



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

Fourteenth Board Meeting
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GF/B14/7

REPORT OF THE POLICY AND STRATEGY COMMITTEE

Outline: This report covers the 6-7 July and 12-14 September 2006 deliberations and recommendations of the Policy and Strategy Committee (PSC). Discussions focused on the Global Fund's strategy development and on the updates of the Technical Evaluation Reference Group (TERG) and the Partnership Forum Steering Committee.

Summary of Decision Points:

Decision points related to strategy development:

Beyond Phase 2:

1. Establishment of a Rolling Continuation Channel (Annex 2, Page 25)
2. Technical Reviews for the Rolling Continuation Channel (Annex 2, Page 27)
3. Continuity of Services Policy (Annex 2, Page 28)

Alignment and harmonization:

4. Establishment of Fixed Dates for Rounds (Annex 2, Page 29)
5. Dates for the Launch and Approval of Rounds 7 and 8 (Annex 2, Page 30)
6. Grant Consolidation Pilot Project (Annex 2, Page 30)

Market dynamics:

7. Role of the Global Fund in Market Dynamics (Annex 2, Page 31)

Impact and accountability:

8. Performance Indicators for the Global Fund (Annex 2, Page 31)

Decision point related to Technical Evaluation Reference Group:

9. TERG Five-Year Evaluation (Annex 2, Page 31)

Decision point related to Partnership Forum:

10. Third Partnership Forum (Annex 2, Page 32)

Part 1: Introduction

1. The Policy and Strategy Committee (PSC) met in Durban on 6-7 July 2006 for its 5th meeting and in Geneva on 12-14 September 2006 for its 6th meeting. The Chair and Vice Chair were Dr. William Steiger (U.S.A.) and Mr. Jairo Pedraza (Developed Country NGOs), respectively. The agendas and the lists of participants for each of these meetings are included in Annex 1.

2. This report contains the following sections:

- Part 2: Recommended strategic direction for the Global Fund on the strategic issues completed to date;
- Part 3: Update on sub-issues of two strategic issues subject to further PSC discussion;
- Part 4: Update of the Technical Evaluation Reference Group; and
- Part 5: Report of the Partnership Forum Steering Committee.

Part 2: Recommended Strategic Direction for the Global Fund on the Strategic Issues Completed To Date

Purpose and structure of this section

1. *Purpose of this section:*

- i. This section of the report presents, for Board consideration and decision, a synthesis of the strategic recommendations of the PSC for the issues (or sub-issues of these¹) on which the PSC has completed its strategic deliberations to date: Beyond Phase 2, alignment and harmonization (except for programmatic funding), grant performance, market dynamics (objective and guiding principles), and impact and accountability.
- ii. The PSC has agreed to bring its recommendations on the strategy to the Board, and seek decisions on them, in two installments. **This section serves as the first installment of the recommended strategy of the Global Fund for Board discussion and decision at its Fourteenth Meeting.** The PSC will present the second and final installment at the Fifteenth Board meeting in April 2007.

2. *Action requested from the Board:* The PSC requests the Board to consider the PSC-recommended strategic direction set out in this section and endorse the related decision points, in relation to the strategic issues the PSC has completed to date.

3. *Structure of this section:* This section contains the following sub-sections:

- i. Introduction;
- ii. Beyond Phase 2;
- iii. Alignment and harmonization (except for programmatic funding);
- iv. Grant performance;
- v. Market dynamics (objective and guiding principles); and
- vi. Impact and accountability.

¹ The PSC's deliberations are still ongoing on sub-issues of two of the strategic issues presented in this section (alignment and harmonization, and market dynamics). These ongoing sub-issues are discussed briefly in Part 3 of this report. The present section (Part 2) of the report presents the PSC's recommendations on the completed portions of these issues.

Introduction

4. Review of strategy process:

- i. In endorsing the Corporate Key Performance Indicators² at its Ninth Board Meeting, the Global Fund Board recommended the development of a strategy to provide a forward direction for the Global Fund. The Global Fund is now engaged in its first strategy-development process.
- ii. The strategy-development effort is a Board-driven process, and the PSC has the responsibility for leading the work, as reflected in its Terms of Reference.
- iii. To date, the strategy development effort has proceeded through the following distinct stages:
 - (a) **Definition of strategy scope and focus:**
 - In this stage, the PSC set out the approach to strategy development and devised a framework of strategic themes and corresponding strategic questions, which the Board subsequently endorsed at its Eleventh Meeting.³
 - This stage took place during the period of July to September 2005, comprising the 1st and 2nd PSC meetings.
 - (b) **Situation assessment and prioritization:**
 - In this stage, the PSC developed the framework of prioritized issues and the guidelines for option development. It also requested the Secretariat to prepare situation-assessment background papers on each strategic issue. The Board endorsed this work at its Twelfth Meeting.⁴
 - This stage took place during the period of September to December 2005, comprising the 3rd PSC meeting.
 - (c) **Option development and recommendation:**
 - In this stage, which is still ongoing, the PSC is considering and recommending strategic options corresponding to various strategic issues in the framework of prioritized issues.
 - The PSC organized and is considering the issues over time in four batches.⁵
 - The Secretariat conducted research, held internal discussions and developed options for each issue, which it codified into a series of options papers it provided as an input to the PSC's deliberations.⁶
 - Another input was the recommendations of the Second Partnership Forum held in July 2006, which devoted a full day to discussing the strategic issues.⁷
 - This stage started in December 2005, and will continue until April 2007. The PSC has focused its 4th, 5th and 6th meetings on discussing strategic options for the various strategic issues and expects to devote its 7th meeting to this task as well.
- iv. The next steps are as follows:
 - (a) The PSC has agreed to **bring its recommendations on the strategy to the Board, and seek decisions on them, in two installments** – the first to the upcoming Fourteenth Board Meeting on the strategic issues it has completed to date, the second to the Fifteenth Board Meeting on the remaining issues (see paragraph 5 below);
 - (b) The PSC will conclude its deliberations on the remaining strategic issues at its 7th meeting in March 2007;
 - (c) The PSC will present to the Board its recommendations, likely as part of a consolidated document that will lay out the overall strategic direction for the Global Fund across all strategic issues, for decision at the Fifteenth Board Meeting in April 2007; and

² The Secretariat has renamed "Corporate Key Performance Indicators" what was previously referred to as the "Executive Director's Key Performance Indicators," in recognition that they are performance indicators for the entire Secretariat. This does not in any way diminish the Executive Director being held accountable for their achievement.

³ For further detail, see Global Fund, "Report of the Policy and Strategy Committee." (GF/B11/7).

⁴ For further detail, see Global Fund, "Report of the Policy and Strategy Committee." (GF/B12/5).

⁵ The sequencing of issues into the batches reflected the logical hierarchy of issues (as per the framework of prioritized issues), their differing levels of urgency and the differing lead times necessary for the Secretariat to conduct preparatory work to inform PSC deliberations on each issue. In addition, a number of issues required revisiting in subsequent batches to complete the PSC's deliberations.

⁶ For examples of the options papers, see Attachments 1-4 to document GF/B13/7.

⁷ For further detail on the recommendations from the 2nd Partnership Forum, see Annex 5 of this document.

- (d) The Secretariat will then develop a document for publication and external distribution that summarizes the overall strategic direction for the Global Fund endorsed by the Board. It expects to complete this document by June 2007.

5. *Current status of PSC deliberations on the various strategic issues:*

- i. The PSC has completed its deliberations and made concrete recommendations as to the appropriate strategic orientations for the Global Fund on a number of strategic issues (or sub-issues thereof). **The PSC asks the Board to consider its recommendations for these issues, as laid out in the remainder of Part 2 of this document, and endorse the associated decision points.** Those issues are as follows:
 - (a) **Beyond Phase 2;**
 - (b) **Alignment and harmonization (except for programmatic funding);**
 - (c) **Grant performance;**
 - (d) **Market dynamics (objective and guiding principles); and**
 - (e) **Impact and accountability.**
- ii. The PSC has already begun discussing the following issues, and will conclude its consideration of them before or at its 7th meeting and present its recommendations to the Fifteenth Board Meeting:
 - (a) Global Fund size;⁸
 - (b) Resource mobilization;
 - (c) Civil society and the private sector;
 - (d) Alignment and harmonization (programmatic funding);⁹ and
 - (e) Market dynamics (mechanisms).¹⁰
- iii. The PSC will consider for the first time the following two issues at its 7th meeting, and develop recommendations on them which it will present to the Fifteenth Board Meeting:
 - (a) Health systems; and
 - (b) Funding the right things.

6. *Approach to each strategic issue:*

The remainder of Section 2 of this document details the PSC's recommendations for the strategic issues on which it has completed its deliberations. Each strategic issue in this section contains the following elements:

- i. **Core strategic objective** – describes what the Global Fund aims to achieve through its strategy for the specific issue area;
- ii. **PSC-recommended strategic approach** – presents a high-level description of the key strategic orientations recommended by the PSC; and
- iii. **Key strategic priorities** – sets out the priority actions for the Secretariat to implement the PSC-recommended approach over time.

Beyond Phase 2

Overview

7. The topic of “Beyond Phase 2” concerns the strategic issues raised by grants that are coming to the natural end of their Phase 2 funding (“expiring grants”). Specifically, the strategic focus is on determining **whether and under what modalities recipients can access continued funding from the Global Fund**. There are two facets to this issue, which correspond to the two distinct situations at the end of Phase 2:

- i. **Continuation of funding beyond Phase 2** refers to the situation in which the Country Coordinating Mechanism (CCM) of an expiring grant wishes to apply for Global Fund financing to continue the program to which the expiring grant was contributing; and

⁸ The PSC is hoping to conclude its deliberations on this particular issue in time to present its recommendation on it to the Fourteenth Board Meeting.

⁹ See Part 3 of this report for a brief update of PSC discussions to date on this topic.

¹⁰ See Part 3 of this report for a brief update of PSC discussions to date on this topic.

- ii. **Expiration of funding at the end of Phase 2** refers to the situation in which the CCM of an expiring grant that does not have subsequent financing to continue the program supported by this grant wishes to apply to the Global Fund for exceptional, temporary funding to continue courses of treatment currently funded by this grant.

Continuation of funding beyond Phase 2

8. Core strategic objective of the continuation of funding beyond Phase 2: To make available a new funding channel that allows continued Global Fund financing of high-performing grants that reach the end of their Phase 2 under conditions that:

- i. Make continued funding under this channel more streamlined and attractive (e.g., in terms of transaction cost, funding length, funding priority and predictability) than the current channel for funding, which is to apply through the rounds side-by-side with entirely new proposals;
- ii. Allow and support scale-up and programmatic expansion, where applicable;
- iii. Create a positive incentive for strong performance of all grants; and
- iv. Create a positive incentive for programmatic sustainability, as demonstrated by a grant contributing to inclusive, long-term national plans.

9. PSC-recommended strategic approach to the continuation of funding beyond Phase 2: The PSC recommends the following two-pronged approach, which corresponds to the short- and long-term time horizons, to achieve the core strategic objective described above:

- i. As a long-term approach, **to establish** (per Decision Points 1 and 2 below) **a new funding channel, the “rolling continuation channel”** – distinct from the current “rounds-based channel” – with the following characteristics:¹¹
 - (a) For its CCM to qualify to apply for continued funding through the rolling continuation channel, an expiring grant will need to demonstrate **sustained strong performance** (at the “A” performance rating level), evidence of potential for **impact** against the relevant disease, and programmatic **sustainability** (e.g., by contributing to a costed national plan inclusive of civil society and the private sector).
 - CCMs of grants that qualify to submit a proposal for continuation of funding through the rolling continuation channel may apply either through the rolling continuation channel or the rounds-based channel, but the CCM may not submit proposals covering the same activities through both channels;
 - CCMs of grants that do not qualify to apply through the rolling continuation channel can apply for continued funding only through the rounds-based channel.
 - (b) The Secretariat will accept proposals for the rolling continuation channel on a **rolling basis** (i.e. throughout the year¹²). The **proposal form** for the rolling continuation channel will be **lighter** and will allow CCMs some **flexibility to change the scope and scale of the program** compared to the expiring grant. Proposals will undergo a rigorous independent technical review and overall are likely to have a much **higher success rate** than those in the rounds-based channel. The PSC recommends that the Technical Review Panel (TRP), under revised terms of reference and membership (per Decision Point 2), conduct the technical reviews for the rolling continuation channel. (The revisions aim to build additional flexibility into the staffing and procedures of the TRP for this explicit purpose, without, however, in any way changing the current procedures and membership principles of the TRP for the purpose of reviewing rounds-based proposals); and
 - (c) The financing available through this channel will be for a **maximum term of six years** (committed in two phases of three years each, with a mid-point performance review). The Board will likely consider approval of financing for the rolling continuation channel on quarterly basis, and in the case of insufficient resources, the funding for successful rolling continuation proposals will be **prioritized above the funding of proposals in the rounds-based channel.**

¹¹ The characteristics listed here are a summary of the PSC’s recommendations on this topic. Decision Points 1 and 2 contain the detail of its recommendations.

¹² In practice, for pragmatic or operational reasons, a rolling basis could mean at multiple times during the years such as on a quarterly basis.

- ii. As a short-term approach while the Secretariat is putting in place the rolling continuation channel (and as already approved by the Board as the “Interim Continuation of Funding Policy”)¹³, **to offer exceptional bridge funding until 30 November 2007 to all grants that expire in 2006 and 2007 without further Global Fund financing.**¹⁴ In this way, the CCMs of those bridge-funded grants that qualify for the rolling continuation channel once it becomes operational can apply for continued funding through that channel at that stage.¹⁵

10. **Key strategic priorities for the continuation of funding beyond Phase 2:**

- i. Immediately implement the Interim Continuation of Funding Policy for grants that will expire prior to 30 November 2007;
- ii. Develop the policies, tools, processes and capacity required for implementation of the rolling continuation channel (on a time schedule that allows this channel to be operational and disbursing by 30 November 2007); this includes follow-up policy work with the Board committees as outlined in Decision Points 1 and 2 below;
- iii. Begin operation of the rolling continuation channel, including relevant communications to CCMs, Principal Recipients (PRs) and partners; and
- iv. Monitor the operationalization of the rolling continuation channel, and report on progress.

Decision Point 1 – Establishment of a Rolling Continuation Channel

[See Annex 2 for the full text of this decision point]

Decision Point 2 – Technical Reviews for the Rolling Continuation Channel

[See Annex 2 for the full text of this decision point]

Expiration of funding at the end of Phase 2

11. **Core strategic objective related to the expiration of funding at the end of Phase 2:**¹⁶ To make available to expiring grants that do not have subsequent financing to continue their activities the possibility of applying for exceptional, temporary funding for the continuation of courses of treatment currently funded by these grants under conditions that:

- i. Fulfill the Global Fund’s ethical obligations based on its existing funding commitments; and
- ii. Are appropriate to the particular circumstance of the anticipated expiration of funding at the end of Phase 2,¹⁷ as contrasted with the unanticipated termination of funding,¹⁸ particularly in terms of encouraging local ownership and responsibility for ensuring the sustainability of programs.

12. **PSC-recommended strategic approach to the expiration of funding at the end of Phase 2:** To achieve the core strategic objective described above, the PSC recommends (per Decision Point 3 below) **to put in place a revised Continuity of Services Policy¹⁹ that differentiates cases of anticipated expiration and unanticipated termination of funding**, as follows:

- i. **For cases of anticipated expiration of funding**, such as at the end of Phase 2: make a change to the current Continuity of Services Policy to **allow the Secretariat the flexibility, in developing its recommendation to the Board on the funding amount and duration of exceptional extension funding, to take into account both the income level of the applicant’s country**

¹³ Approved electronically by the Board on 7 August 2006.

¹⁴ The Interim Continuation of Funding Policy sets a number of criteria on the grants which can be eligible for such funding; it also sets a maximum amount for the funding provided under the policy, based on the expiring grant’s Phase 2 amount.

¹⁵ Bridge-funded grants can also choose to seek funding through the rounds-based channel in the interim.

¹⁶ In addition to expiration of funding at the end of Phase 2 – and although this is separate from the strategic issue of Beyond Phase 2 – the PSC considered how to address the situation of *unanticipated termination* of funding (e.g., suspension during a funding phase or decision by the Board not to provide funding to a grant for Phase 2). The PSC considered this because the Continuity of Services Policy which covers such cases currently has a sunset clause which causes it to expire in April 2007.

¹⁷ And at the end of any subsequent contractually-agreed funding term, such as a 6-year term under the rolling continuation channel.

¹⁸ E.g., suspension during a funding phase or decision by the Board not to provide funding for Phase 2.

¹⁹ The revised policy the PSC recommends would also be non-time-bound, in contrast to the current Continuity of Services Policy, which expires at the first Board meeting in 2007.

and the size of the treatment program for which the applicant is seeking funding, **with the former being the primary factor.**

- ii. For cases of unanticipated termination of funding: maintain the modalities that apply under the current Continuity of Services Policy.

13. Key strategic priorities for the expiration of funding at the end of Phase 2:

- i. Develop and implement the elements required to operate the amended Continuity of Services Policy, including relevant tools, processes and communications to CCMs, PRs and partners.
- ii. Monitor the adequacy of the Continuity of Services Policy over time as the Global Fund receives requests for continuity of services funding.

Decision Point 3 – Continuity of Services Policy

[See Annex 2 for the full text of this decision point]

Alignment and harmonization (except for programmatic funding)

14. Core strategic objective of Global Fund alignment and harmonization: To make policy and architectural changes to the Global Fund's business and financing model to allow it, over time, to better align with national efforts and harmonize with international partners,²⁰ as a means to achieving increased impact from Global Fund resources. These changes should aim to do the following:

- i. Further the Global Fund principles of complementarity, coordination, additionality, country ownership, low transaction costs, multisectoral partnerships, performance, and emphasis on results;
- ii. Take into account the wide range of country settings in which the Global Fund finances grants; and
- iii. Help fulfill existing Global Fund commitments to ongoing global initiatives focused on alignment and harmonization (e.g., the Global Task Team on Improving AIDS Coordination among Multilateral Institutions and International Donors, the Organization for Economic Cooperation and Development's Development Assistance Committee (OECD-DAC) Paris Declaration on Aid Effectiveness).

15. PSC-recommended strategic approach to Global Fund alignment and harmonization (except for programmatic funding): The PSC recommends that the Global Fund pursue the following strategic orientations in order to achieve the core strategic objective described above.

- i. **Establish fixed dates for the rounds:**
 - (a) For those proposals submitted through the rounds-based channel, the PSC recommends (per Decision Points 4 and 5 below) that the Board establish and announce to the public, with significant advance notice, a fixed set of dates for the launch and approval of future rounds of funding.
 - (b) Specifically, this approach will involve the following:
 - The Board will **announce future rounds of funding** (a minimum of one per calendar year) **with significant advance notice**; this announcement will include the **dates for the next two Calls for Proposals and their corresponding Board approval dates** (the dates for these two events will be approximately the same each year); and
 - The Secretariat will **issue Calls for Proposals and release the Proposal Guidelines and Form at least four months before the due date for submission** of the proposals.

²⁰ Alignment is defined as "donors basing their overall support on countries' national development strategies, institutions, and procedures;" and harmonization is defined as "external actors using common approaches to aid delivery and behaving more predictably and transparently in order to be more collectively effective." OECD-DAC. "Preparation Report for the Paris High-Level Forum" and "Paris Declaration on Aid Effectiveness." (2005)

- (c) The expected benefits of such an approach in terms of alignment and harmonization are the following:²¹
- Increased predictability for recipients of the timing of key Global Fund activities, enabling recipients to better incorporate these activities into their existing planning timelines and to align Global Fund proposal development with their existing strategies and processes; and
 - Improved harmonization with international partners since they will receive advance notice of the timing of Global Fund country proposal submission, thereby enabling them to better plan support activities such as assistance for proposal development and implementation planning.
- ii. **Move toward grant consolidation:**
- (a) The PSC is, in principle, in favor of the Global Fund moving toward the consolidation under a single Global Fund grant agreement of multiple grants held by a given PR in the same disease component.
- (b) As an immediate essential step to this end, the PSC recommends (per Decision Point 6 below) that the Secretariat conduct, as rapidly as is reasonable and under the oversight of the Portfolio Committee, **a grant consolidation pilot project focused on up to four pilot countries**, with the following objectives:
- To assess the added value and feasibility of grant consolidation for the Global Fund and for PRs, paying particular attention to benefits, risks, and costs;
 - To identify specific permanent policy and architectural changes that will be required to enable grant consolidation across the Global Fund portfolio (as appropriate and as requested by PRs), and to inform the development, for the Board's consideration, of strategy and policy recommendations to this end; and
 - To draw operational lessons from the pilot exercises that could facilitate a broader roll-out of grant consolidation across other applicable grants within the Global Fund portfolio, and in particular, to identify the criteria for and the situations that favor grant consolidation.
- (c) The expected benefits of grant consolidation in terms of alignment and harmonization are the following:
- Streamlined grant-management tasks and a reduction in transaction costs for PRs, CCMs and the Secretariat;
 - Increased alignment with national strategies and cycles, as a result of enabling a consolidated planning and grant-management approach to Global Fund financing; and
 - Improved tracking of results and money due to the elimination of potential results-allocation and “double counting” issues that can arise from multiple grants.

16. Key strategic priorities for Global Fund alignment and harmonization (except for programmatic funding):

i. **Fixed dates for rounds:**

- (a) Widely communicate the dates set for the launch and approval of Rounds 7 and 8;
- (b) Make the necessary preparations for holding the rounds at those dates; and
- (c) Seek any feedback from relevant stakeholders on the new approach and schedule, and on the basis of this, propose dates for the launch and approval of Round 9 at the appropriate stage (and so on for subsequent rounds).

ii. **Grant consolidation:**

- (a) Conduct the grant consolidation pilot project, under the oversight of the Portfolio Committee, document key findings and report on progress at relevant junctures;
- (b) Based on the findings of the pilot project, discuss with the relevant Board committee(s) the specific permanent policy and architectural changes required to enable grant consolidation across the Global Fund portfolio, and seek a Board decision in this regard; and
- (c) Implement the policy and architectural changes, and conduct grant consolidation across the Global Fund grant portfolio as appropriate.

²¹ Note that the recommendation to set fixed dates for the rounds is also expected to have benefits in terms of enabling improved grant performance. See paragraph 18 below.

Decision Point 4 – Establishment of Fixed Dates for Rounds

[See Annex 2 for the full text of this decision point]

Decision Point 5 – Dates for the Launch and Approval of Rounds 7 and 8

[See Annex 2 for the full text of this decision point]

Decision Point 6 – Grant Consolidation Pilot Project

[See Annex 2 for the full text of this decision point]

Grant performance

17. **Core strategic objective related to grant performance:** To make changes to the Global Fund's policies, architecture and operating practices that will help enable improved performance of grants; in particular, these changes could aim to accomplish the following:

- i. Further facilitate the development of high-quality proposals;
- ii. Address key bottlenecks in grant implementation; and
- iii. Enable speedier implementation.

18. **PSC-recommended strategic approach to grant performance:** With this core strategic objective in mind, the PSC recommends the following strategic orientations:

i. **Enable earlier Technical Review Panel (TRP) clarifications and Local Fund Agent (LFA) assessments:**

(a) Allow (as already approved by the Board as the "Earlier Initiation of TRP Clarifications and LFA Assessments" Policy)²² the processes of TRP clarification and LFA assessment to occur in the time period between TRP recommendation and Board approval.

(b) The expected benefits of earlier TRP clarifications and LFA assessments in terms of improved grant performance are the following:

- Faster time to grant signing and disbursement of funds to recipients (by about a month) by using current "dead" time; and
- Earlier focus on addressing potential implementation issues and capacity gaps.

ii. **Establish fixed dates for the launch and approval of rounds**, as already described in paragraph 15i under the sub-section on alignment and harmonization. This PSC recommendation is repeated here because it is expected to also help enable improved grant performance.

(a) Specifically, the expected benefit of fixed dates for the launch and approval of rounds in terms of improved grant performance is the following:

- Enabling CCMs to develop proposals that are more likely to be implemented feasibly, thanks to the following factors:
 - The ability to plan for and allocate optimal resources to proposal development further in advance than is currently possible; and
 - A longer time period to develop the proposal, determine achievable targets, and effectively lay the groundwork for implementation.

iii. **Further encourage direct transfer of funds from the Trustee account to procurement agents and suppliers:**

(a) The PSC recommends (as reflected in its Report to the Board GF/B13/7) that the Secretariat more actively encourage the already-allowable practice of it transferring funds for procurement, on behalf of PRs of Board-approved grants, from the Trustee account to the procurement agents or suppliers selected by PRs.²³

²² Approved at the 13th Board Meeting. See GF/B13/Decision Points.

²³ Since this practice is currently allowable, it requires no change to Board policy.

- (b) The expected benefits in terms of improved grant performance of further encouraging direct transfer of funds from the Trustee account are the following:
- Faster procurement of products for recipients because of the smaller number of steps through which Global Fund monies will flow before reaching suppliers; and
 - Reduced potential for corruption and mismanagement as a consequence of transferring funds directly to the procurement agents or suppliers selected by PRs.

iv. **Offer a voluntary pooled procurement service:**

- (a) The PSC has recommended, and the Board has already approved as the “Facilitating Pooled Procurement” Decision,²⁴ the principle that the Global Fund facilitate the provision to recipients of a voluntary pooled procurement service administered by a third-party entity, subject to the development and Board approval of a suitable feasibility and business plan.
- (b) The operationalization of this decision is ongoing, but at a high level, the approach would likely be as follows:²⁵
- The Global Fund would contract with one or more external procurement agent(s) to offer a comprehensive procurement service to recipients;
 - The external procurement agent(s) would entirely administer and operate the pooled procurement service, with the Global Fund playing only a facilitating/enabling role;²⁶
 - The service would be made available on a voluntary basis to all the grant recipients financed by the Global Fund;²⁷ and
 - As part of the offering, support would be available to recipients to help build local procurement capacity.
- (c) The expected benefits of offering a pooled procurement service, in terms of improved grant performance, are the following:²⁸
- Faster procurement of products;
 - Increased availability and reliability of supply; and
 - Strengthened local procurement and supply-management capacity.
- (d) The PSC will continue its policy discussion on the specifics of this issue at its 7th meeting in March 2007 as part of its broader reflection on the strategic issue of market dynamics. The feasibility and business plan requested by the Board will particularly inform the PSC’s discussion. **The PSC will present its recommendations for Board consideration at the Fifteenth Board Meeting.**

19. **Key strategic priorities for grant performance:**

i. **Earlier TRP clarifications and LFA assessments:**

- (a) Consider the recommendations of the Portfolio Committee’s follow-up work on this issue;
- (b) Implement the recommendations as relevant; and
- (c) Monitor functioning over time and make any adjustment(s) if and as necessary.

ii. **Fixed dates for the launch and approval of rounds:** See paragraph 16i above.

iii. **Direct transfer of funds from the Trustee account to procurement agents and suppliers:**

- (a) Conduct internal streamlining of process for direct transfer of funds if and as relevant;
- (b) Systematically and proactively communicate the direct-transfer option to PRs; and
- (c) Track uptake and refine approach over time.

iv. **Voluntary pooled procurement:**

²⁴ Approved at the 13th Board Meeting. See GF/B13/Decision Points.

²⁵ This is a model similar to that currently offered by other health funders, such as the Global Alliance for Vaccines and Immunizations (GAVI) and the Global Tuberculosis Drug Facility (GDF).

²⁶ PRs would submit a demand forecast of their product needs. The procurement agent(s) would aggregate demand forecasts, negotiate the appropriate quantities and terms with suppliers, and purchase the relevant quantity of each product for distribution to each country according to the terms requested.

²⁷ The PSC will consider, in its upcoming deliberations in March 2007, whether there could be possible exceptions to this under certain specific circumstances.

²⁸ Other valuable expected benefits not directly related to grant performance include systematic assurance of product quality and attractive pricing.

- (a) At this stage: Conduct a study to develop the feasibility and business plan requested by the Board; discuss relevant specifics of pooled procurement with the PSC at its 7th meeting; and develop pertinent key strategic priorities following that meeting.

Market dynamics (objective and guiding principles)

20. **Core strategic objective of market dynamics:** For the Global Fund to take on a deliberate, strategic and appropriate role in enabling recipients to gain access to improved market conditions (supply, price, quality, sustainability) for the procurement of essential health products with Global Fund resources.

21. **Recommended strategic approach to market dynamics (objective and guiding principles) (subject to further PSC discussion at its 7th meeting in March 2007):** Strategy discussions by the PSC on this issue are ongoing; the strategic orientation set out below reflects the recommendation the PSC wishes to put forth at this stage of its discussion, with the understanding that it will continue its discussion of this issue at its 7th meeting in March 2007:

- i. The PSC recommends (per Decision Point 7 below) that the Global Fund assume **a deliberate and strategic role in market dynamics, guided by the following draft objective and principles for market dynamics** (which the PSC may re-examine and revise at its 7th meeting in March 2007).

(a) **Objective for the Global Fund in market dynamics:**

To enable Global Fund recipients to gain access to improved market conditions for the procurement of essential health products with Global Fund resources; specifically, to enable them to gain access to a sustainable supply of affordable and quality-assured essential health products related to the prevention, treatment and care of HIV/AIDS, tuberculosis and malaria.

(b) **Guiding principles for the Global Fund's market dynamics strategy:**

- i. *The Global Fund will pursue a focused strategy that targets the highest-potential opportunities;*
- ii. *The Global Fund will select a range of approaches*
- (a) that are compatible with the Global Fund's core principles, as embodied in its Framework Document;
- (b) to which the Global Fund is uniquely positioned to contribute effectively, based on the unique assets that comprise its comparative advantage (e.g., its privileged relationships with recipients, its aggregate financing power for essential products);
- (c) that respect the importance of innovation, competition and the critical role of manufacturers of quality-assured products (from both developing- and developed-countries) for the achievement of long-term, sustainable markets for essential health products that can benefit developing countries; and
- (d) that are consistent with international law and agreements, respect intellectual property rights, such as TRIPS, and encourage efforts to make quality drugs and products available at the lowest possible prices for those in need.
- iii. *In implementing these approaches, the Global Fund will*
- (a) select the Global Fund's specific role within each overall approach, by taking into account its core principles and comparative advantage, and making optimal use – as relevant and appropriate – of partners, third-party initiatives and outsourcing to perform the required complementary roles;
- (b) ensure consistency with all relevant Global Fund policies (particularly the policies on Procurement and Supply Management and the Quality-Assurance Policy);
- (c) make available to all recipients the resulting positive market outcomes (to the extent applicable); and
- (d) continue to support the development of the capacity of governments and non-governmental organizations to conduct procurement effectively, efficiently and in

compliance with Global Fund policies (e.g., through funding technical assistance for this specific purpose).²⁹

22. Key strategic priorities for market dynamics (subject to further PSC discussion at its 7th meeting in March 2007):

- i. At this stage: Pursue strategy discussions related to specific market dynamics mechanisms at the 7th PSC meeting (see Part 3 below); and develop relevant key strategic priorities following that meeting.

Decision Point 7 – Role of the Global Fund in Market Dynamics

[See Annex 2 for the full text of this decision point]

Impact and accountability

23. Core strategic objective related to impact and accountability: To ensure that the appropriate elements are in place to measure the impact of the Global Fund and its grants, and ensure the accountability of the Global Fund.

24. Recommended strategic approach to impact and accountability: To achieve the core strategic objective described above, the PSC recommends the following two-pronged approach:

- i. To **formalize** (per Decision Point 8 below) **the Secretariat’s reporting on progress against the Performance Indicators for the Global Fund** (formerly known as the Soft Performance Measures), with appropriate linkage, where relevant, to the Corporate Key Performance Indicators,³⁰ and to include over time, as soon as they become available, impact measures into the Performance Indicators for the Global Fund.
- ii. To **support the ongoing work of the Secretariat and Technical Evaluation Reference Group (TERG) (including the Five-Year Evaluation) on measuring and communicating impact.**

25. Key strategic priorities for impact and accountability:

- i. Monitor the Global Fund’s yearly progress against the Performance Indicators for the Global Fund and report it to the Board;
- ii. Support the TERG’s Five-Year Evaluation (see discussion below in Part 4, in particular Decision Point 9, and in Annex 3); and
- iii. Follow up on any strategic and policy implications arising from the results of the Five-Year Evaluation which the TERG and, ultimately, the Board identify as needing further action.

Decision Point 8 – Performance Indicators for the Global Fund

[See Annex 2 for the full text of this decision point]

Part 3: Update on Sub-Issues of Two Strategic Issues Subject to Further PSC Discussion

1. Two of the five strategic issues discussed in Part 2 above have sub-issues on which the PSC’s deliberations are still ongoing. The PSC has agreed to discuss these sub-issues at its 7th meeting in March 2007 and to bring its recommendations on these to the Fifteenth Board Meeting. The two issues and the related sub-issues are as follows:

- i. Alignment and harmonization: programmatic funding; and
- ii. Market dynamics: mechanisms.

²⁹ The Framework Document states that the Global Fund “will provide resources for the purchase of appropriate commodities to prevent and treat the three diseases, and provide associated support for strengthening comprehensive commodity management systems at country level...”

³⁰ The Secretariat has renamed “Corporate Key Performance Indicators” what was previously referred to as the “Executive Director’s Key Performance Indicators,” in recognition that they are performance indicators for the entire Secretariat. This does not in any way diminish the Executive Director being held accountable for their achievement.

2. This Part 3 of the report briefly summarizes the status of the PSC's deliberations to date on those sub-issues of the two strategic issues.

Alignment and harmonization – Programmatic funding

3. The PSC held a first, high-level discussion on the basics of this issue at its 5th meeting. It will discuss it in more detail, on the basis of further work on strategic options, at its 7th meeting in March 2007.

4. At its 5th meeting, the PSC expressed a strong interest in the Secretariat developing, for PSC discussion, potential options for a programmatic mode of funding³¹ which would be accessible on an optional basis to recipients meeting certain conditions. Such a measure would contribute to a potential evolution of the Global Fund towards a more flexible financing model whereby the funding of some grants or proposals would move away from a rounds-based system.

- (a) The expected benefits of such a programmatic mode of funding in terms of alignment and harmonization are the following:
- Increased Global Fund alignment with country strategies, cycles, systems and structures;
 - Improved Global Fund harmonization with other donors and international technical partners; and
 - Reduced transaction costs.
- (b) Option-development work on this issue is ongoing and the PSC has agreed to discuss specific possible modalities for such a funding mode at its 7th meeting in March 2007. **The PSC will present its recommendations for Board consideration at the Fifteenth Board Meeting.**

Market dynamics – Mechanisms

5. The PSC held a first discussion on mechanisms for market dynamics at its 6th meeting. It agreed to continue its discussion at its 7th meeting in March 2007 on the basis of its further reflection in the meantime and any new information, such as the study on pooled procurement mentioned in Part 2 of this report. The PSC will develop recommendations related to specific market dynamics mechanisms for the Global Fund (including voluntary pooled procurement) at its 7th meeting. It will then **present its recommendations for Board consideration at the Fifteenth Board Meeting.**

Part 4: Update of the Technical Evaluation Reference Group (TERG)

1. The Chair of the TERG presented recent progress in the priority evaluation work of the TERG, including the Portfolio Review and a proposal for the Five-Year Evaluation of the Global Fund.³² The PSC appreciated the update on the Portfolio Review given by the Chair of the TERG. The Committee noted the TERG's recommendation on the need for budget tracking by objective. The PSC requested that the Secretariat develop a proposal and implementation plan on this for the November Board meeting.

2. The PSC acknowledged the work of the TERG in preparing the design of the Five-Year Evaluation, and, in particular, appreciated the clarity in focus and simplification of the approach. The PSC recommended to take forward the Five-Year Evaluation proposal as presented by the TERG, and found

³¹ A 'program-based approach' is "a way of engaging in development co-operation based on the principle of coordinated support for a locally owned program of development." Program-based approaches share the following features: Local leadership, a single comprehensive program and budget framework, a formalized process for donor co-ordination and harmonization, and efforts to increase the use of local systems. Lavergne and Alba, 2003 – as cited in: OECD. DAC Guidelines and Reference Series Harmonising Donor Practices for Effective Aid Delivery, Volume 2.

³² See Annex 3 to this document for a TERG update including the Framework Document on the Scale and Scope of the Five-Year Evaluation. The Framework Document in Annex 3 incorporates comments received by PSC members. The Draft Summary Report of the Technical Evaluation Reference Group of the Global Fund (Fifth Meeting, Cuernavaca, Mexico; 31 August -1 September, 2006) can be found at <http://www.theglobalfund.org/en/about/terg/>.

the budget amount a reasonable sum overall, given the technical scope of the evaluation. The PSC requested the FAC to consider the proposed budgetary implications of this decision.

3. The Committee made the following main recommendations regarding implementation of the Five-Year Evaluation, which the TERG incorporated into the final framework document on the scale and scope of the Five-Year Evaluation:

- i. The importance of implementing the evaluation in a way that considers and supports capacity-building in countries;
- ii. Building on studies and evaluation work ongoing or completed;
- iii. Inclusion of relevant partner institutions in the implementation of the evaluation to ensure their institutional support;
- iv. Consideration of engaging civil society partners in planning and implementing the evaluation; and
- v. Maintaining a clear focus and avoiding evaluation overload, in particular for in-country partners.

Introduction to the decision point

4. The PSC recognized that the Global Fund's comprehensive plan for the Five-Year Evaluation is exceptional as this will be the first time that a major global effort will be undertaken to evaluate the impact in a systematic manner of a global program to control diseases and deaths. This focus on impact would not have been worthwhile without significant financial input from the Global Fund which has resulted in major increases in the numbers of people reached with the recommended interventions. Many countries are now well poised to conduct impact evaluations by 2008. These efforts will also provide a strong foundation for future evaluations of impact of major public health initiatives towards the MDG goals for 2010-2015.

5. In committing to measuring impact as part of the Five-Year Evaluation, the PSC recognizes that these types of studies entail a significant expense. The proposed budget for the complete evaluation represents 0.6% of all funds disbursed to date and covers a coordinated set of evaluation activities that spans two years. The PSC recognizes that this is a highly worthwhile investment, and a small proportion of funds disbursed. The PSC notes that the FAC has reviewed the budget and presents it as part of the overall 2007 budget.

Decision Point 9 – TERG Five-Year Evaluation

[See Annex 2 for the full text of this decision point]

Part 5: Report of the Partnership Forum Steering Committee (PFSC)

1. The Chair of the Partnership Forum Steering Committee, Dr Brian Brink, gave a debrief on the process, outcome and the evaluation of the Second Partnership Forum. He presented an overview of the participation and budget figures, and the results of the independent evaluation, conducted by Dr Kate Taylor, of the Partnership Forum. He noted that a full report from the Partnership Forum Steering Committee, who had held their final meeting the day before the PSC started, would be provided in due course (attached here as Annex 4, Report of the Partnership Forum Steering Committee). In addition, the full outcome including key operational and strategic recommendations of the Partnership Forum are available in "Partnership Forum 2006 Report" (GF/B14/14), a report prepared by the Lead Facilitator, Dr Mandeep Dhaliwal.

2. Dr Brink highlighted the Partnership Forum Steering Committee's unanimous recommendation to continue to hold the Partnership Forum and to base the process on lessons learned and recommendations from Partnership Forum 2006 as well as of the evaluation. He also strongly urged the PSC and the Board to ensure adequate budgetary support to the Partnership Forum, and noted that many of the challenges and improvements proposed related to a lack of clarity on resources available for the overall Partnership Forum process.

3. The PSC discussed the report and since many of the members had been present at the Partnership Forum, were able to give their own impressions and recommendations on the process and event. They were very positive about the process and noted the wide range of stakeholders who had been present including many who were attending a Global Fund meeting for the first time and who expressed their appreciation of the opportunity it gave them to learn more about the organization and to give their feedback. Some members expressed their concern about the proposed budget for the event, but Dr Brink reiterated his strong recommendation that without an adequate budget agreed well in advance, the organization of the event is severely disadvantaged and opportunities for cost savings which can be made based on early negotiation of contracts and other arrangements cannot be made without the authority to commit up to a certain budget.

4. The PSC then agreed in principle to the PFSC recommendations for Board decision, but asked the FAC to review the budget.

Decision Point 10 –Third Partnership Forum

[See Annex 2 for the full text of this decision point]

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.

AGENDAS AND ATTENDANCE LISTS FOR 5TH AND 6TH PSC MEETINGS

AGENDA
POLICY AND STRATEGY COMMITTEE

Date :	6-7 July 2006
Venue :	Ballroom (1 st floor), Hilton Hotel, Durban
Chair :	William Steiger, Board Member, USA
Vice –Chair :	Jairo Pedraza, Developed NGOs
Focal Point :	Richard Feachem, Executive Director

Wednesday, 5 July 2006

19:30 – 22:00 **Dinner**
eMakhosini Restaurant, 3 Lumsden Crescent, Morningside, Durban
Tel: + 27 (0) 31 203 4500

Thursday, 6 July 2006

08:00 – 08:30 **Coffee and Croissants**

08:30 – 09:00 **Update on the Strategy Development Process**
(incl. circulation of Partnership Forum inputs on the strategy)

09:00 – 10:30 **Beyond Phase 2 – Review and Discussion of Revised Options**

10:30 – 10:45 **Break**

10:45 – 12:00 **Beyond Phase 2 – Review and Discussion of Revised Options (continued)**

12:00 – 13:00 **Lunch**

13:00 – 15:00 **Civil Society and Private Sector - Review and Discussion of Options**

15:00 – 15:30 **Break**

15:30 – 17:30 **Resource Mobilization - Review and Discussion of Options**

17:30 – 18:30 **TERG update**

19:30 – 22:00 **Dinner**
Hilton Hotel

Friday, 7 July 2006

08:00 – 08:30 **Coffee and Croissants**

08:30 – 10:45 **Alignment and Harmonization - Review and Discussion of Options**

10:45 - 11:15 **Break**

11:15 – 12:45 **Optimizing Grant Performance - Review and Discussion of Revised Options**

12:45 – 13:45 **Lunch**

13:45 – 14:45 **Introduction to Market Dynamics - Presentation**

14:45 – 15:45 **Looking Ahead and Making Connections**

- Including links to GF Size and Strategic Positioning

15:45 – 16:00 **Break**

16:00 – 16:30 **Partnership Forum Debrief**

- Update on Partnership Forum assessment process

16:30 – 17:00 **AOB and close of meeting**

5th Policy and Strategy Committee Meeting

Durban, 6-7 July 2006

Attendance List

(As of 7 July 2006)

	Constituency	PSC Member	Attendee
1	USA (Chair)	William Steiger	William Steiger
2	Developed Country NGO (Vice-Chair)	Jairo Pedraza	Jairo Pedraza
3	Canada - Germany, Switzerland	Montasser Kamal	Montasser Kamal
4	East and Southern Africa	Jose Viera Dias Van-Dumen	Daisy Mafubelu
	Eastern Europe	Alexander Pankin	Alexander Pankin
5	European Commission	Enrico Mollica	Enrico Mollica
6	France	Serge Tomasi	Serge Tomasi
7	Italy	Lucia Fiori	Lucia Fiori
8	Japan	Masaru Tsuji	Masaru Tsuji
9	Latin America & Caribbean	Paulo Meireles	Paulo Meireles
10	NGO Developed	Asia Russell	Asia Russell
11	NGO Developing	Elizabeth Mataka	Elizabeth Mataka
12	NGO Rep. Communities	Shaun Mellors	Shaun Mellors
13	Point Seven	Lennarth Hjelmåker	Lennarth Hjelmåker
14	Private Foundations	Todd Summers	Todd Summers
15	Private Sector	Brian Brink	Brian Brink
16	South East Asia	Prasanna. K. Hota	Broto Wasisto
17	UNAIDS	Michel Sidibe	Michel Sidibe
18	United Kingdom - Australia	Carole Presern	Carole Presern
19	USA	Jimmy Kolker	Jimmy Kolker
20	Western Pacific Region	Ren Minghui	Ren Minghui
21	WHO	Anarfi Asamoah-Baah	Winnie Mpanju-Shumbusho
22	World Bank	Debrework Zewdie	Debrework Zewdie

	Global Fund Secretariat	Name	Function/ Subject Matter Specialist
23	Executive Director	Richard Feachem	PSC Focal Point
24	Advisor to the Executive Director	Christina Schrade	PSC Rapporteur
25	Manager, Business Strategy	David Salinas	Business Strategy
26	Strategy Officer	Lorraine Ward	Business Strategy
27	Director, Strategic Information and Evaluation	Bernhard Schwartlaender	TERG issues
28	Director, External Relations	Christoph Benn	Subject Matter Specialist
29	Head, Board and Donor Relations	Dianne Stewart	Subject Matter Specialist
30	Legal Counsel	Bartolomeo Migone	Legal Counsel
31	Deputy Executive Director	Helen Evans	Observer

	Others	Name	Function/ Subject Matter Specialist
32	Support to the PSC Chair	Maggie Wynne	Support to the PSC Chair

33	Invited Consultants/Advisors	Rolf Korte	Chair of TERG
34	Representative of the Chair of the Board	Claudia M. Guerrero Monteza	Observer
35	McKinsey & Company	Srishti Gupta	Subject Matter Specialist
36	McKinsey & Company	Raymond de Vre	Subject Matter Specialist

	Constituencies not attending	PSC Member	
	Eastern Mediterranean Region	Noureddine Chaouki	<i>(not participating)</i>
	West and Central Africa	Babatunde Osotimehin	<i>(not participating)</i>

AGENDA
POLICY AND STRATEGY COMMITTEE

Date :	12-14 September 2006
Venue :	Hope Plaza, Global Fund Secretariat
Chair :	William Steiger, Board Member, USA
Vice –Chair :	Jairo Pedraza, Developed NGOs
Focal Point :	Helen Evans, Deputy Executive Director

Tuesday, 12 September 2006

- 08:30 – 09:00** **Coffee and Croissants**
- 09:00 – 09:30** **Update on the Strategy Development Process**
- 09:30 – 10:30** **Beyond Phase 2 – Discussion of Termination of Funding**
- 10:30 – 11:00** **Break**
- 11:00 – 13:00** **Beyond Phase 2 – Policy Issues**
- 13:00 – 14:00** **Lunch**
- 14:00 – 17:30** **Beyond Phase 2 – Policy Issues (Continued)**
- 17:30 – 18:30** **Update from Ad-Hoc PSC Working Group on
Civil Society and Private Sector**
- 19:30 – 22:00** **Dinner**
Morane Room, Mövenpick Hotel

Wednesday, 13 September 2006

- 08:00 – 08:30 **Coffee and Croissants**
- 08:30 – 10:00 **Alignment and Harmonization – Discussion on Decision Points**
- Grant consolidation pilot update
 - Fixed round dates
- 10:00 – 10:15 **Break**
- 10:15 – 11:45 **Global Fund Size – Finalization of Strategic Direction**
- 11:45 – 13:30 **Resource Mobilization – Discussion on Strategic Direction and Document**
- 13:30 – 14:15 **Lunch**
- 14:15 – 14:45 **Global Fund Size – Finalization of Strategic Direction (continued)**
- 14:45 – 17:30 **TERG Update and Overview of the Five-Year Evaluation Inception Report**
- 19:30 – 22:00 **Dinner**
Home of Lucia Fiori

Thursday, 14 September 2006

- 08:00 – 08:30 **Coffee and Croissants**
- 08:30 – 09:15 **Measuring Impact and Ensuring Accountability – Discussion of Approach**
- 09:15 – 10:00 **Briefing on the International Drug Purchase Facility**
- 10:00 – 10:15 **Break**
- 10:15 - 11:00 **Market Dynamics – Review of Background Research Findings**
- 11:00 – 13:00 **Market Dynamics – Discussion of Strategic Issues**
- 13:00 – 14:00 **Lunch**

- 14:00 – 15:00** **Partnership Forum Recommendations and Results**
- Recommendations from the Partnership Forum
 - Partnership Forum assessment results
- 15:00 – 16:30** **Next Steps**
- Format of PSC Report to the Board
 - Looking ahead
- 16:30 – 16:45** **Break**
- 16:45 – 17:30** **AOB and Close of meeting**

6th Policy and Strategy Committee Meeting

Geneva, 12-14 September 2006

Attendance List

(As of 15 September 2006)

	Constituency	PSC Member	Attendee
1	USA (Chair)	William Steiger	William Steiger
2	Developed Country NGO (Vice-Chair)	Jairo Pedraza	Jairo Pedraza
3	Canada - Germany, Switzerland	Montasser Kamal	Montasser Kamal
4	East and Southern Africa	Jose Viera Dias Van-Dumen	Daisy Mafubelu
5	Eastern Europe	Alexander Pankin	Alexander Pankin
6	European Commission	Enrico Mollica	Enrico Mollica
7	France	Serge Tomasi	Philippe Duneton
8	Italy	Lucia Fiori	Lucia Fiori
9	Japan	Masaru Tsuji	Masaru Tsuji
10	Latin America & Caribbean	Paulo Meireles	Claudia Guerrero Monteza
11	NGO Developed	Asia Russell	Asia Russell
12	NGO Developing	Elizabeth Mataka	Elizabeth Mataka
13	NGO Rep. Communities	Shaun Mellors	Shaun Mellors
14	Point Seven	Lennarth Hjelmåker	Lennarth Hjelmåker
15	Private Foundations	Todd Summers	Todd Summers
16	Private Sector	Brian Brink	Brian Brink
17	South East Asia	Prasanna. K. Hota	Prasanna. K. Hota
18	UNAIDS	Michel Sidibe	Purnima Mane
19	United Kingdom - Australia	Carole Presern	Carole Presern
20	USA	Jimmy Kolker	Jimmy Kolker
21	West and Central Africa	Babatunde Osotimehin	Alex Ogundipe
22	Western Pacific Region	Ren Minghui	Hu Meiqi
23	WHO	Anarfi Asamoah-Baah	Anarfi Asamoah-Baah

	Global Fund Secretariat	Name	Function/ Subject Matter Specialist
24	Deputy Executive Director	Helen Evans	PSC Focal Point
25	Executive Director	Richard Feachem	Executive Director
26	Advisor to the Executive Director	Christina Schrade	PSC Rapporteur
27	Manager, Business Strategy	David Salinas	Business Strategy
28	Strategy Officer	Lorrayne Ward	Business Strategy
29	Legal Counsel	Bartolomeo Migone	Legal Counsel
30	Director, External Relations	Christoph Benn	Subject Matter Specialist
31	Chief Financial Officer	Barry Greene	Subject Matter Specialist
32	Director, Strategic Information and Evaluation	Bernhard Schwartlaender	Subject Matter Specialist
33	Head, Board and Donor Relations	Dianne Stewart	Subject Matter Specialist
34	Team Leader, Procurement & Supply Policy & Management	Elisabetta Molari	Subject Matter Specialist
35	Chief of Operations	Nosa Orobato	Observer

Others	Name	Function/ Subject Matter Specialist
Support to the PSC Chair	Maggie Wynne	Support to the PSC Chair
Invited Consultants/Advisors	Rolf Korte	Chair of TERG
Invited Consultants/Advisors (McKinsey Consultants)	Srishti Gupta	Subject Matter Specialist
Invited Consultants/Advisors (McKinsey Consultants)	Raymond de Vre	Subject Matter Specialist

Constituencies not attending	PSC Member	
Eastern Mediterranean Region	Noureddine Chaouki	<i>(not participating)</i>
World Bank	Debrework Zewdie	<i>(not participating)</i>

DECISION POINTS

DECISION POINT 1 – ESTABLISHMENT OF A ROLLING CONTINUATION CHANNEL

The Board approves the establishment of a funding channel (“rolling continuation channel”) that provides an opportunity for Country Coordinating Mechanisms (CCMs) to apply for continued funding for grants that are reaching the end of their funding terms (“expiring grants”) under conditions different from those available for proposals submitted as part of new rounds of financing (“rounds-based channel”).

The rolling continuation channel shall operate according to the following principles:

1. The Secretariat shall conduct a review of all grants before the end of their Phase 2 (the “determination of qualification”) to determine whether they qualify to apply for continuation of funding through the rolling continuation channel. The Secretariat’s determination of qualification shall be final and not subject to appeal.
2. The Secretariat shall establish a standing cross-functional panel (the “qualification panel”) to conduct the determination of qualification of grants. This panel will conduct its work several times each year, scheduling determinations of qualification so that grants that do not qualify for the rolling continuation channel have sufficient time to apply through the rounds-based channel.
3. The qualification panel shall base its determination of qualification on the following factors:
 - a. The primary factors shall be the following:
 - i. Strong performance, as determined by the Secretariat having assigned to the grant a performance rating of ‘A’ in more than half of its reviews of the grant’s progress updates over the 18 months immediately preceding the determination of qualification; and
 - ii. Evidence of potential for impact by, for example, demonstration of the grant contributing to a national effort that has had, or has the potential to have in the near future, a measurable impact on the burden of the relevant disease.
 - b. In addition, in making a final determination, the qualification panel shall consider the following factors:
 - i. Sustainability, as determined by the extent to which the grant contributes to a national plan which is inclusive of civil society and the private sector and transparently shows the financial contributions made to the plan by major funding sources, including domestic sources; and
 - ii. Whether, in exceptional cases, severe and unexpected changes in circumstances have had a material negative impact on program implementation.
4. On the basis of the above factors, the Board expects that between a quarter and a third of the grants that expire in a given year would qualify to apply through the rolling continuation channel. The Secretariat will monitor the share of grants that qualify for the rolling continuation channel and report this information to the Board as part of its annual reporting process.
5. Upon completion of each determination of qualification, the qualification panel shall provide feedback to the CCM on the grant’s overall performance in a standardized format, and highlight any implementation challenges or sustainability issues that the CCM might address in a subsequent grant proposal. It shall also provide this standardized feedback to the Chair and the Vice Chair of the Technical Review Panel under revised terms of reference and membership³³

³³ See decision point “Technical Reviews for the Rolling Continuation Channel”, GF/B14/7/DP2, paragraph 1, which provides for the TRP convening on an ad-hoc basis groups with the appropriate number and composition of experts for the purpose of reviewing and making recommendations on rolling continuation proposals.

(henceforth referred to as “the TRP”) to inform consideration by the TRP of a subsequent proposal by that CCM.

6. The determination of qualification shall rely, as much as possible, on existing processes and information, so as to minimize additional work and transaction costs.
7. CCMs that qualify to submit a proposal for continuation of funding through the rolling continuation channel may apply either through the rolling continuation channel or the rounds-based channel, but the CCM may not submit proposals covering the same activities through both channels.
8. The process for grant proposals submitted through the rolling continuation channel shall include proposal submission, independent technical review, funding recommendation and if relevant, Board approval, all of which shall occur on a rolling basis.³⁴ The proposal submission and review process shall be as light as possible, without sacrificing technical rigor.
9. The Secretariat shall modify the proposal requirements and review criteria for the rolling continuation channel as appropriate compared to those for the rounds-based channel. As is the case for proposals for the rounds-based channel, they shall reflect considerations of sustainability and alignment with national strategies and plans.
10. CCMs may submit rolling continuation proposals that allow for the continuation of the broader package of interventions to which the expiring grant was contributing. The TRP shall determine whether a proposal’s scope demonstrates a material difference, as defined by the Secretariat,³⁵ compared to the scope of the grant it seeks to continue. A proposal that the TRP deems materially different from the original one shall not be allowable under the rolling continuation channel.
11. The Secretariat shall provide principles-based guidance in the proposal form or guidelines on the extent to which CCMs may increase the scale of the activities financed by expiring grants in rolling continuation proposals.³⁶
12. All rolling continuation proposals shall undergo a level of independent technical review as rigorous as that for the rounds-based channel. This review shall be performed by the TRP.
13. The Secretariat shall present to the Board the TRP’s funding recommendations not more often than once every three months, unless it is necessary, because of exceptional circumstances, to present a recommendation to the Board more frequently.
14. The TRP shall have the authority to recommend that the Board make its approval of a rolling continuation proposal conditional upon the CCM removing a limited set of specific elements from the proposal.
15. There shall be an appeals process for unsuccessful rolling continuation proposals. The primary grounds for appeal shall be a significant and obvious error made by the TRP regarding information contained in the proposal.³⁷
16. CCMs may submit proposals under the rolling continuation channel covering a maximum term of six years, in two phases of three years each, with a mid-point performance review. The Board

³⁴ In practice a “rolling basis” is likely to mean a quarterly frequency, though it is possible that for pragmatic and operational reasons some of the steps mentioned above (such as proposal submission and technical review) might occur more frequently. (However Board approval, per Paragraph 13, will normally happen quarterly at most).

³⁵ This definition shall be consistent with that used to trigger “material reprogramming” during Phases 1 and 2 of funding, while recognizing that a broader definition of “material change” is necessary for rolling continuation proposals given the time elapsed since the CCM developed, the TRP reviewed, and the Board approved the original proposal. For example, where an expiring grant has focused only on HIV/AIDS treatment, the CCM cannot propose a complete shift to HIV prevention activities in its proposal for rolling continuation funding. However, in cases where an expiring grant has both prevention and treatment objectives, the CCM may propose a change in the relative weighting of those objectives in its rolling continuation proposal. The Secretariat will refine this definition in collaboration with the TRP.

³⁶ The Secretariat will base this guidance on the principle that increases in scale should be in line with demonstrated implementation capacity in Phases 1 and 2 of the grant the proposal seeks to continue. Relevant findings of the TRP’s Report to the Board on Round 6 will inform the guidance.

³⁷ This is currently the main technical criterion for appeals for rounds-based proposals, as described in the “Rules Governing Internal Appeal Mechanism.” See “Report of the Fourth Board Meeting.” (GF/B5/2).

shall approve rolling continuation of funding proposals for the entire term of the proposal, with a financial commitment for the initial three years. Grants funded under the rolling continuation channel shall undergo assessments at each disbursement similar to those done for grants funded through the rounds-based channel.

17. The Global Fund shall prioritize funding for proposals submitted through the rolling continuation channel below the funding of Phase 2 renewals of proposals submitted through the rounds-based channel and funding of Extraordinary Requests for Continued Funding of Treatment under the Continuity of Services Policy, but above the funding of proposals submitted through the rounds-based channel. The Secretariat, in consultation with the Finance and Audit Committee, shall communicate to the Board at the end of a given financial year a projection of the financial resources potentially available for these funding channels for the subsequent year, specifically noting confirmed pledges.

The Board delegates authority to the Portfolio Committee to apply the principles set out in this decision point and (i) approve the proposal form and guidelines for the rolling continuation channel, and (ii) approve the appropriate policy guidance in relation to the appropriate appeals process for unsuccessful rolling continuation proposals, and requests it to do so by end of February 2007.

The Board requests the Policy and Strategy Committee to present for approval at the Fifteenth Board meeting the appropriate procedure for the Board to make funding decisions on proposals for rolling continuation funding recommended by the TRP in accordance with the principles set out in this decision point.

The Board requests the Finance and Audit Committee to present for approval at the Fifteenth Board meeting appropriate amendments that arise from this decision to each of the following: (i) the Comprehensive Funding Policy approved at the Sixth Board Meeting (and amended at the Thirteenth Board Meeting); and (ii) the decision on prioritization of Phase 2 funding approved at the Eighth Board Meeting (GF/B9/2, p. 9).

The budgetary implications of this decision in 2007 are estimated to be \$268,500.

DECISION POINT 2 – TECHNICAL REVIEWS FOR THE ROLLING CONTINUATION CHANNEL

The Board refers to its approval of the establishment of a funding channel (“rolling continuation channel”) that provides an opportunity for Country Coordinating Mechanisms (CCMs) to apply for continued funding for grants reaching the end of their funding terms under conditions different from those available for proposals submitted as part of new rounds of financing (“rounds-based channel”).³⁸

The Board considers that, in order to conduct technical reviews of proposals submitted under the rolling continuation channel, it will be necessary to build additional flexibility into the staffing and procedures of the Technical Review Panel (“TRP”). For that purpose:

1. The Board requests the Portfolio Committee to propose amendments of the Terms of Reference of the TRP for approval at the Fifteenth Board Meeting. Such amendments shall reflect the following principles:
 - a. No change shall be made to the current procedures and membership principles of the TRP for the purpose of review of proposals received through the rounds-based channel.
 - b. The Chair and Vice Chair of the TRP shall, acting together, have the authority to convene ad hoc groups for the purpose of reviewing and making recommendations on proposals received through the rolling continuation channel.
 - c. Such ad hoc groups may include TRP members, alternate members, members of the TRP support group, and former members of the TRP. The Chair and Vice Chair of the

³⁸ See decision point “Establishment of a Rolling Continuation Channel,” GF/B14/7/DP1.

TRP, acting together, shall determine the appropriate number and composition of reviewers in each group, based on their fields of expertise and the content of the proposals.

2. The Board requests the TRP Chair and Vice Chair to review rolling continuation channel proposals based on the principles set forth in this decision point and decision point "Establishment of a Rolling Continuation Channel" (GF/B14/7/DP1) if any such proposals are received before the Board has amended the terms of reference of the TRP.

There are no material budgetary implications for this decision.

DECISION POINT 3 – CONTINUITY OF SERVICES POLICY

The Board recognizes that, in exceptional circumstances, there may be a need to provide funding for the continuation of treatment in grants where funding ends. **The Board wishes to revise its policy on continuity of services for treatment (as amended at the Twelfth and Thirteenth Board Meetings) to reflect the differing circumstances of grants that end because of suspension, *force majeure* situations, a decision not to provide Phase 2 funding, or other unforeseen causes ("unanticipated terminations") and grants which reach the end of their term ("anticipated expirations").** ~~(whether due to termination, a decision not to provide Phase 2 funding, or a grant reaching the end of its term). The Board recognizes that discussions on whether and how to provide continued funding for treatment will be part of the strategy process. To address exceptional cases that may arise before a comprehensive approach to the issue has been decided, however,~~ **The Board accordingly revokes the Continuity of Services decision, as amended at the Thirteenth Board Meeting (GF/B14/2) and replaces it with this decision.**

The Board adopts the following system for addressing continuity of services following both unanticipated termination and anticipated expiration of grants: ~~The Board adopts the following system for addressing continuity of services:~~

- i. A recipient (typically a CCM) whose funding has ended may submit an Extraordinary Request for Continued Funding for Treatment.
- ii. The Extraordinary Request will be limited to expenses directly related to the continuation of courses of treatment (including medicines [which, in the case of discontinuation of anti-retroviral therapy, includes drugs for HIV-related opportunistic infections], diagnostics, and, as appropriate, costs for medical staff and other personnel directly involved in care of the patients on treatment) for those people already placed on courses of treatment under the existing proposal at the time of the Extraordinary Request. "Courses of treatment" includes treatment that is for a limited duration (such as for tuberculosis), or is life-long (such as for antiretroviral therapy).
- iii. The Extraordinary Request will be limited to the amount required to provide services directly related to the continuation of courses of treatment for up to two years (taking into account any amount which remains available under the existing grant).
- iv. The Extraordinary Request shall contain a description of the steps taken to find sustainable sources of financing for the people on courses of treatment, and to ensure the recipients are delivering courses of treatment effectively. To be eligible for funding under this provision, the CCM (or, in the case of non-CCM proposals, the grant applicant) must demonstrate that it has used its best efforts to identify other sources of funding to provide continuity of services, but has been unsuccessful.
- v. The Secretariat will review the Extraordinary Request, and provide a funding recommendation to the Board for its approval. The Secretariat will **address take into account** performance issues, as appropriate, and shall make any adjustments to existing implementation arrangements necessary to ensure the effective use of ~~grant funds~~ **Global Fund financing.**

- vi. Throughout the process, the Secretariat will **encourage CCMs and PRs to** actively engage with technical partners to identify mechanisms to ensure continuity of services.
- vii. **In a resource-constrained environment, the Global Fund shall prioritize Extraordinary Requests for Continued Funding for Treatment for anticipated expiration and Extraordinary Requests for Continued Funding for Treatment for unanticipated termination at the same level as Phase 2 renewals.**
- viii. ~~This decision shall expire at the first Board meeting of 2007 unless renewed.~~

The following additional conditions shall apply in cases of anticipated expiration:

- viii. **CCMs that submit an Extraordinary Request must provide evidence of compliance with Global Fund counterpart financing requirements during the period for which they make the request.**
- ix. **In addition to the merit of the request, the primary factor affecting the Secretariat's recommendation to the Board with respect to the amount and duration of funding for the continuity of treatment shall be the income level of the country of the applicant (as defined by the World Bank income classification of the applicant in the year of application of an Extraordinary Request); the Secretariat may also take into account other relevant considerations such as the size of the treatment program (in terms of cost or number of patients).**

There are no material budgetary implications for this decision.

DECISION POINT 4 – ESTABLISHMENT OF FIXED DATES FOR ROUNDS

The Board notes that the Policy and Strategy Committee discussed (a) establishing fixed dates for the launch and approval of rounds to make progress towards greater alignment of Global Fund processes with country cycles and greater harmonization with partners' actions; and (b) ideas to develop a more flexible system whereby funding by the Global Fund of some grants or proposals might move away from rounds-based timing.

For those proposals that remain on a rounds-based system, the Board endorses the recommendation of the Policy and Strategy Committee that the Board establish and announce to the public, with significant advance notice, a fixed set of dates for future rounds of funding.

The Board decides the following:

1. The Board shall announce a minimum of one round of proposals in each calendar year, which it shall announce at approximately the same date(s) each year;
2. The Global Fund Board shall announce future rounds of funding with significant advance notice, and include the dates for the next two Calls for Proposals and the dates when the Board foresees it will approve proposals;
3. The Secretariat shall issue Calls for Proposals at least four months earlier than the due date for such proposals;
4. The Global Fund Board shall continue to make all decisions regarding the funding of proposals through a round at Board meetings; and
5. In accordance with the Comprehensive Funding Policy, the Secretariat will announce a forecast of the resources available for the round at the time it issues each Call for Proposals.

The Board requests that at the appropriate times the Secretariat propose the appropriate dates for the next Call for Proposals and for Board approval of such proposals. These dates should take into account the schedules of recipients, partners, donors and the Secretariat.

There are no material budgetary implications for this decision.

DECISION POINT 5 – DATES FOR THE LAUNCH AND APPROVAL OF ROUNDS 7 AND 8

The Board requests the Secretariat to make the necessary preparations and announce to the public as soon as possible that:

1. The Secretariat will issue a Call for Proposals for Round 7 by 1 March 2007, and provide for review of those proposals in time for approval at the Sixteenth Board meeting; and
2. The Secretariat will issue a Call for Proposals for Round 8 by 1 March 2008, and provide for review of those proposals in time for approval at the Eighteenth Board Meeting.

The Board requests the Secretariat to propose at the Sixteenth Board Meeting the appropriate dates for Round 9.

There are no material budgetary implications for this decision.

DECISION POINT 6 – GRANT CONSOLIDATION PILOT PROJECT

The Board refers to its earlier decision on grant consolidation, taken at its Thirteenth Meeting. To obtain useful experience that could inform the development of policies for grant consolidation, the Board authorizes the Secretariat to modify the application of existing policies to the extent necessary to consolidate grants on a pilot basis (the “Pilot Grants”) in up to four countries, which the Secretariat shall select with the consent of the relevant Principal Recipients (PRs) and Country Coordinating Mechanisms (CCMs) and in consultation with other country stakeholders.

The purpose of grant consolidation includes streamlining grant management for PRs and the Secretariat, as well as enabling increased alignment with national plans, strategies and systems. The specific objectives of the grant consolidation pilot project are as follows:

- a. To assess the added value and feasibility of grant consolidation for the Global Fund and for PRs;
- b. To identify specific permanent policy and architectural changes that will be required to enable grant consolidation across the Global Fund portfolio (as appropriate) and to inform the development, for the Board’s consideration, of strategy and policy recommendations to this end; and
- c. To draw operational lessons from the pilot exercises that could facilitate a broader roll-out of grant consolidation across the Global Fund portfolio and in particular, to identify the criteria for and situations that favor grant consolidation.

Specifically, the Board authorizes the Secretariat, solely in respect to the Pilot Grants, to modify the application of existing policies and procedures so as to achieve objectives that include, but are not limited to the following:

1. The consolidation of grants to the same PR into a single grant agreement for the consolidated grant, with aggregated performance targets;
2. The rescheduling of Phase 2 decision dates with respect to the individual grants that are merged into the consolidated grant so as to achieve a single Phase 2 decision date for the entire consolidated grant; and
3. The rescheduling of Phase 1 and Phase 2 end dates with respect to the individual grants that are merged into the consolidated grant so as to achieve single Phase 1 and Phase 2 end dates that apply to the entire consolidated grant.

Any modifications of the application of existing policies and procedures made in connection with Pilot Grants shall be consistent with the Framework Document of the Global Fund.

The Board requests the Portfolio Committee to oversee the Pilot Grants and report on the lessons learned that can inform the development of policies for grant consolidation, and update the Board on progress as appropriate.

This decision point will expire upon the completion of the terms of the grant agreements of the Pilot Grants.

The budgetary implications in 2007 of this decision are estimated to be \$ 1,147,630 to fund (internal and/or external) staff support for the pilots and other costs, such as travel, additional Local Fund Agent (LFA) assessments and PR consulting support.

DECISION POINT 7 – ROLE OF THE GLOBAL FUND IN MARKET DYNAMICS

The Board endorses the recommendation of the Policy and Strategy Committee, as part of the strategic issue of “Market Dynamics,” that the Global Fund assume a deliberate and strategic role in market dynamics.

The Board notes the draft objective and guiding principles for the Global Fund’s market dynamics strategy set out in the Report of the Policy and Strategy Committee (GF/B14/7).

The Board requests that the Policy and Strategy Committee further explore the issue and present any additional matters, including any potential modifications to the objective and guiding principles for the Global Fund’s market dynamics strategy, for Board consideration at the Fifteenth Board Meeting.

There are no material budgetary implications for this decision.

DECISION POINT 8 – PERFORMANCE INDICATORS FOR THE GLOBAL FUND

The Board requests the Secretariat to report on the core set of Performance Indicators for the Global Fund (formerly the Soft Performance Measures) to the Board during its first meeting of each calendar year. The Secretariat shall link the report of these indicators to the report on the Corporate Key Performance Indicators (formerly the Key Performance Indicators for the Executive Director). The Board requests the Secretariat to include impact measures as part of the core set of performance indicators as soon as feasible under the guidance of the Technical Evaluation Reference Group. The Board also requests the Secretariat to work on including gender in performance and impact measures where feasible and available in recipient country systems under the guidance of the Technical Evaluation Reference Group.

There are no material budgetary implications for this decision.

DECISION POINT 9 – TERG FIVE-YEAR EVALUATION

The Board approves the Five-Year Evaluation plan, and its overall timeframe, budget and implementation arrangements, as presented by the Technical Evaluation Reference Group. The Board requests the Secretariat to seek cost efficiencies through tendering and contract negotiation processes and by building on existing investments by countries and partners.

The Board requests the Technical Evaluation Reference Group to report on progress of the evaluation at each Board meeting until a final report is delivered.

The Board authorizes the Secretariat under the oversight of the Finance and Audit Committee to commit an upper limit of \$17,142,000 to initiate the Five-Year Evaluation plan immediately. The budgetary implications are over a two-year period in 2007 and 2008.

DECISION POINT 10 –THIRD PARTNERSHIP FORUM

1. The Board takes note of the “Partnership Forum 2006 Report” (GF/B14/14) and agrees to use the recommendations contained therein to inform ongoing strategic planning and management of the Global Fund.
2. The Board agrees to hold the Third Partnership Forum in 2008 and mandates the PSC to convene a Partnership Forum Steering Committee to start planning for this event early in 2007.
3. The format and duration of the Third Partnership Forum should build on the lessons learned from previous Partnership Fora.
4. The Board approves a budget of \$1,200,000 as an upper limit for the Third Partnership Forum and requests the Finance and Audit Committee to ensure that provision is made for appropriate secretariat staffing levels in the 2007 and 2008 budgets.

Annex 3

FRAMEWORK DOCUMENT ON THE SCALE AND SCOPE OF THE FIVE-YEAR EVALUATION

[Sent as a separate document]

Annex 4

UPDATE OF PRIORITY EVALUATION WORK REVIEWED AT 5TH TERG MEETING

[Sent as a separate document]

Annex 5

REPORT OF THE PARTNERSHIP FORUM STEERING COMMITTEE

[Sent as a separate document]