



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

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

Annex 3b

Version 2

**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 18th 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. If the Secretariat provides such additional funding to grants that the Secretariat has rated "B2" or "C" in the Principal Recipient's most recent

disbursement request, the Secretariat shall notify the Board of the amount provided and give an appropriate explanation of the circumstances, at the time that the Secretariat provides its subsequent Phase 2 funding recommendations. 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. If the Secretariat provides such additional funding to grants that the Secretariat has rated "B2" or "C" in the Principal Recipient's most recent disbursement request, the Secretariat shall notify the Board of the amount provided and give an appropriate explanation of the circumstances, at the time that the Secretariat provides its subsequent Phase 2 funding recommendations. ~~The extension and commitment of funds provided under this paragraph shall include any extension already provided under paragraph 6 above.~~

15. In the event that the Secretariat decides to extend the term of the Phase 1 Grant Agreement and provide funding under both paragraphs 6 and 14 of this policy, such extensions and funding shall not, in total, exceed six months and one half of the amount of the first year budget contained in the Request for Continued Funding respectively.

~~15.~~ 16. 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.~~ 17. 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.~~ 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 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.