



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

Eleventh Board Meeting
Geneva, 28-30 September 2005

GF/B11/10

REPORT OF THE PHASE 2 TASK FORCE

Outline: The Phase 2 Task Force was established under the leadership of the Vice-Chair of the Board, Professor Michel Kazatchkine, to review Phase 2 issues with a special focus on “No Go” procedures. The Task Force convened during a half-day meeting on 29 July 2005 in Geneva. This report summarizes the discussion and outlines recommended changes to the Phase 2 processes and procedures with regards to No Go recommendations.

Decision Points:

1. The Board endorses the recommendations of the Phase 2 Task Force (contained in GF/B11/10) with regard to the process to be followed for Phase 2 “no go” recommendations by the Secretariat, currently set forth in the “Phase 2 Decision Making Policies and Procedures” (Annex 6 to GF/B10/8), as amended. Specifically, it decides *in principle* that the following steps shall be introduced into the Phase 2 procedure once the recommendations referenced in Decision Point 2 below have been approved by the Board at its 12th Meeting:

- a. Where the Secretariat would otherwise issue a “no go” recommendation with respect to a grant, it shall give notice of that intention and the reasons for it to the relevant CCM, and allow that CCM four weeks to comment on the information submitted to it by the Secretariat, which shall consider it before submitting a recommendation to the Board.
- b. In the event that (i) the Board rejects a first Secretariat “no go” recommendation, (ii) the Secretariat issues a second “no go” recommendation to the Board and (iii) the Board rejects the Secretariat’s second “no go” recommendation, the matter shall be referred to an independent panel which shall assess the specific areas where the Board and the Secretariat differ on their assessment of the grant and report its conclusions to the Board.

2. The Board requests the Portfolio Committee to make recommendations with respect to the composition and functioning of the independent panels that are referred to in Decision Point 1 above, and to present amended Phase 2 Policies and Procedures reflecting the process described in Decision Point 1 to the Board for approval at its 12th Meeting.

Part 1: Introduction

1. The data used to evaluate Phase 2-eligible grants are drawn from information gathered throughout the program's first two years, including the formal Request for Continued Funding sent by the CCM. Data are verified independently by a Local Fund Agent. Within the Secretariat, a three-tier analysis of the data is conducted to review performance as well as financial and general management by the Principal Recipient (PR). The three-tier review consists of review by i) the relevant portfolio team, ii) monitoring and evaluation team and iii) the Phase 2 Panel. The outcome of this three-tier review is then sent on to the Board for its decision (see Annex 1 for composition of the Secretariat's Phase 2 Panel and its "Conflict of Interest" policy).
2. Performance-based funding begins before the first disbursement: assessments are carried out on PR's prior to Grant Agreement signing and indicators to measure performance are built into the initial grant agreement. Over the grant management cycle, an extensive basis is built up on which to evaluate performance by the time the grants reach the Phase 2 evaluation stage, including:
 - a. Four initial assessments of the PR in four areas: i) financial management and systems, ii) institutional and programmatic, iii) monitoring and evaluation and iv) procurements and supply management;
 - b. Three to six progress updates with financial performance data;
 - c. An independent review of each update with performance recommendations by the LFA;
 - d. Annual reviews giving the opportunity to the PR to submit contextual information;
 - e. Country visits;
 - f. A Phase 2 process where the PR and the CCM can submit full additional information reviewed by the LFA; and
 - g. Secretariat review of financial, performance and grant management information submitted to the Secretariat's Phase 2 Panel.

At its 10th meeting, the Board expressed strong support for the performance-based disbursement policy as detailed above, but felt improvements needed to be made, with regard to grants for which the Secretariat makes a recommendation to discontinue funding ("No Go" recommendations).

3. The Phase 2 Task Force (the "Task Force") was therefore established under the leadership of the Vice-Chair of the Board, Professor Michel Kazatchkine, to review Phase 2 issues with a special focus on "No Go" procedures. The Task Force convened during a half-day meeting on 29 July 2005 in Geneva (see Annex 2 for list of participants). Prior to the meeting of the Task Force, an e-forum was launched to offer constituencies with an opportunity to comment on the issues under consideration.
4. The Task Force began its meeting with a detailed overview of phase 2 procedures presented by the Chief of Operations, Mr. Brad Herbert and the Director of Strategic Information and Evaluation, Dr. Bernhard Schwartländer. The Chair of the Technical Evaluation Reference Group (TERG), Prof. Rolf Korte, recalled that the Board had requested the TERG to review Phase 2 procedures and processes as applied by the Secretariat. He reported that the TERG, during its initial review based on some 40 Phase 2 grants, found the Phase 2 processes overall strong and working well (see report of TERG and MEFA, March 2005).
5. A general discussion touched on a variety of issues, summarized in Annex 3 of this report. Task Force members agreed that these issues should be addressed by existing GF structures

(Board Committees, TRP, Secretariat) as appropriate. The Task Force then focused on an in-depth discussion of the experience and lessons learned in the “No Go” processes.

Part 2: Main Issues and Recommendations related to “No Go” procedures

1. **Opportunities for CCM to comment on the Secretariat’s recommendation to the Board to discontinue funding:** As the policy stands, the CCM is not formally informed about the outcome of Phase 2 Panel deliberations prior to the final Board decision. To date, No Go recommendations have prompted board constituents and country partners to “lobby”, provide additional information and undertake diplomatic initiatives with the Board and the Secretariat after the recommendation has been made and the Secretariat’s evaluation processes concluded.
2. **Additional information provided to the Board and Secretariat about the performance of the grant:** Understandably, discontinuing funding has considerable political and ethical implications; the flurry of activity, however, including submission of “additional” information, (ranging from new reports, research, analysis) is difficult for Board members to digest and analyze. The discussion focused on the types of information that could bring value-added to Board deliberations above and beyond the Secretariat’s review. There were concerns that additional information that is not coming through regular processes foreseen in the Phase 2 policies (i.e. from Board constituencies via the objection forms) may dilute the principles of performance-based funding and the objective criteria against which grants are evaluated.
3. **Timing of steps taken in the Phase 2 review:** In discussing possible changes to existing procedures, the “time factor” was a key consideration. Any changes to the process would require more time for deliberations, thereby potentially delaying the decision for continued funding.
4. **Outcomes of No Go Recommendations:** It was also noted that “No Go” recommendations had created the impetus for (rapid) substantive changes with positive outcomes for overall country processes and responses to the epidemics. These effects also had positive “spill over” to other programmes and countries and collaborations between partners at all levels.
5. Based on these issues, the Phase 2 task force developed a set of recommendations on refinements to the current Phase 2 policies with the following considerations in mind:
 - a. Providing the CCM and the PR with an opportunity to respond and provide additional information on a No Go recommendation before its submission to the Board;
 - b. Creating the possibility of an independent review of differences of opinion between the Secretariat and the CCM or Board constituencies in cases of “No Go” recommendations; and
 - c. Preserving the principle of performance-based funding and allowing the Secretariat, with an intimate knowledge about the details of a grantees’ past performance, to make recommendations to the Board.
6. The recommendations of the Phase 2 Task Force build on the existing policies by adding specific steps which are aimed to strengthen the overall decision process and to facilitate Board deliberations. The revised process in case of an initial No Go recommendation by the Secretariat would be as follows, with added steps/processes highlighted in **bold**:
7. **Month 20:** A “No Go” recommendation by the Phase 2 Panel would be **communicated to the CCM prior to its transmittal to the Board**. The Board would be notified that this process has been launched, but not requested to make a decision on Phase 2. In anticipation of the

delays in the Phase 2 evaluation process, the Secretariat and the PR would determine the need for a no-cost extension (whereby funds still available under the Phase 1 grant agreement could be used to continue activities).

8. **Month 21: The CCM would have four weeks to comment and react to the Secretariat's "No Go" recommendation.** This may include additional contextual information to the original Request for Continued Funding and address specific issues regarding the performance of the grant as evaluated by the Secretariat (based on the Grant Score Card). This process would also enable partners and constituencies to channel relevant information through formal channels, ie. the CCM.
9. **Month 22: The Secretariat's Phase 2 Panel would review the information provided by the CCM.** The panel can decide to modify its initial No Go recommendation and issue a Go or Conditional Go recommendation to the Board.
10. In the event that the CCM submits information that would reflect material changes to the original proposal, the Secretariat would refer the grant for the TRP's review as per existing board policies.
11. **Month 23:** If the Board agrees with the No Go recommendation, the grant would be terminated.
12. If the Board objects to the No Go recommendation, the matter would be referred back to the Secretariat including a rationale for the objections as described in current Board policy. The Secretariat will consider the additional information received from Board members through the objection forms and decide on a second recommendation. It may decide to modify its No Go recommendation and issue a Go or Conditional Go recommendation to the Board. If the Secretariat decides to uphold its original recommendation it would send a second No Go recommendation to the Board for decision with a detailed rationale addressing the specific points brought forward through the objections.
13. **Month 24:** If the Board agrees with the second No Go recommendation, the grant would be terminated. If the Board objects to the No Go recommendation, a final decision would be referred to a full Board discussion during the next Board meeting as agreed in current Board policy.
14. **To facilitate the final discussion and decision of the Board, the Secretariat would initiate a second independent review.** The objective of this external review would be to map out all the information put forward (and referred to) by the CCM, the Secretariat, and Board constituencies. This mapping shall include a chronology of information provided, a typology of the content and an analysis of the source and flow of information (vis-à-vis the principles and procedures described above). Finally, the review shall map out the different arguments analyzing how they refer to each other, highlighting areas of agreement and disagreement, and defining areas which have not been addressed by either of the parties involved.
15. Please refer to Annex 4 for a flow chart illustrating the recommendations described above.
16. The composition of the independent panel, was discussed by the Phase 2 Task Force to some extent. Options included members of the Appeal Panel for TRP decisions and the Technical Evaluation Reference Group, possibly supported by "audit" type consultants. Given the time limitation during the meeting, no final recommendation was achieved.
17. It is important to highlight that Task Force members reached consensus that at no time would the independent panel carry out a full or partial evaluation of or provide a second opinion on

the performance of a grant. The role of the independent body would be to assess the merits of the arguments and differences of opinion between the Secretariat and the CCM or the Board. The objectives of such a review would be to facilitate and focus a Board discussion by an audit type mapping and analysis of the issues about which the Board and the Secretariat cannot reach agreement.

Part 3: Decision Points

1. The Board endorses the recommendations of the Phase 2 Task Force (contained in GF/B11/10) with regard to the process to be followed for Phase 2 “no go” recommendations by the Secretariat, currently set forth in the “Phase 2 Decision Making Policies and Procedures” (Annex 6 to GF/B10/8), as amended. Specifically, it decides *in principle* that the following steps shall be introduced into the Phase 2 procedure once the recommendations referenced in Decision Point 2 below have been approved by the Board at its 12th Meeting:

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This document is part of an internal deliberative process of the Fund and as such cannot be made public. Please refer to the Global Fund’s documents policy for further guidance.

Secretariat Phase 2 Panel: Composition and Conflict of Interest Policy

1. Composition of Secretariat Phase 2 Panel:

Voting Members:

Chief of Operations
Director, Strategic Information and Evaluation
Chief Financial Officer
Chief Administrative Officer

Resource Members:

General Manager, Chief of Portfolio Services and Projects
Legal Counsel
Senior Manager, Strategic Information and Evaluation
Cluster Team Leader (on rotating basis)
Fund Portfolio Manager (for each grant under consideration)

2. Conflict of Interest Policy:

Panel Members are bound by the Ethics and Conflict of Interest Policy for Global Fund institutions which requires that any conflict of interest be disclosed to the Ethics Committee of the Global Fund.

List of Phase 2 Task Force members: Meeting of 29 July 2005

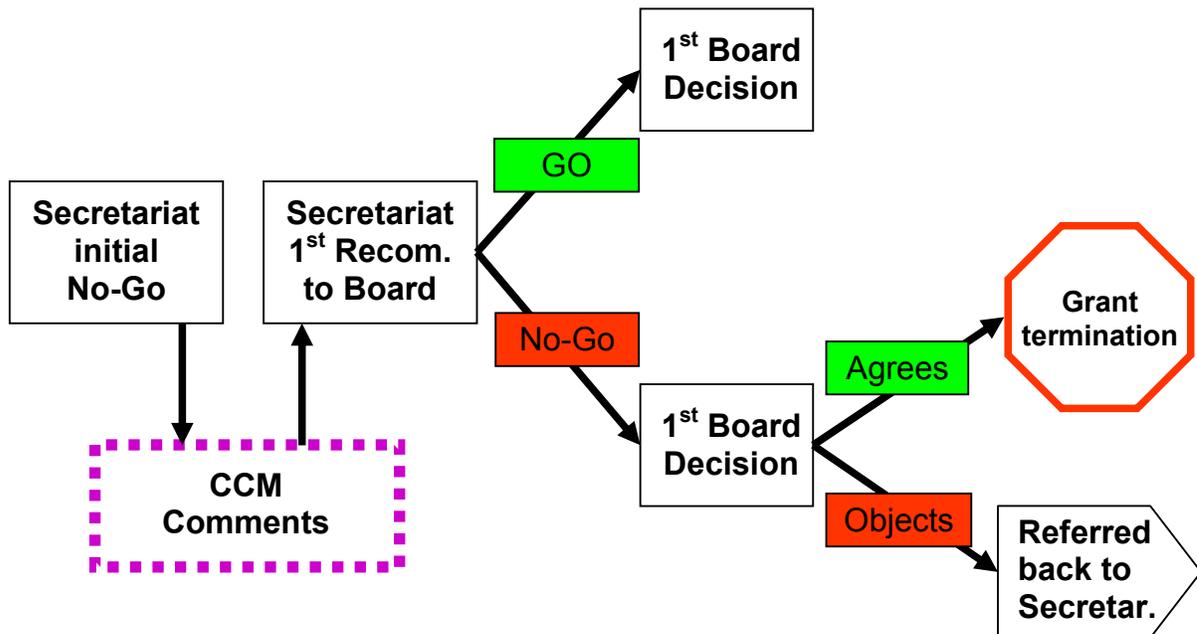
Chair:	Professor Michel Kazatchkine, Vice-Chair of the Board
Secretariat Focal Points:	(1) Mr. Brad Herbert, Chief of Operations (2) Dr. Bernhard Schwartländer, Director, Strategic Information and Evaluation
Eastern and Southern Africa:	Ms. Daisy Mafubela
Developed Country NGO”	Ms. Asia Russell
Point Seven:	Dr. Sigrun Møgedal
Private Sector:	Dr. Brian Brink
Technical Evaluation Reference Group:	Prof. Rolfe Korte
Technical Review Panel:	(1) Dr. Jonathan Broomberg (2) Mr. Wilfred Griekspoor
Rapporteur:	Ms. Paula Hacopian

General issues discussed around the Phase 2 process which may be handled by the appropriate Board structures (Board Committees, TRP, TERG, Secretariat)

1. Timing of Phase 2 Reviews: Currently, the CCMs are invited by the Secretariat to submit a “Request for Continued Funding” at month 16 of phase 1 of the grant. Their inputs, together with those of the LFA are required by the Secretariat by month 18, allowing the Secretariat time to evaluate the request and submit to the Board by month 20. The timeline was established by the former Monitoring, Evaluation, Finance Audit Committee (MEFA) so as to allow the extension of the grant to be in place by month 22, giving a further buffer time for the grant extension (including Phase 2 targets, budgets and other conditions) to be negotiated by the Secretariat and for the LFA and Trustee to process the first disbursement request for the first quarter of Phase 2, essentially corresponding to month 24. Some concerns were voiced as to whether 18 months were adequate to allow the Principal Recipient (PR) and its program to show results against which the “Phase 2” evaluation could be based. It was highlighted that targets for the first year of Phase 1 were negotiated with the PR at the outset (during grant negotiations) and that existing GF policies allow PRs to take into account the time needed to start or scale up its programs. It was noted that for the vast majority of Phase 2 grants so far there have been no problems with performance assessment and decision based on the current timing.
2. CCM Role: Discussions also highlighted the perceived lack of clarity surrounding the role of the CCM in program oversight. Specifically, the CCM’s involvement in requesting continuation of funding at month 16-18 was sometimes a challenge when oversight of performance may be limited until the point when formal involvement became necessary. This issue was also raised when it was highlighted that most reprogramming was done at the suggestion of the Secretariat during the course of the “Phase 2” review rather than it being noted and requested by the CCM prior to submission.
3. Role of the TRP: The Chair of the TRP, Dr. Jonathan Broomberg, and Task Force members agreed that the role and functioning of the TRP in reviewing requests for reprogramming or “Revised GOs” requires clarification. Two issues are pressing. The first is related to the fact that TRP reviews in the context of reprogramming take place without face to face meetings of TRP members. The TRP Chair stressed that the depth of analysis during full TRP meetings in Geneva around proposal reviews allowed all matters to be considered with due consideration whereas remote teleconferencing and email exchanges were not conducive to the required rigor with which analyses should take place. One possible solution would be to call quarterly meetings to consider reprogramming requests and to adjust grants accordingly with no-cost extensions or bridge funding.
4. Second, the level of contextual information that should be taken into account in TRP deliberations and extent of budget cuts or reductions in overall program objectives were questioned. There was agreement that the TRP should take performance and contextual factors into account in reprogramming requests, but clear guidance was requested. The Secretariat was asked to work with the TRP Chair to propose solutions for consideration by the Portfolio Committee.
5. Data Quality: The TERG Chair expressed concern, including from the initial TERG Phase 2 review, that data quality measures need to be put in place to protect Performance Based Funding processes and decisions. Such systems which will be discussed during the upcoming TERG meeting in September 2005.
6. Approval of Gos and Conditional Gos: The Task Force agreed that there is a need to ensure that the Board, in its decision making processes, ensures as much rigor in reviewing Go and Conditional Go decisions as it does in deliberating about No Go decisions. This is an important consideration for a financing institution that aims to focus scarce financial resources on programs with the highest impact on the three diseases.

Flow Chart on proposed recommendations of Phase 2 Task Force to the Board

Phase 2 Review Process Decision Flows: First “No Go” Recommendation by Secretariat



Phase 2 Review Process Decision Flows: Second “No Go” Recommendation by Secretariat

