

## REPORT OF THE POLICY AND STRATEGY COMMITTEE

### OUTLINE:

This report summarizes the deliberations of the Policy and Strategy Committee (PSC) at its 13<sup>th</sup> Meeting on 15-16 March 2010<sup>1</sup>. It includes the decision points the PSC recommends to the Board for approval at its Twenty First Meeting.

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<sup>1</sup> Following the release of this report to the Board the PSC also met via telephone conference to further consider the topics of Global Fund support to the Millennium Development Goals 4 & 5 and Prioritization for Round 10. PSC inputs into these issues during this meeting are reflected in Attachment 1 to this document: "Global Fund's Role as a Strategic Investor in Millennium Development Goals 4 & 5" and GF/B21/11 "Prioritization for Round 10"

## PART 1: INTRODUCTION

1.1 The Policy and Strategy Committee (PSC) met in Geneva on 15-16 March 2010 for its 13<sup>th</sup> meeting. The Chair was Dr. Suwit Wibulpolprasert (South East Asia); the Vice-Chair was Todd Summers (Private Foundations).

1.2 This report contains the following topics:

i. Items for Board decision:

- Analysis of lessons learned from the First Learning Wave of National Strategy Applications (NSAs) and proposed further investment through NSAs (Part 2)
- Health Systems Funding Platform (Part 3)
- Mechanism to commit additional funding to accelerate strongly-performing programs at the time of grant renewals (Part 4)
- Prioritization criteria for Round 10 (Part 5)

ii. Items for Board Input

- Progress Report of Sub Committee on Global Fund Five-Year Evaluation (Part 6)

iii. Items for information: (Part 7)

- Key Performance Indicators (KPIs): Year-end report on results for 2009 and proposed modifications for 2011
- Global Fund support to Millennium Development Goals (MDGs) 4 and 5
- Process for review of eligibility criteria
- Technical Evaluation Reference Group (TERG) activity update
- Partnership Forum 2011
- Overview of corporate risks assigned to PSC oversight

1.3 Guidance on the location of further information is provided in Annex 1 to this report.

## PART 2: ANALYSIS OF LESSONS LEARNED FROM THE NATIONAL STRATEGY APPLICATION FIRST LEARNING WAVE AND PROPOSED FURTHER INVESTMENT THROUGH NSAs Decision

2.1 As part of its commitment to aid effectiveness principles and in response to country requests for streamlined processes, the Global Fund Board committed<sup>2</sup> in 2007 to introducing a new way to apply for Global Fund resources - known as "National Strategy Applications". This involves using a national strategy<sup>3</sup> rather than a Global Fund-specific proposal form as the primary basis of the application for Global Fund financing<sup>4</sup>. In 2008, the Global Fund Board decided to introduce NSAs through a phased roll-out, beginning in 2009 with a "First Learning Wave"<sup>5</sup>. The aim of this first wave was to draw policy and operational lessons to guide the broader roll-out of the NSA procedure beyond 2009.

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<sup>2</sup> Decision GF/B15/DP7 - "Modified Application Process for Supporting Country Programs"

<sup>3</sup> "National strategy" is used here as short-hand to refer to the national strategy *and* other related documentation (such as yearly operational plans, program review reports, epidemiological reports, etc.).

<sup>4</sup> A description of the NSA approach, its anticipated benefits and the First Learning Wave can be found in Annex 2 of document GF/PSC13/02.

<sup>5</sup> Decision GF/B18/DP20 - "Phased Roll-out of National Strategy Applications, with First Learning Wave"

2.2 The First Learning Wave was launched in early 2009 and saw the approval in November 2009 of five NSAs, for a total two-year value of US\$ 434 million.<sup>6</sup> The Board requested the Secretariat to analyze the lessons from the First Learning Wave and prepare recommendations for further investment on the basis of NSAs.<sup>7</sup>

2.3 At its meeting in March 2009,<sup>8</sup> the PSC was briefed on the lessons that had been gathered from a broad range of stakeholders<sup>9</sup> in relation to the various facets of the First Learning Wave (See Annex 5 to this document and Attachments 2-4 of this document<sup>10</sup>). Drawing on these lessons, recommendations for future investment on the basis of NSAs were presented for PSC consideration. Together these recommendations lead to a next NSA funding opportunity that moves closer to the intended future model for NSA funding.

2.4 The PSC welcomed the lessons learned on the First Learning Wave of NSAs. It expressed strong support for the NSA approach and stated the need to move forward at an appropriate pace, building on the lessons learned.

2.5 The PSC supported the initiation of a next NSA funding opportunity on a schedule that allows Board financing decisions on NSAs together with the Global Fund's 2011 funding window, and with the same funding priority. The PSC stressed the need to ensure the timing allows countries whose national strategy is deemed not sufficiently robust to support a NSA to apply through the concurrent regular Global Fund process. The PSC recommends the following decision point to the Board for approval:

**Decision Point 1: Next National Strategy Application Funding Opportunity**

***The Board:***

- 1. notes the progress achieved in the implementation of the First Learning Wave ("FLW") of National Strategy Applications ("NSAs");***
- 2. acknowledges the analysis of lessons of the FLW and the recommendations for further investment on the basis of NSAs presented in GF/PSC13/02, which respond to the Board's decision GF/B20/DP26 requesting these; and***
- 3. refers to its decision GF/B18/DP20 to bring the NSA procedure into operation through a phased roll-out.***

***The Board requests the Secretariat to initiate a next NSA funding opportunity on a schedule that enables funding decisions to be made at the Board meeting in the fourth quarter of 2011, subject to availability of funding. The TRP-recommended applications emanating from this NSA submission opportunity shall be treated in the same manner as other proposals being simultaneously considered for new funding (see Section 9 of the Comprehensive Funding Policy).***

***In addition, the Board requests the Secretariat to:***

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<sup>6</sup> Grant negotiations are currently ongoing for those five NSAs. Four of these are expected to be signed by mid-2010 under the new Global Fund grant architecture provisions.

<sup>7</sup> Decision GF/B20/DP26 - "National Strategy Applications First Learning Wave Follow-up"

<sup>8</sup> "Analysis of Lessons from the National Strategy Application First Learning Wave and Proposed Further Investment Through National Strategy Applications" (GF/PSC13/02)

<sup>9</sup> Including the Technical Review Panel, Secretariat, and country-level stakeholders via two in-depth external reviews of the First Learning Wave - one carried out by UNAIDS and one by consultants overseen by the Secretariat.

<sup>10</sup> Available on the Board Member Extranet:

<http://extranet.theglobalfund.org/board/TwentyFirst%20Board%20Meeting%20Documents/Forms/AllItems.aspx>

1. *ensure the next NSA funding opportunity builds on the lessons learned in the FLW;*
2. *plan for the next NSA funding opportunity to include an incrementally larger number of countries than the FLW;*
3. *focus on applications based on a national disease strategy that has been jointly assessed using a credible, joint assessment approach for national disease strategies that accords with the fundamental principles supported by the Policy and Strategy Committee (GF/B16/06):*
  - i. *country ownership;*
  - ii. *independence;*
  - iii. *consistency;*
  - iv. *adequate expertise;*
  - v. *transparency; and*
  - vi. *multi-stakeholder involvement;*
4. *further encourage meaningful multi-stakeholder involvement in the development of the national strategy;*
5. *ensure the application and grant management processes for the next NSA funding opportunity are consistent with the new Global Fund grant architecture (as described in GF/B20/DP31 and GF/PSC12/02);*
6. *draw lessons from the next NSA funding opportunity to inform a future broader roll-out of the NSA procedure; and*
7. *periodically update the Board through the PSC on the possible financial implications of the next NSA funding opportunity.*

*The Board authorizes the Secretariat to make exceptions to existing policies and procedures to the extent necessary to implement the next NSA funding opportunity, under the same conditions as those for the FLW, as stated in GF/B18/DP20. The principles in that decision shall also apply to the next NSA funding opportunity, with the exception of the principle regarding the funding period, which will be based on the Global Fund new architecture.*

*The budgetary implications of this decision point in 2010 amount to US\$ XXX. [Amount to be communicated later and to be reviewed by FAC]*

### **PART 3: HEALTH SYSTEMS FUNDING PLATFORM**

### **Decision**

3.1 In March 2009 the chief executives of the Global Fund and the GAVI Alliance informed the High Level Task Force on Innovative Financing for Health Systems of their intention to begin jointly programming resources towards health systems strengthening (HSS).

3.2 At the 12th PSC Meeting the Secretariat presented two options for a common platform for joint funding and programming of HSS<sup>11</sup> - the Health Systems Funding Platform (the Platform). At its subsequent Twentieth Meeting, the Board requested the Secretariat:

- i. *"...in close consultation with the Policy and Strategy Committee, to continue collaboration with the partner agencies to establish in an inclusive manner the operational, financial and policy implications for joint HSS funding and programming based on but not limited to Option 1 (Single HSS Funding Application) and Option 2 (Funding on the basis of Jointly Assessed National Health Strategies)..." and*

<sup>11</sup> "Developing a Platform for Joint Funding and Programming of Health Systems Strengthening with the World Bank and the GAVI Alliance" (GF/PSC12/04)

- ii. *“to propose to the PSC, based on consultations at country level with key stakeholders, how a joint HSS platform could be operationalized and funded...”*<sup>12</sup>

3.3 At the 13<sup>th</sup> PSC Meeting the Secretariat provided an update on the work undertaken to describe the operational, financial and policy implications of implementing the Health Systems Funding Platform<sup>13</sup>. On receiving this update, the PSC:

- i. emphasized the need to improve measurement of the impact between health systems and disease-specific interventions;
- ii. reiterated its support of the need for the three agencies (Global Fund, GAVI and World Bank) with WHO to better harmonize and align their support for HSS;
- iii. recognized the need for a sequential approach which moves quickly on Track 1<sup>14</sup>, proceeds with designing a joint proposal form with GAVI (Track 2 Option 1), and prepares for piloting Track 2 Option 2 in 4-5 countries;<sup>15</sup>
- iv. emphasized the need for an independent evaluation of the Platform with TERG oversight; and
- v. reiterated the need for continued communication and consultation on this initiative.

3.4 The PSC recommends the following decision point to the Board for approval:

**Decision Point 2: Health Systems Funding Platform**

*The Board affirms the critical importance of strong health systems to achieve the Global Fund’s mandate to fight AIDS, tuberculosis and malaria.*

*The Board endorses an incremental approach to coordinated health systems strengthening investments under Track 1 and Track 2 as presented by the Secretariat in GF/PSC13/03.*

*The Board requests the Secretariat to continue rapid implementation of Track 1.*

*The Board requests the Secretariat to continue, based on consultations at country level, implementation of Track 2 Option 1 through the development of a joint proposal form with GAVI as described in GF/PSC13/03. The joint proposal form would be approved by the PIC (as per current policy) for use as soon as possible, no later than Round 11. Any funding proposals using this new joint proposal form would be subject to TRP review and Board approval processes.*

*The Board requests further work on Track 2 Option 2 such that funding requests emanating from a pilot in 4-5 countries could be approved by the Board at the same time as it approves Round 11. The Board requests that in the interim, its Policy and Strategy Committee review and approve the pilot’s design at its meeting in late 2010.*

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<sup>12</sup> Decision GF/B20/DP4 “Joint HSS Platform with GAVI and the World Bank”

<sup>13</sup> “Health Systems Funding Platform” (GF/PSC13/03)

<sup>14</sup> *Track 1* relates to existing health system strengthening (HSS) grants which have been approved by the GAVI and Global Fund Boards in countries where the World Bank also has HSS investments. The work would explore opportunities for improved harmonization of these existing investments and better alignment with country mechanisms, using flexibilities afforded to the three agencies under current policies.

<sup>15</sup> *Track 2* relates to new financing. *Option 1* envisages countries submitting a single health systems strengthening proposal to the Global Fund and GAVI, for the two agencies to jointly assess these proposals, and for their respective boards to make coordinated funding decisions. *Option 2* envisages funding HSS actions included in national health plans that have been jointly assessed by the three agencies (and other funding partners).

*The Board requests the Secretariat to increase dialogue with partners, and develop a communications strategy and mechanisms for building health systems capacity at country level as part of the implementation and to regularly provide updates to the PSC.*

*The Board endorses the current scope of Global Fund HSS support as the scope for Global Fund HSS support within the Platform. This will help to achieve outcomes for the three diseases and improve progress towards achieving MDGs 4, 5 and 6.*

*The Board requests TERG to oversee the independent evaluation of the Joint Platform.*

*The budgetary implications of this decision point in 2010 amount to US\$XXX. [Amount to be communicated later and to be reviewed by FAC]*

#### **PART 4: MECHANISM TO COMMIT ADDITIONAL FUNDING TO ACCELERATE STRONGLY-PERFORMING PROGRAMS AT THE TIME OF GRANT RENEWALS Decision**

4.1 The new grant architecture, approved by the Board in November 2009, seeks to simplify and strengthen the grant management model of the Global Fund. As part of the new grant architecture, and in order to enhance the performance-based funding model of the Global Fund, the Secretariat proposed the introduction of a mechanism for committing additional funding at the time of periodic reviews on the basis of demonstrated strong performance. When considering the new grant architecture in late 2009 the PSC and the Board<sup>16</sup> recognized the rationale for introducing such a mechanism, however requested further work to fine-tune the model originally proposed. Therefore, when the Board approved the new grant architecture it requested the Secretariat "conduct further work on a mechanism to allow for additional funding on the basis of demonstrated strong performance at the time of the requests for and approval of Additional Commitments under the Periodic Reviews and Commitments Policy."<sup>17</sup>

4.2 On being presented with the Secretariat's further work on this mechanism<sup>18</sup> the PSC:

- i. supported the introduction of the mechanism to commit additional funding for strongly-performing programs at the time of periodic reviews;
- ii. requested the Secretariat to continue working with partners to improve the performance of less well performing programs;
- iii. asked the Secretariat to determine whether additional funding for this mechanism is required as single stream programs are consolidated in 2010; and
- iv. asked the Secretariat to report to the PSC (in its first meeting in 2011) on any adjustments required to the mechanism together with projections for following years.

4.3 The PSC recommends the following decision point to the Board for approval:

#### **Decision Point 3: Incremental Funding and Related Commitment for 2011**

*The Board refers to its decision made at the Twentieth Board Meeting on the Global Fund Architecture Review (GF/B20/DP31) and takes note of document GF/PSC13/04 regarding the*

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<sup>16</sup> This issue was considered at the 12<sup>th</sup> PSC and Twentieth Board Meetings

<sup>17</sup> Decision GF/B20/DP31 "Architecture Review Transition Provisions"

<sup>18</sup> "Mechanism to Commit Additional Funding to Accelerate Strongly-Performing Programs at the Time of Grant Renewals" GF/PSC13/04

*mechanism under which additional funding to accelerate strongly performing programs can be made available at the time of grant renewal.*

*Therefore, the Board decides as follows:*

- *Approves the establishment of a dedicated funding envelope to allow for additional funds to be committed to programs on the basis of demonstrated strong performance and impact at the time of the requests for and approval of additional commitments under the Periodic Reviews and Commitments Policy (the “Incremental Funding at grant renewal”).*
- *Allocates for this purpose an amount of US\$ 30 million as a funding reserve for 2011, and will consider establishing a funding reserve for 2012 at its meeting in November 2011.*
- *Requests the Secretariat to implement this mechanism and manage this funding reserve in line with the procedure defined in Annex 2 of the PSC Report to the Board GF/B21/4.*
- *Replaces references to “Scale-up Funds” in the Comprehensive Funding Policy of the Global Fund (Annex 5 Version 2 of GF/B20/12) with “Incremental Funding at grant renewal”.*

*This decision does not have any material budgetary implications for 2010.*

## PART 5: PRIORITIZATION CRITERIA FOR ROUND 10

## Decision

5.1 The Global Fund prioritization rules (which are described in the Comprehensive Funding Policy<sup>19</sup>) establish the mechanism to queue proposals recommended by the Technical Review Panel (TRP) in the event that there are insufficient resources to fund all proposals. The Board requested that revisions to the existing rules should take forward the work initiated by the Board-appointed ‘Tension Working Group’<sup>20</sup>. In response, following the Twentieth Board Meeting an Interagency Working Group was established to build on the work undertaken by the Tension Working Group, and specifically to explore matters relating to disease burden and related technical parameters. Following the Board Retreat on 1-3 February 2010, it was decided that the PSC would consider this issue and present recommendations to guide the prioritization of proposals in Round 10 for decision at the Twenty First Board Meeting.

5.2 At the 13<sup>th</sup> PSC meeting, based on the work already carried out by these groups, the Secretariat presented options for Round 10 prioritization for PSC consideration<sup>21</sup>. In discussing these options some PSC members expressed the view that prioritization should only be a tool for “queuing” recommended proposals; others noted the resource context for Round 10 could mean prioritization may result in some TRP-recommended proposals not being funded. Concern was expressed by some members that prioritization could therefore become *de facto* eligibility. Most PSC members, as well as the Portfolio and Implementation Committee (PIC)<sup>22</sup>, agreed that the prioritization rules should be communicated to countries with the launch of Round 10.

5.3 A working group of the PSC was formed following the 13<sup>th</sup> PSC Meeting to take forward this work and develop a decision point for Board consideration at its Twenty First Meeting. The

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<sup>19</sup> [http://www.theglobalfund.org/documents/comprehensive\\_funding\\_policy.pdf](http://www.theglobalfund.org/documents/comprehensive_funding_policy.pdf)

<sup>20</sup> The full name is the “Working Group on Managing the Tension between Demand and Supply in a Resources Constrained Environment”.

<sup>21</sup> “Prioritization for Round 10” (GF/PSC13/09)

<sup>22</sup> The PIC had considered this issue at its meeting in March 2010 and had provided its input on it to the PSC leadership.

Working Group will hold both remote and in-person meetings between the 13<sup>th</sup> PSC and the Twenty First Board Meeting and the outcomes of its work and the associated decision point will be available in paper GF/B21/11 "Prioritization for Round 10" - with the documentation for the Twenty First Board Meeting.

## PART 6: ITEMS FOR BOARD INPUT

Input

### Progress Report of Sub-Committee on the Global Fund Five-Year Evaluation

6.1 At its meeting in May 2009 the Board, in its deliberation on the follow-up to the Five-Year Evaluation, requested: "*... the Chair of the Board, in consultation with Committee Chairs, to set up a small ad-hoc committee ... with the specific task of assisting the Board, through the PSC, to (i) follow-up on and formulate the Board's responses to the 5YE recommendations, and (ii) further define the role of the TERG in relation to independent evaluations, the resources required and Board oversight of the process*"<sup>23</sup>.

6.2 Following this Board decision, the then Chair of the Board, Mr. Rajat Gupta, asked the then Chair of the PSC, Ambassador Lennarth Hjelmåker, to establish this ad-hoc committee as a sub-committee of the PSC. A 12-member sub-committee was established, which has initially focused its attention on the second part of its mandate relating to the role of the TERG.

6.3 At the 13<sup>th</sup> PSC Meeting the Chair of this sub-committee presented preliminary thinking on this issue. He emphasized the need to address the mandate, the organizational structure, the links with, support from and location of support staff within the Secretariat. He noted that it is important that enough resources are allocated to the support function, that there is a clear and direct link between the TERG and its support staff, and that the Secretariat must not be able to negotiate or influence the findings of the TERG.

6.4 PSC members were invited, after consultation with their constituencies, to give feedback to the Sub-Committee Chair on this preliminary thinking. Based on this feedback the Sub-Committee then worked to further fine-tune its thinking for PSC and subsequently Board consideration. The full progress report of this Sub-Committee can be found in Annex 3.

## PART 7: ITEMS FOR INFORMATION

Information

**Key Performance Indicators (KPIs): Year-end report on results for 2009 and proposed modifications for 2011**

7.1 In accordance with the decision taken at by the Board at its Sixteenth Meeting,<sup>24</sup> the PSC assessed the results achieved against the KPIs at 2009 year-end. It also discussed proposed modifications to the KPI Framework for 2010 and 2011 and KPI targets for 2011<sup>25</sup>.

7.2 The PSC acknowledged and commended the Secretariat on its overall improved performance. While recognizing this overall performance, PSC members expressed concerns in the

<sup>23</sup> Decision GF/B19/DP29 "Follow-up to Five Year Evaluation"

<sup>24</sup> Decision GF/B16/DP13 Amendment of assessment process for Key Performance Indicators"

<sup>25</sup> "Key Performance Indicators: Year-end report on results for 2009 and proposed modifications for 2011" (GF/PSC13/05)

following areas and requested the Secretariat to focus on improving performance against these KPIs in 2010:

- i. Speed of grant signing;
- ii. Speed of disbursements;
- iii. Private Sector contributions; and
- iv. Staff diversity.

7.3 The PSC further requested the Secretariat to present a detailed analysis of grant signing and disbursement speed and quality to the PIC and requested the Finance and Audit Committee (FAC) to review operating expense targets. It also requested the Secretariat to pay close attention to the Price and Quality Reporting Mechanism to improve the quality and completeness of reporting.

7.4 The PSC approved the proposed additions and modifications to the 2010-2011 KPI framework and asked the Secretariat to:

- i. work with partners to define and improve the measurement and data sources used in reporting;
- ii. report on the median time for grant disbursements, but provide concurrently information on the mean and important outliers;
- iii. provide a breakdown of individual Paris Declaration indicators;
- iv. ensure full participation of civil society to develop performance measures for Community Systems Strengthening (CSS); and
- v. consult with communities and UNAIDS on human resources approaches to attract candidates from affected communities.

7.5 Finally the PSC decided to develop terms of reference to formalize the Performance Assessment PSC Sub-Committee.

7.6 The PSC approved the following decision point:

*PSC Decision Point: Key Performance Indicators - 2009 Year-End Results, Modifications for 2010-2011 and Targets for 2011*

*The Policy and Strategy Committee:*

1. *Notes the year-end results for the 2009 Key Performance Indicators presented in GF/PSC13/05 and recognizes the improved performance reported on the majority of indicators. The PSC is satisfied with the explanations provided for the targets not met and the proposed corrective actions:*
  - *Speed of grant signing;*
  - *Speed of disbursements;*
  - *Private Sector contributions;*
  - *Staff diversity.*
2. *Approves the following proposed modifications to the KPI Framework for 2010, as presented in Table 2 of GF/PSC13/05:*
  - *Amendment to definition of the DOTS sub-indicator of the recently approved KPI numbered 21 (Value for Money);*
  - *Revision of the definitions and/or measurement for KPIs numbered 22 (Country Health Impact), 10 (Disbursement Speed) and 4 (Staff Diversity - Ethnicity sub-indicator);*
  - *Addition of the indicator numbered 16 - Government Health Spending (preliminary indicator); and*

- *Modification of the reporting frequency for the KPIs numbered 23 (Global Health Impact) and 5 (Operating Expenses).*

3. *Approves the targets for 2011, as presented in Table 2 of GF/PSC13/05.*

4. *Requests the Secretariat with the PSC sub-group to consider further amendments to the KPI framework as follows:*

- *Work with partners to agree on a framework and performance measures for Community Systems Strengthening (CSS). As an outcome of this process, a KPI on Community Systems Strengthening, a baseline and target will be presented at the next PSC meeting;*
- *Finalize the definition of the indicator numbered 16 - Government Health Spending. The final indicator definition, baseline and target for this KPI will be presented for PSC approval in the 2010 mid-year report in September 2010; and*
- *Work with partners to set the 2011 targets for KPIs numbered 23 (Global Health Impact) and 22 (Country Health Impact). Targets for these KPIs will be presented for PSC approval in the 2010 year-end report in March 2011.*

*This decision does not have any material budgetary implications.*

## Global Fund Support to MDGs 4 and 5

## Information

7.7 The Global Fund Board Retreat in February 2010 discussed the role of the Global Fund in MDGs 4 and 5 and invited the PSC " *to discuss/present brief analytical background paper - outlining pros and cons of expanding or making the Global Fund's role in MDGs more explicit; and recommend a strategy for incorporating this in replenishment/resource mobilization efforts and reporting: Paper for 21<sup>st</sup> Board.*"<sup>26</sup>

7.8 The PSC was presented with a background paper on this issue outlining the current Global Fund contribution to addressing MDGs 4 and 5 through its existing investments in MDG 6<sup>27</sup>.

7.9 On considering this issue the PSC:

- i. agreed that the Global Fund is already having a significant positive impact on achieving MDGs 4 and 5, through its AIDS, tuberculosis and malaria efforts and related health systems strengthening investments;
- ii. recognized the linkages between MDGs 4, 5 and 6;
- iii. requested the Secretariat to improve communication on the Global Fund's existing contribution to MDGs 4 and 5, including in the replenishment process;
- iv. asked the Secretariat to do further analysis in this area, especially to understand its work in countries receiving Global Fund support and where achieving MDGs 4 and 5 is most in jeopardy and to seek to identify additional opportunities to have a positive impact on achieving MDGs 4 and 5; and
- v. requested the Secretariat to prepare a revised paper to submit to the PSC and further to the Board for discussion on the Global Fund's role as a strategic investor in MDGs 4 and 5 at the Twenty First Board meeting.

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<sup>26</sup> "Board Retreat 1-3 February 2010: Summary of Issues"

<sup>27</sup> "Global Fund's Role as a Strategic Investor in Millennium Development Goals 4 and 5" (Attachment 1 to this document)

7.10 Following the 13<sup>th</sup> PSC Meeting the Secretariat further developed its paper on this issue for consideration by initially the PSC<sup>28</sup> and then the Board. This paper is Attachment 1 to this document “Global Fund’s Role as a Strategic Investor in Millennium Development Goals 4 and 5”.

## Process for Review of Eligibility Criteria

## Information

7.11 Eligibility dictates who is able to apply for funds and under what conditions. For Round 10, no changes to existing eligibility and cost-sharing criteria are contemplated. However the criteria are subject to a review by the Board in November / December 2010.<sup>29</sup>

7.12 The PSC briefly discussed the process and timeline for reviewing the existing eligibility and cost-sharing criteria. It was noted that historically eligibility and cost-sharing has been considered by the PIC. However, based on the strategic nature of this issue the Chair and Vice-Chair of both the PIC and PSC agreed PSC engagement in this review was appropriate. It was acknowledged that the Board should discuss the strategic direction of the review at its Twenty First Meeting to inform the process and parameters for this work.

7.13 The PSC agreed that the PSC Chair and Vice-Chair, in consultation with the PIC leadership, will recommend to the Board leadership that the PSC and PIC co-convene a joint working group, consisting of 6-10 members from the PSC, PIC and technical experts. This group should be asked to provide recommendations on revised eligibility and cost-sharing requirements, including consideration of “graduation” and “sustainability”, to the Board at its Twenty Second Meeting.

## Technical Evaluation Reference Group (TERG) Activity Update

## Information

7.14 The PSC was updated that the TERG has responded to the Board request that it provide input on the technical features of the independent evaluation of the Affordable Medicines for Malaria (AMFm) initiative. A TERG position paper on this issue has been prepared for review by the AMFm Ad Hoc Committee<sup>30</sup>. The PSC welcomed the TERG’s engagement with the AMFm Ad Hoc Committee to establish a realistic and technically sound approach to independent evaluation of the AMFm and requested the TERG to work with the AMFm Ad Hoc Committee, with Secretariat support, to estimate the programmatic and evaluation cost implications of a full downstream evaluation.

7.15 The PSC noted the close collaboration between the TERG and the PSC Sub-Committee on Follow-up to the Five-Year Evaluation and recommended that the TERG continue to work with this PSC sub-committee to finalize options on the future of TERG for Board decision.

7.16 The PSC was informed that the TERG had reviewed<sup>31</sup> a Secretariat proposal for a Global Fund-wide Evaluation Agenda<sup>32</sup>. On reviewing this proposal the TERG had recommended the Secretariat develop a cross-cluster, Secretariat-owned, Board-mandated evaluation agenda. The TERG work plan for 2011 would then respond as necessary to this evaluation agenda.

7.17 The PSC took note of the TERG’s bridging work plan and budget for 2010 (see Annex 4 to this document). The bridging work plan will include three independent reviews and the provision

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<sup>28</sup> A PSC telephone conference call was held on 16 April where this amended paper was discussed.

<sup>29</sup> “Income Level and Cost-Sharing Criteria for Proposals for Funding from the Global Fund” (GF/B16/DP18)

<sup>30</sup> “Update on TERG Activities - Annex 2” (GF/PSC13/06)

<sup>31</sup> At its 14<sup>th</sup> Meeting on 8-9 February 2010

<sup>32</sup> “Update on TERG Activities” (GF/PSC13/06)

of guidance to the Secretariat in 5 to 7 areas of work. The PSC was also informed that the Secretariat will work to provide an additional US\$ 312,000 to fill the funding gap of the TERG work plan.

7.18 The PSC recommended that in the future:

- i. the TERG work plan be presented to the Board for approval upon recommendation of the PSC; and
- ii. the TERG budget go to the FAC for review and approval as part of the usual Global Fund budgetary processes.

## Partnership Forum 2011

## Information

7.19 At its Nineteenth Meeting, the Board delegated authority to the PSC to establish a Partnership Forum Steering Committee to start planning for this event to take place in early 2010<sup>33</sup>. The PSC received a report from the Secretariat regarding options for the composition of this Steering Committee and guidance on its scope of work. During the 13<sup>th</sup> PSC Meeting the PSC Chair and Vice-Chair called for nominations for leadership and membership of this Steering Committee and they agreed to take the lead in ensuring it was formed and commenced its work as expeditiously as possible.

## Overview of corporate risks assigned to PSC oversight

## Information

7.20 The Secretariat updated the PSC on the risks for which the PSC has oversight and the measures in place to manage these risks - specifically:

- i. The risk relating to meeting demand for funds in a resource-constrained environment; and
- ii. The risk relating to misperceptions of the Global Fund by external bodies.

7.21 The PSC:

- i. acknowledged the importance of risk management to the effective functioning of the Global Fund and requested a more comprehensive view of the key corporate risks;
- ii. endorsed the importance of a retreat of the Committee Chairs and Vice-Chairs to review the Risk Management Framework before the next PSC meeting;
- iii. decided to include an update on risk management in the agenda of its next meeting;
- iv. requested the Secretariat to develop a dashboard for monitoring corporate risks;
- v. noted that the FAC, in its report to the Board, will summarize all committees' discussions on the overall Corporate Risk Register;
- vi. noted that the Secretariat will prepare an annual review of corporate risks and the controls in place to address these risks by August / September 2010; and
- vii. noted that an updated Corporate Risk Register will be shared with all committees during their Autumn 2010 meetings

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.

<sup>33</sup> "Partnership Forum 2008" (GF/B19/DP30)

## GUIDANCE ON LOCATION OF FURTHER INFORMATION

The following table indicates where further information on items dealt with in this report can be found:

Where indicated by an asterisk [\*], documents are available on the PSC password-protected Committee Member Extranet site:

<http://extranet.theglobalfund.org/cme/default.aspx>

Other documents are available on the Global Fund public website

| Item:   | Location of further information:  |
|---|---|
| National Strategy Applications  | <ul style="list-style-type: none"> <li>- Analysis of lessons from the National Strategy Application First Learning Wave and proposed further investment through National Strategy Applications (GF/PSC13/02)*</li> <li>- National Strategy Applications (GF/PSC10/04)*</li> <li>- Board Decision Point: GF/B18/DP20 Phased Roll-out of National Strategy Applications with First Learning Wave</li> </ul> |
| Health Systems Funding Platform   | <ul style="list-style-type: none"> <li>- Health Systems Funding Platform (GF/PSC13/03)*</li> <li>- Developing a Common Platform for Joint Funding and Programming of Health Systems Strengthening with the World Bank and the GAVI Alliance (GF/PSC12/04)*</li> <li>- Board Decision Point: GF/B20/DP4 Joint HSS Platform with GAVI and World Bank</li> </ul>   |
| Mechanism to Commit Additional Funding to Accelerate Strongly Performing Programs at the time of Grant Renewals | <ul style="list-style-type: none"> <li>- Mechanism to Commit Additional Funding to Accelerate Strongly Performing Programs at the time of Grant Renewals (GF/PSC13/04)*</li> <li>- Architecture Review (GF/PSC12/02)*</li> <li>- Board Decision Point: GF/B20/DP31 Architecture Review Transition Provisions</li> </ul>   |
| Prioritization Criteria for Round 10  | <ul style="list-style-type: none"> <li>- Prioritization Criteria for Round 10 (GF/PSC13/09)*</li> </ul>   |
| Progress Report of Sub-Committee on the Global Fund Five-Year Evaluation  | <ul style="list-style-type: none"> <li>- Report of Sub Committee on Global Fund Five-Year Evaluation (GF/B21/4 Annex 3)*</li> </ul>   |
| Key Performance Indicators (KPIs)   | <ul style="list-style-type: none"> <li>- Key Performance Indicators: Year-end Report on Results for 2009 and Proposed Modifications for 2011 (GF/PSC13/05)*</li> <li>- Key Performance Indicators: Mid-year Report on Results for 2009 and Proposed Modifications for 2010 (GF/PSC12/09)*</li> </ul>  |
| Global Fund Support to MDGs 4 and 5   | <ul style="list-style-type: none"> <li>- The Global Fund's Potential Role in Supporting MDGs 4 and 5 (GF/PSC13/11)*</li> </ul>  |
| Process for Review of Eligibility Criteria  | <ul style="list-style-type: none"> <li>- PowerPoint presentation from 13th PSC meeting to be found in 13th PSC slide pack*</li> </ul>   |
| Update on Technical Evaluation Reference Group  | <ul style="list-style-type: none"> <li>- Update on TERG Activities (GF/PSC13/06)*</li> </ul>  |

| Item:   | Location of further information:  |
|---|---|
| (TERG) Activities                                     |   |
| Partnership Forum 2011                                | <ul style="list-style-type: none"> <li>- Partnership Forum 2011 (GF/PSC13/08)*</li> <li>- Partnership Forum 2008 (GF/B19/14)</li> </ul> |
| Overview of Corporate Risks Assigned to PSC Oversight | <ul style="list-style-type: none"> <li>- Overview of Corporate Risks Assigned to PSC Oversight (GF/PSC13/07)*</li> </ul>                |

## MECHANISM TO COMMIT ADDITIONAL FUNDING FOR STRONGLY PERFORMING GRANTS

The text of this annex is taken directly from Part 3 of paper *GF/PSC13/04 "Mechanism to Commit Additional Funding to Accelerate Strong Performing Programs at the time of Grant Renewals"*

1. The revised mechanism proposed by the Secretariat to the Policy and Strategy Committee (PSC), for its consideration and recommendation to the Board, has taken into account (1) the concerns expressed by some PSC/Board constituencies in relation to the original proposition by the Secretariat; (2) a review of similar mechanisms from other donor institutions; and (3) lessons learnt from the Rolling Continuation Channel (RCC).

2. The Secretariat recommends introducing the following mechanism as part of the new Global Fund architecture to allow for additional funding to accelerate strong performing programs at the time of grant renewal:

- i. At the end of each calendar year, the Board will establish a fixed envelope of funds for the following year to allow strongly performing programs, with evidence of impact, to access additional funding to expand and/or scale-up activities with the aim of accelerating progress towards the Millennium Development Goals (MDGs).
- ii. Countries will be required to describe the intended use of these incremental funds in their *CCM Request for Continued Funding*, including program activities, indicators and performance targets. These funds will need to be applied to expanding service delivery to target populations and their use should ensure the increased value for money of investments. While there will be no financial cap on individual requests, guidelines will recommend that countries request 30 percent or less of the amount committed in the previous period.
- iii. The grants eligible to access additional funding will be determined by the Secretariat periodic review panel based on a holistic assessment of program performance, outcomes and impact at the time of grant renewals. The Technical Review Panel (TRP) will assess whether requests fall within the scope of the existing program and make a funding recommendation to the Board, with approvals taking place as part of monthly grant renewal decisions. The timeframe between CCM request and Board approval will be four months<sup>34</sup>.

3. **Scope:** the objective of the recommended mechanism is to allow strong performing programs showing evidence of impact at the time of periodic review, to access additional funding to expand and/or scale-up activities with the aim of accelerating progress towards the Millennium Development Goals, without undergoing a full round-based application process. Consistent with this approach, additional funds should be used in the context of approved program disease strategies, focusing on expanding existing successful interventions (e.g. extending ITN distribution, HIV prevention, etc. to new target groups), while ensuring the value for money of investments. Additional funds should be applied to increasing the output targets of service delivery to populations in need and implementation should be based on best practices. Additional funding which falls outside the scope of the already existing program should continue to be introduced through round-based applications;

4. **Amount:** the additional funds are only intended to finance additional funding needs within already approved strategies. Large funding requests resulting from new or revised programs,

<sup>34</sup> Assuming all relevant documents necessary for the Secretariat and TRP review are provided timely by countries

including national disease strategies, should continue to be based on rounds or NSA applications. Following the initial feedback from some of the PSC/Board constituencies, the Secretariat recognized the need to introduce flexibility in the maximum amount of additional funding that each program could access, in order to account for specific country needs and opportunities. Therefore, the proposed approach has shifted from a fixed 20 percent cap applied to each grant individually, to an "envelope-based approach" according to which, each year, the Board would establish a "pool" of funds for committing additional funding on the basis of demonstrated strong performance and impact (even though guidelines will recommend that countries request 30 percent or less of the amount committed in the previous period).

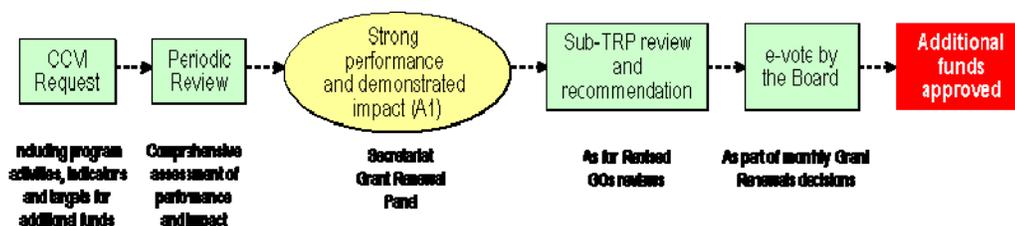
5. **Request:** Countries will be required to describe the intended use of the additional funds requested in their CCM Request for Continued Funding, including program activities, indicators and performance targets. Applications should clearly demonstrate that:

- i. Activities will be cost-effective, and will ensure the increased value for money of investments;
- ii. Additional funds will contribute to bridging the financing gap in the country for that disease, and will be complemented by national or third party co-financing;
- iii. Lessons learnt from the previous program implementation period will be addressed in the use of the additional funds.

6. **Eligibility and approval:** The recommended eligibility and approval mechanism seeks to strike a balance between the need to: (1) establish a rigorous review and selection process; (2) ensure that countries have rapid and timely access to additional funds; (3) limit transactions costs for the countries and the Global Fund.

- i. The Secretariat periodic review panel will determine which grants are eligible to access additional funding based on a holistic assessment of program performance, outcomes and impact at the time of grant renewals. The enhanced periodic review process introduced with the new architecture will create strong incentives for countries to improve their reporting on outcomes and impact, while at the same time increasingly relying on additional program performance information provided through National Program Reviews. Additionally, the Secretariat will establish and systematic apply improved assessment criteria to allow for a more comprehensive evaluation of program impact and outcomes, together with grant performance, through periodic reviews. Based on this assessment, eligible grants will only be those rated as A1, according to the following two criteria:
  - a) Exceeding expectations (i.e. consistently overachieving key service delivery targets); and
  - b) Demonstrating evidence of progress towards impact and the goals of the program. Impact is defined strictly by changes in incidence, prevalence and/or mortality; it requires evidence in the form of a country or partner evaluation.
- ii. Following the performance and impact assessment by the Secretariat, the TRP will assess whether eligible requests fall within the scope of the existing program, and make an additional funding recommendation to the Board; when requests fall outside the scope of the original proposal, the TRP will refer countries to the subsequent round-based application process. The Board approval will take place via e-vote as part of the monthly grant renewal decisions; the Board can also refer individual funding requests to round-based channels either based on the financial size or the scope of each request. As part of the documentation provided to the Board, the Secretariat will include an update on the remaining amount of funds in the financial envelope for the current year, to allow for any adjustments as deemed necessary.

7. A schematic presentation of the recommended model is provided in the figure below:



8. The expected benefits of the mechanism to commit additional funds at the time of grant renewal on the basis of strong performance and evidence of impact, are as follows:

- i. It maintains and enhances the principle of streamlined funding to accelerate strong performing grants in the new architecture (which was the intent of RCC);
- ii. It introduces incentives for strong program performance, thereby improving the performance-based funding model of the Global Fund;
- iii. It allows programs to rapidly expand and/or scale-up implementation without undergoing a full round-based application process, thus increasing their capacity to reach Universal Access and the MDGs by 2015;
- iv. It provides flexibility in terms of the intended use and amount of additional resources requested by countries based on their needs and opportunities;
- v. It does not generate additional transaction costs for countries or the Global Fund, as it will be integrated into already existing grant renewal processes (involving the CCM, the Secretariat, the TRP and the Board); and
- vi. It ensures financial predictability for the Global Fund, as the Board will be able to set the amount of the funding envelope at the level it considers appropriate each year, based on resource availability and lessons learnt.

9. This new mechanism will be tested by the Global Fund, and revisions or extensions, as well as adjustments to the level of the funding envelope, might be proposed based on lessons learnt throughout 2011, and at the end of following years. In particular, it will be carefully assessed that countries with weaker implementation capacities also receive support through ongoing risk management procedures and financing of strengthening actions at grant renewal within proposal amounts. These programs frequently have funding available within their proposal amounts to support strengthening actions. However, if these are insufficient, the eligibility of this mechanism may be reviewed by the PSC to ensure inequities are not created.

THE FUTURE ROLE OF THE GLOBAL FUND TECHNICAL EVALUATION REFERENCE GROUP (TERG)  
PROGRESS REPORT ON THE WORK OF A PSC SUB-COMMITTEE IN RESPONSE TO BOARD DECISION  
GF/B19/DP29, MAY 2009.

## 1. Introduction

The present progress report presents preliminary thoughts by a PSC Sub-Committee on the future role of the TERG. The topic will be presented to the Board for input at its meeting in April 2010. The presentation will also allow Board members to provide input to the further work of the Sub-Committee in its finalization of this task. Following Board deliberations and further analyses by the Sub-Committee a final proposal will be presented to the Board, through the PSC, for approval by the Board.

## 2. Background: Board decision and establishment of an ad-hoc committee

At its meeting in May 2009 the Board, in its deliberation on the follow-up to the Five Year Evaluation, requested:

" ... the Chair of the Board, in consultation with Committee Chairs, to set up a small ad-hoc committee by 30 June 2009 with the specific task of assisting the Board, through the PSC, to (i) follow-up on and formulate the Board's responses to the 5YE recommendations, and (ii) further define the role of the TERG in relation to independent evaluations, the resources required and Board oversight of the process".

Following the Board decision the Chair of the Board at that time, Mr Rajat Gupta, in August 2009 asked the Chair of the PSC at that time, Mr Lennarth Hjelmåker, to establish a sub-committee of the PSC to assist the Board, through the PSC, in its follow-up work to the Five Year Evaluation. Accordingly a sub-committee with members was established.<sup>35</sup>

## 3. Focus of work

The Board decision requests the Sub-Committee to deliver on two separate items:

(i) to follow-up on, and formulate the Board's responses to the 5YE recommendations, and  
(ii) to further define the role of the TERG in relation to independent evaluations, the resources required and Board oversight of the process.

This document presents the views by the Sub-Committee on the second part of the task, the future role of the TERG. The main reason for priority given to clarifying the role of the TERG is that the TERG with six new members recently appointed must be given clarity as soon as possible on its role and mandate. Part one of the assignment, to follow-up on and formulate the Board's responses to

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<sup>35</sup> Members: Lennarth Hjelmåker (Chair), Lola Dare, Christopher Dye, Bobby John, Montasser Kamal, Kazuhiko Kokubu, Bernard Nahlen, Clarisse Paolini, Bill Parr, Paulo Teixeira, Suwit Wibulpolprasert, Thomas Kirsch-Woik.

5YE recommendations, will be presented in section 6 of this document. Before that the need for a comprehensive Global Fund evaluation agenda is discussed in section 5.

During the 13<sup>th</sup> PSC Meeting in Geneva 15-16 March 2010, the Chair of the Sub Committee presented some preliminary thoughts on the mandate and future role of the TERG. Ideas and proposals presented in this document build on views expressed by the PSC but also thoughts being presented by other actors, within and outside the Global Fund.

#### **4. The role of the TERG in relation to independent evaluations, the resources required and Board oversight of the process**

##### **4.1 Documentation and background analyses**

The Sub-Committee analyses and recommendations are based on inter alia the following TERG documents:

- ToR, membership and procedures, April 2007
- Self assessment, August 2009
- Memo on the review of the role of the TERG in independent evaluations of the Global Fund and follow up to the Five-year evaluation, February 2010 (*GF/PSC13/06, Update on TERG Activities - Annex 3*)

##### **4.2 Three main questions**

Based on the above identified documents the Sub-Committee recognizes three main questions that should be addressed by the Board.

- a) -- the mandate: the revised ToR for the TERG, in particular the role of the TERG in relation to independent evaluations.
- b) -- the organisational structure of the future TERG: a continuation of being a reference group or a transformation to something else.
- c) -- the links with, and support from and location within the Secretariat.

In its deliberation the Sub-Committee further recognizes that the work of the TERG should be based on the guiding principles of independence, constructiveness and with the aim of facilitating a learning process. These principles constitute the framework for a decision on mandate, organizational structure and links with, support from and location within the Secretariat.

In follow-up to the Board decision the Sub-Committee also discussed, in addition to the three questions above, "the resources required and Board oversight of the process".

##### **4.3 Independence, learning, evaluation embedment and provision of resources**

In the PSC deliberations in March 2010, and in other contacts and discussions that have been commissioned by the Sub-Committee, the need for independence has been emphasized. The need for the TERG to function in an independent manner has been stressed at all instances and by all individuals. Evaluation findings by the TERG should be presented to the Board in an independent way.

At the same time many instances have stressed that evaluation findings must lead to results for the future. The learning aspect must be secured and efforts must be made to facilitate that the TERG,

including its support staff, will not end up in isolation from internal evaluation activities and planning and policy development activities carried out by the Secretariat.

Another aspect related to learning that consultations have pointed to is that there are difficulties in getting TERG results and outcomes embedded into Secretariat work and making evaluation a priority in the day to day agenda for clusters and units within the Global Fund.

Lastly, resources must be provided. This will include providing adequate resources to finance both the support staff for the TERG and the costs for the independent evaluations as such. These resources must be secured through a budget process that is not subject to competition with other demands within a cluster or unit agenda. The TERG budget requirements must be analyzed, reviewed and decided upon on their own through a separate Finance and Audit Committee (FAC) process.

#### 4.4 The mandate, the ToR for the future role of the TERG

Based on TERG's own proposals, presented in the PSC document GF/PSC13/06 *Update on TERG Activities*, the Sub-Committee proposes the following three main areas for the TERG to focus on:

- *Developing a work plan after consultation with the Global Fund Secretariat, Office of Inspector General, technical partners, and under the guidance of the Board and relevant Board committees to conduct policy-relevant and credible evaluations of the Global Fund investments and business model. Unless otherwise directed by the Board, the TERG would focus independent evaluations on areas where, for reasons of objectivity and credibility, independence in management and oversight is essential. TERG will be responsible for such independent evaluations.*
- *Providing independent inputs and guidance to the Secretariat in developing and institutionalizing a fit-for-purpose system for continuous monitoring and systematic evaluation of Global Fund investments.*
- *Providing independent, technically sound and credible advice to the Board on the state of Global Fund's investments, business model and monitoring and evaluation system.*

In principle, the Sub-Committee believes that these functions will enable the TERG both to become an independent Board resource but also to provide guidance to the Secretariat on evaluations. Its role should add value by complementing the expanded internal evaluation function of the Secretariat, and it should contribute to Global Fund governance by providing objective and independent evaluation findings and recommendations to the Board. In its further deliberations the Sub-Committee will have to look more in detail into the balance between the TERG as a technical resource group and the independent oversight role.

On the TERG work-plan (first bullet point of 4.4) the Sub-Committee in particular emphasizes the consultative approach in developing a costed work plan. The links to both the Inspector General and technical partners are very important.

Regarding the second bullet point of 4.4 it should be noted that the Secretariat of today is much stronger than at the time when the Global Fund was established, including its evaluation capacity. Still the Sub-Committee believes that it would be of valuable for the TERG to be available for the Secretariat in its work to develop and institutionalize a fit-for-purpose system for continuous monitoring and systematic evaluation.

The three main areas for future TERG activities as identified above means that independent oversight of evaluations will be TERG's responsibility. Whilst TERG's current ToR states what TERG ought to be involved in, the Board has not explicitly assigned responsibility for independent evaluations to the TERG. In practice, the Board has identified and approved independent evaluations based on its own deliberations and/or suggestions from TERG or relevant Board committees. While recognizing that this revised ToR gives the TERG a more clear role in this regard, it should also be recognized that evaluation initiatives by the Board should in the future be both possible and welcomed. It should also be noted that already today the technical oversight of Board identified independent evaluations is usually assigned to the TERG, which oversees and reports the findings and recommendations to the Board through the PSC. The TERG also reports through other relevant Board committees, the AMFm being a current example.

#### 4.5 The organisational structure of the future TERG, a continuation of being a reference group or a transformation to something else

In the TERG self-assessment document (August 2009) a number of matters and aspects, relevant for both the organizational structure of the TERG and for the relationship with the Secretariat, are being identified. In the PSC document *GF/PSC13/06 Update on TERG Activities (Annex 3)* the TERG presents two options to re-positioning and strengthen independent evaluations in the Global Fund governance. The two options, with TERG comments and arguments in relation to both, are:

- *Maintaining the TERG as a reference group nominated by Board Constituencies. The TERG notes that whilst this reference group may have been justified when the Global Fund was set up, both the Secretariat and partners have developed enormous capacity and experience on what is needed to make the Global Fund investments work. Furthermore, key partners such as Roll Back Malaria, Stop TB, UNAIDS, and WHO are well placed to provide normative guidance within which Global Fund supported programs operate. Meanwhile, the TERG notes, that it is difficult for a reference group that meets twice a year to keep up with the rapid changes within the Global Fund and provide strategic advice to both the Secretariat and the Board on the different aspects of Global Fund's business. This role could be played by the different Board committees and the technical partners. Regarding the selection of TERG members, the current practice where TERG members are nominated by the Board constituencies risks undermining the independence of the TERG.*
- *Institutionalising the TERG as a Special Committee of the Board responsible for independent evaluation of the Global Fund investments, business model and impact on diseases and national health systems. As a learning organisation that disburses the current level of funding and is seeking to expand its contributions to global health, the TERG believes that Global Fund needs an independent evaluation function for credibility. Organisations such as the World Bank, GAVI, Wellcome Trust and the USAID either have or are moving increasingly towards setting up independent evaluation functions. The Global Fund as a pathfinder in the global health should not or be seen to be left behind. TERG is positioned to provide the independence and credibility of evaluation that the Global Fund needs.*

It can be noted that the TERG speaks in favour of the second option, the creation of a special committee of the Board. This was also the proposal presented in the above mentioned PSC document. This is, however, a position that is not fully shared by the Sub-Committee. The committee is not convinced that there is a strong need to establish such a special committee to enable the TERG to deliver on the suggested mandate. Preliminary thoughts by the Sub-Committee

include the need for a greater focus on evaluations all through the organisation, but also that the other functions and assignments given to the TERG in the revised ToR can be achieved with the TERG continuing being a reference group to the Board and to the Secretariat. The Sub-Committee believes that even as a reference group the TERG will be able to provide the independence and credibility of evaluation that the Global Fund needs. However, to enable the TERG to play this independent role the day to day support to the TERG must be secured. This aspect is discussed further in the next section of this document.

In selecting the present system with a reference group to be the solution also for the future there are two further matters that need to be reviewed and agreed upon; that is the modalities for TERG relationship with the Board and how the members for the TERG are being selected.

On the first matter, regarding the relationship with the Board, it is crucial that there is a direct link between the TERG and the Board. The Sub-Committee supports the TERG in its view that the current arrangements should be maintained, i.e. TERG reporting to the Board, through the PSC, and that the Chair of the TERG continues to be an ex-officio member of the PSC.

On the second matter, the selection of its members and the risk that the current practice with TERG members being nominated by Board and its committees risks undermining the independence of the TERG, the Sub-Committee believes that the present system has served its purpose quite well. In inviting candidates based on established criteria for qualification and in letting a consultancy firm do the screening of the candidates, only the last part of the decision rests with the governance structure. The sub-committee believes that the task given to the selection committee (the Global Fund Executive Director, the TERG Chair and the PSC Chair and Vice-Chair) has worked satisfactorily, and sees no need in changing this system.

#### **4.6 The links with, and support from and location within the Secretariat**

In the PSC document of March 2010 (*GF/PSC13/06 Update on TERG Activities (Annex 3)*) the TERG presents a number of options for the support function in relation to the Secretariat. The options being presented are:

- 1. Maintain TERG support within SPE Cluster.*
- 2. Locate TERG support within OIG.*
- 3. Establish an independent Office of Evaluation and Accountability within the Secretariat.*
- 4. Establish an Office for Evaluation and Accountability located in the Office of Executive Director or Deputy Executive Director with TERG as a Board oversight body for this office.*
- 5. Establish an externally located Office of Evaluation and Accountability similar to the World Bank's Independent Evaluation Group.*

In its deliberations the Sub-Committee has both looked into the necessity to secure the independence of evaluations and that evaluations must be a part of and contribute to a learning process. The Sub-Committee has come to the conclusion that the independence criteria should be given high priority and as a consequence a continued location within a cluster and/or the office of the Executive Director /Deputy Executive Director would be less favourable.

Based on its preliminary thoughts to maintain the TERG as a reference group (see above) the critical challenge will be to find the best possible modality for securing the support needed by the TERG. Following the alternatives presented above; alternative 2, *Locate TERG support within the OIG*, or alternative 3, *Establish an independent office within the Secretariat* (or a combination of the two) seem to be the preferred ones.

The Sub-committee believes that some further analyses needs to be done on what alternative for the TERG support that would be the most effective one. This further analysis must be based on a recognition of the functions that should be handled by the support team. Among those functions the Sub-Committee recognizes that the support team should be instrumental in providing a first draft of an evaluation strategy and plan for the GF, it should support the TERG in drawing up the ToR for the evaluations to be undertaken and selecting the consultants to do this work, and it should support the TERG in its work on quality assuring the emerging draft evaluation reports.

Another critical function for the support team is to be able to interact closely with the Secretariat to ensure that the outcomes of evaluations are taken forward. The learning aspect must be secured. Evaluation findings must be embedded in reworked policies and procedures. The link between evaluations and policy development and planning activities was one argument for placing the TERG support team within the cluster structure. A decision to place the support team outside the cluster structure does not mean that the learning aspect becomes less important. The challenge will be for the organization to dialogue closely on these matters and for the Secretariat through its cluster structure to draw upon findings and results of independent evaluations.

Another critical prerequisite for successful evaluation work is that adequate resources are being provided in accordance with section 4.3 above.

The continued analytical and consultative work on this matter will be finalized in time for the Sub-committee to present a comprehensive proposal to the Board, through the PSC, at its meeting in November / December of 2010. The continued consultations will also include a further look into the feasibility of creating an externally located office in line with the World Bank. So far this option has not been seen by the Sub-Committee as a favourable one.

## 5. Developing an Evaluation Agenda

The TERG notes in its update presented to the PSC in March 2010 that when the Global Fund Board in 2003 approved the Monitoring and Evaluation Strategy to respond to the strategic information needs of the different stakeholders the situation, both within the Global Fund and the global architecture, looked quite different compared to today. Both the Global Fund and the global health architecture have changed substantially. Results, value for money and accountability have emerged as key drivers of resource mobilization and independent evaluations and reviews as essential levers of corporate responsibility. The Fund has emerged as a major international financier of AIDS, TB, malaria and is increasingly contributing to health system strengthening programs, investing more than US\$ 18.7 billion through nearly 600 grants in 150 countries. A major shift in grant making from projects to programs is taking place through National Strategy Applications and the grant re-architecture. At the same time, the Board is re-affirming the key founding principles. As the Global Fund evolves, the institutional changes should be matched with evolution in its evaluation functions.

Based on these findings the TERG notes that the Global Fund requires a contemporary and robust evaluation agenda that contributes to organisational learning, accountability, performance management and corporate risk management. Such an agenda includes both the internal

monitoring and evaluation work being part of the management function and the independent evaluations to be done under the oversight of the TERG.

As already mentioned before the evaluation agenda should respond to contemporary demands for strong independent reviews and evaluations of internal processes, results and achievements. The TERG also proposes that the evaluation agenda should be developed by a cross-cluster task force with guidance from the TERG. The cross-cluster task force will ensure broad ownership of and commitment to the evaluation strategy and agenda and help position evaluation as an approach to learning across the Secretariat. Furthermore the TERG proposes that, while engaging in the development of the evaluation agenda, the TERG will also issue an independent statement to the Board regarding its views on the agenda.

The Sub Committee supports the TERG's call for a comprehensive evaluation agenda and the need for the Global Fund to develop this agenda in an inclusive way. The Sub-Committee also supports that the TERG shall be instrumental in guiding the Fund in the development of the agenda.

#### **6. First part of the Board decision - future work of the Sub Committee**

Regarding the first part of the Board decision (May 2009), concerning the Sub-Committee's work in supporting the Board, through the PSC, in the follow-up work of the recommendations in the Five-Year Evaluation and formulating the Board's response, the work will proceed with a somewhat different time perspective. The Sub-Committee will have to analyse the recommendations and classify them in groups based on which ones that have to go to the Board for its approval, and which ones the Secretariat can address without any further Board deliberation. An important part of this analysis will be to identify which recommendations that have already been addressed, by the Board and/or the Secretariat.

Most of this work will be finalized by the Sub-Committee before summer 2010 and brought to the PSC for its meeting in September 2010. In the report to the PSC there will also be proposals on the continued follow-up activities of the Five-Year Evaluation, including the possible need for a continued "sub-committee function".

**Technical Evaluation Reference Group (TERG) Work Plan for 2010  
(Including PSC revisions from the 13<sup>th</sup> PSC Meeting, March 2010)**

| Objective           | Activity   | TERG Focal Point             |                                | Business Holder   |         | Estimated Budget | Funding Source |                |
|---------------------|--|------------------------------|--------------------------------|---|---------|------------------|----------------|----------------|
|                     |  | Primary                      | Secondary                      | Cluster /Committee  | Primary |                  |                | Secondary      |
| <b>Objective 1:</b> | <b>To provide independent advice to the Board and its Committees on the design and implementation of specific evaluations and identify any gaps or needs for additional reviews or evaluations</b> |                              |                                |   |         |                  |                |                |
| <b>Deliverable:</b> | <b>TERG Position Paper to the Board</b>  |                              |                                |   |         |                  |                |                |
| 1.1                 | The Global Fund in Global Health: A review of the demand approach and the business model   | Lola Dare                    | Todd Summers                   | Office of the ED  |         |                  | 100'000.00     | SPE Cluster    |
| 1.2                 | Health Systems and the Joint Funding and Programming Platform  | Wim van Damme                | Dorothee Gazard                | SPE   |         |                  | 100'000.00     | SPE Cluster    |
| 1.3                 | Harmonization & Alignment of Country Systems: A review of M&E Systems as a tracker case study  | Debbie Rugg                  | Bernard Nahlen /Jaap Broekmans | SPE   |         |                  | 100'000.00     | SPE Cluster    |
| 1.4                 | Key Performance Indicators   | Atsuko Geiger                | Lola Dare                      | SPE   |         |                  | 50'000.00      | SPE Cluster    |
| <b>Objective 2:</b> | <b>To provide guidance to the Secretariat on strategic directions for evaluation activities</b>  |                              |                                |   |         |                  |                |                |
| <b>Deliverable:</b> | <b>TERG Guidance notes to the Secretariat; Option Review or Position Paper to the Board</b>  |                              |                                |   |         |                  |                |                |
| 2.1                 | Evaluation Agenda of The Global Fund   | Lola Dare                    | Stein-Erik Kruse               | SPE / AdHoc Committee on TERG and Independent Evaluations |         |                  | 50'000.00      | Cluster budget |
| 2.2                 | Evaluation of the AMFm   | Ruth Levine                  | Vasanthapuram Kumaraswami      | Ad-Hoc Committee on the AMFm                              |         |                  | -              | Cluster budget |
| 2.3                 | New Grant Architecture   | Maria Ines Battistella Nemes | Wim van Damme                  | SPE   |         |                  | 50'000.00      | Cluster budget |
| 2.4                 | Performance Based Funding  | Wim van Damme                | Lixia Wang                     | SPE   |         |                  | 50'000.00      | Cluster budget |
| 2.5                 | National Strategic Applications  | Dorothee Gazard              | Maria Ines Battistella Nemes   | SPE   |         |                  | 50'000.00      | Cluster budget |
| 2.6                 | Technical Assistance   | Lixia Wang                   | Wim van Damme                  | ERP   |         |                  | 50'000.00      | Cluster budget |
| 2.7                 | Prioritization and Sustainability  | Stein-Erik Kruse             | Atsuko Geiger                  | SPE   |         |                  | 50'000.00      | Cluster budget |

| Objective           | Activity   | TERG Focal Point<br>Primary | Business Holder  |                    |         |           | Estimated Budget | Funding Source<br>Primary |
|---------------------|--|-----------------------------|------------------|--------------------|---------|-----------|------------------|---------------------------|
|                     |  |                             | Secondary        | Cluster /Committee | Primary | Secondary |                  |                           |
| <b>Objective 3:</b> | To strengthen working modalities of the TERG and improve the lines of communication between the TERG and the Secretariat, and the Board and its Committees |                             |                  |                    |         |           |                  |                           |
| <b>Deliverable:</b> | Strengthened relevance of independent evaluations and reviews to Board decision making process and secretariat operations                                  |                             |                  |                    |         |           |                  |                           |
| 3.1                 | Board and its Committees   | TERG Chair                  | TERG Vice Chairs | Board Relations    |         |           | 50'000.00        | TERG budget               |
| 3.2                 | Secretariat  | TERG Chair                  | TERG Vice Chairs | SPE Cluster        |         |           | -                | TERG budget               |
| 3.3                 | External Communications  | TERG Chair                  | TERG Vice Chairs | SPE Cluster        |         |           | -                | TERG budget               |

|                     |   |  |  |              |  |  |            |             |
|---------------------|---|--|--|--------------|--|--|------------|-------------|
| <b>Objective 4:</b> | To improve the operations and support for the contribution of TERG to the Global Fund |  |  |              |  |  |            |             |
| <b>Deliverable:</b> | Independent and well resource technical and administrative support for the TERG       |  |  |              |  |  |            |             |
| 4.1                 | TERG meetings   |  |  | TERG Support |  |  | 180'000.00 | TERG budget |
| 4.2                 | MERG updates (Malaria, HIV/AIDS and TB)   |  |  | TERG Support |  |  | -          | TERG budget |
| 4.3                 | Communication and administrative support to TERG Chair                                |  |  | TERG Support |  |  | 12'000.00  | TERG budget |
| 4.4                 | TERG self assessment  |  |  | TERG Support |  |  | 50'000.00  | TERG budget |

Total budget estimated 942'000.00  
 Funding Identified from Existing Resources  
 Available in TERG budget 330'000.00  
 Proposed funding from Cluster budget 300'000.00  
 Provided for from the SPE Cluster budget 312'000.00  
 Total Resources Mobilized in Support of TERG Bridging  
 Work Plan 942'000.00

## ANALYSIS OF LESSONS LEARNED FROM NATIONAL STRATEGY APPLICATION (NSA) FIRST LEARNING WAVE (FLW)

This annex provides an objective synthesis and analysis of lessons learned from the First Learning Wave, based on a review of the following three reports<sup>1</sup>:

- i. *“Technical Review Panel Lessons Learned Report on the Global Fund’s National Strategy Application First Learning Wave”*. Produced in January 2010, this report provides feedback synthesized from the full Technical Review Panel (TRP) group that worked on the First Learning Wave, including two TRP members who acted as TRP focal points advising on its design and implementation and the TRP Chair.
- ii. *“Presenting National Strategic Plans on HIV/AIDS to the Global Fund through the National Strategy Application modality - Country Experiences from the First Learning Wave”*, commissioned by UNAIDS. Produced in December 2009 by a consultant who supported the development of the Kenya and Malawi national strategies and the Malawi NSA, this paper provides insights into the experiences of selected stakeholders in three countries that participated in the First Learning Wave on the basis of their HIV/AIDS strategy - Kenya, Malawi and Rwanda.
- iii. *“Study of Country Stakeholder Experience with the NSA First Learning Wave”*, a comprehensive country-level stakeholder study commissioned by the Global Fund and carried out between December 2009 and February 2010 by external consultants McKinsey & Company. This study report provides an in-depth analysis of the NSA First Learning Wave based on structured stakeholder interviews conducted across 11 countries selected to represent all three diseases, three continents and examples of different degrees of success in the NSA application process

The following two sections highlight:

- i. the perceived value of the NSA approach (including the extent to which its anticipated benefits were realized in the First Learning Wave); and
- ii. the lessons learned of particular relevance to the design of further NSA investment.

### SECTION 1: VALUE OF NSA APPROACH

1.1 Overall, while recognizing the challenges and limitations of the First Learning Wave (particularly its compressed timescale), the perceptions of the value of the NSA concept from both country and global level stakeholders are broadly positive.

1.2 The Study of Country Stakeholder Experience<sup>2</sup> conducted in eleven of the First Learning Wave countries found that the value of the NSA modality was perceived as strongly positive by all countries and by the vast majority of interviewees, and that it compared favorably to the regular Global Fund proposals process.<sup>3</sup>

<sup>1</sup> The full version of the three reports can be accessed on the Board Member Extranet:

<http://extranet.theglobalfund.org/board/TwentyFirst%20Board%20Meeting%20Documents/Forms/AllItems.aspx>

<sup>2</sup> Document GF/B21/4 Revision 1 Attachment 3 - *“Study of Country Stakeholder Experience with the NSA First Learning Wave”* - McKinsey & Company. For brevity, references to this document will be referred to hereinafter as [S].

<sup>3</sup> “When asked if they saw any ‘added value’ in the NSA process, over 98% of country-level respondents were positive with many listing multiple benefits. This included many interviewees from countries that had not continued beyond the desk review stage and countries whose NSAs had not been successful.”

1.3 This study also found evidence that the First Learning Wave demonstrated some progress towards meeting the Paris principles of alignment, harmonization and country ownership as well as contributing to principles of 'managing for results' and strengthening predictability. Similarly, the UNAIDS-commissioned report<sup>4</sup> comments that NSAs are seen as *"a step towards Paris in action: strengthening the coherence, comprehensiveness, harmonization, alignment, ownership and mutual accountability of partners behind national strategies"*. It quotes an interviewee as saying: *"I believe the NSA modality is the way of the future since an important theme of the Paris harmonization process is to move towards 'program' funding instead of 'project' funding. It is also a way of trying to persuade donors to work within one country-led framework."*

1.4 The UNAIDS report states that the NSA approach *"has undoubtedly generated considerable excitement and buy in among all partners... it is clearly seen as the way forward for many reasons"*. The TRP's report<sup>5</sup> supports this finding, concluding that the opportunity for countries to seek funding on the basis of a national disease strategy is *"a promising new funding strategy for the Global Fund that has many advantages"*.

1.5 At the same time the TRP cautions that *"the shift from project funding to programme support is complex and will require attention at each stage. Unless [NSA-derived] grants are managed using more aligned and consolidated grant management processes, it will likely lead to grants that are substantively unchanged from current Global Fund grants. This would limit the innovation promised by the NSA process."*

1.6 While it is too early to rigorously assess the extent to which the originally-anticipated benefits of the NSA approach have been achieved, the lessons from the First Learning Wave already indicate early evidence for each of the anticipated benefits; specifically, these anticipated benefits are:<sup>6</sup>

- i. Alignment with country priorities, national programmatic and budgetary timeframes;
- ii. Reduced transaction costs and paperwork for countries;
- iii. Improved harmonization with other donors;
- iv. Opportunity to extend multi-stakeholder inclusion to the scope of the national strategy;
- v. A focus on managing for results and accountability within national strategies; and
- vi. Improved quality, consistency and credibility of national strategic frameworks.

## SECTION 2: LESSONS FOR THE DESIGN OF FURTHER INVESTMENT IN NSAs

2.1 This section highlights the lessons of particular relevance to the design of further NSA investment. It draws on lessons about features (including the idiosyncrasies<sup>7</sup>) of the First Learning Wave that were felt to work well and those where it was felt adjustments were needed.

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<sup>4</sup> Document GF/B21/4 Revision 1 Attachment 4 - *"Presenting National Strategic Plans on HIV/AIDS to the Global Fund through the National Strategy Application modality - Country Experiences from the First Learning Wave"* - by Peter Godwin - commissioned by UNAIDS. For brevity, references to this document will be referred to hereinafter as [U].

<sup>5</sup> Document GF/B21/4 Revision 1 Attachment 2 - *"Technical Review Panel Lessons Learned Report on the Global Fund's National Strategy Application First Learning Wave"*. For brevity, references to this document will be referred to as [T].

<sup>6</sup> Document GF/PSC13/02 Annex 3 - *"NSA Lessons and Further Investment"* gives a comprehensive overview of the value of the NSA approach in relation to anticipated benefits.

<sup>7</sup> The design of the First Learning Wave included a number of features that were, for a variety of reasons, unique to the First Learning Wave. These specificities or "idiosyncrasies" included: i) a limited number of countries; ii) assessment of the national strategies performed on an exceptional basis by TRP members; iii) a highly compressed time-frame; iv) the fact that participating countries had national strategies developed without prior knowledge of the "attributes of sound national strategies".

### *Timing*

2.2 Countries provided clear feedback that the First Learning Wave timeline was very demanding[U,S]. While this provided urgency to the process, they would have appreciated more time - for example to gather and revise their documents for the desk review, and to incorporate the feedback received from the various review steps.

2.3 First Learning Wave countries were at varying levels of existing strategy development[S] and some countries rushed the strategy development to be able to participate[T,U]. There were differing views as to the extent to which this led to tradeoffs in terms of quality and/or buy-in[U,S].

2.4 The reports suggest a number of possible solutions: Countries could be given more time[T,S,U]; only countries with finalized or near-finalized<sup>8</sup> strategies could be allowed to participate[T,S]; the NSA process could become flexible enough to adapt to national strategy development timelines rather than be aligned to a fixed funding window[T].

### *Approach to country participation*

2.5 Aspects of the country selection in the First Learning Wave were unclear to countries[U]. They would prefer the freedom to determine based on known criteria whether or not to apply for a NSA and which disease(s) to submit rather than being “invited” to participate. Being invited to participate in the First Learning Wave raised expectations of a successful outcome for many stakeholders despite clear and consistent Global Fund messages to manage expectations[S].

2.6 As stated above, the TRP recommends that any future NSA participation criteria include the requirement that countries have a finalized or near-finalized disease strategy ready[T].

### *Assessment of national strategies*

2.7 Countries benefited from the feedback provided at the different stages of the review[S]. The interactive “dialogue” aspect of the in-country review was highly appreciated. It allowed for better understanding both on the part of the reviewers and the country stakeholders[T].

2.8 There were differing country viewpoints on the design of having a desk review plus an in-country visit. From the TRP’s perspective, the desk review provided an adequate basis on which to *exclude* strategies not sufficiently robust to form the basis of a NSA, and to prepare for an efficient and focused in-country assessment. However the “*positive*” decision as to whether a strategy is truly robust enough to form the basis of a NSAs should be made after the in-country review. Some aspects cannot be assessed on the basis of a desk review alone[T].

2.9 Many stakeholders struggled to see a clear distinction between national strategy assessment and NSA review[U,S]; the fact both were (exceptionally in the First Learning Wave) done exclusively by the TRP contributed to this.

2.10 If in the future a joint assessment approach is adopted, some Global Fund representation in the strategy review team (perhaps in the form of 1-2 former TRP members) should be maintained to enable a strong link between the reviews of the strategy review and the NSA[T].

2.11 The participation of “national facilitators” (independent country stakeholders) in the in-country assessment was crucial to provide “local context”. The precise roles and responsibilities of national facilitators need to be more clearly defined[T,S].

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<sup>8</sup> Meaning not yet formally adopted by government or parliament.

2.12 The IHP+ attributes and tool were seen as valuable by the TRP and countries alike. They should be made available broadly as soon as possible to countries[S, T].

#### *Multi-stakeholder involvement*

2.13 The NSA process has, in a number of countries, contributed to a greater involvement of civil society in strategy development. The country visits found that the level of multi-stakeholder involvement in strategy development varies widely across different countries and different diseases[T].

2.14 The First Learning Wave decision as to whether a strategy was considered robust enough to form the basis of a NSA could not take into consideration the assessment of the “multi-stakeholder involvement” attribute, as this attribute can only be properly assessed at the in-country review stage (whereas in the First Learning Wave, the decision had, for timing reasons, to be taken after the desk review)[T].

2.15 Some aspects of the prominent role given to CCMs during the First Learning Wave process were questioned in a number of countries since the CCM does not ‘own’ the strategy[T, U]. However, participation in the NSA was seen to help countries strengthen and clarify the roles and responsibilities between national disease authorities and CCMs and improve their partnership, particularly for HIV/AIDS applicant countries[S].

#### *Scope of NSAs and approach to health systems strengthening*

2.16 The assessment of disease-specific strategies as part of the NSA process was feasible within the general parameters of the First Learning Wave[T].

2.17 Most country stakeholders felt the focus of the First Learning Wave on disease-specific strategies was appropriate[S] (although this finding is limited by the disease-focus of most people interviewed for that report).

2.18 The TRP felt that, in view of the much higher level of complexity, it would be premature to expand the scope of NSAs to health sector strategies without having built up considerable experience in funding national strategies and managing grants based on national disease strategies[T].

2.19 The TRP felt that “*the cross-cutting health systems strengthening section in its current form is not appropriate to be reviewed together with a NSA. Further discussions on how to improve these cross-cutting health systems strengthening sections for the purpose of a NSA are needed*” [T].