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**The Global Fund**

To Fight AIDS, Tuberculosis and Malaria

Fourteenth Board Meeting  
Guatemala City, 31 October - 3 November 2006

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GF/B14/8

## REPORT OF THE PORTFOLIO COMMITTEE

**Outline:** This report summarizes the discussions and recommended decision points of the 5<sup>th</sup> Portfolio Committee Meeting held in Geneva on 21-22 September 2006.

### Summary of Decision Points:

#### **Earlier Initiation of TRP Clarifications and LFA Assessments (Part 8, p.7)**

The recommended decision point outlines a process for earlier initiation of TRP clarifications and LFA assessments to apply to proposal components the TRP has recommended as Category 1, 2 or 2B.

#### **Phase 2 Decision-Making Policies and Procedures (Part 9, p.11, Annex 3b, pp.22-24)**

The recommended decision point streamlines Phase 2 Decision-Making Policies and Procedures by removing the Board's second vote on "No Go" recommendations; deferring the timing of the Phase 2 Request and subsequent review process by two to three months and making minor refinements to the language of the policies and procedures to correct previous drafting errors and reflect original Board intent with procedures.

#### **South Africa Round 3 Western Cape HIV/AIDS Phase 2 Request (Part 10, p.12)**

The decision point recommends that the Board authorize the Secretariat to review the particular Phase 2 request of Western Cape on an exceptional basis and subject to specific conditions.

## **Part 1: Introduction**

1. The Portfolio Committee (PC) met on 21-22 September 2006 in Geneva. Minister Urbain Olanguena Awono (West and Central Africa) was Chair of the meeting and Mr Geoff Adlide (Australia) Vice-Chair. The lists of participants and agenda of the meeting are included in Annexes 1 and 2, respectively.
2. A Sub-Working Group on Phase 2 had a teleconference on 11 September 2006 and met on 20 September 2006 to deliberate Phase 2 issues and develop recommendations for the PC to consider. A second sub-working group, the Sub-Working Group on Eligibility, also met on 20 September to prepare for discussions of the PC on eligibility criteria for upper-middle income countries.

## **Part 2: Update on Round 6**

1. The Secretariat briefed the PC on high-level outcomes of the review by the Technical Review Panel (TRP) of Round 6 proposals and preliminary lessons learned. Details will be provided in the Report of the TRP to the Board for its fourteenth meeting. In summary, at the close of applications on 3 August 2006, the total five-year CCM funding request was US\$ 5.812 billion and the two-year amount US\$ 2.369 billion. Fifty-six percent of funding requested was for interventions against HIV/AIDS, 14 percent for interventions against tuberculosis, and 30 percent for malaria programs. The largest number of applications received and amount of funding requested was from countries in the African region. Further analysis of funding requested per WHO region and of TRP outcomes per region and disease were also presented. The total funding amount recommended for approval by the TRP to the Board over a five-year period is US\$ 2.18 billion. This represents a success rate of forty-two percent of applications, the highest success rate for proposals thus far.
2. The PC acknowledged the high-level analysis provided and the increased efforts of the Secretariat to facilitate the work of the TRP. Results of an informal feedback survey completed by a small number of applicants suggest that the revised and improved Round 6 Proposal Form and Guidelines were helpful for applicants.
3. However, members of the PC expressed some concerns about unsuccessful proposals. The committee noted the high success rate of applications for interventions against tuberculosis and the correlation with substantive support provided through the Stop TB Partnership. While partners are providing technical assistance in-country for HIV/AIDS and malaria programs and are reviewing proposals before submission, concern was raised over their lower success rates. In-country technical assistance arrangements for proposals need to be addressed for future rounds to ensure the quality of technical assistance, increase success rates and work towards achieving universal access.
4. Considering the focus on CCM compliance of applicants during the Round 6 screening and review processes, the PC questioned the involvement of the civil society sector in CCMs and during grant implementation. Concern was raised that the recommendation that CCM membership be comprised of forty percent from the civil society sector was not being fulfilled in many cases. In addition, it was noted that while community-based organizations (CBOs) focusing on HIV/AIDS are actively involved in CCMs and grant implementation, there has been little involvement of CBOs for malaria and tuberculosis programs.

5. The PC requested that the Secretariat complete its analysis of Round 6 applications focusing on trends of Round 6 as compared to previous rounds and lessons learned. In particular, the analysis of Round 6 applications should provide information on CCM compliance, involvement of civil society organizations, and increased efforts for the harmonization and alignment of new proposals with existing programs. The Secretariat was asked to explore why a number of regions had a larger number of unsuccessful applications than successful applications. The PC also requested the Secretariat - in partnership with WHO and UNAIDS - to analyze the correlation between poorly-performing grants, low-income countries and unsuccessful proposals. The Secretariat will report on outcomes of the analysis to the PC at its 6<sup>th</sup> meeting. The PC recognizes that these issues may also be addressed in the Report of the TRP to the Board and that the Board may direct the PC to work with the Secretariat to resolve them for future rounds of funding.

### **Part 3: Eligibility Criteria for Upper-middle income countries**

1. The Sub-Working Group on Eligibility met on 20 September 2006 to further discuss eligibility criteria for upper-middle income countries. Discussions of both the sub-working group and subsequently the PC reaffirmed the rationale for broader eligibility criteria for upper-middle income countries to contain localized epidemics and to enable cost-effective interventions to curb the spread of HIV infections before more extensive financing is required for large-scale interventions.

2. The PC focused on issues raised by constituencies during deliberations at the Thirteenth Board Meeting, including the need to establish comprehensive definitions of vulnerable groups for the three diseases and appreciate cost implications for interventions for the vulnerable groups. Information provided by UNAIDS on costs for interventions against HIV/AIDS was considered, however the PC recognized the need to work with WHO to also solicit equivalent and comprehensive information on interventions targeted at vulnerable groups for malaria and tuberculosis.

3. As a result, the PC recommended that the sub-working group continue its deliberations on criteria for upper-middle income countries and solicit technical information from WHO/UNAIDS on definition of vulnerable groups encompassing all three diseases and costing for interventions for vulnerable groups of all three diseases. The PC also asked the sub-working group to analyze the Global Fund's comparative advantage in financing targeted interventions for vulnerable groups in these country settings and in assuming management of potentially very small grants (in terms of dollar value). The sub-working group was also asked to explore and identify other "sub-populations" that may constitute vulnerable groups.

4. The sub-working group will develop recommendations for the PC to consider at its 6<sup>th</sup> meeting and which the PC will present for decision at the Fifteenth Board Meeting. Such proposed decision points would change eligibility criteria for upper-middle income countries for future rounds of funding.

### **Part 4: Funding for the Green Light Committee**

1. The Secretariat briefed the PC on steps undertaken to implement the Board decision on funding for the Green Light Committee (GLC) adopted at the Thirteenth Board Meeting. This decision recognized the invaluable role the GLC in providing essential services for recipients of Global Fund grants and that its services constitute a package which cannot be disaggregated. Costs for GLC services should therefore be borne in by recipients on a cost-sharing basis using a flat rate per grant per year not exceeding US\$ 50,000.

2. The Secretariat reported that implementing the Board decision according to the original intent of the PC and the Board, i.e., that any funding should be additional to funding provided by other donors, had proved challenging. To minimize transaction costs for the Principal Recipients (PRs) and the Secretariat, and to provide some level of certainty of funding from the Global Fund for the GLC, the Secretariat decided to require Global Fund recipients of grants from Round 6 and from future rounds, to pay a flat rate of US\$ 50,000 per grant per year. Recipients submitting a Phase 2 request after 1 January 2007 will also be required to pay US\$ 50,000 per grant per year, except for a number of grants with small Phase 2 budgets where such payments would entail major restructuring of intended programs. A “direct payment” option will be used to ensure the efficient transfer of funds. The Secretariat will transfer funds directly to the GLC on behalf of recipients after receiving a disbursement request from each relevant PR at the beginning of each year of the program. For further details, refer to the Report on Funding for Green Light Committee Activities (GF/PC5/05) provided as a background paper to the PC for its 5<sup>th</sup> meeting.
3. The Secretariat proposed not to pursue any “back-fitting” of payments for the GLC into budgets of grants which will have submitted a Phase 2 request by end 2006 due to the extensive reprogramming of existing grants and budgets which would be required.
4. Secretariat staff has had a number of high-level meetings with WHO/GLC to ensure a common understanding of the Board decision and challenges with its implementation, and to agree on the above method of implementation.
5. The PC commended the efforts undertaken by the Secretariat to address challenges of implementing the decision point and appreciated the difficulty in calculating the funding gap of the GLC at any given point in time. Committee members therefore endorsed the interpretation of the Secretariat to incorporate costs for GLC services at a rate of US\$ 50,000 per grant per year.
6. The PC will ask the Chair of the Board to write to the Stop TB Partnership to engage in fundraising to cover US\$ 2.5 million, a maximum amount which could have been drawn from “back-fitting” costs into grants of Rounds 1 to 5 over a period of three years.

## **Part 5: Implementation of the Quality Assurance Policy**

1. The Secretariat reported on implementation of the Quality Assurance Policy for single and limited-source pharmaceuticals adopted at the Tenth Board Meeting. A quality control agent is currently being contracted as an independent third party to conduct random quality analysis and processes. Tools have been developed to manage, support and monitor compliance of recipients with the policy. Compliance with the policy is monitored through monthly reports of the Price Reporting Mechanism (PRM) which is based on past procurement reported by PRs. For further details refer to the background paper Implementation of the Quality Assurance Policy (GF/PC5/07) provided to the PC for its 5<sup>th</sup> meeting.
2. The PC, while recognizing the efforts undertaken by the Secretariat to implement the policy, expressed concern about the reported cases of non-compliance. It was recognized that the number of non-compliant cases may in fact be higher, as not all past procurement has been recorded in the PRM. The PC requested the Secretariat to analyze individual cases of non-compliance focusing on specific countries/PRs and the type of pharmaceutical products purchased. Information will be shared with the PC as well as WHO and UNAIDS. The Secretariat is to develop a policy outlining measures to be undertaken for cases of non-compliance. Committee members asked the Secretariat to ensure that any changes to procurement policies and compliance lists are communicated with countries immediately.

3. The PC also emphasized the related issue of the pricing of pharmaceutical products and the need to link with the Policy and Strategy Committee (PSC) to ensure cross-fertilization of discussions on market dynamics.
4. The PC requested the Secretariat to report back on its analysis and present policy implications for non-compliance at its 6<sup>th</sup> meeting.

## **Part 6: CCM Compliance**

1. The PC deliberated extensively the experience of the Secretariat in monitoring compliance of CCM eligibility requirements as decided at the Ninth Board Meeting. Compliance was monitored during the screening of Round 6 applicants and review of Phase 2 Requests for Continued Funding. For further details, refer to the background paper Monitoring Compliance of Board-Mandated Country Coordinating Mechanism Requirements: The Round 5 Review (GF/PC5/09) provided to the PC for its 5<sup>th</sup> meeting.
2. The PC acknowledged efforts of the Secretariat to adopt a flexible and results-oriented approach in ensuring the use of evidence to track progress by CCMs towards compliance with Board requirements. The PC recognized that monitoring compliance has been a steep learning experience with high transaction costs for CCMs and the Secretariat. However, Committee members emphasized the positive outcome of efforts of all relevant actors and that a “social transformation in health” is underway in many countries.
3. The PC remained concerned about the continued dominance of government bodies and reported lack of civil society involvement in CCMs. While the Global Fund recommends that civil society representation in CCMs constitute forty percent of members, this is rarely achieved. Concern was also raised about the requirement to have representation of persons living with and or affected by the diseases, which often results in membership of a person living with or affected by HIV/AIDS only. Representation of persons affected by tuberculosis or malaria is still not sufficiently addressed. Committee members suggested including more guidance on the breakdown of membership, i.e., in estimated percentages of various stakeholders to help guide adequate representation within the civil society sector and including persons living with and/or affected by the diseases.
4. The PC focused on the need for CCMs to be better aligned and harmonized with national bodies and that there be no duplication of coordinating bodies. Committee members queried whether requiring alignment and harmonization of CCMs with national bodies should be formalized as a Board-mandated requirement. The Secretariat highlighted the difficulty in implementing such a requirement and providing documentary evidence. The PC therefore agreed that while the Secretariat should continue its efforts to avoid the duplication of bodies in country, this should not yet be formalized as a requirement.
5. To maintain the momentum on increasingly more compliant CCMs, the PC recommended that the Secretariat continue assisting CCMs in fulfilling documentation requirements, but, however, focus on providing continued support for CCMs to “live” the requirements more thoroughly. The Secretariat was requested to especially focus on membership of CCMs, representation of stakeholders including partners and their active participation, the oversight role of the CCM and the alignment and harmonization of CCMs with national bodies. The Secretariat was also requested to facilitate the sharing of best practices of strengthened CCMs and achievements in fulfilling eligibility criteria amongst all stakeholders.

6. While the PC recognizes challenges associated with the implementation of CCM requirements, it asked the Secretariat to continue with its efforts and report back to the committee more comprehensively on challenges with implementation at its 6<sup>th</sup> meeting and whether amendments to current Board-mandated requirements would be advisable.

## **Part 7: Grant Consolidation and Beyond Phase 2**

1. The Secretariat briefed the PC on deliberations of the PSC on Grant Consolidation and Beyond Phase 2 which will be presented to the Board for decision at the Fourteenth Board Meeting. Implementation of these two decisions and their operational implications will become the responsibility of the PC.

2. The Secretariat has already undertaken preparations for the proposed pilot project for grant consolidation. Terms of reference for the project have been drafted and a budget for human resource implications at the Secretariat developed. It is anticipated that through the pilot project, the Secretariat will gain a better understanding of potential architectural and policy changes required for large-scale consolidation across the portfolio.

3. In particular, Committee members considered alternative ways of accelerating the pilot and reducing costs for the Secretariat and PRs. Suggestions discussed included working with countries that are interested in consolidating their grants immediately. Another suggestion was for the Secretariat to require countries to consolidate their grants where efficiency gains are evident. The need for the Secretariat to remain a flexible and fast financing mechanism was underscored.

4. These issues will be raised by the committee during deliberations on the recommended decision points of the PSC at the Fourteenth Board Meeting. The PC therefore requested the Secretariat to accelerate pilot implementation to save time and reduce costs, following approval of the decision of the PSC at the Fourteenth Board Meeting.

5. The PC will discuss outcomes of Board decisions on Grant Consolidation, Beyond Phase 2 and any other PSC-recommended decisions that have operational implications and subsequently become the responsibility of the Portfolio Committee, at its 6<sup>th</sup> meeting.

## **Part 8: Earlier Initiation of TRP Clarifications and LFA Assessments**

1. The PC acknowledged the request of the Board in a decision of the Thirteenth Board Meeting to develop conditions for earlier initiation of TRP clarifications and LFA assessments. Committee members affirmed the principles of optimizing grant performance that underpin the decision to accelerate the start of the TRP clarification process and LFA assessments and welcome any measures to accelerate grant signing. However, the Committee also considered operational implications and contextual considerations provided by the Secretariat and deliberated challenges of earlier initiation extensively, specifically:

(a) When the PSC recommended the decision point, it anticipated that TRP clarifications and LFA assessments could be advanced by six to ten weeks if initiated immediately after the TRP meets. However, due to the timing of the TRP meeting to review proposals for Round 6 and its proximity to the Fourteenth Board Meeting, and the timing of this proposed decision, the time that could have been saved in the case of Round 6 by early initiation of these processes was only three weeks.

- (b) Based upon the now proposed timetable for a potential Round 7, the anticipated time saving in respect of that round from the early commencement of TRP clarifications is anticipated to be similar (approximately four weeks).
  - (c) Although at the date of the 5<sup>th</sup> Portfolio Committee Meeting resources were not available for all proposals recommended under category 2B, there was concern that providing notice to a select group of applicants would contravene the principles of transparency and equity. Committee members believe that notice should be given to all applicants regardless of the category of TRP recommendation and regardless of resource constraints, and including those which the TRP has not recommended for funding (category 3 or 4).
  - (d) The TRP Chair and Vice-Chair requested the Secretariat to communicate their strong concerns about the early commencement of TRP clarifications. The TRP is specifically concerned that it may: (i) undermine the positioning of the TRP as an independent body providing recommendations, and not final funding decisions; and (ii) lead to an increased level of lobbying of TRP members and Board members.
2. Given these considerations, the PC concluded that the issue and, in particular, operational challenges and TRP concerns, be discussed at the Fourteenth Board Meeting. Should the Board decide that the Secretariat proceed with the earlier initiation of TRP clarifications and LFA assessments, the following recommendation would be presented to the Board for decision. The policy would apply to Round 7 and future rounds of funding.

### **Decision Point**

***The Board approves the early commencement of the Technical Review Panel (TRP) clarifications and Local Fund Agent (LFA) assessment processes to be implemented as follows:***

- (a) Not later than four weeks after the close of the relevant TRP meeting, the Secretariat shall provide to each of the eligible applicants whose proposal was reviewed by the TRP notice of the provisional recommendations of the TRP regarding the applicant's proposal. Such notice shall include a clear statement that the notice does not represent approval of funding by the Board or any commitment by the Board to fund that component.***
- (b) For proposal components that the TRP has recommended as Category 1, 2 or 2B, the Secretariat shall include with the notice a copy of the TRP Review Form for the component in order to allow applicants to commence the clarification process as soon as possible.***
- (c) The Secretariat shall initiate LFA assessments of Principal Recipients nominated in Category 1, 2 or 2B proposals as soon as commercially possible after the notice has been sent to the applicants.***

## **Part 9: Phase 2 Decision-Making Policies & Procedures**

1. At the Thirteenth Board Meeting, the Board requested the PC to review the Phase 2 Decision-Making Policies and Procedures and develop recommendations for the Board to consider at its fourteenth meeting. The Committee formed a Sub Working Group on Phase 2 Issues that discussed potential changes to the Phase 2 Decision-Making Policies and Procedures to streamline and strengthen current procedures.

2. The Sub-Working Group recommended to the PC a number of amendments to the current Phase 2 Decision-Making Policies and Procedures which address the following issues:

- Removal of the Board's second vote on "No Go" recommendations;
- Timing of the Phase 2 Request and subsequent review process;
- Minor refinements to the language of the policies and procedures to correct previous drafting errors and reflect original Board intent with procedures.

3. The current Phase 2 Decision-Making Policies and Procedures as adopted at the Twelfth Board Meeting is attached as Annex 3 to this Report. Annex 3a provides the current Phase 2 Decision-Making Policies and Procedures highlighting changes recommended by the PC for decision by the Board at its fourteenth meeting. The recommended Phase 2 Decision-Making Policies and Procedures for decision by the Board with changes incorporated is provided in Annex 3b. If adopted, this version would constitute the new Phase 2 Decision-Making Policies and Procedures. The details of changes proposed by the PC are described in the following paragraphs. It should be noted that some of the paragraphs of the current Phase 2 Decision-Making Policies and Procedures have been moved and renumbered to accommodate these changes (as reflected in Annex 3a).

### **Removal of the Board's second vote on "No Go" recommendations**

4. The current Phase 2 Decision-Making Policies and Procedures provide the Board with two opportunities to block "No Go" recommendations of the Secretariat. The PC recognizes that, to date, the Board has consistently blocked all five second "No Go" recommendations by the Secretariat. To streamline the review process, the second Board vote on "No Go" recommendations could be removed. Therefore, if the Secretariat decides, after receiving the Board's objections to a first "No Go" recommendation that it wishes to maintain its recommendation for a "No Go", the Secretariat could refer the matter to the Independent Review Panel directly. Committee members acknowledged that removing the "second loop" of Board review would save time and reduce transaction costs for CCMs, recipients of grants, the Secretariat and the Board.

5. Therefore, the PC recommends to the Board that the Phase 2 Decision-Making Policies and Procedures be amended to remove the Board's second vote on "No Go" recommendations. These proposed changes are reflected in paragraph 10 of the revised Phase 2 Decision-Making Policies and Procedures included in Annex 3b to this Report.



## Timing of the Phase 2 Request and subsequent review process

6. The current Phase 2 Decision-Making Policies and Procedures (in paragraph 17) state that the “Phase 2 decisions will typically be taken on recommendations that are made 20 months after the Program Starting Date”. To enable this to occur, the Secretariat asks CCMs to submit a Request for Continued Funding eighteen months after the Program Starting Date/Phase 1 Starting Date which means that the PR can typically only report results of the program until and including the fifteenth month (fifth quarter) of implementation. The PC recognizes that this point in time for the review of progress in implementation of programs may be too early during the grant lifecycle and may not accurately reflect potential performance of recipients during the first two years of a program. A further problem identified related to recipients that report results on a semi-annual basis. For this group of recipients, the fifteenth month does not fall within their regular reporting cycles.

7. Committee members believed that consideration of results from a later period would better reflect performance and potential and will lead to better and more consistent Phase 2 decisions. The PC therefore recommends that the Phase 2 review process commence two to three months later than the present practice. This would enable the review of results data from the eighteenth month (sixth quarter). Paragraph 5 of Annex 3b (paragraph 17 of the current Phase 2 Decision-Making Policies and Procedures in Annex 3) has been amended to take into account this change.

8. The PC acknowledges that deferring the Phase 2 review process by two to three months may delay the process leading to the signature of the Phase 2 grant extension and thus affect the ability of recipients to continue program implementation beyond the end of Phase 1 due to uncertainty about ongoing committed funding. The current process foresees Board approval during month 21 of the grant lifecycle. Deferring the process to permit consideration of results to month 18 would lead to grants not being approved by the Board until month 23 or 24. Given this timing, the PC recognized the need to give PRs a three-month extension to their Phase 1 grant term and potentially an increase of their grant amount to cover those three months. It should be noted that for many recipients, all or part of such funding could be provided from undisbursed Phase 1 funds and therefore no further increase in the grant amount would be required. However, in situations where the Secretariat has already disbursed the entire Phase 1 grant amount, funds would need to be advanced from potential Phase 2 amounts which have not been approved by the Board. Committee members recognize that recipients which have already received disbursement of the entire Phase 1 grant amount are implementing grants normally rated “A/B1”, reflecting the founding principle of the Global Fund that funding follows performance. As such, the financial risk of advancing funds to such recipients from Phase 2 amounts would be minimal as these grants would typically be recommended and approved for continued funding. In addition, in most cases, recipients of grants rated “B2/C” would not require advancement of Phase 2 funds as they normally have undisbursed Phase 1 amounts at the end of Phase 1. Given these realities, the Secretariat estimates that approximately US\$ 50 million would need to be advanced from Phase 2 amounts during 2007 if the proposed revision to the Phase 2 Decision-Making Policies and Procedures is adopted.

9. Therefore, to implement a change to the timing of the Phase 2 review, the PC recommends that the Secretariat be authorized to extend the terms of Phase 1 Agreements by three months and to be able to provide funds from Phase 2 to cover the first quarter of the third year of the program. The PC recommends that the Phase 2 Decision-Making Policies and Procedures be amended accordingly. These changes are reflected in new paragraph 6 of Annex 3b to this report.

10. As a result, changes must be made to the grant extensions policy. Under existing policy, the Secretariat may in exceptional circumstances extend the term of Phase 1 and Phase 2 by up to six months without additional funding.<sup>1</sup> The Secretariat may also provide bridge funding for up to six months in certain circumstances. However as the change to the timing of the Phase 2 review process already contemplates a three month extension, the relevant provisions of the current Phase 2 Decision-Making Policies and Procedures have been amended to ensure that the currently available six month extensions are inclusive of and not in addition to these three months. These amendments are reflected in paragraphs 7 and 14 of the revised Phase 2 Decision-Making Policies and Procedures in Annex 3b to this report. In addition, since the decision point on Phase 2 extensions made at the Twelfth Board Meeting<sup>2</sup> refers to the Phase 2 Decision-Making Policies and Procedures as approved at the Twelfth Board Meeting, the Committee proposes to amend that decision to refer to Annex 3b of this Report.

### **Minor refinements to the language of the policies and procedures**

11. The PC acknowledged the need for three “friendly amendments” to the language of the Phase 2 Decision-Making Policies and Procedures to correct minor drafting errors when adopted.

12. One of the proposed amendments includes the application of the bridge funding policy in cases where grants are being reviewed under the “Revised Go” process. The current policy allows for bridge funding of up to six months when a final Board decision is delayed after the recommendation of a “No Go”. The PC acknowledges that originally this policy was also meant to apply where the review process is delayed for “Revised Go” recommendations. Therefore, the PC recommends that the language of the Phase 2 Decision-Making Policies and Procedures be amended to reflect the original intent of the Board. This change is reflected in paragraph 14 of the revised Phase 2 Decision-Making Policies and Procedures contained in Annex 3b to this Report.

13. Another proposed amendment is in relation to “Go” and “Conditional Go” recommendations. The language of the current Phase 2 Decision-Making Policies and Procedures implies that if a “Go” or “Conditional Go” recommendation is blocked twice by the Board, the review process terminates. This is due to a drafting error when the policy was adopted at the Twelfth Board Meeting. The original intent of the Board was that any recommendation of the Secretariat that is blocked twice by the Board be deferred to the next Board meeting for a final decision. Therefore, the PC recommends that the language of the Phase 2 Decision-Making Policies and Procedures be amended accordingly. This change is reflected in paragraph 9 of the revised Phase 2 Decision-Making Policies and Procedures contained in Annex 3b to this Report.

14. An additional proposed amendment is in relation to “Revised Gos”. The language of the current Phase 2 Decision-Making Policies and Procedures implies that grants with a “Revised Go” recommendation be referred to the TRP and that the TRP should then make a recommendation to the Board. However there is no specific language detailing this process. The PC recommends that the language of the Phase 2 Decision-Making Policies and Procedures be amended to clarify this process. This change is reflected in paragraph 2 of the revised Phase 2 Decision-Making Policies and Procedures contained in Annex 3b to this Report.

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<sup>1</sup> See decision made at Tenth Board Meeting (GF/B11/2, p. 21), reflected in paragraph 4 of the current Phase 2 Decision-Making Policies and Procedures in Annex 3.

<sup>2</sup> GF/B13/2, p. 27

15. Finally, the Committee proposes a few other minor amendments as reflected in the revised Phase 2 Decision-Making Policies and Procedures contained in Annex 3b to this Report, including:

- removing the reference in paragraph 1 of the current Phase 2 Decision-Making Policies and Procedures in Annex 3 to the funding policy which has been revised by the Board;
- changing the reference to the due dates for Board votes in amended paragraph 3 of Annex 3b to ten days following receipt of recommendations from the Secretariat (rather than the tenth of the month);
- clarifying the language in new paragraph 9 of Annex 3b regarding the process for Board objections;
- clarifying in new paragraph 13 of Annex 3b that final decisions on “No Go” recommendations are made following the presentation by the Independent Review Panel;
- re-inserting in new paragraph 17 of Annex 3b language that was accidentally deleted when the Phase 2 Decision-Making Policies and Procedures was re-approved at the Twelfth Board Meeting and changing the reference for reconsideration by the Board to the Fifteenth Board Meeting.

16. The PC acknowledged the efforts of the Sub-Working Group on Phase 2 and the need for the sub-working group to continue deliberations on a number of key issues. These include the Board’s role in Phase 2 decision-making; voting thresholds of the Board for blocking “No Go” recommendations and the need for clarity on expected outcomes of the Independent Review Panel. Therefore the work of the Sub-Working Group will continue and the PC will develop recommendations for decision on these issues at the Fifteenth Board Meeting.

### **Decision point**

***(a) The Board approves the document entitled “Phase 2 Decision-Making Policies and Procedures” included as Annex 3b to the Report of the Portfolio Committee (GF/B14/8) and revokes the previous version of this document approved at the Twelfth Board Meeting.***

***(b) The Board revokes Point 1 of the decision approved at the Tenth Board Meeting entitled “Phase 2 Decisions Process” (GF/B11/2, p. 21).***

***(c) The Board replaces Point 2 of the decision approved at the Twelfth Board Meeting entitled “Extension of Proposal Completion Dates” (GF/B13/2, p. 27) with the following decision:***

***The Board decides that in circumstances where the term of a Phase 1 Grant Agreement has been extended in accordance with paragraph 7 of the Phase 2 Decision-Making Policies and Procedures attached as Annex 3b to the Report of the Portfolio Committee (GF/B14/8) (a “Phase 1 Extension”), the Secretariat may extend the Phase 2 term of Grant Agreements by up to an equal length of time as the Phase 1 Extension without committing any additional funding.***

## **Part 10: South Africa Round 3 Western Cape HIV/AIDS Phase 2 Request**

1. The PC considered the Phase 2 request from Western Cape Province, South Africa, which seeks a four-year Phase 2 term (one year longer than current policy permits), based on a commitment of the Government of South Africa to achieve sustainability of the program by the end of four years. On 29 August 2006, the Board requested the PC to address this Phase 2 Request in light of its “unique” nature and approved bridge funding for the grant until a decision on its Phase 2 Request can be made. Current policy of the Global Fund does not provide for considerations of any Phase 2 period beyond a three-year period. While extensions to both Phase 1 and Phase 2 terms can be granted in exceptional circumstances, this can only cover a maximum period of six months.
2. The Secretariat presented a number of possible options describing possible implications on current policies and practice which the PC deliberated extensively. These included rejecting the four-year Phase 2 request and require the CCM to re-submit a Phase 2 request covering a maximum of three-years; approving the Phase 2 request on an exceptional basis subject to specific conditions and changing existing policies to accommodate this request and allow for future similar requests to be processed without further decision-making required by the Board.
3. The PC deliberated the options extensively recognizing that Board approval of the request would result in a fundamental change to current policies and procedures. In addition, should the Board approve the request on an exceptional basis, a precedent could be set for other recipients and CCMs. Committee members discussed the application of the grant extension policy (which is limited to six months) and potential outcomes of the deliberations of the PSC on “Beyond Phase 2” which may indirectly enable a four-year Phase 2 term in practice.
4. Recognizing the importance of encouraging countries to actively seek innovative sustainability strategies and acknowledging that the CCM of South Africa has committed to achieving or exceeding the proposal’s five-year targets and increasing targets for the sixth year without requesting additional funding to that requested in the proposal, the PC decided to recommend to the Board that the particular request of Western Cape be reviewed for recommendation by the Secretariat on an exceptional basis and subject to specific conditions.

### **Decision point**

***The Board recognizes the importance of encouraging countries to actively seek innovative sustainability strategies.***

***In this context, the Board notes:***

***(a) the commitment of the Government of South Africa to achieve sustainability of the HIV/AIDS program entitled “Strengthening and Expanding the Western Cape HIV/AIDS prevention, treatment and care programs” (the “Program”) by the end of the Phase 2 term, therefore not requiring further Global Fund support for these activities beyond the next four years;***

***(b) the Program is performing well and is A-rated;***

***(c) the Country Coordinating Mechanism (CCM) of South Africa and the Principal Recipient of the grant have committed to achieving or exceeding the targets in the proposal within the originally contemplated five-year term and to appropriate increased targets for the sixth year; and***

***(d) the CCM of South Africa has not requested additional funding for Phase 2 of the grant beyond that requested in the proposal.***

***Therefore, the Board authorizes the Secretariat, on an exceptional basis and without setting a precedent, to consider the Request for Continued Funding submitted by the CCM of South Africa for the Round 3 South Africa grant for the Program (Grant Number SAF-304-G04-H) which anticipates a four-year Phase 2 term. The Board requests the Secretariat to provide by 1 December 2006 a recommendation for continued funding for this grant. Such recommendation shall include a condition for continued funding that the Government of South Africa makes significant counterpart financing contributions to the Program over the next four years.***

This document is part of an internal deliberative process of the Global Fund and as such cannot be made public.

Please refer to the Global Fund's documents policy for further guidance.

**5th Portfolio Committee Meeting**  
**Geneva, 21-22 September 2006**

**Attendance List**  
 (As of 22 September 2006)

	<b>Constituency</b>	<b>PC Member</b>	<b>Attendee</b>
1	Western and Central Africa (Chair)	Urbain Olanguena Awono	Urbain Olanguena Awono
2	United Kingdom-Australia (Vice-Chair)	Geoff Adlide	Geoff Adlide
3	Canada-Germany-Switzerland	Jacques Martin	Jacques Martin
4	East and Southern Africa	TBD	<b><i>Mercy Mattho</i></b>
5	Eastern Europe	Zhanna Tsenilova	Zhanna Tsenilova
6	Italy	Lucia Fiori	Lucia Fiori
7	Latin America & Caribbean	Ernest Massiah	Ernest Massiah
8	NGO Developing	Lydia Mungherera	Lydia Mungherera
9	NGO Rep. Communities	Francoise Ndayishimiye	Francoise Ndayishimiye
10	Private Foundations	Lisa Carty	Lisa Carty
11	Private Sector	Joelle Tanguy	Joelle Tanguy
12	South East Asia	Viroj Tangcharoensathien	Viroj Tangcharoensathien
13	UNAIDS	Luis Loures	Luis Loures
14	United Kingdom-Australia	TBD	<b><i>Carole Presern/Alan Searl</i></b>
15	Western and Central Africa	Maurice Fezeu	Maurice Fezeu
16	WHO	Winnie Mpanju Shumbusho	Winnie Mpanju Shumbusho

	<b>Global Fund Secretariat</b>	<b>Name</b>	<b>Function/ Subject Matter Specialist</b>
17	Director of Operations	Nosa Orobato	PC Focal Point
18	Deputy Executive Director	Helen Evans	Deputy Executive Director
19	Operational Policy Officer	Nicole Delaney	Rapporteur
20	Team Leader, Middle East and Northern Africa	Hind Khatib Othman	Subject Matter Specialist
21	Team Leader, Procurement & Supply Policy & Management	Elisabetta Molari	Subject Matter Specialist
22	General Manager, Portfolio Services and Projects	Ruwan De Mel	Subject Matter Specialist
23	Proposal Advisory Services Manager	Karmen Bennett	Subject Matter Specialist
24	LFA Manager	Katherine Ryan	Subject Matter Specialist
25	CCM Manager	David Winters	Subject Matter Specialist
26	Head, Donor and Board Relations	Dianne Stewart	Board Relations

GF/PC5/01

**AGENDA**  
**PORTFOLIO COMMITTEE**  
**(AS OF 22 SEPTEMBER 2006)**

<b>Date :</b>	21-22 September 2006
<b>Venue :</b>	Global Fund Office, Hope Plaza Conference Room, Geneva
<b>Chair :</b>	H. E. Mr. Urbain Olanguena Awono
<b>Vice-Chair :</b>	Mr Geoff Adlide
<b>Focal Point :</b>	Dr Nosa Orobato, Director of Operations

**Thursday, 21 September 2006**

- 9:00 – 9:30      Approval of Agenda and PC Work plan: Minister Urbain Awono  
*Background Documents:* Agenda and work plan
- Approval of agenda for 5<sup>th</sup> PC Meeting
  - Review of Board decisions affecting PC work plan
  - Agreement on PC work plan and priorities in preparation for Fourteenth Board Meeting (November 2006)
- 9:30 – 10:00    Operations & Round 6 Update: Nosa Orobato
- Outcome: Information
- 10:00 – 11:00    PSC Update on grant consolidation & beyond Phase 2: Nosa Orobato/Chrisan Thuraisingham, David Salinas  
*Background Document:* Update on Grant Consolidation; Grant Consolidation Pilot Project
- Source: Decision of Thirteenth Board Meeting & PSC deliberations
  - Outcome: Update on status of current discussions of PSC & within Secretariat on grant consolidation and beyond Phase 2
- 11:00 – 11:30    *Coffee break*
- 11:30 – 13:00    Phase 2 Decision Process Review & South Africa Round 3 Western Cape HIV/AIDS Phase 2 Request: Geoff Adlide  
*Background Documents:* Report to Portfolio Committee on Phase 2 Issues; Report to Portfolio Committee in relation to Phase 2 Decision Making Procedures
- Source: Decision of Thirteenth Board Meeting; Board Decision: Bridge Funding for Western Cape HIV/AIDS (South Africa Round 3) of 29 August 2006
  - Review Phase 2 decision process

- Review Board request for PC to consider Western Cape Phase 2 Request
- Outcome: **Decision**: Recommend key areas for improvement of Phase 2 Decision Process; Recommend option for South Africa Round 3 Western Cape HIV/AIDS Phase 2 Request

13:00 – 14:00 *Lunch*

14:00 – 15:00 Green Light Committee: Helen Evans  
*Background Document*: Report on Funding for Green Light Committee Activities

- Source: Decision of Thirteenth Board Meeting
- Outcome: Report on implementation of decision

15:00 – 15:45 Eligibility Criteria: Ernest Massiah  
*Background Document*: Report of Sub-Working Group on Eligibility

- Source: Decision of Thirteenth Board Meeting
- Review recommendations of Sub Working Group for Eligibility Criteria for Round 7 to include Upper Middle Income Countries
- Outcome: **Decision**: Recommend eligibility criteria for Upper Middle Income Countries for Round 7

15:45 – 16:00 *Coffee break*

16:00 – 17:00 LFA Issues: Ruwan de Mel  
*Background Document*: Update on current initiatives to evaluate LFAs

- Source: 2<sup>nd</sup> and 3<sup>rd</sup> PC Meetings
- Outcome: Information

### **Friday, 22 September 2006**

9:00 – 10:00 Earlier Initiation of TRP Clarifications and LFA Assessments: Karmen Bennett  
*Background Document*: Background Paper on Earlier Initiation of TRP Clarifications and LFA Assessments

- Source: Decision of Thirteenth Board Meeting
- Outcome: **Decision**: Recommend conditions for earlier initiation of TRP clarifications and LFA assessments

10:00 – 11:00 Quality Assurance: Elisabetta Molari  
*Background Document*: Implementation of Quality Assurance Policy

- Source: Decision of Tenth Board Meeting
- Outcome: Report on implementation of decision

11:00 – 11:15 *Coffee break*

11:15 – 12:15 CCM Compliance: David Winters  
*Background Document*: Report on CCM Compliance

- Source: Decision of Tenth Board Meeting
- Outcome: Report on implementation of decision

12:15 – 12:30 Wrap up



**Phase 2 Decision-Making Policies and Procedures**  
**(current version)**

1. The Board may commit funds for Phase 2 renewals (up to the full duration of a proposal) up to the cumulative uncommitted amount pledged through the calendar year of the Board decision.
2. The Board makes funding decisions for Phase 2 renewals based on its review of Secretariat or Technical Review Panel (TRP) recommendations, according to procedures agreed by the Board.
3. The Secretariat or TRP will present the Board with its recommendations on the first of every month (notice to Board constituencies of a recommendation shall be effective upon the posting of the recommendation on the Global Fund website; the Secretariat will inform Board constituencies via e-mail when recommendations have been posted). The Board will vote by email on each recommendation on a no-objection basis. Votes must be received by the Secretariat no later than the tenth of the same month.
4. In exceptional circumstances, the Secretariat may need to take more than 20 months to provide a Phase 2 recommendation to the Board. In such situations, the Secretariat may extend, at no cost, the term of Phase 1 grant agreements by up to six months. The Secretariat shall inform the Board immediately upon taking action under this decision.
5. If the Secretariat decides to issue a “No Go” recommendation, 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.
6. The Secretariat shall review and consider the information provided by the CCM, and then make its recommendation to the Board. The information provided by the CCM shall be made available to the Board.
7. A Board decision in favor of a Secretariat or TRP recommendation either:
  - commits additional resources in the amount proposed in the recommendation (in the case of recommendations of “Go,” “Conditional Go,” and “Revised Go”); or
  - does not commit any additional resources (in the case of recommendations of “No Go”), thereby discontinuing the proposal after Phase 1.
8. If the Board does not decide in favor of a Secretariat or TRP recommendation, this would serve to request further clarification on the recommendation and ask the Secretariat or TRP to reassess its recommendation. To facilitate the clarifications process, those Board constituencies that are not ready to decide in favor of a Secretariat or TRP recommendation would provide a written explanation that is made publicly available. The Secretariat or TRP will review its recommendation in light of the questions and comments of those Board constituencies and will then present a second recommendation on the first day of the subsequent month (unless time-constraints make it necessary to wait to the month thereafter). The Board then votes again, on the second Secretariat or TRP recommendation, using the procedures described above.
9. A Board decision in favor of the second Secretariat or TRP recommendation either:
  - Commits additional resources in the amount proposed in the recommendation (in the case of recommendations of “Go,” “Conditional Go,” and “Revised Go”); or
  - Does not commit any additional resources (in the case of recommendations of “No Go”), thereby discontinuing the proposal after Phase 1.
10. In the event that (i) the Board rejects a first “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.

11. The composition of the Independent Panel will be based on the following principles:
  - Size: Two senior members supported by 1-2 contracted analysts, as appropriate;
  - Independence: Potential conflict of interest should be taken into consideration in selecting these members;
  - Profile of Senior Members: The team of senior members should have a solid understanding of country processes;
  - Profile of Analysts: Analysts should have the capability to fully understand GF principles and procedures;
  - Identification of Candidates: Pool of pre-qualified candidates for Senior Members and Analysts is identified through partners, including WHO, UNAIDS and the World Bank. A list of these candidates is compiled by the Secretariat and each candidate submits a CV to the file for review. A proposed "reserve list" will be compiled based on this selection process;
  - Selection of Panel: The list of tentative candidates will be submitted to the Chair and Vice-Chair of the Board and the Chair and Vice-Chair of the PC. The selection of the Senior Members and Analysts of the independent panel shall be carried out by the Chair and Vice-Chair of the Board in consultation with the Chair and Vice-Chair of the PC;
  - Panel members (Senior members and contracted analysts) will be remunerated; and
  - The Secretariat will facilitate the process.
12. The Independent Panel's scope of work will be based on the following principles:
  - The objective of the external assessment will be to submit conclusions to the Board based on all information put forth by the CCM, PR, Secretariat and Board constituencies;
  - The analysis shall include a chronology of information provided, a typology of the content and an analysis of the source and flow of information;
  - The assessment shall take into consideration the different arguments analyzing how they refer to each other, highlighting areas of agreement and disagreement, and defining the areas which have not been previously addressed by the parties involved; and
  - The Independent Panel shall report to the Board no later than six weeks after receipt of the relevant information from the Secretariat.
13. The final decision on making a funding commitment will be made at the next Board meeting.
14. In circumstances in which insufficient resources remain in Phase 1 to cover financing needs until any Board decision in the Phase 2 procedure can be operationalized, the Board authorizes the Secretariat to extend the terms of the grants by up to six months, and to provide bridge funding for such grants as appropriate. The Board authorizes the Secretariat to commit up to a maximum of one-half of the first year budget contained in the Request for Continued Funding in question for these purposes, which would be financed by utilizing the Phase 2 renewal funding of the proposal. The actual amount committed by the Secretariat would be based primarily on the performance and disbursement patterns in Phase 1.
15. For proposals for which the Board commits Phase 2 funds, a sufficient amount of assets to cover the full costs of the extension of the Grant Agreement must be deposited with the Trustee or readily available on demand prior to the Secretariat extending a Grant Agreement.
16. The Technical Reference Group (TERG) will regularly review and report on the soundness of the Phase 2 review and decision process to the Board through the Portfolio Committee.
17. The Phase 2 decisions will typically be taken based on recommendations that are made 20 months after the Program Starting Date (exceptions could include for situations of force majeure). The decision may be taken earlier in cases of (i) accelerated implementation; or (ii) severe exchange rate fluctuations.
18. These procedures for the Board commitment of funds for Phase 2 are subject to a time-limited trial period. The Board asks the Portfolio Committee to review these procedures or should adopt an alternative set of procedures. Based on these recommendations the Board will reconsider the procedures at the Thirteenth Board Meeting.

**Phase 2 Decision-Making Policies and Procedures**  
**(current version with recommended amendments marked up)**

~~1. The Board may commit funds for Phase 2 renewals (up to the full duration of a proposal) up to the cumulative uncommitted amount pledged through the calendar year of the Board decision.~~

2.1. The Board makes funding decisions for Phase 2 renewals based on its review of Secretariat or Technical Review Panel (TRP) recommendations, according to procedures agreed by the Board.

2. For each grant, the Secretariat shall provide recommendations for: (a) commitment of additional resources (a "Go"), (b) commitment of additional resources provided certain conditions are met (a "Conditional Go"); or (c) discontinuation of funding (a "No Go"). If the CCM has requested material re-programming of a grant for Phase 2 or if the Secretariat determines that the CCM request would constitute a material reprogramming of the original proposal submitted by the CCM, the Secretariat shall refer the matter to the TRP that will then make a funding recommendation to the Board (a "Revised Go").

3. The Secretariat or TRP will normally present the Board with its recommendations on the first of every month (notice to Board constituencies of a recommendation shall be effective upon the posting of the recommendation on the Global Fund website; the Secretariat will inform Board constituencies via e-mail when recommendations have been posted). The Board will vote by email on each recommendation on a no-objection basis. Board members shall send any objections to a recommendation. Votes must be received by the Secretariat no later than the tenth of the same month. ten days after receipt of the recommendation from the Secretariat.

7. 4. A Board decision in favor of a Secretariat or TRP recommendation either:

- commits additional resources in the amount proposed in the recommendation (in the case of recommendations of "Go," "Conditional Go," and "Revised Go"); or
- does not commit any additional resources (in the case of recommendations of "No Go"), thereby discontinuing the proposal after Phase 1.

~~4.7.~~ 5. The Phase 2 decisions will typically be taken ~~based on the basis of the reported results of a program as of the end of the 18<sup>th</sup> month of implementation and the Secretariat's recommendations that are made up to 23~~ 20 months after the Program Starting Date/Phase 1 Starting Date (exceptions could include for situations of force majeure). The decision may be taken earlier in cases of (i) accelerated implementation; or (ii) severe exchange rate fluctuations.

6. In order to allow CCMs to report results achieved by the Principal Recipient during the first 18 months of implementation of the program, yet to continue to implement programs without interruption while; (i) the Board makes its decision on continued funding of the program; and (ii) the extension of the Grant Agreement is negotiated, the Board authorizes the Secretariat to: (a) extend the term of Phase 1 Grant Agreements by up to three months without extending the overall proposal term; and (b) provide additional funding for grants, if necessary, of an amount up to the amount requested by the Country Coordinating Mechanism in the Request for Continued Funding for the first three months of the third year of Program. This funding amount will be part of, and not in addition to, the maximum amount available for Phase 2 for each grant.

4. 7. In exceptional circumstances, the Secretariat may need to take more than ~~20~~ 23 months to provide a Phase 2 recommendation to the Board. In such situations, the Secretariat may extend, ~~at no cost,~~ the term of Phase 1 grant agreements by up to ~~six~~ three months in addition to any extension provided under paragraph 6

above, although no additional funding may be committed for these additional three months. The Secretariat shall inform the Board immediately upon taking action under this decision.

~~5- 8.~~ If the Secretariat ~~decides to issue~~ is considering issuing a “No Go” recommendation, 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. ~~6-~~ The Secretariat shall review and consider the information provided by the CCM, and then make its recommendation to the Board. The information provided by the CCM shall be made available to the Board.

~~8- 9.~~ If the Board does not decide in favor of a Secretariat or TRP recommendation of “Go”, “Conditional Go” or “Revised Go”, ~~this would serve to request further clarification on the recommendation and ask the Secretariat or TRP shall to reassess its recommendation.~~ To facilitate the clarifications reassessment process, those Board constituencies that ~~are not ready to decide in favor of~~ object to a Secretariat or TRP recommendation ~~would~~ shall provide a written explanation that is made publicly available to all Board members and the Secretariat. The Secretariat or TRP will review its recommendation in light of ~~the questions and comments of those Board constituencies~~ such explanations and will then present a second recommendation on the first day of the subsequent month (unless time-constraints make it necessary to wait to the month thereafter). The Secretariat shall then request the Board then to vote again, on the second Secretariat or TRP recommendation, using the procedures described above. In the event that the Board rejects a second recommendation of “Go”, “Conditional Go” or “Revised Go”, the matter will be referred to the next Board meeting.

~~9.~~ A Board decision in favor of the second Secretariat or TRP recommendation either:

- ~~▪ Commits additional resources in the amount proposed in the recommendation (in the case of recommendations of “Go,” “Conditional Go,” and “Revised Go”); or~~
- ~~▪ Does not commit any additional resources (in the case of recommendations of “No Go”), thereby discontinuing the proposal after Phase 1.~~

~~10.~~ In the event that (i) the Board rejects a first “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, If the Board does not decide in favor of a “No Go” recommendation, the Secretariat shall reassess its recommendation. To facilitate the reassessment process, those Board constituencies that object to such recommendation shall provide a written explanation that is made available to all Board members and the Secretariat. The Secretariat will review its recommendation in light of such explanations and will either: (i) present a revised recommendation of “Go” or “Conditional Go” or “Revised Go” and then request that the Board vote on the revised recommendation (or in the case of a Revised Go submit to the TRP), using the procedures described above; or (ii) if the Secretariat wishes to maintain its recommendation for a “No Go”, it shall refer the matter to an Independent Review 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.

11. The composition of the Independent Review Panel will be based on the following principles:
- Size: Two senior members supported by 1-2 contracted analysts, as appropriate;
  - Independence: Potential conflict of interest should be taken into consideration in selecting these members;
  - Profile of Senior Members: The team of senior members should have a solid understanding of country processes;
  - Profile of Analysts: Analysts should have the capability to fully understand GF principles and procedures;
  - Identification of Candidates: Pool of pre-qualified candidates for Senior Members and Analysts is identified through partners, including WHO, UNAIDS and the World Bank. A list of these candidates is compiled by the Secretariat and each candidate submits a CV to the file for review. A proposed "reserve list" will be compiled based on this selection process;
  - Selection of Panel: The list of tentative candidates will be submitted to the Chair and Vice-Chair of the Board and the Chair and Vice-Chair of the PC. The selection of the Senior Members and Analysts of the independent panel shall be carried out by the Chair and Vice-Chair of the Board in consultation with the Chair and Vice-Chair of the PC;
  - Panel members (Senior members and contracted analysts) will be remunerated; and
  - The Secretariat will facilitate the process.

12. The Independent Panel's scope of work will be based on the following principles:
- The objective of the external assessment will be to submit conclusions to the Board based on all information put forth by the CCM, PR, Secretariat and Board constituencies;
  - The analysis shall include a chronology of information provided, a typology of the content and an analysis of the source and flow of information;
  - The assessment shall take into consideration the different arguments analyzing how they refer to each other, highlighting areas of agreement and disagreement, and defining the areas which have not been previously addressed by the parties involved; and
  - The Independent Panel shall report to the Board no later than six weeks after receipt of the relevant information from the Secretariat.

13. Following presentation of conclusions by the Independent Review Panel, the final decision on making a funding commitment will be made at the next Board meeting.

14. In circumstances in which insufficient resources remain in Phase 1 to cover financing needs ~~until~~ of any grant that (a) the Secretariat has referred to the TRP as a "Revised Go" or (b) the Secretariat has recommended as a "No Go", until a Board decision in the Phase 2 procedure can be operationalized made (and, in the case of a grant that is approved for continued funding, the extension of the Grant Agreement is signed), the Board authorizes the Secretariat to extend the terms of the grants by up to six months, and to provide bridge funding for such grants as appropriate. The Board authorizes the Secretariat to commit up to a maximum of one-half of the first year budget contained in the Request for Continued Funding in question for these purposes, which would be financed by utilizing the Phase 2 renewal funding of the proposal. The actual amount committed by the Secretariat would be based primarily on the performance and disbursement patterns in Phase 1. The extension and commitment of funds provided under this paragraph shall include any extension already provided under paragraph 6 above.

15. For proposals for which the Board commits Phase 2 funds, a sufficient amount of assets to cover the full costs of the extension of the Grant Agreement must be deposited with the Trustee or readily available on demand prior to the Secretariat extending a Grant Agreement.

16. The Technical Reference Group (TERG) will regularly review and report on the soundness of the Phase 2 review and decision process to the Board through the Portfolio Committee.

~~48-~~ 17. These procedures for the Board commitment of funds for Phase 2 are subject to a time-limited trial period. The Board asks the Portfolio Committee to review these procedures and prepare recommendations on whether the Board should continue with these procedures or should adopt an alternative set of procedures. Based on these recommendations the Board will reconsider the procedures at the ~~Thirteenth~~ Fifteenth Board Meeting.

**Phase 2 Decision-Making Policies and Procedures**  
**(new version incorporating recommended amendments)**

1. The Board makes funding decisions for Phase 2 renewals based on its review of Secretariat or Technical Review Panel (TRP) recommendations, according to procedures agreed by the Board.

2. For each grant, the Secretariat shall provide recommendations for: (a) commitment of additional resources (a "Go"), (b) commitment of additional resources provided certain conditions are met (a "Conditional Go"); or (c) discontinuation of funding (a "No Go"). If the CCM has requested material re-programming of a grant for Phase 2 or if the Secretariat determines that the CCM request would constitute a material reprogramming of the original proposal submitted by the CCM, the Secretariat shall refer the matter to the TRP which will then make a funding recommendation to the Board (a "Revised Go").

3. The Secretariat or TRP will normally present the Board with its recommendations on the first of every month (notice to Board constituencies of a recommendation shall be effective upon the posting of the recommendation on the Global Fund website; the Secretariat will inform Board constituencies via e-mail when recommendations have been posted). The Board will vote by email on each recommendation on a no-objection basis. Board members shall send any objections to a recommendation no later than ten days after receipt of the recommendation from the Secretariat.

4. A Board decision in favor of a Secretariat or TRP recommendation either:

- commits additional resources in the amount proposed in the recommendation (in the case of recommendations of "Go," "Conditional Go," and "Revised Go"); or
- does not commit any additional resources (in the case of recommendations of "No Go"), thereby discontinuing the proposal after Phase 1.

5. The Phase 2 decisions will typically be taken on the basis of the reported results of a program as of the end of the 18<sup>th</sup> month of implementation and the Secretariat's recommendations that are made up to 23 months after the Program Starting Date/Phase 1 Starting Date (exceptions could include for situations of force majeure). The decision may be taken earlier in cases of (i) accelerated implementation; or (ii) severe exchange rate fluctuations.

6. In order to allow CCMs to report results achieved by the Principal Recipient during the first 18 months of implementation of the program, yet to continue to implement programs without interruption while; (i) the Board makes its decision on continued funding of the program; and (ii) the extension of the Grant Agreement is negotiated, the Board authorizes the Secretariat to: (a) extend the term of Phase 1 Grant Agreements by up to three months without extending the overall proposal term; and (b) provide additional funding for grants, if necessary, of an amount up to the amount requested by the Country Coordinating Mechanism in the Request for Continued Funding for the first three months of the third year of Program. This funding amount will be part of, and not in addition to, the maximum amount available for Phase 2 for each grant.

7. In exceptional circumstances, the Secretariat may need to take more than 23 months to provide a Phase 2 recommendation to the Board. In such situations, the Secretariat may extend the term of Phase 1 grant agreements by up to three months in addition to any extension provided under paragraph 6 above, although no additional funding may be committed for these additional three months. The Secretariat shall inform the Board immediately upon taking action under this decision.

8. If the Secretariat is considering issuing a “No Go” recommendation, 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. The Secretariat shall review and consider the information provided by the CCM, and then make its recommendation to the Board. The information provided by the CCM shall be made available to the Board.

9. If the Board does not decide in favor of a Secretariat or TRP recommendation of “Go”, “Conditional Go” or “Revised Go”, the Secretariat or TRP shall reassess its recommendation. To facilitate the reassessment process, those Board constituencies object to a Secretariat or TRP recommendation shall provide a written explanation that is made available to all Board members and the Secretariat. The Secretariat or TRP will review its recommendation in light of such explanations and will then present a second recommendation on the first day of the subsequent month (unless time-constraints make it necessary to wait to the month thereafter). The Secretariat shall then request the Board to vote on the second Secretariat or TRP recommendation, using the procedures described above. In the event that the Board rejects a second recommendation of “Go”, “Conditional Go” or “Revised Go”, the matter will be referred to the next Board meeting.

10. If the Board does not decide in favor of a “No Go” recommendation, the Secretariat shall reassess its recommendation. To facilitate the reassessment process, those Board constituencies that object to such recommendation shall provide a written explanation that is made available to all Board members and the Secretariat. The Secretariat will review its recommendation in light of such explanations and will either: (i) present a revised recommendation of “Go” or “Conditional Go” or “Revised Go” and then request that the Board vote on the revised recommendation (or in the case of a Revised Go submit to the TRP), using the procedures described above; or (ii) if the Secretariat wishes to maintain its recommendation for a “No Go”, it shall refer the matter to an Independent Review 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.

11. The composition of the Independent Review Panel will be based on the following principles:

- Size: Two senior members supported by 1-2 contracted analysts, as appropriate;
- Independence: Potential conflict of interest should be taken into consideration in selecting these members;
- Profile of Senior Members: The team of senior members should have a solid understanding of country processes;
- Profile of Analysts: Analysts should have the capability to fully understand GF principles and procedures;
- Identification of Candidates: Pool of pre-qualified candidates for Senior Members and Analysts is identified through partners, including WHO, UNAIDS and the World Bank. A list of these candidates is compiled by the Secretariat and each candidate submits a CV to the file for review. A proposed “reserve list” will be compiled based on this selection process;
- Selection of Panel: The list of tentative candidates will be submitted to the Chair and Vice-Chair of the Board and the Chair and Vice-Chair of the PC. The selection of the Senior Members and Analysts of the independent panel shall be carried out by the Chair and Vice-Chair of the Board in consultation with the Chair and Vice-Chair of the PC;
- Panel members (Senior members and contracted analysts) will be remunerated; and
- The Secretariat will facilitate the process.

12. The Independent Panel's scope of work will be based on the following principles:

- The objective of the external assessment will be to submit conclusions to the Board based on all information put forth by the CCM, PR, Secretariat and Board constituencies;
- The analysis shall include a chronology of information provided, a typology of the content and an analysis of the source and flow of information;
- The assessment shall take into consideration the different arguments analyzing how they refer to each other, highlighting areas of agreement and disagreement, and defining the areas which have not been previously addressed by the parties involved; and
- The Independent Panel shall report to the Board no later than six weeks after receipt of the relevant information from the Secretariat.

13. Following presentation of conclusions by the Independent Review Panel, the final decision on making a funding commitment will be made at the next Board meeting.

14. In circumstances in which insufficient resources remain in Phase 1 to cover financing needs of any grant that (a) the Secretariat has referred to the TRP as a "Revised Go" or (b) the Secretariat has recommended as a "No Go", until a Board decision in the Phase 2 procedure can be made (and, in the case of a grant that is approved for continued funding, the extension of the Grant Agreement is signed), the Board authorizes the Secretariat to extend the terms of the grants by up to six months, and to provide bridge funding for such grants as appropriate. The Board authorizes the Secretariat to commit up to a maximum of one-half of the first year budget contained in the Request for Continued Funding in question for these purposes, which would be financed by utilizing the Phase 2 renewal funding of the proposal. The actual amount committed by the Secretariat would be based primarily on the performance and disbursement patterns in Phase 1. The extension and commitment of funds provided under this paragraph shall include any extension already provided under paragraph 6 above.

15. For proposals for which the Board commits Phase 2 funds, a sufficient amount of assets to cover the full costs of the extension of the Grant Agreement must be deposited with the Trustee or readily available on demand prior to the Secretariat extending a Grant Agreement.

16. The Technical Reference Group (TERG) will regularly review and report on the soundness of the Phase 2 review and decision process to the Board through the Portfolio Committee.

17. These procedures for the Board commitment of funds for Phase 2 are subject to a time-limited trial period. The Board asks the Portfolio Committee to review these procedures and prepare recommendations on whether the Board should continue with these procedures or should adopt an alternative set of procedures. Based on these recommendations the Board will reconsider the procedures at the Fifteenth Board Meeting.