbidity through a requirement that they submit a single joint Concept Note for the two diseases, while granting the Secretariat discretion to make exceptions when warranted. The following decision was approved by consensus:

Decision Point GF/SIIC09/DP5:

In accordance with the Board's prior decisions recognizing the importance of core TB-HIV collaboration services,⁹ the Strategy, Investment and Impact Committee decides:

1. Countries with high co-infection rates of TB and HIV shall submit a single concept note that presents integrated and joint programming for the two diseases, unless the Secretariat determines that extraordinary circumstances warrant separate concept-note submissions; and
2. The Secretariat should facilitate the development of such TB-HIV concept notes through the country dialogue process to present integrated programs to the Board for approval.

PART 3: MATTERS ADDRESSED BY SIIC AS PART OF ITS OVERSIGHT AND ADVISORY FUNCTIONS IN ACCORDANCE WITH ITS CHARTER.

3.1 A standard presentation on the development of the Corporate KPIs was presented to each of the three Board Committees (SIIC, FOPC, AEC) at their October meetings. The presentation included feedback received from representatives of the Implementer Bloc via teleconference on 26 August, and from the Donor Bloc at an in-person meeting in Geneva on 4 September. Feedback from the October Committee Meetings will be incorporated into the final proposal to be submitted for approval to Thirtieth Board Meeting in November 2013.

3.2 The Secretariat also reported to SIIC at its July and October meetings on other areas where the Committee has oversight responsibility: the 5-Year Evaluation, the Technical

⁹ Decision Points GF/B18/DP12 and GF/B29/EDP11.

Review Panel, the Grant Approvals Committee (“GAC”), and the three Secretariat-sponsored Disease Committees.

3.3 Additionally, the SIIC received updates on the Secretariat’s approach to gender and human rights with a new hub being established to coordinate support for this important work.

Technical Evaluation Reference Group (TERG)

3.4 The TERG held its 22nd meeting from 10-11 September in Geneva, and the Chair, Mickey Chopra presented an update on TERG’s work to the 9th SIIC Meeting in October 2013, including progress on evaluations and data quality investments; thematic reviews, including the transition phase of the New Funding Model; and the outline of the Mid-term Review of the Global Fund Strategy. The report of the TERG meeting¹⁰ is available on the Governance Extranet.

PART 4: DECISIONS RECOMMENDED BY SIIC AND APPROVED BY THE BOARD VIA ELECTRONIC VOTE

4.1 There have been two Decisions recommended to the Board by the SIIC since the Twenty-Ninth Board Meeting in June 2013. Both Decisions were approved electronically by the Board on 1 October 2013, with a unanimous approval (ten out of ten) from the donor bloc and a eight out of ten approval from the Implementer bloc (eight in favour and two abstentions):

- GF/B29/EDP10: Division between Indicative and Incentive Funding
- GF/B29/EDP11: Global Disease Split

4.2 The full text of these decisions is contained in the report “Electronic Decision Points – June to November 2013” (GF/B30/13).

¹⁰ 22nd TERG Meeting Outcomes, September 2013