



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

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GF/B20/12
Decision

REPORT OF THE WORKING GROUP ON MANAGING THE TENSION BETWEEN DEMAND AND SUPPLY IN A RESOURCE-CONSTRAINED ENVIRONMENT

OUTLINE:

In this paper, the Working Group established by the Board on Managing the Tension between Demand and Supply in a Resource-Constrained Environment reports to the Board on the various measures that were considered by the Working Group in consultation with Board constituencies and presents its recommendations.

Decision Points are proposed in:

- Annex 4: Funding Decision for Round 9 proposals and National Strategy Applications
- Annex 5: Revision of the Comprehensive Funding Policy
- Annex 6: Bridging to Round 10

EXECUTIVE SUMMARY

- 1. Background:** In anticipation of large demand for funding in Round 9, the Board in April 2009 formed a Working Group to review current policies in order to develop a framework for managing the tension between the demand for resources and the available supply in a resource-constrained environment. The Board asked the Group to recommend amendments to existing policies regarding prioritization of proposals and regarding future resource allocation policies, and to present options for an increased and urgent resource mobilization effort.
- 2. Process:** Twelve Board constituencies (six from each voting block) are represented in the Group which consulted with all other Board constituencies, Board committees and the Secretariat throughout the course of its work and received extensive input that shaped its deliberations. Stakeholder feedback on emerging recommendations was sought through the Group's interim Progress Report and consultations with members of the PSC, PIC and FAC committees.
- 3. Key outcomes:** The recommendations of the Group include a package of measures that would enable all TRP-recommended proposals for Round 9 and National Strategy Applications to be approved. The recommendations include the provision of a bridging facility in 2010 by providing funding where necessary to ensure continuity of programs until Round 10 and allow to prepare for the streamlining and consolidation opportunities offered by the new grant architecture.

Area A – Round 9 and NSAs:

- 4.** It was clear to the Group that there was a high degree of consensus amongst stakeholders on the need to respond as comprehensively as possible to the demand presented through TRP-recommended proposals for Round 9 and the first learning wave of National Strategy Applications (“NSAs”). The widely held view that the Fund should be successful in its response to this demand guided the approach of the Group towards finding the solutions that it is recommending.
- 5.** The demand for Round 9 and NSAs, as recommended by the TRP, totals US\$2.65 billion for Phase 1. Available resources, after providing for Phase 2 and RCC renewals of existing grants, would amount to US\$0.9 billion, in the normal course, presenting a major funding challenge.
- 6.** The Group concluded that no major increases in contributions (beyond amounts already anticipated) could be realistically relied upon before 2011, the first year of the next replenishment period. Accordingly, the approach to funding Round 9 and NSAs (“Area A”) had to focus on finding efficiency savings in the proposal budgets, and re-scheduling¹ the timing of the commitments to be entered into for both Round 9 and NSAs and grants to be renewed (through Phase 2 and RCC).
- 7.** The Group also took account of the likely discontinuance of RCC under the changes to the grant architecture being considered by the Board. In order to provide for continuity of programs that will end prior to Round 10, as a result of the cessation of RCC or otherwise, the Group is recommending the establishment of an interim bridging arrangement, that would bridge those programs from the end date of their current grants until the time at which they could access Round 10 funding.

¹ For example, the Group is recommending that Phase 2 and RCC commitments be initially approved for two years and later for the third year, instead of being approved for all three years at the outset under the current policy.

8. Informed by stakeholder feedback, the Group was very conscious that some of the measures it is recommending would necessitate additional processes for implementers and the Secretariat, at least in the short-term, at a time when streamlining of processes is also an important objective. Hence it urges that these processes be kept as light as possible so that they may be considered acceptable in a spirit of compromise that enables Round 9 demand to be met.

9. If the package of Area A recommended measures were adopted, all of the US\$ 2.65 billion demand (as recommended by the TRP) for Round 9 and NSAs, if reduced by 10% for efficiency savings, could be funded, as illustrated below:

(1) TRP-recommended demand: US\$ 2.7 billion

For Phase 1, in US\$ billion

Round 9	2.2
NSAs	0.43
AMFm ²	0.02
Total	2.65

(2) Before the recommended Area A Measures

US\$1.9 billion of the demand would remain unfunded. This is after reserving US\$ 0.5 billion towards a large 'peak' in 2011 approval needs that was anticipated at the Eighteenth Board meeting in Delhi.

US\$ billion	2008 - 2010				2011 - 2013			
	2008	2009	2010	Total	2011	2012	2013	Total
Phase 2 } per New Architecture: RCC -1 } "Additional RCC -2 } Commitments"	0.9	1.2	1.0	5.8	2.8	3.5		9.9
Phase 1 - Round 8	1.9	0.8		5.4	0.4	0.4	0.6	
Phase 1 - New Rounds (incl. NSAs)		2.7			0.9	0.7	0.5	
Bridge Funding								
Total Need	3.9	5.7	1.7	11.2	4.3	4.6	1.1	9.9
					(0.5)			
					3.8			
Pledges								
Confirmed pledges	3.1	3.3	3.1	9.5				
Further pledges likely		0.1	0.5	0.6				
less: Used to fund 2007 approvals				(0.1)				
less: Allowance for Operating Expenses (minus Interest)				(0.1)				
				9.9				
less: Reserved towards 2011 needs (at Delhi)				(0.5)				(For the 2011 'peak')
Pledges Available for 2008-2010				9.4				
Remainder to be funded				(1.9)				

Totals may appear not to add because of rounding

(3) After the recommended Area A Measures

Only US\$ 0.4 billion of the demand would remain unfunded in 2010, which could be funded in the normal course from 2011 pledges, once confirmed.

The measures would reduce the approval needs in 2008-2010 by US\$ 1.0 billion. In addition, because there would no longer be a large 'peak' in 2011 approval needs, it would not be necessary to reserve the US\$ 0.5 billion towards those needs. Thus in total, an additional US\$ 1.5 billion would be made available for Round 9.

² Grants for AMFm supporting interventions, to the extent not covered by reprogramming of existing grants.

	2008 - 2010				2011 - 2013			
	2008	2009	2010	Total	2011	2012	2013	Total
Total Need - Before the Measures	3.9	5.7	1.7	11.2	4.2	4.6	1.1	9.9
<u>Measure 2</u> Phase 1 of Round 9 committed 90%&10%		(0.3)		(0.3)	0.3			0.3
<u>Measure 3</u> Phase 1 of Round 9 reduced by 10%		(0.3)		(0.3)	(0.0)			(0.0)
<u>Measure 3A</u> Phase 2 of Round 9 reduced by 25%						(0.9)		(0.9)
<u>Measure 6 a</u> Phase 2 staged: 2 & 1 years			(0.3)	(0.3)	(0.8)	(0.6)	1.3	(0.0)
<u>Measure 6 b</u> RCC staged: 2 & 1 years			(0.2)	(0.2)	(0.3)	(0.2)	0.1	(0.4)
<u>Measure 7</u> RCC-1 ceased after Wave 8			(0.3)	(0.3)	(0.3)	(0.4)	(1.2)	(1.9)
<u>Measure 5</u> Provide Bridge to Round 10			0.4	0.4				
Total impact of the Measures		(0.5)	(0.5)	(1.0)	(1.1)	(2.0)	0.2	(2.9)
Total Need - After the Measures	3.9	5.1	1.2	10.2	3.0	2.7	1.3	7.1
Resources Available								
Confirmed pledges	3.1	3.3	3.1	9.5				
Further pledges likely		0.1	0.5	0.6				
less: Used to fund 2007 approvals				(0.1)				
less: Allowance for operating exps. minus invest. income				(0.2)				
				9.8				
less: Reserved towards 2011 needs (at Delhi)				Nil				(The 2011 'peak' is gone)
Pledges Available for 2008-2010				9.8				
Remainder to be funded from 2011 pledges				(0.4)				
Totals may appear not to add because of rounding								
RCC demand transferred to New Proposals:	0.1				0.3	0.4	1.2	1.9

Area B – Recommendations on future resource allocation policies:

10. The Working Group identified two broad categories of issues related to future resource allocation policies that would benefit from further Board discussion and follow up actions:

- a broad set of strategic considerations related to the future role, responsibilities and size of the Global Fund; and
- a broad set of operational considerations related to efficiency and effectiveness of the Global Fund funding.

11. The Working Group recommends that the Board leadership establishes, in consultation with the Committee leadership, an appropriate process for moving forward discussions and actions in this regard.

Area C – Options for an increased and urgent resource mobilization effort:

12. The Working Group considered various options to enhance or supplement the current resource mobilization efforts and welcomed the fact that sufficient resources had been mobilized to fully fund Round 8. Suggested measures were considered both in terms of their prospective contribution to financing Round 9 and in terms of their longer term capacity to generate income for the Global Fund.

13. The measures cover means to raise additional funds from all current sources (public, private sector and innovative financing schemes) while exploring potential new ones, drawing, inter alia, on the work of the High Level Task Force on Innovative Financing for Health. The Working Group agreed that the Secretariat will in the short term necessarily continue to depend on public sector funds for the bulk of its financing. It therefore recommended that a reference group of Board members be convened to support the Secretariat in its efforts to reach out to new donors, to strengthen its engagement with donors with the potential to contribute more, and to explore how to increase the mobilization of domestic resources in line with the Abuja Commitment.

PART 1: INTRODUCTION

Background:

1.1 Mindful of the funding challenges that a large Round 9 could present, the Board at its Nineteenth Board Meeting established the Working Group to review the current policies that guide both resource mobilization and resource allocation and develop a framework for managing the tension between the demand for resources and the available supply in a resource-constrained environment. The Working Group has 12 members from Board constituencies (6 from each voting block) and the former Chair of the Technical Review Panel.

1.2 The Board asked the Working Group to address three areas:

Area A: Provide recommendations for amendments of existing policies regarding prioritization for funding technically sound proposals in a resource-constrained environment, subject to review at the appropriate times,

Area B: Provide recommendations, if possible, on future resource allocation policies, to be followed-up by the appropriate Board committee(s), and

Area C: Present options for an increased and urgent resource mobilization effort.

Process:

1.3 The Working Group sought and received extensive input from Board constituencies which was fundamental to guiding the Measures developed to address each of the three areas. This input informed the initial deliberations of the Working Group in its first meeting (5-6 July 2009) and further input was gathered in response to the Progress Report from that meeting.

1.4 Arising from its initial deliberations in July, the Working Group requested the Secretariat to provide it with additional analysis and options regarding the Measures being contemplated (as outlined in the July 2009 Progress Report). The Working Group considered this further information during its second meeting (14-15 September 2009) and refined the Measures.

1.5 Following its second meeting, a Co-Chair of the Working Group consulted with members of the Portfolio and Implementation Committee, Policy and Strategy Committee, and Finance and Audit Committee during the September meetings of these committees to obtain their views on the Measures contemplated by the Working Group for recommendation to the Board. The feedback from Committee members has been taken into account in formulating the recommendations of the Working Group as set forth in this Report (see Annex 3).

Recommendations:

1.6 The recommendations of the Working Group for Areas A, B and C are outlined in Parts 2, 3 and 4, respectively, of this Report.

- i. Recommendations under Area A are pertinent to the approval of Round 9 and NSA proposals and the Working Group recommends various decision points to the Board in this regard (see Part 2).
- ii. Under Area B, the Working Group presents the results of its initial consideration of future resource allocation policies and proposes a way for taking these forward.
- iii. Under Area C, the Working Group sets out next steps related to short and medium term ongoing resource mobilization efforts.

PART 2: MEASURES UNDER AREA A – RECOMMENDATIONS FOR AMENDMENTS OF EXISTING POLICIES

Introduction to Area A:

2.1 The Working Group is recommending to the Board a package of measures under Area A as described below. The financial implications of the measures are explained in Annex 1.

2.2 Based on the amounts recommended by the Technical Review Panel, the demand for Round 9 and NSAs will be approximately US\$2.7 billion (within total needs for 2008-2009 of US\$ 11.2 billion). The funding available to meet that demand is forecast at US\$ 0.8 billion, prior to adjustment for the measures proposed (within total resources available for 2008-2009 of US\$ 9.4 billion). This would leave US\$1.9 billion of Round 9 proposals and NSAs remaining to be funded.

2.3 If the package of Area A measures was implemented, the amount required for approval of grants (Round 9, NSAs and grant renewals) in 2009-2010 would be reduced by US\$1.0 billion (including US\$0.3 billion from a 10% efficiency saving on Round 9 and NSAs). In addition, the measures would reduce the amount required for approval of grant renewals in 2011 such that it was no longer necessary to reserve US\$0.5 billion of funds towards 2011 approval needs. In this manner, the measures would increase the resources available for Round 9 and NSAs by US\$1.5 billion, to US\$2.3 billion, leaving US\$0.4 billion to be funded; this amount could be funded from 2011 pledges, once confirmed (see Annex 1).

A1: Aspects of the Comprehensive Funding Policy (CFP) with regard to priority for funding in a resource-constrained environment could be amended

Area A, Measure 1: Revise the existing order of prioritization

Description of the measure:

2.4 The Comprehensive Funding Policy (CFP) describes the modalities for prioritization of funding in a resource-constrained environment. To date the application of this policy has only ever influenced the timing of approval of TRP-recommended proposals and has never determined whether a proposal was funded or not. That is because sufficient funds were always available either at the time proposals were recommended for approval or shortly following that. It is possible that in Round 9 this may not be the case, in which event the prioritization provisions of the CFP would determine which of the TRP-recommended proposals are funded.

2.5 Measure 1 proposes the adoption of revised prioritization criteria for Round 9/NSA proposals that includes a more nuanced disease burden component and integrates TRP categorization within the index.

Working Group conclusions:

2.6 The Working Group reviewed several options for revised prioritization criteria that had been developed by the Secretariat in consultation with the former TRP Chair. These deliberations also benefited from informal inputs from partners at WHO and UNAIDS even though the available time did not allow for full consultation. The Working Group, having considered the options presented by the Secretariat, proposed a variation that includes a more nuanced disease burden component and integrates TRP categorization within the index (see Annex 2).

2.7 Several of the options presented to the Working Group included recent funding history as part of the prioritization criteria (whether as a filter or as part of the composite index), as requested by the Working Group in its July meeting. However, the Working Group decided not to recommend funding history as a criterion on the basis that it would be unfair to retrospectively apply this to countries that had planned a staged approach to its grant proposals.

2.8 The Working Group recommends this revised prioritization basis believing that it would enhance the fairness and objectivity of the current approach. The Working Group, however, acknowledges that this is a complex issue that requires further refinement accordingly. It was agreed that the refinement of the prioritization criteria should be taken up as part of the general review of the eligibility policy by the PIC that will be presented to the Twenty-Second Board Meeting in November 2010.

2.9 The Working Group also considered funding prioritization for AMFm Phase 1. The Working Group agreed, given the modest size (\$21m) of the funding and the need for a critical mass in the AMFm pilot phase, to recommend that the AMFm proposals (for supporting interventions) be approved in full and not subject to the limitations being proposed for Round 9 and NSA proposals.

Follow-up:

2.10 As requested at the September meeting, the potential impact of the proposed revisions to the prioritization criteria on the Round 9 and NSA outcomes will be presented to the Board. The analysis will provide a comparison of the outcomes, by country and disease, under both the existing and the proposed prioritization criteria.

Board decision(s) recommended by the Working Group:

2.11 Measure 1 is captured in the proposed Funding Decision for Round 9 proposals and National Strategy Applications, at paragraph 1 (see Annex 4):

"The Comprehensive Funding Policy (approved at the Sixth Board Meeting and amended at the Thirteenth Board Meeting and Fifteenth Board Meeting (GF/B15/DP27) is amended as presented in Annex 4 to the Report of the Working Group on Managing the Tension Between Demand and Supply in a Resource-Constrained Environment (GF/B20/12)."

The revised prioritization criteria appear in the proposed revision to the Comprehensive Funding Policy, at paragraph 8 (see Annex 5) and can be summarized as follows:

Criteria	Indicator	Value	Score
Disease Burden	Disease specific indicators	Very High	4
		Mid - high	3
		Mid - Low	2
		Low	1
Poverty	World Bank Classification	Low Income	4
		Lower Middle Income	2
		Upper Middle Income	0
Technical merit of proposal	TRP recommendation category	Category 1	3
		Category 2	2
		Category 2B	1

These indices will be used to approve funding in tranches, as indicated in paragraph 3 of Decision 2 in Annex 4.

Area A, Measure 2: Initially commit 90% of the funding for Phase 1, with the remainder to be committed later if required

Description of the measure:

2.12 The Comprehensive Funding Policy (CFP) requires that cash or promissory notes equivalent to the maximum financial commitment under a grant agreement be available prior to signing the agreement. Under this policy, on the date of signing the grant, the full approved ceiling amount for the 24 months of activity comprising Phase 1 of a grant must be available in cash or promissory notes. Historically, an average of 89% of the Phase 1 commitment is disbursed during Phase 1.

2.13 Measure 2 proposes that the full Phase 1 amount would continue to be approved at the outset, but with the initial commitment limited to 90% and the further 10% to be committed in the second year if needed. An additional clause to the Round 9 and NSA grant agreement that would limit the initially committed amount to 90% pending experience of absorption as the grant was implemented. Subject to availability of funds, the Global Fund could commit a further 10% in the course of the second year if it was apparent that it would be absorbed by the end of Phase 1.

2.14 The measure recognizes that the requirement to hold all funds in cash at the outset of a 2-year grant term is conservative given that disbursements occur over the term of the grant and often the full amount of the grant is not disbursed at the end of the grant term. The measure would only apply to Round 9 and would not necessitate any permanent change to the CFP.

Working Group conclusions:

2.15 The Working Group agreed to recommend this measure, while emphasizing the need to minimize resultant transaction costs.

Board decision(s) recommended by the Working Group:

2.16 Measure 2 is captured in the proposed Funding Decision for Round 9 proposals and National Strategy Applications, at paragraph 2b (see Annex 4):

(b) The Secretariat shall commit funds for Round 9 and NSAs limited to 90% of the approved funding (an "Initial Commitment") and an anticipated financial commitment for the remaining year of the approved additional funding, to be committed not earlier than 12 months after the starting date of the Initial Commitment, conditional upon the availability of funding (a "Continuing Commitment"). Continuing Commitments shall have the first funding priority under paragraph 8 of the Comprehensive Funding Policy.

Area A, Measures 3 and 3A: Impose funding limits

Measure 3: Reduction of Phase 1

Description of the measure:

2.17 Under Measure 3, the Secretariat would, during grant negotiations seek a uniform budget reduction across all applications of, for example, 10-15%. The percentage of any such reduction would depend on the ultimate funding gap resulting from the final demand figure for Round 9 (and NSAs) following TRP review and the resources available, after the potential impact of the various measures proposed by the Working Group. This reduction could be found in efficiency gains, as was the case with Round 8, or through curtailment, or prioritization, of the proposed activities.

2.18 Noting the challenges that the Secretariat has experienced in imposing the overall, rather than grant-by-grant 10% reduction for Round 8, the Secretariat proposed that for Round 9 (and NSAs) the reduction be applied uniformly across all proposals.

Working Group conclusions:

2.19 The Working Group agreed to recommend a 10% reduction of the TRP-recommended amounts for Round 9 and National Strategy Applications, in line with the efficiency reduction applied in Round 8. The Working Group requested that the Secretariat prepare a proposal for how to apply this efficiency, particularly with regards to minimizing impact on targets, key populations, applying it across the board, and removing excess amounts from large grants. [This remains to be developed].

2.20 The Working Group noted that based on the experiences in Round 8 the proposed savings of 10% are feasible and responsible. It also noted that continuance of this measure could encourage countries to inflate their budgets for future proposals and thus become less effective; hence it should not be repeated following Round 9. The Working Group therefore suggests that for future proposals the Secretariat explore more sophisticated ways of identifying efficiencies during the TRP review and the clarifications and grant negotiations processes.

Measure 3A: Limit Phase 2 of Round 9 to 75%, initially

2.21 When considering Measure 3, the Working Group was also cognisant of the Board Decision on Round 8, which as well as reducing Phase 1 by 10% also limited Phase 2 to 75% of the Phase 2 amount, with the possibility of the Phase 2 limitation being subsequently relaxed. At that time the Board decided (in GF/B18/DP13):

“Round 8 Phase 1: “The Round 8 proposals to be approved for funding by the Board shall collectively be subject to a 10% adjustment for efficiency, resulting in a maximum limit of US\$2.753 billion for Phase 1. The Board requests the Secretariat to report back at each Board meeting on its progress in working with Country Coordinating Mechanisms and Principal Recipients to achieve this overall 10% efficiency gain.”

Round 8 Phase 2: The Phase 2 amount of approved Round 8 proposals shall collectively be subject to a maximum limit of US\$3.087 billion (being 75% of the Phase 2 amounts in the Round 8 recommended proposals). If new resources become available, this limit may be partially or fully relaxed.”

Working Group conclusions:

2.22 The Working Group considered whether it should recommend that the Board first lifts the limit imposed on Phase 2 for Round 8 before allocating funding to Round 9. However, since no new resources have become available since the Eighteenth Board Meeting, the Working Group felt that this was not appropriate at this stage.

2.23 The Working Group recommends that principles be applied to Round 9 similar to those applied to Round 8, specifically: a 10% reduction of Phase 1 and a limit imposed on Phase 2 funding of 75% of the Phase 2 amount, with the possibility of the latter being subsequently relaxed. The Working Group also recommends that funding of Phase 2 for both Round 8 and Round 9 be increased from 75% to 90% when new resources become available (resulting in an efficiency 10% reduction of Phase 2 for both Round 8 and 9, similar to Phase 1).

2.24 With regard to the 10% savings on Phase 1 of Round 9, the Board Chair and Vice-Chair suggested that the Working Group consider a middle-ground approach between an overall (i.e. in total, across the grants as a whole) reduction and a grant-by-grant reduction (i.e. a 10% reduction of each grant). Such an approach would commence with consultation with countries about possible reductions, and then in case negotiations have not succeeded within a pre-determined time, the Secretariat would be mandated to proceed with making a cut according to criteria determined by the Board.

Board decision(s) recommended by the Working Group:

2.25 Measures 3 and 3A are captured in the Funding Decision for Round 9 proposals and National Strategy Applications, at paragraphs 2a and 3, respectively (see Annex 4):

[Para 2a:] *“The [or Each] Round 9 proposal[s] and National Strategy Application[s] shall be subject to a[n overall] 10% adjustment for efficiency, resulting in a maximum limit of 90% of the Board approved amount for the first two years of implementation.*

[Para 3:] *“Round 9 and NSA additional commitments: Approval by the Board of additional commitments for Round 9 proposals and NSAs shall be subject to a collective maximum limit of US\$X (being 75% of the amounts requested in Round 9 proposals for the third, fourth and fifth year of implementation and 75% of the amounts requested in NSAs for implementation periods beyond the first two years). These limitations, as well as the limitations placed on Round 8 Phase 2 in the decision entitled “Funding Decisions” made at the 18th Board meeting (GF/B18/DP13, paragraph 2) shall be increased from 75% to 90% when new resources become available, subject to approval by the Board at that time.*

Note: As mentioned in paragraph 2.9, the Working Group agreed, given the modest size (\$21m) of the funding and the need for a critical mass in the AMFm pilot phase, to recommend that the AMFm proposals (for supporting interventions) be approved in full and not subject to the limitations being proposed for Round 9 and NSA proposals.

A2: The existing Income Level and Cost Sharing Eligibility Criteria could be refined or amended

Area A, Measure 4: Vary the currently existing Income Level and Eligibility criteria

Working Group conclusions:

2.26 The Working Group sought and reviewed an outline of the operation of the cost-sharing requirements in Round 8 and 9. The results showed clearly that the Global Fund share of national disease programs in lower-middle income and upper-middle income countries are well below the maximum limits established by the cost-sharing requirements. The Working Group noted that the eligibility criteria will be reviewed ahead of the Twenty-Second Board meeting in 2010 and is not proposing any adjustment in advance of that process.

A3: Particular types of interventions could be given a higher funding priority

Area A, Measure 5: Provide Bridge to Round 10

(Initially: “Prioritize continuation of life-saving treatment ahead of the funding of new or scaled-up activities”)

Description of measure:

2.27 The Global Fund has an existing policy that ensures prioritization of funding for services directly related to continuation of life saving treatment (CoT) for up to two years (subject to conditions). This funding currently carries joint-highest prioritization under the CFP.

2.28 The CoT policy was designed for sudden cessations, such as a Phase 2 “no-go” or termination of a grant by the Global Fund, and provides continuity only for anti-retroviral treatment and associated services. It is likely that the timing of Round 10 (as discussed further under Measure 9) may result in a gap in opportunities to continue funding for grants ending prior to Round 10. In that case, the Board may wish to provide interim bridge funding that would allow the more complete continuation of programs, beyond the CoT elements, until Round 10 funding would be accessible.

2.29 Depending on when Round 10 grants will be approved, some programs financed through Global Fund grants may be exposed to funding interruptions, in particular those grants that are due to expire in 2010 and 2011 and which have failed to secure funding through Round 9, prior Rounds, RCC or other sources. It is also relevant that if RCC is discontinued as proposed within the new Grant Architecture, grants that may have qualified for continuation through RCC will instead be looking to commencement of the single stream at Round 10 as their mechanism for continuation. In light of the foregoing, the Working Group recommends the establishment of an interim bridging arrangement, designed to bridge those programs with expiring grants from the end date of their current grants until the time of accessing Round 10 funding.

2.30 Such an interim bridging arrangement would be modelled on already existing bridge funding facilities. The proposed arrangement is described within the decision point set forth in Annex 6, and includes the following features:

- (a) The purpose is to maintain current levels of activity (and not to enable expansion or scale-up), hence funding will be based on the monthly spending patterns of the expiring grant;

- (b) In computing the amount of bridge funding required, all previously approved amounts of funding that are likely to remain unspent at the end of the expiring grant(s), must be taken into account;
- (c) Applicants for bridge funding are expected, in the absence of compelling reasons to the contrary, to use the opportunity to transition to a Single Stream of Funding - by consolidating existing grants with the same PR and disease.

Working Group conclusions:

2.31 The Working Group discussion on Measure 5 highlighted the need to consider the timing of Round 10, because that determines the duration of the period to be bridged and hence the cost of bridge funding. The Working Group agreed to recommend a bridge funding approach rather than relying on the provisions of the CoT policy, considering the former to be the more responsible way of providing for program continuity until Round 10 funding could be accessed. This approach would also safeguard the balance between prevention and treatment, and the balance among the three diseases, during the bridging period.

2.32 The Working Group also discussed the longer term perspective on providing funding for treatment and its cost implications. The Working Group agreed to recommend that several needs be addressed under Area B work in this regard: the need for modelling of ongoing treatment costs, the need for better understanding of the respective responsibilities of the Global Fund and other actors with respect to ongoing treatment, the need to work with other donors on this issue including with regard to the division of labor.

Board decision(s) recommended by the Working Group:

2.33 The proposed Decision Point on Bridging to Round 10 is set forth in Annex 6.

A4: Aspects of the grant-making architecture could be modified or suspended in a resource constrained environment.

Area A, Measure 6: Commit funding for Phase 2 and RCC for two years initially and then subsequently for the third year (instead of three years upfront, as at present)

Description of the measure:

2.34 Funding commitments for Phase 2 and RCC-I and RCC-II, which are currently entered into for a three-year period at the outset, would be staged as follows:

- (a) Initial commitments would be for a two-year period. This would be followed by a later commitment for the third year (not earlier than month 18), subject to availability of funds. Consequently, the setting aside of funding for the final year of Phase 2 and RCC would be deferred by one and a half years (at least).
- (b) At the same time it would be necessary to recognize the deferred need to fund the third year of a Phase 2 Renewal and RCC, (almost) two years later.
- (c) Funding commitments, whether for the first two years or the third year, would continue to be subject to funding availability.

2.35 This measure arguably leads to more efficient use of funds by better aligning the timing of income and disbursements; hence there is merit in retaining this measure for the future. A consequence of this would be:

- (a) The significant renewal needs anticipated in 2011, including Phase 2 Renewals of Round 8 proposals, would be spread between 2011 and 2013, reducing the funding needs in 2011; and
- (b) In 2012, while approving funding for the deferred third year from 2010 Phase 2 approvals, the renewals arising in 2012 would only be funded for the first two years (with the third year funding remaining to be approved in 2014).

2.36 The postponed funding for the third year would be accorded high funding priority when it becomes due to be approved, thus minimizing the risk to recipients of non-funding. Funding predictability should not therefore be adversely impacted. Operational procedures proposed would ensure that the renewal process for securing the third-year funding is light.

Working Group conclusions:

2.37 The Working Group recommends that this measure be applied henceforth until whenever the Board may decide otherwise.

Board decision(s) recommended by the Working Group:

2.38 Measure 6 is captured within the revised Comprehensive Funding Policy, at paragraph 3c (see Annex 5):

“c. Upon approval of the Board of funding for an Additional Commitment that exceeds two years, the Secretariat shall commit funds for such approvals (by signing a related grant agreement or extension) as follows:

(i) a financial commitment limited to two additional years of the approved funding (the “First Commitment”); and

(ii) an anticipated financial commitment for the remaining year of the approved additional funding, to be committed not earlier than 18 months after the starting date of the First Commitment, conditional upon the availability of funding (the “Second Commitment”).”

Area A, Measure 7: Suspend the Rolling Continuation Channel (RCC)

Description of measure:

2.39 Noting that in each of the six RCC Waves reviewed, the TRP had proposed that RCC be discontinued and merged with normal Rounds applications, and that it was also likely that the discontinuation of RCC as a separate channel would be proposed by the Architecture Review for consideration at the Twentieth Board Meeting, the Working Group proposed the suspension of RCC subsequent to Wave 8. This measure was proposed so that the Board could determine the point from which RCC would cease, should the Board decide to discontinue RCC at the Twentieth Board Meeting. The measure was adopted by the Board in August 2009.

Working Group conclusions:

2.40 The Working Group favours the discontinuation of RCC after RCC Wave 8 (due for approval early in 2010), in conjunction with the provision of bridge funding. Grants that would terminate in 2010 (including those that would have qualified for RCC) would be eligible for bridge funding through the mechanism proposed under Measure 5 to ensure continuity of funding until Round 10. Because bridge funding would allow for 'level' continuation rather than scale-up (whereas RCC currently allows for 40% scale-up) and result in a commitment for a shorter duration than the 2 year initial commitment for RCC (consistent with Measure 6), the immediate funding requirement in 2009-2010 would be lower than under RCC, increasing the capacity for funding Round 9. The 'RCC demand' subsequent to the bridging period would, of course, have to be met through Round 10 and subsequent Rounds.

2.41 The decision on whether and when to discontinue RCC will be considered by the Board as an aspect of the Architecture Review recommendations that the PSC will present to the Board. The longer RCC is continued, the less the resources that will be available towards meeting the demand manifested in Round 9 and NSA proposals. As illustrated in Scenario 2 on page 33, if RCC were to cease after Wave 10 (at end of 2010) rather than after Wave 8 (in March 2010) the additional resources required would be approximately US\$200 million. This represents the estimated amount to be approved for Waves 9 and 10, minus the reduction of the amount of the bridging facility that (as is proposed) would otherwise be required to continue these grants (without any scale-up) until the time of access to Round 10 funding. Hence if RCC were continued until after Wave 10, the amount of funding available for Round 9 in 2010 would be reduced by a corresponding amount (i.e. approximately US\$200 million), and this would delay the approval of Round 9 grants totalling this amount until the second half of 2010, or later.

2.42 The Working Group furthermore notes that the potential continuation of RCC Wave 9 and 10 has been discussed by the PSC in the context of the architecture review without a conclusive preference for continuation or cessation of these two Waves. Given that delay of funding in principle is an unfavorable situation, the WG therefore maintains its recommendation to discontinue RCC as of Wave 8.

Area A, Measure 8: Application of the resource forecast period for funding of grants

Description of the measure:

2.43 In accordance with the CFP, grants recommended for approval in a new Round can be approved only up to the amount of uncommitted assets forecast to be available at the time of signing the grant. Currently, this requirement is applied by reference to when the grant is expected to be ready for signature in the normal course, and ignores any assets forecast to become available subsequently. Thus a temporary shortage of assets limits the amount of grants that can be approved (even though that shortage may be eliminated in the following quarter). Hence, even when confirmed pledges over the following year are sufficient for approval of a Round (or part thereof), the grants may have to be approved in tranches because of temporary forecast funding shortages, regardless of readiness for signature.

2.44 The measure proposes that assets forecast to become available during the four complete quarters following approval be taken into account when determining the overall amount of grants that can be approved. This would still require that sufficient uncommitted assets be available at the time of grant signing, but the signing could be postponed until sufficient assets became

available. (For Round 9 proposals and NSAs approved in November 2009, assets forecast to become available up to 31 December 2010 could be taken into account). Thus any grants from the entire group 'approved in principle' could be signed when ready to be signed, provided sufficient funding had been contributed by then.

Working Group conclusions:

2.45 The Working Group was supportive of this technical measure, subject to consideration by the FAC. This would not alter the total amount of funding available for Round 9 but would enable a less piecemeal approval of proposals thus allowing grants to be signed as and when ready (subject to sufficient funds having been contributed). This measure would not necessitate any change of the CFP or require any Board decision, but simply a modification of the forecasting methodology. The Working Group asked that FAC consider endorsing the proposed approach, which FAC did with respect to Round 9.

Area A, Measure 9: Timing of Round 10

Description of measure:

2.46 The Global Fund Board has, in its previous decisions, and as a part of the six-year strategy recognized the importance of the predictability and certainty in the timing of Calls for Proposals. The Board has decided that:

- (a) The Secretariat shall issue a minimum of one Call for Proposals in each calendar year, which it shall issue at approximately the same date(s) each year (GF/B14/DP12);
- (b) The Global Fund Board shall, with significant advance notice, announce the dates for the next two Calls for Proposals and the dates when the Board foresees it will approve proposals (GF/B14/DP12);
- (c) Commencing with Round 10, the Secretariat shall issue a minimum of two Calls for Proposals in each calendar year, which shall be issued at dates that fall 6 months after each other, and on as close to the same dates each year as is practicable (GF/B18/DP19);
- (d) The Board will also discuss the timing of future rounds at the Twentieth Board Meeting (GF/B18/DP13).

2.47 The Working Group was asked to consider recommendations that help the Board in dealing with the tension between demand and supply in the context of the above intentions. This requires a balance to be struck between a complex set of variables:

- (i) the availability of funds for Round 10;
- (ii) the (raised) expectations at country level regarding the predictability of Global Fund funding;
- (iii) potential gaps in continuity of some programs, that may arise depending on the timing of Round 10;
- (iv) absorptive capacity issues that are linked to the process of grant negotiations and grant signing after approval of two unprecedentedly large Rounds (8 and 9); and
- (v) the need to establish and enhance enabling conditions for implementation of the new grant architecture.

2.48 The First Learning Wave (FLW) of the National Strategy Application (NSA) approach was launched in 2009, as a limited-scale pilot intended to draw lessons toward the broader roll-out of this innovative funding modality. The NSA approach in the FLW has been well received by country actors, partners and TRP reviewers. The progress and feedback to date indicate that stakeholders would like to see the Global Fund continue and expand the NSA approach over time. A second, limited wave of NSAs would respond to these requests and allow the Global Fund to draw on and deepen the lessons from the first wave, and to begin exploring a joint validation of national strategies (which was not implemented in the FLW, since no common approach was available at the time). For timing and other practical reasons, it will be logical to align the timing of Board approval for the second wave of NSAs with that for Round 10.

2.49 In this context the Working Group discussed two scenarios:

- (a) launching Round 10 on 1 March 2010, with approval of proposals at the Twenty-Second Board Meeting in November 2010; and
- (b) launching Round 10 on 1 September 2010, with approval of proposals at the Twenty-Third Board Meeting in April 2011.

2.50 Option (a) would be in line with the Board's intentions and policies and would respond earlier (in 2010) to the needs and expectations of implementing countries. Option (b) would address the need for a careful transition to a new grant architecture, acknowledge absorptive capacity issues and increase the likelihood of sufficient funds being available (in 2011) for Round 10. The Working Group discussed the pros and cons of a mini-round in 2010 in the case that the Board, after its deliberations on the Architecture Review, prefers option (b).

2.51 The issue of Round 9 resubmission and pre-notification was also brought to the attention of the Working Group. When the Round 9 launch decision was initially made in April 2008 (GF/B18/DP13), the timing for the approval of the architecture review was unknown. It was also expected that the timing for the next call for proposals following Round 9 would be certain and without significant delay. As a consequence, the Board approved a decision to launch Round 9 which included an opportunity for applicants who received a "Category 3" recommendation from the Technical Review Panel to be able to quickly resubmit a revised version of the same proposal for the next round. The decision therefore directed the Secretariat to inform applicants of the TRP's recommendations and comments within a week of the release of the TRP Report to the Board to enable a quick resubmission. Given that Round 10 has not yet been launched and there will be changes to the proposal form for the next call for proposals under the architecture review, the Working Group recognised the need to remove this requirement.

Working Group conclusions:

2.52 The Working Group did not reach a consensus on either of the scenarios outlined above (in paragraph 2.48) partly due to the fact that it was not sufficiently informed to be able to adequately consider the comprehensive package of grant architecture changes that will be reviewed by the PSC in September and subsequently decided upon by the Board in November. The Working Group felt that a full understanding of and agreement on this package should inform the Board's decision on the timing of the launch of the next new funding window (currently referred to as Round 10).

2.53 The Working Group agreed to recommend moving forward with a strong and positive message about the achievement to date, the size of the portfolio that is now on the way to implementation, and the commitment of the Global Fund to good stewardship. The Fund must

show a credible response to the demand and expectations of implementers and the challenges of the agreed transition to a new and simplified funding modality and architecture. The capacity of the Secretariat to carry this work and in addition prepare for an early launch in 2010 was also discussed.

2.54 In the case that the Board, after its deliberations and decision on the Architecture Review, prefers option (b) – launch in 2010 and approval of proposals in 2011 – the Working Group recommends that the Board explores the establishment of an additional, smaller and focused funding opportunity, expanding on the bridge funding process, that aims to support country level preparations for transition to the new architecture and/or other specific objectives determined by the Board.

2.55 On the Round 9 resubmission and pre-notification issue, the Working Group agreed that the Board should be requested to make a decision on this issue. The Working Group decided to consult with the PIC on whether this was a matter to be proposed by the Working Group or the PIC.

2.56 The Board Chair and Vice-Chair have put forward an additional proposal on Round 10 timing for the consideration of the Working Group. This proposal seeks to approve Round 10 as early as possible in 2011 with the aim to honor the intentions of earlier Board decisions, to shorten the gap between R9 and R10 while still aligning with the transition process to the new architecture.

Board decision(s) recommended by the Working Group:

2.57 Regarding the Round 9 resubmission and pre-notification issue (as mentioned in paragraph 2.50 and 2.54), following the decision of the PIC that the Working Group should present the Decision Point to the Board, the Working Group proposed the decision which the Board approved electronically on 15 October 2009:

Decision Point: "Amendment to Round 9 Pre-Notification Period and Resubmission for Category 3 Proposals"

The Board refers to its decision on the launch of Round 9 made at the Seventeenth Board meeting (GF/B17/DP23).

The Board decides that given that the next Round has not yet been launched and there will be changes to the proposal submission process under the architecture review, that paragraph 3.a. and 3.c. of decision GF/B17/DP23 shall not apply to Round 9 proposals.

This decision does not have material budgetary implications.

Summary of Area A Recommendations

2.58 The recommendations of the Working Group regarding the various measures considered under Area A as described above are summarized as follows:

1. Measure 1: Revised Prioritization for Round 9 and NSAs (para. 2.6 & 2.11)
That the prioritization criteria be varied for Round 9 and NSAs to include a more nuanced disease burden component and integrates TRP categorization within the index (see Annex 2).

The recommendation is captured in the proposed Funding Decision for Round 9 proposals and National Strategy Applications, at paragraph 1 (see Annex 4), and the revised prioritization criteria appear in the proposed revision to the Comprehensive Funding Policy, at paragraph 8 (see Annex 5)

2. Measure 2: Initially commit 90% of the funding for Phase 1, with the remainder to be committed later if required (para. 2.15 & 2.16)
That the full Phase 1 amount of Round 9 and NSAs would continue to be approved at the outset, but with the initial commitment limited to 90% and the further 10% to be committed in the second year if needed.

The recommendation is captured in the proposed Funding Decision for Round 9 proposals and National Strategy Applications, at paragraph 2b (see Annex 4)
The Working Group emphasized the need to minimize the resultant transaction costs.

3. Measures 3 and 3A: Apply funding limits to Round 9 and NSAs (para. 2.19 & 2.23)
That principles be applied to Round 9 similar to those applied to Round 8, specifically: a 10% reduction of Phase 1 and a limit imposed on Phase 2 funding of 75% of the Phase 2 amount, with the possibility of the latter being subsequently relaxed. That funding of Phase 2 for both Round 8 and Round 9 be increased from 75% to 90% when new resources become available (resulting in an efficiency 10% reduction of Phase 2 for both Round 8 and 9, similar to Phase 1).

The recommendation is captured in the Funding Decision for Round 9 proposals and National Strategy Applications, at paragraphs 2a and 3, respectively (see Annex 4)

4. Measure 5: Provide Bridge to Round 10 (para. 2.29 & 2.31)
That an interim bridging arrangement be established, designed to bridge those programs with expiring grants from the end date of their current grants until the time of accessing Round 10 funding.

The proposed Decision Point on Bridging to Round 10 is set forth in Annex 6

5. Measure 6: Commit funding for Phase 2 and RCC in two stages (para. 2.34 & 2.37)
That funding for Phase 2 and RCC be committed for two years initially and then subsequently for the third year (instead of three years upfront, as at present). That this measure be applied henceforth until whenever the Board may decide otherwise.

The recommendation is captured within the revised Comprehensive Funding Policy, at paragraph 3c (see Annex 5).

6. Measure 7: Suspend the Rolling Continuation Channel (RCC) (para. 2.40 & 2.42)
That RCC be discontinued after Wave 8, in conjunction with the provision of bridge funding (as recommended per Measure 5).
7. Measure 8: Application of the resource forecast period for funding of grants (para. 2.44)
That assets forecast to become available during the four complete quarters following approval be taken into account when determining the overall amount of grants that can be approved.

The Working Group asked that FAC consider endorsing the proposed approach, which FAC did with respect to Round 9.

8. Measure 9: Timing of Round 10 (para. 2.53)
That, in the case that the Board, after its deliberations and decision on the Architecture Review, prefers to launch Round 10 in 2010 and approve the proposals in 2011 (rather than in 2010), the Board explores the establishment of an additional, smaller and focused funding opportunity, expanding on the bridge funding process, that aims to support country level preparations for transition to the new architecture and/or other specific objectives determined by the Board.
9. Measure 9: Lifting of pre-notification and resubmission provisions for Round 9 (para. 2.54 & 2.56)
That the Board approve the following Decision Point (which was approved on 15 October 2009):

“Amendment to Round 9 Pre-Notification Period and Resubmission for Category 3 Proposals”

The Board refers to its decision on the launch of Round 9 made at the Seventeenth Board meeting (GF/B17/DP23).

The Board decides that given that the next Round has not yet been launched and there will be changes to the proposal submission process under the architecture review, that paragraph 3.a. and 3.c. of decision GF/B17/DP23 shall not apply to Round 9 proposals

PART 3: MEASURES UNDER AREA B – RECOMMENDATIONS ON FUTURE RESOURCE ALLOCATION POLICIES

Introduction to Area B:

3.1 During its September meeting, the Working Group considered measures under Area B, which calls for the Working Group to “provide recommendations, if possible, on future resource allocation policies, for appropriate Board committee follow up”. The Working Group suggested that the Global Fund, in dealing with resource constraints in the future, needs to consider:

- i. whether it wishes to continue with a demand-based approach (which may imply less funding being available for more grants);
- ii. whether it wishes to introduce more competition (and potentially fund only the highest quality demand); and
- iii. whether it wishes to introduce rationing in its approach (which implies the introduction of specific targets and criteria decided by the Board that lead to prioritization).

3.2 The Working Group identified two broad categories of issues related to future resource allocation policies that would benefit from further Board discussion and follow up actions:

- i. a broad set of strategic considerations related to the future role, responsibilities and size of the Global Fund; and
- ii. a broad set of operational considerations related to efficiency and effectiveness of the Global Fund funding.

Strategic considerations:

3.3 The Global Fund has moved from an emergency response with a focus on rapidly scaling up services to a different phase that includes new responsibilities regarding sustaining the services for those who are on treatment (especially HIV/AIDS), the quality of these services (including first and second line treatment), and ethical obligations, amongst others.

3.4 At each and every time in its development, the Global Fund needs to be able to answer the following questions:

- i. Are we meeting the needs of the people most in need?
- ii. Are we spending efficiently?
- iii. What is our exit strategy and how is it determined?
- iv. How do we balance speed versus rigor?
- v. Do we work with the right partners on the right basis?
- vi. What, therefore, is the appropriate size of the Global Fund?

3.5 Thus, the Global Fund must define its unique role and responsibilities – its niche, what it does “best” – in the context of the needs of people that must be met, as well as the roles and responsibilities of other players and partners. Such a definition of roles and responsibilities should not be static, but be responsive to changes in the global architecture and include careful consideration of when needs can be best met with a global mechanism or when country-level mechanisms are preferred.

3.6 In support of these strategic discussions, it will be key to establish a better understanding of explicit and implicit recurrent costs that flow from the commitments already taken by the Global Fund. Long-term modelling of these costs, including prevention, will help to find agreement on future strategic directions of the Global Fund and to define the interface with other players and efforts aimed at Health Systems Strengthening.

3.7 The discussion should consider the longer-term feasibility of the demand based approach and related issues. Such issues include whether funding decisions should take account of the implementer's strategy for optimizing the interaction of prevention and treatment, and whether the Fund's resources should be subjected to some form of strategic allocation to specific areas.

3.8 The Global Fund must also consider how to best communicate its successes and the challenges it faces; it must also carefully communicate with countries on the concept of who 'owns' the Global Fund – the need for countries to acknowledge their responsibility to, positive stewardship of, and steady commitment to “our Global Fund”.

Operational considerations:

3.9 The credibility of the Global Fund's operations depends to a large extent on the quality of all phases of grant development, review, decision-making, implementation, and monitoring and evaluation process. In order to be able to make the right choices and to be responsive to the strategic considerations mentioned above, the Global Fund needs to enhance the quality of this process at all stages, including:

- i. the need for better country level data that provide a basis for national strategy planning but also TRP prioritization;
- ii. better and more refined/nuanced criteria and mechanisms that support allocation policies (the composite index);
- iii. better tools that allow for reflecting funding history (in both size and effectiveness) in the prioritization process;
- iv. development of measures that strengthen the cost sharing policy, linked to the review of eligibility by PIC;
- v. better standards through benchmarking for costs, both related to grants as well as the Secretariats operations; and
- vi. the need for better tools and mechanisms to identify efficiencies in grant proposals and in grant implementation.

Recommendations on how to move forward:

3.10 The Working Group suggests that the Board Chair and Vice-Chair take on the responsibility for moving discussions and actions forward regarding the issues addressed above. The Working Group notes that many of these issues are often touched upon in Board or Committee discussions. It seems, however, that not enough time is spent, nor appropriate space is created in the Global Fund governance structure, to effectively address these issues and identify concrete actions and follow up.

3.11 The Working Group notes that currently ongoing or planned discussions related to the Global Fund's new grant architecture, the further development of NSA's, the joint work on the Health Systems Strengthening Platform and joint assessment (JANS) may provide unique opportunities for exploring these issues. Eventually, the Board might also want to consider a role for the Partnership Forum in exploring these important issues related to the future of the Global Fund.

3.12 The Working Group recommends, therefore, that the Board leadership establishes, in consultation with the Committee leadership, an appropriate follow up process and informs the Board at the Twenty-First Board Meeting. In this context, the Working Group suggests that this work is undertaken either by the Chair, the Vice-Chair and the Committee leadership as a group, or through the establishment of a separate working group.

PART 4: AREA C – OPTIONS FOR AN INCREASED AND URGENT RESOURCE MOBILIZATION EFFORT

Introduction to Area C:

4.1 Under Area C, the Working Group considered various options to enhance or supplement the current resource mobilization efforts. While focused on enabling funding of Round 9, the suggested measures were also considered in terms of their longer term capacity to generate income for the Global Fund.

C1 What are the most productive means of quickly mobilizing additional resources to fill the 2009-2010 funding gap?

Area C, Measure 1: Enhance high level political support in order to close the remaining modest financing gap for Round 8 and to convince existing donors to contribute to cover the anticipated remaining gap (after the Area A measures) in Round 9

Description of the measure:

4.2 A series of events aimed at highest political levels could be used as opportunities to gain support for contributions in 2009/2010 and also serve to lay the foundation for the Third Replenishment. Countries represented in the Board could support such activities through co-hosting and high level representation. Examples include the G8 Summit in July 2009 and a side event to the UN General Assembly that the Global Fund on 23 September 2009 which have provided good opportunities for such high level advocacy.

4.3 The need for increased development assistance overall and in particular for health and the Global Fund specifically should be underlined in the ongoing dialogue with the Presidencies of the European Union, G8, G20, UN General Assembly, etc. This would need to be based on analysis and presentations on key themes of value for money, harmonization and alignment, return on investment, results achieved, impact on health systems etc. Board Members' support to establish the relevant contacts would be essential. The aim would be to have the funding challenges raised and discussed at the senior most level in these bodies.

4.4 Traditional donors also need to be assured that implementing countries are allocating sufficient domestic resources to health according to their ability. There are ongoing discussions in particular with the African Union and NEPAD to remind African countries of their commitment to allocate 15% of national budgets to the provision of health care (the Abuja commitment). Implementing countries that have complied with or are close to complying with the Abuja commitment to allocate 15% of national budgets to the provision of health care should be acknowledged and others encouraged to reach compliance.

4.5 Support from external leaders from academia, politics, and the public health domain could amplify advocacy for resource mobilization. Board members' support to identify and win opinion leaders would be appreciated.

Working Group conclusions:

4.6 There was agreement that, while it would need to be complemented by measures on the demand side, further funding from the public sector donors was critical and that Board members and in particular the Chair and Vice Chair had an important role to play.

4.7 Funding of Round 8 has now been completed.

C2: How best can the pool of donors be expanded and strengthened?

Area C, Measure 2: Continue work to secure contributions from new donor countries or increase contributions from existing countries that currently contribute below “potential”

Description of the measure:

4.8 The Global Fund By-Laws contains a specific provision on the role of the Board in Article 7.4 Functions “*The Board shall exercise the powers of the Foundation, including the following: [...] advocate for the Foundation and mobilize resources*”. In addition the Terms of Reference for the Chair and Vice-Chair of The Board (GF/B19/4 Attachment 6 May 2009), in numerous sections emphasizes the role these offices are expected to carry out relative to resource mobilization. For example when defining the responsibilities of the Chair in section B, the Chair is identified as “*the principal spokesperson for the Board and in addition to chairing meetings of the Board has an important advocacy and fund raising role*”.

4.9 Furthermore, the Terms of Reference foresee a high level of engagement of the Chair and Vice Chair in external representation as provided in section 4, “*Providing coherent leadership of the Global Fund, including representing the Global Fund to government officials, public and private partners, the media, the international community and the public*”. In line with the ToRs, the Vice-Chair of the Board will convene a Reference Group based on donor profiles in the lead up to the November Board meeting and will play a facilitating role.

4.10 In response to a recommendation from the Working Group, the Board approved this Decision Point in August 2009:

“The Board emphasizes the role of the Chair and Vice-Chair in the mobilization of additional resources for the Global Fund and expresses its strong support for their activities in this regard, including undertaking appropriate actions in the lead up to the Twentieth Board meeting, in close collaboration with the Secretariat.”

Working Group conclusions:

4.11 As a first concrete step the Vice-Chair of the Board will convene a reference group of Board members to support the Secretariat in its efforts to mobilize new donors and engage with donors that have been contributing below their potential.

4.12 The Working Group reviewed a short paper on advocacy messages that the Secretariat had prepared ahead of key meeting in New York in September. Working Group members discussed and proposed some additional themes to be introduced, such as the importance of the ‘co-ownership’ of the Global Fund. The Working Group agreed that the Secretariat should further develop its messaging and work together with Board members or their governments to engage at the right level in the concerned countries.

4.13 Acknowledging the specific experience and expertise of the Chair emeritus, Rajat Gupta, and his confirmed willingness to support the Global Fund’s resource mobilization efforts, the

Working Group recommends that the Board Chair and Vice Chair actively seek the advice and support of the Chair emeritus in this regard.

Area C, Measure 3: Use of (notional) burden sharing information

Description of the measure:

4.14 The practice of benchmarking expected future contributions against a donor's historical share of overall funding or of devising "notional burden shares" for first time donors is quite well accepted in a number of replenishment mechanisms, providing it does not interfere with the voluntary nature of those mechanisms. It may be useful to continue the practice of publishing tables for illustrative and comparative purposes detailing the implications of using historical or notional burden shares under different overall funding scenarios. Notional shares could be calculated relative to adjusted per capita GNI, average share in other replenishments, etc.

Working Group conclusions:

4.15 It was generally recognized as useful to publish the notional burden tables indicating both percentage and monetary amounts and to further develop these tables as a tool for the Replenishment Process. However, comments received cautioned against making burden sharing obligatory.

4.16 The Working Group recommends to further explore a much wider concept of "mutually agreed burden sharing" to also include the implementing countries, which is in line with the Abuja commitments. Many agreed that a more systematic follow up and reporting regarding experience of the counterpart funding policy of the Global Fund was necessary. It is recommended that PIC takes these issues into account when it reviews the eligibility criteria in 2010.

4.17 The Working Group noted that work in this area will continue within the framework of the Third Replenishment. In that context the Secretariat will:

1. Maintain the current practice of publishing tables with notional burden shares under the guidance of the Chair and Vice Chair of the Replenishment.
2. Review experience of the counterpart funding policy and assess the need for any changes to ensure better performance and more systematic reporting and greater visibility regarding the potentially substantial contribution from implementing countries.

C3 What other sources of funding could be combined with Global Fund support to maximize the impact of donors' respective interventions?

Area C, Measure 4: Continue ongoing dialogue with World Bank around results based financing with objective of engaging in a pilot(s) regarding buy downs of IDA credits and/or agreements to subsidize interests on IBRD loans

Description of the measure:

4.18 The practice of donors paying a recipient country's debt obligations to the World Bank or other IFI is well established. Usually, this has taken the form of outright debt cancellation when a country has been deemed so poor and/or indebted that it is unable to service its debts. However, there have been a limited number of cases where a donor has agreed up/front to take over the

obligations conditional upon the recipient country receiving some very concrete targets in terms of development objectives. The World Bank's agreement with the Gates Foundation, UN Foundation and the US Government among others to enter into so called polio buy downs in Pakistan and Nigeria are probably the best known. According to estimates by World Bank colleagues such buy downs have to date retired US\$ 300 million worth of IDA credits.

4.19 These types of arrangements are interesting for recipient countries as they can see a loan transformed into a grant while achieving national development priorities. Donors are potentially interested as they only have to disburse if the agreed objectives are met. Also the amount they have to pay to the World Bank is significantly below the face value of the loan and experience to date shows that 1 dollar of donor money can be used to buy down 2 dollars of IDA lending. Buy downs also offer a platform around which various development partners may be able to coalesce. In this manner, they represent one way in which to increase aid effectiveness and reduce transaction costs. It should be added that the same results based approach could be used also in IBRD countries. An IBRD loan is difficult to convert into a grant as the sums involved are substantial (interest and principal payments are market based). However, it is possible to agree with the borrowing country and the World Bank that the effective interest rate paid by the borrower would be reduced upon the completion of a set of agreed targets. Donor funding is then used to cover the difference between the lower interest rate and the standard IBRD loan rates (such an approach has been pioneered by the World Bank, DFID and the Government of China). Certain middle income countries are reluctant to borrow at market rates to invest in the social sectors. In these cases an interest rate subsidy may create incentives for Governments to engage in public health investments. If the Global Fund were to engage in this type of operation the leveraging impact could be significant as IBRD allocations to individual countries are for all practical purposes not capped meaning individual loans can be large.

4.20 Two rounds of preliminary discussions have been held between the Secretariat and the World Bank on the issue of buy downs/interest rate subsidies. There is strong interest on both sides to move forward with this in the hope of entering into a pilot. A number of issues remain, e.g. regarding how the instrument would fit with the current business practices of the institutions and how to fund the Global Fund's involvement in buy downs. In the immediate future it will be important to keep the Board informed of progress and to establish the guidelines for any participation in a pilot, including how to fund the Global Fund's participation.

4.21 It is suggested that the Board would signal its support for the discussions with the World Bank aimed at designing and implementing a pilot to see how the institutions could collaborate around results based development financing in health. Guidelines would need to be established and the details of the pilot would have to be approved separately by the Board.

Working Group conclusions:

4.22 The Working Group generally welcomed both the initiative and collaborative spirit behind buy downs/interest rate subsidies. The potential financial leveraging and the alignment of the overall approach to the performance based funding approach of the Global Fund were recognized. It was suggested that other multilateral development banks would also be good targets for this type of collaboration. This could be explored once the concept had been piloted.

4.23 Some felt that the potential impact of these initiatives needed to be compared to the significant amount of time and staff resources needed to ensure the proposals come to fruition. The differing business models of the Global Fund and the World Bank were seen as a potentially significant hurdle that would require a great deal of attention to details when seeking to

implement any pilot. At the appropriate time, the Board could play a role in engaging the governance structures of the World Bank.

4.24 The Working Group noted that once discussions both internally in the Secretariat and externally with the World Bank had progressed sufficiently, a detailed proposal with a clear indication of the expected costs and potential financial benefits would be presented to the Board for approval through the normal channels.

C4: What more could be done in the area of innovative financing?

Area C, Measure 5: Open the Debt2Health initiative to all creditors and all beneficiary countries, who wish to enter into a Debt2Health swap

Description of the measure:

4.25 It is proposed that the restrictions imposed on the Debt2Health pilot phase be lifted so that the initiative is open to all creditors and all beneficiary countries who wish to implement a Debt2Health swap. Also, it is suggested that implementing country payments under the swap agreement should be possible to score against the national counterpart funding requirement.

Working Group conclusions:

4.26 The Working Group discussed the findings and recommendations of the Secretariat's review of the Debt2Health pilot. While broadly supportive of the pilot and the low cost of raising funds, the Working Group had technical questions that they felt the FAC was the best placed to explore. The Secretariat agreed to present a paper to the FAC and to share the FAC paper with the Working Group. The FAC has since reviewed the pilot and will recommend to the Board that the initiative be expanded to all creditors and debtor countries that are able and wish to participate.

Area C, Measure 6: Approve development of innovative financial products in the form of a) Exchange Traded Fund (ETF) and b) "Fund of Funds" enabling retail and institutional investors as well as money managers to contribute to the Global Fund

Description of the measure:

4.27 While no formal Board approval is required, it was proposed that the FAC take note of the plans to develop concrete products in the ETF and Fund of Fund categories together with interested market actors and that the Ethics Committee review any agreement. The ETFs and the Fund of Funds structure would enable retail and institutional investors to support the mission of the Global Fund through their existing investment strategies without sacrificing their expected return on investment. Therefore, these vehicles provide opportunities for the Global Fund to tap a new asset class.

Working Group conclusions:

4.28 The Working Group considered the main findings of work to date and the proposed strategy going forward on this measure. Again, some Working Group members found the subject to be highly technical and requested clarification, which the Secretariat agreed to provide. The Working Group noted that the FAC and Ethics Committee would need to review this proposal. The FAC has since

endorsed the overall approach and instructed the Secretariat to share details of any draft agreement with the Ethics Committee.

Area C, Measure 7: Grow collaborations with UNITAID and Support Solidarity Levies

Description of the measure:

4.29 To date, the collaboration with UNITAID has raised US\$38.6 million in financial support channeled through the Global Fund and another US\$41.4 million in co-financing for scale-ups or for specific grant components. Firm pledges for the current replenishment during the remaining period between now and 2010 amount to US\$219.5 million.

4.30 The collaboration with UNITAID could be further strengthened. The business model for transactions should be further aligned, simplified and standardized following the example of the recently proposed joint collaboration on MDR-TB commodities for Round 8 and RCC wave 4. Under this collaboration, UNITAID would finance all MDR-TB treatments in a given funding round while the Global Fund would finance the necessary supporting interventions. Moreover, the MDR-TB proposal could be used to establish a predictable and sustainable business model between UNITAID and the Global Fund, where the comparative advantage of each organization is brought to bear in a manner that maximizes financial efficiencies. A similar collaboration could be supported for Round 9 and beyond.

Working Group conclusions:

4.31 The Working Group discussed the partnership with UNITAID and noted that there were challenges on both sides surrounding the ultimate objective of sustainably lowering the costs of important drugs in a significant manner. The Working Group welcomed any steps that could be taken to improve the cooperation between the two entities.

4.32 The Secretariat will continue to collaborate with UNITAID in the areas mutually agreed on under the Roadmap. This includes the current MDR-TB proposal for US\$101 million and future projects in the area of information sharing, especially related to procurement of commodities and pricing.

C5 How could Board Members better support private sector fundraising efforts in their respective countries and constituencies?

Area C, Measure 8: Endorse the creation of legal fundraising vehicles to facilitate private contributions, notably in the United States

Description of the measure:

4.33 The Board should endorse the establishment of legal fundraising vehicles to facilitate private contributions, particularly where such vehicles offer significant tax advantages to potential donors. Given the scale of private giving in the US, and the potential tax advantages to private donors to US charities, the Board could specifically endorse the creation of such a fundraising vehicle in the US. The Board could encourage the Secretariat to undertake research and make recommendations regarding the establishment of such vehicles in other jurisdictions.

4.34 U.S. private philanthropy in 2008 totaled \$36.9 billion, with Africa receiving the largest percent of corporations and charities' donations. Thanks to the support and partnership of the United Nations Foundations, a steady stream of unsolicited private gifts is already directed to the Global Fund. However, creating a dedicated fundraising vehicle in the US would allow direct solicitation and facilitation of major gifts. If such a vehicle is put in place in tandem with an increased branding campaign for the Global Fund, it could likely yield a significant increase in private giving to the Global Fund on a 1-2 year time horizon, with incremental gains thereafter.

4.35 Creating and managing such a vehicle would not necessarily entail the establishment of offices or the hiring of any paid staff, but could be undertaken by legal firms under the supervision of unpaid trustees. Already, with its agreed budget, the Global Fund Secretariat is engaging additional staff to seek philanthropic gifts, with the advice of an experienced external consultancy.

Working Group conclusions:

4.36 The Working Group supported the Measure. It sought and received reassurance that the work on philanthropic giving would include high net worth individuals and foundations in the emerging markets. It was suggested that the Secretariat keep relevant donor governments fully informed of, and cooperate with them, on any steps taken to secure tax exempt status in their countries.

Follow-up:

4.37 The Secretariat will work closely with relevant donor governments to explore possibilities and the best strategies to achieve tax favorable treatment where this is deemed as a significant prerequisite to increase resources from private philanthropy.

Area C, Measure 9: Promoting the expansion of Product (RED) to new markets and partnerships

Description of the measure:

4.38 Product (RED) has proved it is a successful vehicle for raising significant, additional and sustainable funding for the Global Fund, having raised \$133 million since its launch. Nevertheless, the companies participating in (RED) are overwhelmingly American, and (RED) has its most significant brand recognition and market penetration in North America and the UK.

4.39 Although efforts are already underway to expand (RED) to new partners from a broader range of countries, it is likely that high-level support from governments and key influencers could encourage companies in new countries to join the (RED) initiative, such as has been successfully done in the Netherlands.

4.40 The Board should adopt a resolution recognizing the achievements of (RED) in securing significant additional private funding, and calling on Board Members to assist in expanding (RED) to more companies in more countries, through soliciting the support of their governments at the highest levels for outreach to national champion companies, as requested by (RED) and the Secretariat.

Working Group conclusions:

4.41 The Working Group supported the overall principle of Board Members providing assistance whenever feasible to the Secretariat to facilitate contacts with potential companies outside the UK and US markets. There was also a feeling that the value of the Global Fund's association with (RED) had not been fully explored and taken advantage of. Questions were asked regarding how (RED) could be more extensively used as a communications tool raising awareness of the Global Fund, its activities and the challenges in resource mobilization.

Follow-up:

4.42 The Private Sector Team in the Secretariat will follow up with relevant Board Members to seek their assistance in an outreach effort to increase the number of firms contributing through Product (RED).

C6 What other options would you like the Working Group to consider with regard to Resource Mobilization?

Area C, Measure 10: Support Dialogue on the Currency Transaction Levy (CTL) and Recommend Participation in the Working Group on CTLS

Description of the measure:

4.43 This measure is not expected to generate additional financial resources in 2009 or 2010. It should rather be regarded as a long-term potential for development financing. However, it is raised here as it is the one measure currently debated that could provide resources that would number in the tens of billions. This would be sufficient to go beyond covering currently anticipated funding gaps and to once again focus on scaling up interventions in order to reach the MDG targets. The basic premise is to apply an extremely modest levy on all transactions of the world's major currencies. The levy would be so small as to not provide a disincentive or disrupt the market.

4.44 The CTL has gained renewed impetus following work on a fairly detailed technical proposal by Stamp Out Poverty. Both the Leading Group on Solidarity Levies to Fund Development and the High Level Task Force on Innovative International Financing for Health Systems have recommended exploration of all options for a CTL and the French Government is leading a technical working group to explore how to move forward.

Working Group conclusions:

4.45 The Working Group was supportive of the suggested approach both in light of the renewed interest in this issue and the potentially large sums of money involved. Some cautioned on having too high hopes that anything would materialize quickly. Some Working Group members expressed their government's opposition to the proposed CTL. Others underlined that should the necessary political consensus around this type of levy be achieved, there would be many potential areas of use for the funds collected. For this reason they urged the Global Fund to position itself early.

4.46 The Secretariat will, through its links to the Leading Group on Innovative Financing, seek representation on any group set up to carry the idea forward and otherwise engage constructively with any interested parties.

Summary of Area C Recommendations

4.47 The recommendations of the Working Group regarding the various measures considered under Area C as described above are summarized as follows:

1. Measure 2: Role of the Board Chair and Vice-Chair in resource mobilization (para 4.10)

That the Board emphasize the role of the Chair and Vice-Chair in the mobilization of additional resources.

In response to this recommendation, the Board approved this Decision Point in August 2009: *"The Board emphasizes the role of the Chair and Vice-Chair in the mobilization of additional resources for the Global Fund and expresses its strong support for their activities in this regard, including undertaking appropriate actions in the lead up to the Twentieth Board meeting, in close collaboration with the Secretariat."*

2. Measure 2: Board Reference Group on resource mobilization (para. 4.11)
That the Vice-Chair of the Board convene a reference group of Board members to support the Secretariat in its efforts to mobilize new donors and engage with donors that have been contributing below their potential.

Board leadership has concurred on this.

3. Measure 2: Advice & support of the Chair emeritus on resource mobilization (para. 4.13)

That the Board Chair and Vice Chair actively seek the advice and support of the Chair emeritus, Rajat Gupta, in regard to the Global Fund's resource mobilization efforts.

4. Measure 3: Mutually agreed burden sharing (para. 4.16)
That the Secretariat further explore a much wider concept of "mutually agreed burden sharing" to also include the implementing countries, which is in line with the Abuja commitments.

5. Measure 4: Collaboration on results-based development financing in health (para. 4.21)
That the Board signal its support for the discussions with the World Bank aimed at designing and implementing a pilot to see how the institutions could collaborate around results-based development financing in health.

6. Measure 5: Debt2Health (para. 4.26)
That the restrictions imposed on the Debt2Health pilot phase be lifted so that the initiative is open to all creditors and all beneficiary countries who wish to implement a Debt2Health swap, subject to the recommendations of the Finance and Audit Committee (FAC) following its review of the pilot.

The FAC has since reviewed the pilot and will recommend to the Board that the initiative be expanded to all creditors and debtor countries that are able and wish to participate.

7. Measure 6: Exchange Traded Fund and Fund of Fund (para. 4.28)
That the FAC and Ethics Committee review the proposal to develop concrete products in the Exchange Traded Fund and Fund of Fund categories.

The FAC has since endorsed the overall approach and instructed the Secretariat to share details of any draft agreement with the Ethics Committee

8. Measure 7: Collaboration with UNITAID (para. 4.32)
That the Secretariat continue to collaborate with UNITAID in the areas mutually agreed on under the Roadmap (for mutual collaboration).
9. Measure 8: Creation of tax-efficient fundraising vehicles (para. 4.37)
That the Secretariat work closely with relevant donor governments to explore possibilities and the best strategies to achieve tax favorable treatment where this is deemed as a significant prerequisite to increase resources from private philanthropy (in various countries).
10. Measure 9: Expansion of Product (RED) (para. 4.42)
That the Secretariat follow up with relevant Board Members to seek their assistance in an outreach effort to increase the number of firms contributing through Product (RED).
11. Measure 10: Dialogue on the Currency Transaction Levy (para. 4.46)
That the Secretariat, through its links to the Leading Group on Innovative Financing, seek representation on any group set up to carry forward the idea of a Currency Transaction Levy and otherwise engage constructively with any interested parties.

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

LIST OF ANNEXES

- Annex 1: Updated Resource Forecast and Financial Impact of Area A Measures
- Annex 2: Analysis of Prioritization Criteria
- Annex 3: Summary of Feedback from Committee Consultations
- Annex 4: Proposed Funding Decision for Round 9 proposals and National Strategy Applications (includes all Working Group measures)
- Annex 5: Proposed revision to Comprehensive Funding Policy
- Annex 6: Proposed Decision Point on Bridging to Round 10

UPDATED RESOURCE FORECAST AND FINANCIAL IMPACT OF AREA A MEASURES

1 Needs and Resources Prior to Adjustments (projection, by year of approval)

- (a) Demand expressed through Round 9 and NSA proposals as recommended by the TRP totals US\$2.7 billion. This includes US\$ 2,206 million for the TRP-recommended proposals for Round 9, US\$ 434 million for National Strategy Applications and US\$ 18 million for AMFm supporting interventions (being the amounts not covered by re-programming of existing grants).
- (b) The needs projection in Table 1 below includes provision for Phase 2 and RCC renewal of rounds up to Round 9 (see section 4 for renewal implications beyond 2013). New rounds after Round 9 are not provided for in this projection.

Table 1

		2008 - 2010				2011 - 2013			
		2008	2009	2010	Total	2011	2012	2013	Total
US\$ billion									
Phase 2 } RCC-1 } RCC-2 }	per New Architecture: "Additional Commitments"	0.9	1.2	1.0		2.8	3.5		
		1.1	1.0	0.7	5.8	0.4	0.4	0.6	9.9
		1.9	0.8		5.4	0.9	0.7	0.5	
Phase 1 - Round 8									
Phase 1 - Round 9 & NSAs			2.7						
Total Need - Before the Measures		3.9	5.7	1.7	11.2	4.2	4.6	1.1	9.9
		Round 8 & Renewals			8.5				
		Round 9			2.7				

Table 2

Total Need - Before the Measures	3.9	5.7	1.7	11.2	4.2	4.6	1.1	9.9
					(0.5)			
					3.7			
Resources Available	2008	2009	2010	Total				
Confirmed pledges	3.1	3.3	3.1	9.5				
Further pledges likely		0.1	0.5	0.6				
less: Used to fund 2007 approvals				(0.1)				
less: Allowance for operating exps. minus invest. income				(0.2)				
				9.8				
less: Reserved towards 2011 needs (at Delhi)				(0.5)				
Pledges Available for 2008-2010				9.3				
Remainder to be funded				(1.9)				

Totals may appear not to add because of rounding

(For the 2011 'peak')

- (c) As illustrated in Table 2, resources forecast to be available for grant approvals in 2008-2010 amount to US\$ 9.8 billion (of which US\$ 8.5 billion was or will be consumed in approving Round 8 and renewals in that period, leaving US\$ 1.3 billion for Round 9).
- (d) However, when considering the funding of Round 9 at the Nineteenth Board Meeting in Delhi, the Board was conscious that projected needs in 2011 for renewal of grants could amount to a 'peak' of US\$ 3.9 billion (now forecast at US\$ 4.2 billion) and decided that US\$ 0.5 billion of the 2008-2010 pledges should be reserved towards meeting that unusually large need. That reserve would reduce the resources forecast to be available for grant approvals in 2008-2010 from US\$9.8 billion to US\$ 9.3 billion, leaving US\$ 1.9 billion of Round 9 demand unfunded. With 2011 needs forecast at US\$ 3.7 billion (after subtracting the US\$ 0.5 billion reserved from 2008-2010 resources), there would be no surplus resources in 2011 that could be used to fund the remaining US\$ 1.9 billion of Round 9 demand.

2 Impact of each of the recommended Measures

2.1 The Area A Measures, if applied, would reduce the amount to be approved for Round 9/NSAs, alter the timing of entering into commitments, and reduce the renewal amounts to be funded as follows:

Table 3

		2008 - 2010				2011 - 2013			
		2008	2009	2010	Total	2011	2012	2013	Total
US\$ billion									
Total Need - Before the Measures		3.9	5.7	1.7	11.2	4.2	4.6	1.1	9.9
<u>Measure 2</u>	Phase 1 of Round 9 committed 90%&10%		(0.3)		(0.3)	0.3			0.3
<u>Measure 3</u>	Phase 1 of Round 9 reduced by 10%		(0.3)		(0.3)	(0.0)			(0.0)
<u>Measure 3A</u>	Phase 2 of Round 9 reduced by 25%						(0.9)		(0.9)
<u>Measure 6 a</u>	Phase 2 staged: 2 & 1 years			(0.3)	(0.3)	(0.8)	(0.6)	1.3	(0.0)
<u>Measure 6 b</u>	RCC staged: 2 & 1 years			(0.2)	(0.2)	(0.3)	(0.2)	0.1	(0.4)
<u>Measure 7</u>	RCC-1 ceased after Wave 8			(0.3)	(0.3)	(0.3)	(0.4)	(1.2)	(1.9)
<u>Measure 5</u>	Provide Bridge to Round 10			0.4	0.4				
Total impact of the Measures			(0.5)	(0.5)	(1.0)	(1.1)	(2.0)	0.2	(2.9)
Total Need - After the Measures		3.9	5.1	1.2	10.2	3.0	2.7	1.3	7.1
RCC demand transferred to New Proposals:			0.1			0.3	0.4	1.2	1.9

The measures are explained in Part 2 and are summarised below:

Measure 2: 10% of the Phase 1 amount of Round 9 would be committed during the second year of implementation, if needed.

Measure 3: Phase 1 of Round 9 would be reduced by an efficiency saving of 10%.

Measure 3A: Phase 2 of Round 9 would be reduced by 25% upon applying a limitation of 75% of the Phase 2 amount, as was done for Round 8, with the possibility of the limit being increased to 90% when new resources become available. (See Scenario 1 also)

Measure 6: Funding for Phase 2 and RCC would be committed in two stages, initially for the first two years and later for the third year (instead of all three years being committed at the outset, as is currently done).

Measure 7: Reflects an assumption that RCC would cease after Wave 8 (to be approved in March 2010), if so decided in connection with the new grant architecture. Provision is however made for the approval of second phase (RCC-2) of those grants for which RCC-1 will have been approved through Wave 8. The actual time of RCC cessation will be determined by the Architecture Review process. (See Scenario 2 also)

Note: Following cessation of RCC, the demand that would otherwise have been manifested in RCC proposals would, in the future, form part of the funding sought through New Proposals under the new grant architecture (illustrated in Tables 2 and 3 as “RCC demand transferred to New Proposals”).

Measure 8: Provides bridging until Round 10 for grants that end prior to Round 10.

2.2 As a result of applying the measures, approval needs would be reduced to the amounts indicated in Table 4:

Table 4

		2008 - 2010				2011 - 2013			
		2008	2009	2010	Total	2011	2012	2013	Total
US\$ billion									
Phase 2 } per New Architecture: RCC-1 } "Additional RCC-2 } Commitments"		0.9	1.2	0.7		2.0	2.1	1.3	
		1.1	1.0	0.1	4.9	0.2	0.0	(0.0)	6.8

Phase 1 - Round 8		1.9	0.8		4.8				
Phase 1 - Round 9 & NSAs			2.1			0.2			0.2

Bridge Funding				0.4	0.4				
Total Need - After the Measures		3.9	5.1	1.2	10.2	3.0	2.7	1.3	7.1
RCC demand transferred to New Proposals:			0.1			0.3	0.4	1.2	1.9
Round 8, Renewals & Bridging					8.1				
Round 9					2.1	0.2			

2.3 After applying the measures, the total approval needs in 2008-2010 would be reduced from US\$11.2 billion (per Table 1) to US\$10.2 billion (per Tables 3 and 4). Table 5 compares the adjusted needs (after the measures) with the resources forecast to be available in 2008-2010.

Table 5

		2008 - 2010				2011 - 2013			
		2008	2009	2010	Total	2011	2012	2013	Total
US\$ billion									
Total Need - After the Measures		3.9	5.1	1.2	10.2	3.0	2.7	1.3	7.1
Resources Available									
Confirmed pledges		3.1	3.3	3.1	9.5				
Further pledges likely			0.1	0.5	0.6				
less: Used to fund 2007 approvals					(0.1)				
less: Allowance for operating exps. minus invest. income					(0.2)				
					9.8				
less: Reserved towards 2011 needs (at Delhi)					Nil				
Pledges Available for 2008-2010					9.8				
Remainder to be funded from 2011 pledges					(0.4)				
Totals may appear not to add because of rounding									
RCC demand transferred to New Proposals:			0.1			0.3	0.4	1.2	1.9

(The 2011 'peak' is gone)

- (a) 2008-2010 needs: The recommended measures would reduce the 2008-2010 approval needs by US\$1.0 billion (per Table 1).
- (b) 2011 - the 'Delhi peak': The recommended measures would also have the effect of reducing approval needs in 2011 to US\$ 3.0 billion, thus removing the 'peak' and the associated need (as considered in Delhi) to reserve US\$ 0.5 billion of the 2008-2010 pledges towards meeting 2011 needs (per Table 5).
- (c) This incremental US\$ 1.5 billion (per a and b) would reduce the unfunded remainder of Round 9 from US\$1.9 to 0.4 billion (per Table 5). To the extent that 2011 pledges, once confirmed, exceed the renewal needs in 2011, that excess can be used to fund the approval of the remainder of Round 9 grants that would be signed in 2011.

Thus, if all the Area A measures were applied, all of the Round 9 and NSA demand, as reduced by 10% for efficiency savings, could be funded for Phase 1.

3 Scenarios for variants of the Measures

3.1 Illustrated below are scenarios that illustrate the impact on resource needs:

1. if the Phase 2 limit for Rounds 8 and 9 was increased from 75% to 90%;
2. if RCC ceased after Wave 10 (to be approved in December 2010) instead of after Wave 8 (to be approved in March 2010); and
3. if both of the foregoing occurred

Scenario 1: If the Phase 2 limit for Rounds 8 and 9 was increased from 75% to 90% of the Phase 2 amount. (Refers to Measure 3A, as mentioned in paragraph 2.1)

US\$ billion		2008 - 2010				2011 - 2013			
		2008	2009	2010	Total	2011	2012	2013	Total
Phase 2 } RCC-1 } RCC-2 }	per New Architecture:	0.9	1.2	0.7		2.3	2.4	1.6	
	"Additional Commitments"	1.1	1.0	0.1	4.9	0.2	0.0	(0.0)	7.7
						0.6	0.6	0.0	
Phase 1 - Round 8		1.9	0.8		4.8				0.2
Phase 1 - Round 9 & NSAs			2.1			0.2			
Bridge Funding				0.4	0.4				
Total Need - After the Measures		3.9	5.1	1.2	10.2	3.4	3.0	1.6	8.0
RCC demand transferred to New Proposals:			0.1			0.3	0.4	1.2	1.9

Impact: Needs in 2011-2013 would increase from US\$ 7.1 to 8.0 billion, including an increase of US\$ 0.4 billion in 2011. Hence, funds available to complete the approval of Round 9 (from the surplus of 2011 pledges over renewal needs in that year) would be reduced by US\$ 0.4.

Scenario 2: If RCC ceased after Wave 10 (instead of after Wave 8) and the Phase 2 limit for Rounds 8 and 9 remains at 75%. (Refers to Measure 7, as mentioned in paragraph 2.1)

US\$ billion		2008 - 2010				2011 - 2013			
		2008	2009	2010	Total	2011	2012	2013	Total
Phase 2 } RCC-1 } RCC-2 }	per New Architecture:	0.9	1.2	0.7		2.0	2.1	1.3	
	"Additional Commitments"	1.1	1.0	0.5	5.3	0.2	0.0	(0.0)	7.4
						0.6	0.6	0.6	
Phase 1 - Round 8		1.9	0.8		4.8				0.2
Phase 1 - Round 9 & NSAs			2.1			0.2			
Bridge Funding				0.3	0.3				
Total Need - After the Measures		3.9	5.1	1.4	10.4	3.0	2.7	1.9	7.6
RCC demand transferred to New Proposals:			(0.1)			0.3	0.4	0.6	1.3

Impact: Needs would increase from US\$ 10.2 to 10.4 billion in 2008-2010 and from US\$ 7.1 to 7.6 billion in 2011-2013. Hence US\$ 0.6 (instead of 0.4) billion of Round 9 would have to be funded from 2011 pledges; renewal needs in 2011 would not change.

Scenario 3: If RCC ceased after Wave 10 and the Phase 2 limit for Rounds 8 and 9 was increased from 75% to 90% of the Phase 2 amount.

		2008 - 2010				2011 - 2013			
		2008	2009	2010	Total	2011	2012	2013	Total
US\$ billion									
Phase 2 } per New Architecture: RCC-1 } "Additional RCC-2 } Commitments"		0.9	1.2	0.7		2.3	2.4	1.6	
		1.1	1.0	0.5	5.3	0.2	0.0	(0.0)	8.3
		1.9	0.8		4.8	0.6	0.6	0.6	
Phase 1 - Round 8									
Phase 1 - Round 9 & NSAs			2.1			0.2			0.2
Bridge Funding				0.3	0.3				
Total Need - After the Measures		3.9	5.1	1.4	10.4	3.4	3.0	2.2	8.6
RCC demand transferred to New Proposals:				(0.1)		0.3	0.4	0.6	1.3

Impact: Needs would increase US\$ 10.2 to 10.4 billion in 2008-2010 and from US\$ 7.1 to 7.6 billion in 2011-2013, including an increase of US\$0.4 billion in 2011.

Hence an additional US\$ 0.2 billion of Round 9 would have to be funded from 2011 pledges, while funds available to complete the approval of Round 9 (from the surplus of 2011 pledges over renewal needs in that year) would be reduced by US\$ 0.4 billion

Incremental impact of the Scenarios (compared with Table 4 on Page 32)

		2008 - 2010				2011 - 2013			
		2008	2009	2010	Total	2011	2012	2013	Total
US\$ billion									
Approval Needs, as per Table 4 on page 32									
Total Need		3.9	5.1	1.2	10.2	3.0	2.7	1.3	7.1
Scenario 1: If the limit on Phase 2 of Rounds 8 & 9 is increased from 75% to 90%									
Total Need		3.9	5.1	1.2	10.2	3.4	3.0	1.6	8.0
<i>Incremental funding need relative to Table 4</i>						0.4	0.3	0.3	0.9
		<i>- Reflects greater Phase 2 amounts for Rounds 8 & 9</i>							
Scenario 2: If RCC ceased after Wave 10, instead of after Wave 8									
Total Need		3.9	5.1	1.4	10.4	3.0	2.7	1.9	7.6
<i>Incremental funding need relative to Table 4</i>				0.2	0.2			0.6	0.6
		<i>- Reflects additional RCC-1 approval need in 2010 (net of a related reduction in the bridging need) for Waves 9 & 10 and the additional RCC-2 approval need in 2013 for those waves</i>							
Scenario 3: Combines Scenarios 1 & 2									
Total Need		3.9	5.1	1.4	10.4	3.4	3.0	2.2	8.6
<i>Incremental funding need relative to Table 4</i>				0.2	0.2	0.4	0.3	0.9	1.5

4 View through 2020 of Tables 1, 3 and 4

Before the Measures (Table 1)

US\$ billion		2008 - 2010				2011 - 2013				Later Implications							Total	
		2008	2009	2010	Total	2011	2012	2013	Total	2014	2015	2016	2017	2018	2019	2020		Total
Phase 2 } per New Architecture: RCC-1 } "Additional RCC-2 } Commitments"		0.9	1.2	1.0		2.8	3.5			1.5	2.2						7.9	
		1.1	1.0	0.7	5.8	0.4	0.4	0.6	9.9	0.4	0.3	0.5	1.2	1.8				
		1.9	0.8		5.4													
Phase 1 - Round 8																		
Phase 1 - Round 9 & NSAs			2.7															
Total Need - Before the Measures		3.9	5.7	1.7	11.2	4.2	4.6	1.1	9.9	1.9	2.5	0.5	1.2	1.8			7.9	29.0

Impact of each Measure (Table 3)

US\$ billion		2008 - 2010				2011 - 2013				Later Implications							Total	
		2008	2009	2010	Total	2011	2012	2013	Total	2014	2015	2016	2017	2018	2019	2020		Total
Total Need - Before the Measures		3.9	5.7	1.7	11.2	4.2	4.6	1.1	9.9	1.9	2.5	0.5	1.2	1.8			7.9	29.0
<u>Measure 2</u>	Phase 1 of Round 9 committed 90%&10%		(0.3)		(0.3)	0.3			0.3									(0.3)
<u>Measure 3</u>	Phase 1 of Round 9 reduced by 10%		(0.3)		(0.3)	(0.0)			(0.0)									(0.3)
<u>Measure 3A</u>	Phase 2 of Round 9 reduced by 25%						(0.9)		(0.9)		(0.5)			(0.4)				(1.0)
<u>Measure 6 a</u>	Phase 2 staged: 2 & 1 years			(0.3)	(0.3)	(0.8)	(0.6)	1.3	(0.0)	0.3								0.3
<u>Measure 6 b</u>	RCC staged: 2 & 1 years			(0.2)	(0.2)	(0.3)	(0.2)	0.1	(0.4)	(0.2)	(0.4)	0.6	0.1	(0.3)	0.5	0.3	0.6	
<u>Measure 7</u>	RCC-1 ceased after Wave 8			(0.3)	(0.3)	(0.3)	(0.4)	(1.2)	(1.9)	(1.7)	(1.6)	(1.0)	(1.3)	(1.1)	(0.5)	(0.3)	(7.5)	(9.7)
<u>Measure 5</u>	Provide Bridge to Round 10			0.4	0.4													0.4
Total impact of the Measures			(0.5)	(0.5)	(1.0)	(1.1)	(2.0)	0.2	(2.9)	(1.6)	(2.5)	(0.5)	(1.2)	(1.8)			(7.5)	(11.4)
Total Need - After the Measures		3.9	5.1	1.2	10.2	3.0	2.7	1.3	7.1	0.3							0.3	17.6

After the Measures (Table 4)

US\$ billion		2008 - 2010				2011 - 2013				Later Implications							Total		
		2008	2009	2010	Total	2011	2012	2013	Total	2014	2015	2016	2017	2018	2019	2020		Total	
Phase 2 } per New Architecture: RCC-1 } "Additional RCC-2 } Commitments"		0.9	1.2	0.7		2.0	2.1	1.3		0.3								0.3	
		1.1	1.0	0.1	4.9	0.2	0.0	(0.0)	6.8										
		1.9	0.8		4.8	0.6	0.6	0.0		0.0	0.0								
Phase 1 - Round 8																			
Phase 1 - Round 9 & NSAs			2.1						0.2										
Bridge Funding				0.4	0.4														
Total Need - After the Measures		3.9	5.1	1.2	10.2	3.0	2.7	1.3	7.1	0.3	0.0		0.0					0.3	17.6
RCC demand transferred to New Proposals:			0.1			0.3	0.4	1.2	1.9	1.7	1.6	1.0	1.3	1.1	0.5	0.3	7.5	9.5	

ANALYSIS OF PRIORITIZATION CRITERIA

PART 1: SCOPE OF THE WORKING GROUP'S ANALYSIS

1.1 The Comprehensive Funding Policy (CFP) describes the modalities for prioritization of funding in a resource-constrained environment. To date the application of this policy has only ever influenced the timing of approval of TRP-recommended proposals and not whether a proposal be funded or not. It is possible that in Round 9 this will change and that the CFP could influence which recommended proposals receive funding.

1.2 The Working Group acknowledges that the current prioritization criteria were designed in a different context and needs re-thinking, largely as a response to resource constraints, but also to reflect the experience gained over several years.

1.3 A fair prioritization algorithm should seek to strike the right balance between potentially competing factors, such as allocation of resources:

- Between the three diseases;
- Between prevention and treatment; and
- Between countries with a high burden of disease in the general population and those with specific issues (such as concentrated HIV/AIDS epidemics, MDR-TB).

1.4 These are complex considerations. It is not possible for an analysis provided within a short time frame, such as this one, to do full justice to the underlying issues. The timeframe has also only enabled limited discussions with technical partners.

1.5 Therefore while revisions of the methodology are proposed, it is also acknowledged that this matter warrants further analysis beyond Round 9. It is expected that this be recognized within area B of the Working Group's terms of reference that will be taken forward by the appropriate Committee after the November Board meeting. Alternatively, a thorough review of the prioritization model included in the Comprehensive Funding Policy could be considered in parallel with the Board mandated review of the current income level eligibility criteria which will be overseen by the Portfolio and Implementation Committee (PIC) during 2010.

1.6 Ultimately the merits of revising the prioritization rules will rest on whether the existing criteria are deemed to be fair. This will also be influenced by the final recommended demand for Round 9 and National Strategy Applications (NSAs), the available resources (after consideration of other measures currently being proposed), and the extent of the resulting gap in funding.

PART 2: CURRENT PRIORITIZATION METHOD AND PROPOSED CHANGES TO PRIORITIZATION CRITERIA

2.1 Currently, prioritization is defined by the TRP recommendation category and the “Composite Index” as follows:

First Filter	→	Whether TRP recommendation is Category 1, 2 or 2B
Ranking	→	Based upon “Composite Index” which assigns weight to: <ul style="list-style-type: none"> ▪ Country income classification ▪ Disease burden

The composite index itself is composed of the following:

Criteria	Indicator	Value	Score
Disease burden	Eligibility criteria for proposals from Upper-Middle Income countries (applied to all proposals)	“Very high”	4
		Not “very high”	1
Poverty	World Bank classification	Low income	4
		Lower-Middle Income	2
		Upper-Middle Income	0

Table 1. Composite index criteria, indicators, values and scores

2.2 The Working Group, informed by input from the former TRP Chair, considered the following three directions to revise the current prioritization algorithm:

- Reviewing the relative weight given to country need (reflected in the composite index) and technical merit of the proposal (captured by TRP categorization) in the prioritization order among TRP-recommended proposals;
- Adding a new funding history criterion;
- Revising disease burden criterion to mitigate its potential impact.

2.3 The Working Group did not consider any amendment to the “poverty” criterion within the composite index for Round 9, recognizing however that there may be other criteria to better reflect poverty than the World Bank income classification. Consequently, the income level classification and related scores are maintained as currently set out in the CFP.

2.4 The overarching principle guiding the work of the Working Group and the recommendations put forward below is to keep the options simple.

PART 3: TRP RECOMMENDATION CATEGORY

3.1 TRP recommends proposals in Category 1, 2 or 2B, thereby concluding that the proposal is worthy of funding provided that clarifications are satisfactorily addressed. The TRP makes a clear distinction between Category 2B (fund) and Category 3 (do not fund), as explained in the Round 8 TRP report.

3.2 Presently the TRP recommendation category is used as a first filter when ranking proposals for funding. The current prioritization order therefore gives a greater emphasis to the assessed quality of the proposal, as measured by TRP categorization, than to the country need as reflected in the composite index (encompassing country income level and disease burden). The Working Group agreed that this should not be the case, arguing that the technical merit of the proposal should be balanced with country need.

3.3 The Working Group first considered applying the composite index prior to consideration of the TRP recommendation category, thereby giving priority to country need over the technical merit of the proposal. However, the Working Group recognized that the TRP recommendation category is - to a certain extent - linked to the performance of the grant and that it is important to reinforce the message that technical quality is critical.

3.4 For these reasons, the Working group recommends to the Board to include the TRP recommendation category in an expanded composite index, thereby striking a balance between country need on the one hand and technical merit on the other hand. The suggested scoring is as follows:

Indicator	Value	Score
TRP recommendation category	Category 1	3
	Category 2	2
	Category 2B	1

Table 2. Values and scores associated with the TRP recommendation category included in a new composite index

3.5 The Working Group emphasizes that the proposed measure is limited to changing the prioritization order within the population of TRP-recommended proposals (i.e. in Categories 1, 2 and 2B). The Working Group agreed that it is important to reinforce the message that technical quality would continue to be a pre-requisite for funding and that in adopting this revised prioritization measure, the Global Fund would not be compromising on quality.

PART 4: RECENT GLOBAL FUND FUNDING HISTORY

4.1 Prior funding from the Global Fund has not been a factor that has influenced prioritization in the CFP to date. The Working Group considered recent funding as a possible relevant additional criterion in a resource-constrained environment.

4.2 The Working Group reviewed a possible criterion based on assigning a score to reflect most recent Rounds/RCC funding and built into the composite index. However the Working Group identified that the TRP has in recent rounds discouraged frequent applications preferring to see some track record of performance on recent grants before recommending new funds. This is reflected in the substantially lower success rates seen in repeat applications:

- Round 8 applicants with approved Round 7 grant for the same disease: 29% compared with 53% for other applicants;
- Round 7 applicants with approved Round 6 grant for the same disease: 19% compared with 49% for other applicants.

4.3 It could therefore be argued that, if the TRP does recommend a repeat applicant, the applicant will have demonstrated compelling reasons to be funded.

4.4 In addition, some applicants may focus a particular Round's application on a specific geographic area or segment of interventions. In these situations there is no overlap between the successive applications, indeed they may be complementary. This notion was expressed by some Board constituencies when providing feedback to the Working Group.

4.5 Having considered and debated the pros and cons of an additional criterion capturing recent funding history, the Working Group does not recommend to the Board to adopt a funding history criterion.

PART 5: DISEASE BURDEN MEASURE

5.1 The burden of disease criterion was initially developed to define eligibility for 'upper-middle income' countries. Subsequently it was adopted as a prioritization criterion in a resource-constrained environment.

5.2 The Working Group is concerned about the severity of outcomes arising from the current categories and scoring, as discussed below. The Working Group recommends that the prioritization model should capture disease burden in a more nuanced way.

Observations on the current burden of disease criterion

5.3 The current criterion distinguishes between countries with a "very high" disease burden (Score: 4) and the other countries (Score: 1). The definition of a "very high" burden is as follows³:

- **HIV/AIDS:** a country has an HIV prevalence rate in adults (15-49 years) equal to or more than 1%; OR an HIV prevalence in adults in at least one identified vulnerable population

³Approved during the Sixteenth Board Meeting on 12-13 November 2007 in Kunming, China (Decision Point GF/B16/DP18, Document GF/B16/7 Revision 1, Attachment 1). Amended at the 19th Board Meeting on 5-6 May 2009 in Geneva, Switzerland (Decision Points GF/B19/D13, GF/B19/DP14, GF/B19/DP15, Document GF/B19/05, Attachment 1).

equal to or more than 5 % (source of data: UNAIDS/WHO) AND the country is included in the OECD DAC list⁴.

- **Tuberculosis:** a country is included on the WHO list of high burden countries; OR on the WHO list of countries that account for 97% of all new TB cases attributable to HIV/AIDS.
- **Malaria:** a country experiences more than 1 death per 1,000 people per year due to malaria based on data provided by WHO.

General observations:

5.4 The current scoring system is not based on a continuum (the current scores are 1 and 4, and not 1 and 2; or 3 and 4). The scoring system therefore differentiates strongly between countries that are classified as “very high” versus “not very high”.

5.5 This sometimes results in countries with a comparable burden of disease being allocated a very different score. For example, the differences in malaria burden between Mozambique and Cameroon (respectively, 0.9 and 1.2 malaria deaths per 1,000 - see table 4)⁵ may not be so substantial as to justify a score differential of 1 and 4 respectively.

5.6 This strong differentiation is particularly problematic considering the methodological challenges of estimating burden of disease. For example:

- **HIV/AIDS:** many prevalence estimates have a wide range between the low and high estimates. For example, HIV prevalence in The Gambia is estimated to be 0.9%, - and therefore the country is not considered as having a generalized epidemic- however the low and high estimates are 0.4 and 1.3% respectively⁶. In addition, there is a lack of data globally regarding HIV prevalence in vulnerable groups.
- **Malaria:** there is acknowledged uncertainty regarding the estimated figures of malaria morbidity and mortality in terms of data quality and wide confidence intervals, particularly around mortality estimates.
- **Tuberculosis:** the estimated number of HIV positive TB cases doubled in 2007 from the previous years, as new data became available particularly through implementation of Provider-Initiated HIV Testing in the African region.⁷

5.7 The burden of disease score, which strongly discriminates between countries with low and high burden of disease, therefore appears to be based on epidemiological data of uncertain accuracy.

Observations on HIV/AIDS:

5.8 Under the current criteria, countries with very different epidemiological profiles are grouped together. For example, the following countries would all receive a score of 4:

- Swaziland (26.1% adult HIV prevalence)
- Senegal (1% adult HIV prevalence)

⁴ Due to the fact that inclusion on the OECD DAC list is an eligibility criterion for HIV proposals and therefore applied at first instance, it is not considered in the proposed definition below.

⁵ Source: World malaria report 2008. World Health Organization 2008: country profiles of 30 high burden countries pp.39-128

⁶ Source of all data on HIV/AIDS: 2008 report on the Global AIDS epidemic, UNAIDS/WHO, July 2008. Annex 1

⁷ http://www.who.int/tb/publications/global_report/2009/key_points/en/index.html

- Armenia (0.1% adult HIV prevalence and 6.8% in Injecting Drug Users).

Observations on tuberculosis:⁸

5.9 The WHO list of high burden countries, used to assign a “very high” disease burden score, is based on absolute numbers of estimated new TB cases. This advantages countries with large populations and comparatively low incidence rates, over countries with smaller populations but comparatively high incidence rates (examples of Brazil and Mauritania in table 3).

5.10 The WHO list of 41 countries accounting for 97% of the global TB/HIV burden, also used to identify countries with a “very high” disease burden, is also based on absolute numbers of cases; in addition, with this indicator countries are ranked based on factors other than their burden of tuberculosis (examples of Burkina Faso and Senegal in table 3).

Country	TB incident cases (all forms - 2007)	TB incidence rate (per 100,000 pop - 2007)	Country on the list of 22 high burden countries?	Country on the list of 41 high TB/HIV burden?	Score with the current burden of disease criterion
Brazil	92,102	48	Yes	Yes	4
Burkina Faso	33,437	226	No	Yes	4
Senegal	33,613	272	No	No	1
Mauritania	9,923	318	No	No	1

Table 3. Scores for selected countries based on the current tuberculosis criterion.

Observations on malaria:⁹

5.11 The current malaria criterion is based on mortality data exclusively and therefore does not account for the burden associated with malaria morbidity.

Country	Deaths per 1,000 pop	Cases per 1,000 pop	Score
Angola	1.3	215	4
Cameroon	1.2	280	4
Mozambique	0.9	354	1

Table 4. Scores for selected countries based on the current malaria criterion.

Observations across diseases:

5.12 When applied to all Round 9 eligible countries, the current criterion allocates a score of 4 to 62% of HIV, 39% of TB and 19% of malaria countries. The current criterion therefore appears to give a greater weight to HIV/AIDS than to the two other diseases - especially malaria.

⁸ Source of all data on tuberculosis: Global tuberculosis control: epidemiology, strategy, financing: WHO report 2009. World Health Organization 2009. Annex 3

⁹ Source of all data for malaria: World malaria report 2008. World Health Organization 2008. Annex 2.

Alternative criterion:

5.13 The Working group has reviewed an alternative disease burden criterion that seeks to address some of the issues described above, is designed to maintain simplicity, while reflecting incremental improvements to the current policy. The Working Group recommends to the Board to adopt this revised burden of disease criterion for Round 9 and until a thorough revision has been completed.

General principles:

5.14 Key Principles from the Global Fund Framework Document informed the definition of the suggested measure:

- “The Fund will seek to operate in a balanced manner in terms of different regions, diseases and interventions”¹⁰.
- “In making its funding decisions, the Fund will support proposals which (...) give due priority to the most affected countries and communities, and to those countries most at risk”¹¹.

5.15 The following approach guided the definition of the proposed measure:

- Indicators: selected to reflect the burden of disease relative to the population size of the country. Hence, the proposed revision recommends the adoption of indicators based on rates for all diseases, rather than absolute number of cases.
- Cut offs: selected in an attempt to strike the right balance between, on the one hand, defining categories that are meaningful from an epidemiological point of view and reflect an increasing burden of disease from categories 1 to 4; and, on the other hand, allowing a relatively balanced distribution of countries across categories and diseases.
- Scoring: four categories and a graduated scoring system (1-2-3-4) capture the burden of disease in a more nuanced way and mitigate the impact of limited availability and / or accuracy of epidemiological data.

5.16 In addition, it is suggested that the burden of disease data be provided by technical partners to ensure that the most relevant available data be used to allocate scores.

Considerations for a revised HIV/AIDS indicator:

5.17 The suggested option adopts a similar approach to the current HIV/AIDS criterion with a proposed indicator combining prevalence rates in vulnerable groups with prevalence rates in the adult population.

5.18 The proposed option seeks to capture some of the nuances of the HIV/AIDS burden of disease by dividing the current highest priority category into three sub-groups. In doing so, striking the right balance between generalized and concentrated epidemics presents specific challenges because of the interplay between the burden of disease and income level scores generated in the composite index together with the requirements of the income eligibility and cost-sharing policy.

5.19 The Global Fund income eligibility and cost-sharing policy states that proposals from lower-middle and upper-middle income countries, in which many concentrated epidemics occur, must focus on poor and/or vulnerable populations and must be compliant with cost-sharing principles.

¹⁰ Section III “Principles”, point D, the Framework Document of the Global Fund to fight AIDS, Tuberculosis and Malaria

¹¹ Section III “Principles”, point H. para. 9, the Framework Document of the Global Fund to fight AIDS, Tuberculosis and Malaria

The application of the income level scores in the composite index entails that middle-income countries are de-prioritized. This is somewhat balanced by the fact that concentrated and generalized epidemics have the same level of priority in the current disease burden definition.

5.20 De-prioritizing concentrated epidemics in a revised disease burden criterion, without amending the income level criterion, would result in proposals from middle-income countries with concentrated epidemics targeting vulnerable groups being considered as a relatively 'low' priority. On the contrary, the Working Group wanted to take into account subtleties in proposals, vulnerable groups and the leverage function of Global Fund funding.

5.21 The revised categorization therefore seeks to recognize different degrees of severity across concentrated and generalized epidemics rather than prioritizing all generalized epidemics over all concentrated epidemics.

5.22 The suggested option for HIV/AIDS is as follows.

Indicator	Value	Score
HIV prevalence in the general population and/or in vulnerable populations	Above 5% in the general population	4
	Between 2 and 5% in the general population OR above 15% in at least one vulnerable group	3
	Between 1 and 2% in the general population OR between 5% and 15% in at least one vulnerable group	2
	Below 1% in the general population AND below 5% in all vulnerable populations	1

Table 5 Suggested option for HIV/AIDS

5.23 Going forward, it is suggested that a thorough revision of the prioritization algorithm could take HIV incidence into account to better reflect prevention needs - recognizing however that data availability and quality may limit such an approach.

Considerations for a revised tuberculosis indicator:

5.24 The suggested option is based on tuberculosis incidence rates to capture the burden of disease relative to the size of the population. It does not take into account the TB/HIV burden and the absolute number of TB cases for the reasons mentioned above.

5.25 The suggested option for tuberculosis is as follows.

Indicator	Value	Score
Tuberculosis incidence rate (all forms) (per 100,000 population)	Above 400	4
	Between 200 and 399	3
	Between 50 and 199	2
	Below 49	1

Table 6. Suggested option for tuberculosis

5.26 Going forward, it is strongly recommended that a thorough revision of the prioritization algorithm take MDR-TB into account, thereby sending an important signal that MDR-TB is politically and programmatically important. A revised TB indicator could combine MDR-TB incidence rates with TB incidence rates- similarly to the combination of prevalence rates in the general population and in vulnerable groups in the HIV/AIDS indicator.

Considerations for a revised malaria indicator:

5.27 The suggested option for malaria is based on a combination of morbidity and mortality data, to reflect the fact that both malaria cases and deaths contribute to malaria burden, and to mitigate the impact of wide confidence intervals particularly in mortality data.

5.28 It is suggested that “historical” data (2004 or 2006) be used, so as not to disadvantage countries that have been successful in scaling up their control efforts in recent years, and recognizing that sustained investments in malaria control are needed not to undermine recent achievements and to maintain progress.

The suggested option for malaria is as follows.

Indicator	Value	Score
Combination of estimated morbidity and mortality rates (2004 or 2006 data)	Morbidity equal to or above 300 and mortality equal to or above 1	4
	Mortality equal to or above 0.5 and below 1 regardless of morbidity; OR morbidity below 300 and mortality equal to or above 1	3
	Morbidity equal to or above 100 and mortality below 0.5	2
	Morbidity below 100 and mortality below 0.5	1

Table 7. Suggested option for malaria

5.29 Going forward, additional aspects could be factored in a revised disease burden criterion, such as the need to sustain malaria control efforts at the pre-elimination and elimination phases in order to prevent resurgence of malaria in countries; the geographical imbalance in malaria burden within countries (for example KwaZulu Natal has a high burden of malaria while it is relatively low for South Africa as a whole); or the burden of disease at regional (multi-country) level rather than at national levels.

Potential impact of proposed measure:

5.30 With the suggested option, countries are more evenly distributed across categories for each disease than with the current policy. This is particularly true for HIV/AIDS and tuberculosis, but to a lesser extent for malaria.

For example,

- 40%, 41% and 30% of eligible countries for HIV/AIDS, tuberculosis and malaria respectively will score high (3 and 4) under the suggested option; versus
- 62%, 39% and 19% of eligible countries for HIV/AIDS, tuberculosis and malaria respectively, scoring 4 under the current policy.

5.31 Table 8 summarizes the distribution of all Round 9 eligible countries across categories under the current versus suggested definition for disease burden. This does not take into account countries for which burden of disease data is not available.

	Current policy					Suggested option					
	Indicator	Value	Score	#countries	(%)	Indicator	Value	Score	#countries	(%)	
HIV	HIV prevalence in the general population and/or in vulnerable populations	(Above 1% in the general population) OR (below 1% in the general population AND above 5% in at least one vulnerable group)	4	77	62%	HIV prevalence in the general population and/or in vulnerable populations	Above 5% in the general population	4	15	12%	
							Between 2 and 5% in the general population OR above 15% in at least one vulnerable group	3	35	28%	
							Between 1 and 2% in the general population OR between 5% and 15% in at least one vulnerable group	2	27	22%	
							Below 1% in the general population AND below 5% in all vulnerable groups	1	37	30%	
	Missing data on disease burden				10	8%	Missing data on disease burden				10
Total				124	100%	Total				124	100%
Tuberculosis	List of high burden countries or list of countries accounting for 97% of the TB/HIV burden	Country on one or the other list	4	45	39%	Tuberculosis incidence rate (all forms) (per 100,000 population)	Above 400	4	14	12%	
							Between 200 and 399	3	34	29%	
		Country does not belong to any of the lists	1	68	59%			2	45	39%	
							Below 49	1	20	17%	
	Missing data on disease burden				3	3%	Missing data on disease burden				3
Total				116	100%	Total				116	100%
malaria	Death rate	More than 1 per 1000	4	22	19%	Combination of estimated morbidity and mortality rates (2004 or 2006 data)	Morbidity equal to or above 300 and mortality equal to or above 1	4	19	17%	
							Mortality equal to or above 0.5 and below 1 regardless of morbidity; OR morbidity below 300 and mortality equal to or above 1	3	15	13%	
		Less than 1 per 1000	1	70	61%			2	5	4%	
							Morbidity below 100 and mortality below 0.5	1	53	46%	
	Missing data on disease burden				23	20%	Missing data on disease burden				23
Total				115	100%	Total				115	100%

Table 8. Distribution of Round 9 eligible countries across categories under the current and suggested definition for disease burden.

PART 6: OVERVIEW OF SUGGESTED ALTERNATIVE TO EXISTING PRIORITIZATION BASIS

6.1 The current prioritization methodology is influenced by the TRP recommendation Category, used as a filter, and the composite index used to rank proposals within each TRP category, encompassing income level and disease burden.

6.2 The Working Group recommends to the Board to adopt a new prioritization algorithm based on the current income level criterion, a revised disease burden criterion and the TRP recommendation category included in the composite index. A new composite index would therefore be composed of the following:

Criteria	Indicator	Value	Score
Disease Burden	Disease specific indicators	Very High	4
		Mid - high	3
		Mid - Low	2
		Low	1
Poverty	World Bank Classification	Low Income	4
		Lower Middle Income	2
		Upper Middle Income	0
Technical merit of proposal	TRP recommendation category	Category 1	3
		Category 2	2
		Category 2B	1

Table 9. Criteria, indicators, values and scores for a new composite index

SUMMARY OF FEEDBACK FROM COMMITTEE CONSULTATIONS

During the September 2009 Committee meetings, the Co-Chair of the Working Group presented the Measures proposed by the Working Group to the members of PIC, PSC and FAC, addressed their questions and sought their comments.

Comments on Area A matters

Overall feedback on Area A from Committee consultations:

- Acknowledgment of the work undertaken by the Working Group;
- Appreciation for the open and inclusive process;
- Strong advice to invest in implementers' engagement.

Area A, Measure 1: Revise the existing order of prioritization:

- Considerable interest in seeing more explanation of revised disease burden criteria;
- Some concern regarding the revised composite index, including its potential consequences for specific regions.

Area A, Measure 2: Initially commit 90% of the funding for Phase 1, with the remainder to be committed later if required:

- Concern over extent of transaction costs and recognition that steps need to be taken to minimize these costs.

Area A, Measures 3 and 3A: Impose funding limits:

- Measure 3: Reduction of Phase 1
- Measure 3A: Limit Phase 2 of Round 9 to 75%, initially

- Concern that imposing funding limits could create an incentive to inflate proposal budgets;
- Request for more information about the financial situation in 2011, a critical year for cash flow;
- Suggestion to carefully review and design the process of establishing the 10% reduction to Phase 1 (based on experiences in R8) and to follow an approach that not only involves the PR but also the CCM, to capture the bigger picture and avoid just administrative cuts;
- Request for consideration of when the 75% limit on Phase 2 of Round 8 might be relaxed.

Area A, Measure 4: Vary the currently existing Income Level and Eligibility criteria

- Concern that implementing countries are currently suffering a severe economic recession that poses a risk to their capacity for cost-sharing.

Area A, Measure 5: Provide Bridge to Round 10

- Concern that the current CoT policy, if it were applied in this instance, could lead to prioritization of HIV over other diseases. The importance of continuity of other services - such as bed nets - was emphasized;
- Strong support for bridge funding but concern at missing out on potential to scale-up that would have been available through RCC.

Area A, Measure 6: Commit funding for Phase 2 and RCC for two years initially and then subsequently for the third year (instead of three years upfront, as at present):

- Concern that this measure shifts the financial burden to later years;
- Concern over extent of transaction costs and recognition that steps need to be taken to minimize these costs.

Area A, Measure 7: Suspend the Rolling Continuation Channel (RCC):

- Acknowledgement that this measure is not a saving; the demand will continue to exist and will reappear in the bridge funding and in future Rounds;
- Proposal to continue RCC until the end of 2010.

Area A, Measure 8: Application of the resource forecast period for funding of grants:

- The FAC at its meeting on 29-30 September endorsed the proposed modification of the forecasting methodology.

Area A, Measure 9: Timing of Round 10:

- Reluctance to miss out on opportunities for demand expression for almost 2 years;
- Interest in the concept of a mini Round 10 providing opportunities to stimulate progress in different areas (Architecture transition, NSAs, etc);
- Importance of approving Round 10 in the context of the Third Replenishment, possibly focused on particular needs;
- Support for clarification of timing Round 10 in the November 2009 Board meeting;
- Importance of funding NSAs to build on the experience of the First Learning Wave;
- Importance of transitioning as soon as possible to the new Grant Architecture.

Comments on Area B matters

Overall feedback on Area B from Committee consultations:

- As a partnership, we will need to discuss ‘rationing’ of resources;
- How will the Global Fund take forward cost-effectiveness as a principle?;
- Support for the proposed way forward (Board leadership taking on future issues with Committee leadership);
- On operational considerations – country-level data, prioritization instruments – how to engage with partners to make that work better?;
- There seems to be some overlap between Area B work and PSC work – particularly on the Five-Year Evaluation follow-up and updating of strategy;
- Adjustments to eligibility and prioritization criteria (including recent funding history), co-financing requirements and other factors will require further consideration so that these can be incorporated in the call for Round 10 proposals. These matters could be considered within the context of the architecture reforms.

Comments on Area C matters

Overall feedback on Area C from Committee consultations:

- Acknowledgment of the work undertaken by the Working Group;

- Interest in those Area C measures that were approved by the Working Group in the first meeting, but were not brought back to the Working Group for reconsideration and the process that will be followed to implement them;
- Interest in more emphasis being placed on Area C;
- Desire for opportunity to comment further on Area C measures;
- Suggestion that discussions of specific measures in the Working Group should not be interpreted as in principle endorsement of these measures by individual board members.
- Implementing countries that have complied with or are close to complying with the Abuja commitment to allocate 15% of national budgets to the provision of health care should be acknowledged and others encouraged to reach compliance.

Area C, Measure 5: Open the Debt2Health initiative to all creditors and all beneficiary countries, who wish to enter into a Debt2Health swap:

- The FAC concurred with the Working Group recommendation that the initiative be open to all creditors and all beneficiary countries who wish to implement a Debt2Health swap;
- Some existing donors are not in a position to engage in such debt swaps.

Area C, Measure 6: Approve development of innovative financial products in the form of a) Exchange Traded Fund (ETF) and b) “Fund of Funds” enabling retail and institutional investors as well as money managers to contribute to the Global Fund:

- FAC took note of the development of an ETF concept and emphasized the need for the Ethics Committee to review any agreement for such initiatives;
- The potential exposure to reputational risk requires consideration.

Area C, Measure 7: Grow collaborations with UNITAID and Support Solidarity Levies:

- Appreciation of UNITAID’s contribution to the Global Fund, with caution regarding trend to increased earmarking of contributions.

Area C, Measure 8: Endorse the creation of legal fundraising vehicles to facilitate private contributions, notably in the United States:

- Noted that individuals can make tax-deductible contributions in the United States through the UN Foundation and support for efforts to explore mechanism for tax-efficient donations in other countries.

Area C, Measure 9: Promoting the expansion of Product (RED) to new markets and partnerships:

- Support for expansion of Product (RED) and similar initiatives.

Area C, Measure 10: Support Dialogue on the Currency Transaction Levy (CTL) and Recommend Participation in the Working Group on CTLS:

- Some opposition to further exploration by the Secretariat of a Currency Tax Levy.

***Decision 1: Funding Decision for Round 9 Proposals and National Strategy Applications
(Includes All Measures Recommended by the Working Group)***

The Board refers to its decision made at the Nineteenth Board Meeting establishing a working group to examine the tension between demand and supply in a resource-constrained environment (GF/B19/DP26) (the "Working Group").

The Board commends the Working Group on its recommendations to the Board contained in its report (GF/B20/12) and endorses the recommendations contained in the report. In particular, the Board notes that the measures outlined for Area B in the Report need to be discussed by the Board and decisions made prior to the launch of the next round of funding.

With respect to Round 9 and National Strategy Applications, the Board recognizes that:

- (i) the current funding prioritization scheme amongst TRP recommended proposals requires amendment;*
- (ii) currently a large proportion of funding commitments made by the Global Fund are for a three year period, with the entire funding commitment being made at the time of grant signature;*
- (iii) it is preferable to make three-year funding commitments in two tranches of an initial two-year period and an additional one-year period;*
- (iv) commitment of the additional one-year period can be undertaken in a manner that minimizes funding uncertainty and additional transaction costs; and*
- (v) certain other measures are required to be put into effect in order to fund the current demand for funding.*

Therefore, the Board decides as follows:

1. The Comprehensive Funding Policy (approved at the Sixth Board Meeting and amended at the Thirteenth Board Meeting and Fifteenth Board Meeting (GF/B15/DP27) is amended as presented in Annex 5 to the Report of the Working Group on Managing the Tension Between Supply and Demand (GF/B20/12).

2. Round 9 proposals, National Strategy Applications (NSA):

(a) The [or Each] Round 9 proposal[s] and National Strategy Application[s] shall be subject to a[n overall] 10% adjustment for efficiency, resulting in a maximum limit of 90% of the TRP-recommended amount for the first two years of implementation.

(b) The Secretariat shall commit funds for Round 9 and NSAs limited to 90% of the approved funding (an "Initial Commitment") and an anticipated financial commitment for the remaining year of the approved additional funding, to be committed not earlier than 12 months after the starting date of the Initial Commitment, conditional upon the availability of

funding (a "Continuing Commitment"). Continuing Commitments shall have the first funding priority under paragraph 8 of the Comprehensive Funding Policy.

3. Round 9 and NSA additional commitments: Approval by the Board of additional commitments for Round 9 proposals and NSAs shall be subject to a collective maximum limit of US\$X (being 75% of the amounts requested in Round 9 proposals for the third, fourth and fifth year of implementation and 75% of the amounts requested in NSAs for implementation periods beyond the first two years). These limitations, as well as the limitations placed on Round 8 Phase 2 in the decision entitled "Funding Decisions" made at the 18th Board meeting (GF/B18/DP13, paragraph 2) shall be increased from 75% to 90% when new resources become available, subject to approval by the Board at that time.

4. Due to the measures outlined in this decision, which increase the amount of funding in available in 2011, the last sentence of paragraph 4 of Decision GF/B18/DP13 is deleted.

There are no budgetary implications of this decision in 2010.

Decision 2:

1. The Board approves, in principle, all the Round 9 proposals and National Strategy Applications (NSAs) recommended for funding by the Technical Review Panel (TRP).

2. The Board approves for funding, subject to Decision GF/B20/DPX, for an initial two years those Round 9 proposals and NSAs recommended for funding by the TRP with Composite Index [X] as listed in Annex X of the Report of the Technical Review Panel and Secretariat on Round 9 Proposals (GF/B20/09) and Annex X of the Report of the Technical Review Panel and Secretariat on Recommendations for National Strategy Applications of the First Learning Wave (GF/B20/X), subject to paragraphs 4 to 5 below.

3. The remaining Round 9 proposals and NSAs recommended for funding by the TRP with Composite Index [x] will be approved for funding for an initial two years (subject Decision GF/B20/DPX) and paragraph X below):

(a) through Board confirmation by email (or, if appropriate, at the Twenty-First Board Meeting), as funds become available under the terms of the Comprehensive Funding Policy; and

(b) based on the composite ranking of such proposals in compliance with the Comprehensive Funding Policy.

4. The applicants whose proposals are recommended for funding as 'Category 1' (as indicated in Annex X of GF/B20/09 and Annex X of GF/B20/11) shall conclude the TRP clarifications process, as indicated by the written approval of the Chair and/or Vice Chair of the TRP, not later than eight weeks after the applicant's receipt of:

(a) notification in writing from the Secretariat of the Board's decision; or

(b) the findings of the independent budget review, in cases where the TRP has requested an independent budget review as part of the clarifications process.

5. *The applicants whose proposals are recommended for funding as 'Category 2', including the subset of proposals identified as 'Category 2B' (as indicated in Annex X of GF/B20/09, and Annex X of GF/B20/11), shall:*

(a) provide an initial detailed written response to the requested TRP clarifications and adjustments by not later than eight weeks after the applicant's receipt of :

i. notification in writing by the Secretariat to the applicant of this Board decision; or

ii. the findings of the independent budget review, in cases where the TRP has requested an independent budget review as part of the clarifications process; and

(b) conclude the TRP clarifications process, as indicated by the written approval of the Chair and Vice Chair of the TRP, not later than three months from the Secretariat's receipt of the applicant's initial detailed response to the issues raised for clarification and/or adjustment.

6. *The Board declines to approve for funding those proposals recommended by the TRP as 'Category 3' as indicated in Annex 1 of GF/B20/09 and Annex X of GF/B20/11. These applicants are encouraged to re-submit a proposal in a future funding round after major revision of the proposal.*

7. *The Board declines to approve for funding those proposals recommended by the TRP as 'Category 4', as indicated in Annex 2 of GF/B20/09.*

8. *The Board notes the TRP's request to have additional financial analysis support as part of the clarifications process and requests the Secretariat to make the necessary arrangements.*

The budgetary implications of this decision are estimated at approximately US\$ 375,000 for professional fees associated with independent budget reviews and financial analysis support.

PROPOSED REVISION TO COMPREHENSIVE FUNDING POLICY

Comprehensive Funding Policy and Related Board Decisions

(As approved at the Sixth Board Meeting and amended at the Thirteenth Board Meeting and Fifteenth Board meeting)

1. Resource mobilization should use a periodic replenishment model on a voluntary basis for all public donors, complemented by additional ad hoc contributions for all donors, including new public donors, the private sector, and individuals.
2. TRP-recommended proposals ~~submitted through the Rounds-Based Channel and Rolling Continuation Channel~~ should be approved up to the total of resources available.
3. The Board approves in principle proposals ~~submitted through the Rounds-Based Channel~~ for the entire term of the proposal (up to five years) ~~(and may approve continued funding for grants through the Rolling Continuation Channel for up to a further six years,~~ with the following conditions:
 - a. ~~For proposals approved through the Rounds-Based Channel, t~~ The **initial** financial commitment shall be for an initial two years (“Phase 1”) with the possibility of renewal for up to an additional three years (“Phase 2 Renewal”)- amount equal to the remaining time in the then-current commitment period for the approved grant(s), which shall not exceed three years.
 - b. Continued funding may be approved by the Board for up to three years based on the most recent consolidated proposal approved by the Board for that disease (an “Additional Commitment”). An approval of an Additional Commitment may include supplementary funds not included in an approved proposal, based on policies approved by the Board from time to time (“Scale-up Funds”).

~~For grants continued through the Rolling Continuation Channel, the financial commitment shall be for the initial three years of continuation (“RCC-I”) with the possibility of renewal for up to an additional three years (“RCC-II”)~~

 - c. Upon approval of the Board of funding for an Additional Commitment that exceeds two years, the Secretariat shall commit funds for such approvals (by signing a related grant agreement or extension) as follows:
 - (i) a financial commitment limited to two additional years of the approved funding (the “First Commitment”); and
 - (ii) an anticipated financial commitment for the remaining year of the approved additional funding, to be committed not earlier than 18 months after the starting date of the First Commitment, conditional upon the availability of funding (the “Second Commitment”).
 - ~~e. d.~~ The Board may approve Rounds-Based-proposals, Phase 2 Renewals and RCC-I and RCC-II continuations and commit funds for the resulting financial commitments up to the cumulative uncommitted amount of assets that the Board determines will be available at the time of the Secretariat committing the funds in signing the related grant agreements.

~~d. e.~~ An amount of assets equivalent to the maximum financial commitment under a grant agreement must be deposited with the Trustee or readily available on demand prior to the Secretariat committing the funds in a signing such grant agreement.;

~~e. f.~~ No funds for appeals should be reserved. Successful appeals should be funded immediately if resources are available or as soon as new resources become available.

4. The Global Fund shall consider as assets for the purposes of entering into grant agreements, both cash and promissory notes or similar obligations issued by the government of a sovereign state (or its designated depository) which shall be non-negotiable, non-interest bearing and payable at par value to the account of the Fund in the designated depository on demand or in accordance with an encashment schedule agreed between the contributor and the Secretariat.

5. The Board will announce a minimum of one Call for Proposals ~~(for the Rounds-Based Channel)~~ per calendar year. The Board can adjust this based on need and on resources available. A forecast of the resources available ~~for the Round,~~ based on confirmed pledges, will be announced at the time that the Call for Proposals is issued.

6. At the final Board meeting of each year, the Global Fund will forecast resources, based on confirmed pledges, and estimate demand for the next year. This estimate will show clearly the funds available for commitment ~~through each funding channel.~~ This estimate should be updated at each Board meeting.

7. Prioritization for funding amongst proposals ~~submitted through the Rounds-Based Channel:~~

a. The Technical Review Panel will use ~~Technical merit will be the criteria used to determine~~ its recommendation to the Board for proposal approval. The Technical Review Panel should refine its recommendations in category 2 in a way that will facilitate the Board's prioritization of proposals for approval.

b. If insufficient resources are immediately available to approve all TRP-recommended proposals, proposals shall be prioritized for funding in accordance with paragraph 8 below.

c. The Board will not partially approve components.

8. The system for prioritizing among TRP-recommended proposals ~~in the Rounds-Based Channel~~ in the event that insufficient resources are immediately available to approve all TRP-recommended proposals is as follows:

a. A composite index is used to assign scores to TRP-recommended proposals as described below.

b. The indicators, values, and scores ~~for the first two criteria~~ are as follows:

Criteria	Indicator	Value	Score
Disease Burden— <u>HIV proposals</u>	Eligibility criteria for proposals from Upper-Middle Income countries (applied to all)	“Very high”	4
		<u>Equal to or above 5% in the adult population</u>	4
		<u>Equal to or above 2% and below 5% in the adult</u>	<u>3</u>

	proposals) <u>HIV prevalence in the general population and/or in vulnerable populations</u>	<u>population OR equal to or above 15% in at least one vulnerable population</u> <u>Equal to or above 1% and below 2% in the adult population OR equal to or above 5% and below 15% in at least one vulnerable population</u> <u>Not “very high” Below 1% in the adult population AND below 5% in all vulnerable populations</u>	 <u>2</u> <u>1</u>
<u>Disease Burden - tuberculosis proposals</u>	<u>Tuberculosis incidence rate (all forms) (per 100,000 population)</u>	<u>Equal to or above 400</u> <u>Equal to or more than 200 and below 400</u> <u>Equal to or above 50 and below 200</u> <u>Less than 50</u>	<u>4</u> <u>3</u> <u>2</u> <u>1</u>
<u>Disease Burden— malaria proposals</u>	<u>Combination of estimated morbidity (number of people with malaria per 1,000 people in a year) and mortality rates (number of deaths from malaria per 1,00 people in a year) (2004 or 2006 data)</u>	<u>Morbidity equal to or above 300 and mortality equal to or above 1</u> <u>Mortality equal to or above 0.5 and below 1 regardless of morbidity; OR morbidity equal to or below 299 and mortality equal to or above 1</u> <u>Morbidity equal to or above 100 and mortality below 0.5</u> <u>Morbidity below 100 and mortality below 0.5</u>	<u>4</u> <u>3</u> <u>2</u> <u>1</u>
Poverty	World Bank Classification	Low Income Lower-Middle Income Upper-Middle Income	4 2 0
<u>Technical Merit</u>	<u>TRP recommendation category</u>	<u>Category 1</u> <u>Category 2</u> <u>Category 2B</u>	<u>3</u> <u>2</u> <u>1</u>

c. In the event that insufficient resources are immediately available to finance all TRP-recommended proposals, TRP-recommended proposals are financed in the following order:

1. Proposals in TRP category 1
2. Proposals in TRP category 2.

d. ~~If category 2 is sub-classified by the TRP into subcategories, these are financed sequentially, with the proposals in the higher -rated composite index score subcategories being financed before those with a in-lower composite index score -rated subcategories.~~

e. ~~Proposals in the highest-rated category (or subcategory, if category 2 is broken down by the TRP into subcategories) for which insufficient resources are available are assigned a score in accordance with the above table. They are then financed in descending order (with the highest scoring proposals receiving priority).~~

f. ~~There is no further subdivision of the groups formed by the combination of the TRP category/subcategory and score.~~

d. g. If insufficient resources are available to immediately finance all TRP-recommended proposals, the Secretariat is responsible for assigning scores to proposals and is to present the Board with these scores at the time of the Board's consideration of the TRP's recommendations.

9. Prioritization of Funding Needs

The procedures set out below shall apply in the event of there being insufficient resources during a certain calendar year to fund all ~~Phase 2 Renewals and all grants continued through the Rolling Continuation Channel.~~ Such a situation of resource constraints would become evident at the final Board meeting of the previous year anticipated commitments.

The available resources shall be applied in the following sequence:

~~First funding priority: Phase 2 Renewals and Extraordinary Requests for Continued Funding for Treatment~~

~~Second funding priority: Second Commitments of Additional Commitments RCC-II~~

~~Third funding priority: First Commitments of Additional Commitments RCC-I~~

~~Fourth: Scale-up Funds~~

~~Fourth funding priority: Fifth: Incremental funding requested in new Proposals submitted through the Rounds-based Channel~~

10. With respect to each of the first ~~three~~ four funding priority categories (~~Phase 2 Renewals and Extraordinary Requests for Continued Funding for Treatment, RCC-I and RCC-II~~):

a. Provided that funding is available for at least one year's needs for the calendar category during a certain calendar year:

(i) Available resources shall be allocated among all grants in the category that satisfy the Global Fund's continuation/renewal criteria, according to a time-limited partial allocation system that funds all such grants for the same duration;

(ii) The time limited duration for renewed grants shall be established by the Board at the final Board meeting of the year prior to the year of renewals. This time-limited duration will be based on conservative estimates of resource needs for renewals as compared to resources available for the calendar year of resource constraints

(iii) Initial amounts committed during the year may be adjusted at the end of the year based on actual resource needs for renewals as compared to resources available.

b. If funding is not available for at least one year's needs for the category during a certain calendar year, special procedures will be decided by the Board at the final Board meeting of the previous year. **This may include placing limits on the amounts available for Scale-up Funds.**

c. Unfunded portions of prior years' needs for the category shall have priority for funding over the current year's needs for the category.

Decision Point 3: Decision on Bridging to Round 10

The Board, in recognition of the anticipated timing of its next Call for Proposals in September 2010 for approval at the first Board Meeting in 2011, decides as follows:

1. Country Coordinating Mechanisms (“CCMs”)¹ overseeing a grant reaching the end of its funding term before November 2011 (“Expiring Grants”) may apply for, and the Secretariat may approve, an extension of the funding term to 31 December 2011.

2. In cases where an Expiring Grant does not have a B2 or C rating for any performance period ending in the preceding 12 months, a CCM may also apply for, and the Secretariat may approve, additional funding (“Extension Funding”) for an Expiring Grant up to a maximum amount to be calculated as follows:

a. the number of months in the period over which the extension is being provided;

b. multiplied by the average monthly amount the Principal Recipient (“PR”) is expected to spend or has spent during the previous twelve months of implementation, based on the financial information set forth in the program budget contained in the grant agreement that covers the Expiring Grant; and

c. less any funds:

i. disbursed to the PR under the Expiring Grant that are expected to be or are unspent or uncommitted by the PR at the end of the grant term or commitment period;

ii. committed under the Expiring Grant that are expected to remain or have remained undisbursed at the end of the grant term or commitment period;

iii. committed or approved under another grant to continue the same activities as in the Expiring Grant.

3. In cases where an Expiring Grant has a B2 or C rating for any performance period ending in the preceding 12 months, a CCM may apply for Extension Funding (to be calculated in the same way as described in paragraph 2.a, b and c above). In such cases, the Secretariat shall present to the Board for approval by email its recommendations with respect to application, using the no-objection process described in Article 12 of the Board Operating Procedures.

4. The Board expects applicants for Extension Funding to use the opportunity to transition to a Single Stream of Funding by consolidating existing grants to the same PR for the same disease, unless there is a compelling reason not to do so.

5. If following the provision of Extension Funding, another source of funding is made available that will fully continue the activities financed under the Expiring Grant, the Secretariat shall adjust the Extension Funding so as to avoid duplicative financing of these activities.

6. *If an extension is provided under paragraph 1 or 2 of this decision, with or without Extension Funding:*

- a. the term extensions available under Decision GF/B14/DP27 will no longer be available for the grant; and*
- b. the CCM is not eligible to submit an Extraordinary Request for Continuation of Treatment for the period covered by the extension.*

In addition, due to the availability of term extensions and Extension Funding under this decision, the Board revokes the decisions on the use of bridge funding for Rolling Continuation Channel applicants (Decision GF/B16/DP7 and Decision GF/B16/DP8 paragraph 5).

There are no material budgetary implications for this decision.

¹or if appropriate, in the case of a non-CCM proposal, a grant applicant