

**OPTIONS FOR MODIFICATION OF THE APPLICATION, RENEWAL AND
APPROVAL PROCESSES FOR NEW AND EXISTING INVESTMENTS**

PURPOSE:

1. This report summarizes deliberations of the Round 11 Board Working Group and presents to the Global Fund Board recommendations for modification of the application and approval process for Round 11, Second Wave of National Strategy Applications (NSAs), Health Systems Funding Platform (HSFP) pilot and for renewals of existing grants.

EXECUTIVE SUMMARY

1. At its Twenty-Fourth meeting, the Global Fund Board recognized uncertainties in relation to the expected funding envelope for Round 11, the Second Wave of NSAs and HSFP applications and called for the development of options for modifying the application, renewal and approval processes for new and existing investments.¹
2. The latest resource projections for the Global Fund indicate continuing uncertainty on availability of resources, including a potential deficit. Given the resource constraints, the Working Group concludes that there is a need for the Board to take immediate and exceptional action to ensure that existing resources are invested more strategically together with maintaining essential programs.
3. In the absence of such action, implementing the proposed new Global Fund Strategy would be delayed, Round 11 would need to be cancelled and signing of some Round 10 grants will likely not be possible. The Working Group fully recognizes that the recommendations presented here are difficult, and represent important changes to the Global Fund's business practices, but concludes that not adopting these recommendations will result in significant reputational and programmatic risks for the Global Fund.
4. The Working Group focused on four areas:
 - a. Potential funding available for supporting new grants under Round 11;
 - b. Savings potentials from existing grants;
 - c. Investing more strategically, in alignment with the Global Fund 2012-2016 Strategy and the High Level Panel Recommendations; and
 - d. Adapting and strengthening the grant renewal process.
5. The Working Group recommendations, as reflected in the draft Decision Point, are as follows:

Recommendation A: The application and approval process for grant renewals should be redesigned and strengthened in two ways:

- a. Effective 1 January 2012, a revised application and approval process should be employed to ensure strategic investments.
- b. Effective 1 January 2012, certain relevant policies agreed to at the Twenty-Third Board Meeting (May 2011) around eligibility, prioritization, and counterpart financing should be applied to renewals (they are currently for new proposals only).

Recommendation B: Transitional measures should be made available to countries impacted by the changes in Recommendation A.

Recommendation C: The one-year Grace Period provision for changes in country income classification (as provided in the eligibility policy) should be rescinded for both new proposals and grant renewals.

¹ Decision Point GF/B24/DP4.

Recommendation D: Round 11² should continue, but with strong upfront guidance to applicants to ensure strategic investment in light of anticipated resource constraints

Recommendation E: The Round 11 review and approval process should be revised to include iterative steps with relevant stakeholders.

Recommendation F: In order to revise Round 11 as recommended, the Board should amend other related policies as identified in the Annex to the Decision Point.

6. The Working Group believes that these recommendations are the best path forward to keep the Global Fund financially and politically viable, demonstrating how the Global Fund is responding to recommendations of both the High-Level Panel and the new Global Fund Strategy (as drafted). This will also help the Mid-Term Replenishment Process and be essential for the Global Fund's 4th Replenishment Process starting in 2013 by showing a significant effort to better focus resources to have the greatest health impact.

² References to Round 11 include applications submitted in Round 11, Second Wave of NSAs and HSFP Pilot.

PART 1: INTRODUCTION

1.1. In light of a revised resource forecast for the period 2011-13, the Global Fund Board at its Twenty-Fourth Meeting decided³ to delay the application process for Round 11, the Second Wave of National Strategy Applications (NSAs) and Health Systems Funding Platform (HSFP) pilot. In that decision, the Board sought **options to modify application, renewal and approval processes for new and existing investments to prioritize high-impact interventions, at the same time increases the resources available for new investments.** The Board Chair named a Working Group⁴ to develop these options.

1.2. Since the September 2011 Board meeting, the forecast of available resources has changed from US\$ 0.8 billion to US\$ (0.1) billion due to multiple factors including uncertainty around donor contributions and adverse currency exchange movements.

1.3. This paper presents Working Group recommendations so that decisions can be made by the Board at its Twenty-Fifth Board Meeting and communicated to Round 11 applicants by 1 December 2011.

1.4. Recommendations presented here to modify current processes for both new proposals and reviewing existing funding are consistent with relevant recommendations by the High Level Panel and the proposed new Global Fund Strategy, as directed by the Board.

1.5. The paper is structured as follows:

- **Part 2:** summarizes the 2011-2013 resource forecast;
- **Part 3:** addresses grant renewals and proposes modifications to both current processes and policies;
- **Part 4:** recommends modifications to Round 11;
- Several **Annexes** (1-5) provide additional analysis and more in-depth information; and
- **Draft Decision Point**

PART 2: RESOURCES

2.1. When the revised forecast (showing estimated US\$ 0.8 billion available for new grants at the end of 2013) was presented at the Board briefing in September 2011 and FAC meeting in October 2011, it was still subject to a number of risks, which were listed with an estimate of their potential impact. Since September 2011, a number of those risks have materialized bringing the forecast down to a shortfall of US\$ 0.1 billion at the end of 2013. A further new “risk-adjusted” forecast has also now been presented for the first time to the FAC – this shows an estimated shortfall of US\$ 0.6 billion at the end of 2013.

2.2. According to FAC and Secretariat, the principle reasons for this decline are:

- a reduced forecast of donor contributions;

³ GF/B24/DP4, Addressing Funding and Approval Process for Round 11, Second Wave of National Strategy Applications (NSAs) and Health Systems Strengthening Platform (HSFP)

⁴ The Working Group is co-chaired by Todd Summers (Vice-Chair Policy and Strategy Committee (PSC); Private Foundations) and Peter van Rooijen (Chair Finance and Audit Committee (FAC); Developed Country NGO). Members include Blandina Nyoni (Vice-Chair Policy and Implementation Committee (PIC); Eastern and Southern Africa), Shaun Mellors (Communities), Kanchanachitra Churnrurtai ((South East Asia), Winnie Mpanju-Shumbusho (WHO), Suprotik Basu (Partners), Guinnevere (Winnie) Roberts (USA), Tim Poletti (UK and Australia), Paul De Lay (UNAIDS) and Frederic Goyet (France), with valuable support from Board Vice-Chair Mphu Ramatlapeng.

- a reflection of the timing of receipt of several major contributions;
- lower investment returns in the period 2011 – 2013;
- changes in currency exchange rates; and
- an understatement of operating expenses.

2.3. At the FAC meeting in November 2011, a new “risk-adjusted” forecast was reviewed that shows a lower forecast, going from a shortfall of US\$ 0.1 billion to a shortfall of US\$ 0.6 billion. This newer “risk adjusted” forecast reflects known significant risks relating to large confirmed pledges but is still subject to further changes in 2012 and 2013.

2.4. As explained more fully in the FAC paper (GF/B25/9), due to a longer forecasting time frame (now 3 years, previously 1 year) and greater uncertainties over anticipated timing of receipts from donors (which have been subject to some delays), there are significant fluctuations in the level of projected available assets over time. The Working Group noted with concern that in the absence of counteracting measures there will be insufficient financing to fund Round 11 and a risk that some Round 10 grants cannot be signed on time.

2.5. Several measures were introduced at the FAC meeting of 7-9 November 2011 and are reflected in the Forecast of Uncommitted Assets Available for Grant Approvals (GF/B25/9) and accompanying Annexes. An extract from the Annexes, which details the impact of the measures, is attached as Annex 6.

2.6. Should these measures be applied collectively, approximately US\$ 1.2 billion would be “released”, as a result of which approximately US\$ 0.6 billion would be available for additional financing. As noted above, this would be exposed to positive and negative variations, though for the first time, it more accurately reflects some of the principle risks. It is important to realize that application of the measures would not fully address the quarterly shortfalls, which are projected for the next three years, and additional measures are required to address this issue (please refer to GF/B25/9, Forecast of Uncommitted Assets Available for Grant Approvals, for more details).

2.7. The main measures making up the US\$ 1.2 billion (by 31 December 2013) include the following: (1) changes to the renewals policies as recommended by the Working Group in this paper (approximately US\$ 0.4 billion); (2) adoption of more staggered commitments on renewals, the so called ‘1+1+1’ (US\$ 0.4 billion); and (3) other projected changes in commitments to Round 10 and renewals (approximately US\$ 0.4 billion).

2.8. To summarize, here are the key amounts (in US\$ billion):

Original forecast of assets available for new grants as at December 2013 (December 2010):	US\$ 1.6
Revised forecast presented at last Board briefing (September 2011)	US\$ 0.8
Revised forecast without risk adjustment (November 2011):	US\$ (0.1)
Current forecast with risk adjustment (November 2011):	US\$ (0.6)
PLUS: Additional resources applying possible measures:	US\$ 1.2
Net potentially available for new grants as at December 2013:	US\$ 0.6

PART 3: GRANT RENEWALS

Context

3.1. By end October 2011, the expected renewals through 2013⁵ amounted to US\$ 10.8 billion (including a Board-mandated 10% reduction on Round 9s, Round 8s and NSAs). Renewals represent the vast majority of new funds to be committed in the current replenishment period, by far exceeding commitments resulting from new applications. These investments need to be made strategically, in line with the principles in the new Strategy and HLP recommendations.

3.2. Currently, applications to the Global Fund are based on five-year proposals⁶. Funds are approved for an initial period, typically two years⁷, and subsequently “renewed” for a further three years subject to performance, availability of resources and Board decision. New contractual agreements are made at time of renewal. Under the Comprehensive Funding Policy, these renewals, regardless of the income level or disease burden of the country, have priority over new applications for funding.

RECOMMENDATION A: The application and approval process for grant renewals should be redesigned and strengthened in two ways:

(1) Effective 1 January 2012, a revised application and approval process should be employed to ensure strategic investments.

(2) Effective 1 January 2012, certain relevant policies agreed to at the Twenty-Third Board Meeting (May 2011) around eligibility, prioritization, and counterpart financing should be applied to renewals (they are currently for new proposals only).

A revised application and approval process

3.3. Currently, the CCM is invited to submit a request for continuation of funding shortly before the initial term of a grant ends.⁸ A five-person Secretariat panel then makes renewal recommendations to the Board.

3.4. Applications for renewals are overwhelmingly based on the original proposal even though three or more years may have elapsed since the proposal was written. While the applicant can seek reprogramming, instances of this are very rare. Only 26 such requests were received in over 500 grant renewal decisions over the last five years.

3.5. Changes in approach are already anticipated under the new grant architecture, which moves towards “Single Streams of funding” that consolidate funds and towards an enhanced Periodic Review. These reviews will allow for a more holistic approach across a country portfolio.

3.6. The High-Level Panel and the Strategy both recommend a more iterative application and approval process for new funding, and the Working Group recommends this approach

⁵ Based on the currently planned dates for Board approval.

⁶ RCC proposals covered a six-year period, divided in to two three-year phases.

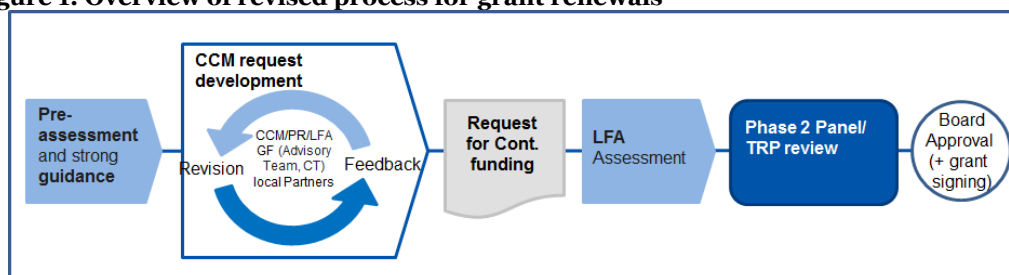
⁷ Under single streams of funding, commitments are made up to the next implementation period end date, subject to provisions of the Comprehensive Funding Policy.

⁸ Note that timelines may be slightly different for RCCs and periodic reviews.

should also apply to renewals. TRP members have strongly endorsed such an approach, specifically noting concern “...that the current approach to renew funding based on proposals written several years ago does not ensure highest technical quality in a rapidly evolving landscape...” and recommended “more robust review in the reprogramming and renewal processes...[to] include iterative elements similar to iterative process for proposal review...”⁹.

3.7. The following key features of this approach are presented below in Figure 1 and further details are presented in Annex 1:

Figure 1: Overview of revised process for grant renewals



- **Pre-assessment and guidance to countries** would be targeted to each particular country context and would outline the expectations that the CCM reassess, realign and reprogram where appropriate;
- **Iterative process:** a collaborative process will engage country stakeholders, technical partners, other donors, and the Secretariat to ensure that the CCM funding request reflects targeted and up-to-date interventions;
- **A reinforced and more robust review:** this iterative process will provide better information to the Phase 2 panel to guide their decisions. Routine material reprogramming would be expected and an independent technical review by the TRP will take place to support this.

Eligibility criteria for grant renewals

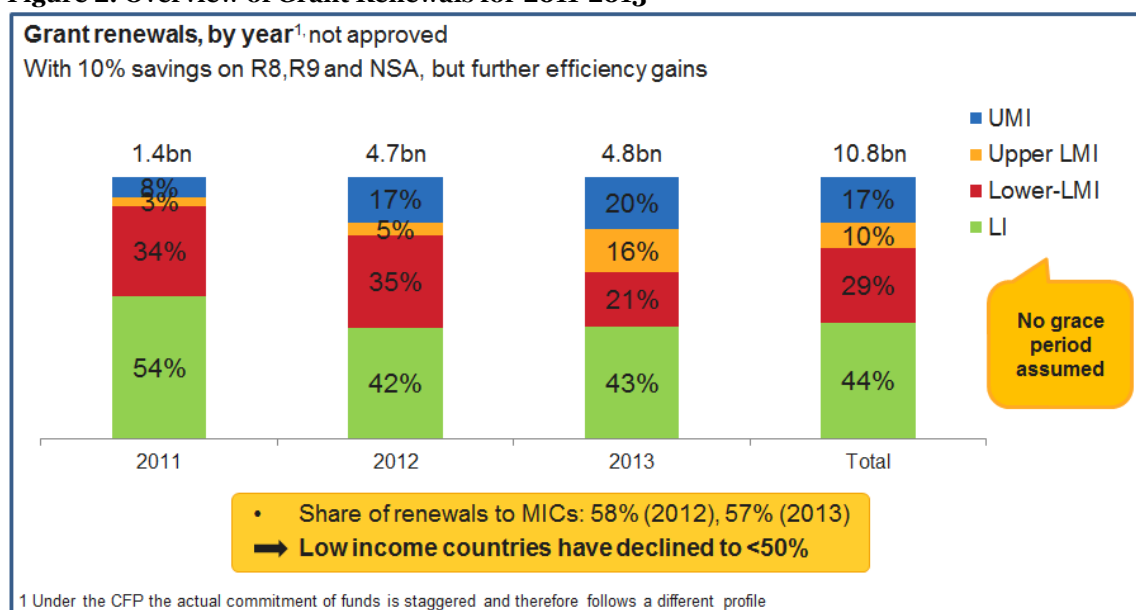
3.8. At its Twenty-third meeting, the Board approved the Policy on Eligibility Criteria, Counterpart Financing Requirements, and Prioritization of Proposals for Funding from the Global Fund (the ECFP Policy). The policy was intended to be applied at the time of original application. It does not currently affect grant renewals except with respect to compliance with the revised Counterpart Financing requirements.

3.9. As a result, and due to changes in country income levels over time,¹⁰ new commitments in 2011 – 2013 will be heavily skewed towards middle income countries:

⁹ TRP Consultation, 22 October 2011, Geneva - with the TRP leadership and a sub-set of the members

¹⁰ This is especially impacted by certain large countries that have graduated to higher income levels.

Figure 2: Overview of Grant Renewals for 2011-2013



3.10. This graph illustrates:

- An increasing share of funds (over 20% in 2013) is projected to be allocated to UMICs: double the level prescribed in current ECFP policy; and
- The combined share of UMICs and Lower Middle Income countries (LMICs) is increasing: more renewal funding will be approved during 2011-2013 for middle income countries than low income countries.

3.11. The Working Group therefore recommends application of most of the substantive provisions of the ECFP policy to renewals to achieve a more consistent policy approach and to ensure that Global Fund's resources are invested more strategically and focused on countries and populations most in need.

3.12. Certain relevant provisions of the ECFP Policy to be applied to all renewals include:

- **Income Level Eligibility:** Income eligibility rules would be applied to renewals, subject to transition provisions included in Recommendation C. Applicants now eligible only for application to the Targeted Funding Pool will be required in renewal requests to abide by funding ceilings for that pool (currently US\$ 7.5 million for a three-year renewal).
- **Focus of Proposals:** Middle income countries would be required to meet requirements relating to the strategic focus and priorities.¹¹
- **Counterpart Financing:** Counterpart Financing rules would now be applied to grant renewals, with review of past compliance undertaken as part of the renewal review process.
- **UMIC allocation:** Total new funding approved for UMICs should be less than 10% of any funding window, assessed at application and renewal. This measure is not currently applied at the renewal stage, when the ratio may have altered due to

¹¹ As a result of these requirements for increased targeting, it is expected that renewal requests from LMICs will reduce only modestly. For forecasting purposes, it is assumed that LMIC budget ceilings will be lowered by between 10% - 20%.

graduation of countries to higher income levels. The Global Fund should therefore impose a limit of 10% on funding use for renewals to UMICs (excluding those restricted to the Targeted Funding Pool). In order to achieve this, total renewals scheduled for approval will be projected at the beginning of any calendar year and then used as the basis to determine this 10% limit.

RECOMMENDATION B: Transitional measures should be made available to countries impacted by the changes in Recommendation A.

Effective date and transition funding

3.13. All recommended changes for grant renewals will be effective as of 1 January 2012.

3.14. The revised application and approval process will be applied to all programs that are in or have not yet reached month 18 as of the effective date.¹² For grants that are beyond month 18 as of the effective date, intermediate measures will be applied (see Annex 1).

3.15. The Working Group recognizes that the application of the provisions of the ECFP Policy to renewals will disrupt some programs, and therefore recommends that transition funding be provided to mitigate the impact of this disruption. Affected countries with renewals scheduled through the end of 2012¹³ will be eligible to receive one year of transition funding (in addition to other funding it remains eligible to receive) with a ceiling of one-third of the total reduction resulting from new policies.¹⁴ The transition funding is intended to provide affected countries with additional time and flexibility to plan accordingly for any diminished funding.

3.16. For those affected grants where a renewal request has been initiated already but for which the Secretariat has not yet issued a recommendation (i.e. past month 18 but before month 24),¹⁵ the CCM will be asked to re-submit its Request for Continued Funding to reflect changes in expected funding, with a three-month extension.

3.17. The Working Group notes the proposed changes to the renewals process may affect and delay the transition of a small number of grants to Single Streams of Funding.

Impact of these changes on available resources

3.18. Through application of these provisions of the ECFP Policy to renewals, and with the transitional provisions described above, **it is projected that upcoming grant renewals through the end of 2013 will be reduced by approximately US\$ 0.9 billion compared to the initially projected amount. These funds would then be available for new commitments to 2016. Based on an analysis of timing, the Secretariat estimates that of this US\$ 0.9 billion, approximately US\$ 0.4 billion¹⁶ would be available in the period to December 2013 when Round 11**

¹² Month 24 (or equivalent) for SSF implementation periods and RCC Phase 1s.

¹³ In this context, "scheduled" refers to the time at which the Secretariat is required to issue a recommendation to the Board regarding the renewal, as required under relevant Global Fund policy. Accelerations or extensions to renewals processes will not affect when a renewal is deemed "scheduled."

¹⁴ For example, a country with a US\$ 90 million renewal that becomes ineligible will be eligible for one year of transition funding of US\$ 30 million. This is a ceiling and is not a guaranteed amount (e.g. amounts may be further adjusted to reflect principles of performance-based funding).

¹⁵ After month 24, but before month 30 (or equivalent) for SSF implementation periods and RCC Phase 1s.

¹⁶ This reduction of US\$ 0.9 billion will be realized over an extended time due to two factors (1) There is typically a six-month delay between Board approval and commitment (thus deferring the realization of this reduction); and (2) The related renewals are already projected to be committed over a staggered time frame due to existing

grants would be ready for signing. See Annex 3 and also the FAC paper for more details.

RECOMMENDATION C: The one-year Grace Period provision for changes in country income classification (as provided in the eligibility policy) should be rescinded for both new proposals and renewals.

3.19. The Working Group also reviewed the **Grace Period provision** currently incorporated within the ECFP Policy.¹⁷ As it is applied at time of the original application, there is a one-year grace period for applicants that have recently shifted up in income classification.

3.20. The Working Group recommendation that the Grace Period provision be rescinded will impact the list of countries eligible for Round 11.¹⁸ For renewals in 2012, an updated Eligibility list will be issued based on World Bank income classifications as of 1 July 2011.

3.21. The Working Group believes that Recommendations A, B and C should be adopted regardless of how the Board decides to proceed with Round 11.

PART 4: ROUND 11 (including Second-Wave NSAs and HSFP Pilot)

Context

4.1. Round 11 was launched on 15 August. Despite the resource situation, the Working Group acknowledged that it is desirable to proceed with Round 11 and provide a funding opportunity to countries for a number of reasons:

- **Important funding opportunity for countries:** Certain countries are relying on Round 11 to continue critical services and for others it represents a major opportunity to implement new guidelines and technologies and significantly impact the three diseases;
- **Over 90 countries are already working on proposals:** Proposal development efforts are well underway. Cancellation also comes with significant reputational risks to the Global Fund;
- **Advancement of the new grant architecture** and consolidated proposals (mandatory as part of Round 11) will **catalyze reprogramming of existing funds;**
- **Continuing the investments in national strategy-based funding:** Round 11 will continue the investments made in NSA/HSFP to date and allow countries to submit funding requests based on jointly assessed national strategies;
- **Opportunity to implement elements of key recommendations** put forward by the High Level Panel and the proposed new Global Fund Strategy and provides valuable learning to inform the new funding model.

RECOMMENDATION D: Round 11 should continue, but with strong upfront guidance to applicants to ensure strategic investment in light of anticipated resource constraints.

(‘2+1’ or ‘1+1+1’) commitment scheduling. This too defers the realization of the reduction. By end 2014, a further US\$ 0.3 billion would be realized.

¹⁷ GF/B23/14 – Paragraph 10

¹⁸ Eligibility list available on the Global Fund website: <http://www.theglobalfund.org/en/application/>

Options for Round 11, including NSA and HSFP

4.2. To inform the above recommendation, the Working Group reviewed three different options to modify Round 11:

Table 1: Round 11 Options Considered

Options Considered	Description	Funding Duration	Application Form
Option 1: Round 11 with strong up front guidance to target highest impact interventions and maintain architecture transition	Strong guidance up-front (e.g. expectations to reprogram, request to prioritize needs) No other up-front limitation or request to applicants	3 years	R11 forms unchanged
Option 2: Round 11 to stratify demand - requiring applicants to differentiate between essential services and scale up in application form	Up-front classification of request into essential vs. scale-up (in application form) by applicant	3 years	R 11 forms + additional attachment
Option 3: Round 11 limited to funding those with critical continuation needs	Application for addressing critical gaps only (which would unlikely include scale-up)	2 years	R11 forms simplified to focus on continuity

4.3. The Working Group recommends **Option 1**. Under this option, **the uncertainty of resource levels as well as the principles of an iterative process for the approval stage will be communicated clearly to applicants on 1 December**. Proposals will need to target highest priority, strategic interventions and build on existing investments. The Technical Review Panel (TRP) will review proposals for technical merit in light of this same guidance. Importantly, **Option 1** captures the attributes listed in paragraph 4.1 and through built-in flexibilities allows the Board opportunity to reassess the resource availability against recommended demand.

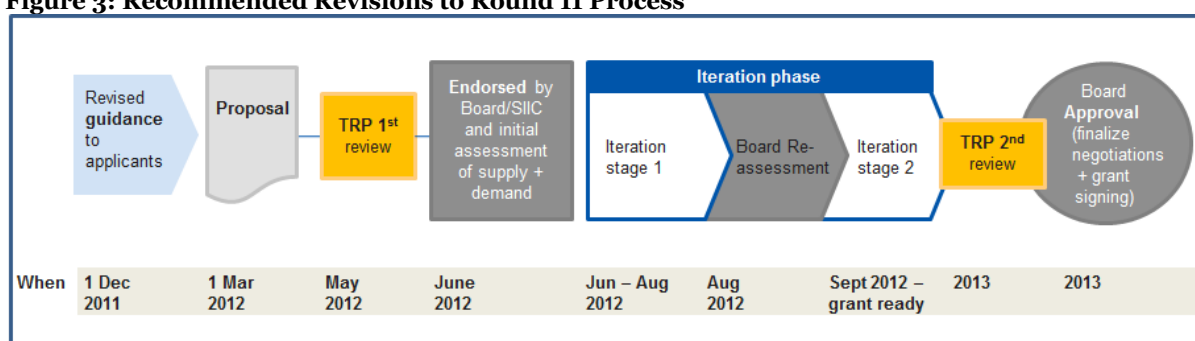
4.4. **Option 2** provides similar flexibilities, yet was seen as impractical and complex and was not supported by technical partners or the TRP. **Option 3**, by its nature as a more restricted Round 11, would meet fewer needs across the portfolio and is not a preferred option of the Working Group.

RECOMMENDATION E: The Round 11 review and approval process should be revised to include iterative steps with relevant stakeholders.

4.5. The Working Group recommends introducing elements of a **two-stage and more iterative approach, as recommended by the High-Level Panel and the new Global Fund Strategy**.

4.6. Details of how this process will work have not been finalized, but the most current plan is illustrated in Figure 1 and presented in more detail in Annex 4. Details on this process will be further provided, but the main steps envisaged are presented in Figure 1 and Annex 4. In early 2012 Secretariat will finalize the new approach with input from partners and the TRP and will report the outcome to the Strategy, Impact and Investment Committee at their first meeting.

Figure 3: Recommended Revisions to Round 11 Process



4.7. This approach also provides **flexibility to the Board to prioritize the demand in line with an updated resource forecast**. The Board (or if it so delegates, the Strategy, Impact and Investment Committee) will be asked to endorse the outcomes of the first TRP review. The Round 11 total recommended demand (before any clarifications) will be available in June 2012, and could be used to identify those countries asked to proceed further.

4.8. Based on the TRP review and Board reflection on resources available, the **iterative process** would continue, focusing Global Fund investments on the most critical and strategic interventions.

4.9. Based on these iterations, a **revised Round 11 demand figure could be presented to the Board in August 2012**, at which point the Board could initiate a second iteration process to further refine funding requests. Eventual commitment of grant funds would be contingent on a TRP recommendation, availability of funding and Board approval.

Revisions to existing policies (to implement the revisions to Round 11)

RECOMMENDATION F: In order to revise Round 11 as recommended, the Board should amend other related policies as identified in the Annex to the Decision Point.

4.10. In making its recommendation to modify Round 11, the Working Group identified various implications on current policies and makes the following recommendations:

- 1) **Round 11 Submission Date:** The amended March 1, 2012 submission date for Round 11 be maintained.
- 2) **Round 11 Eligibility – income level grace period:** The one-year grace period rule be rescinded with immediate effect, with the eligibility list for Round 11 changed accordingly. Income level classification would be based on the July 2010 World Bank listing. A similar rationale is also being applied to renewals (Part 3, Paragraph 23).

Round 11 Eligibility – recent funding rule: Given the revised Round 11 submission date, all relevant countries/components with grant start dates before February 28, 2011 become eligible to apply for new funding.

- 3) **Grant signing window:** The grant signing deadline for Round 11 be at the latest at the end of 2013.

- 4) **Exceptional Extension Funding**¹⁹: Under this policy, extension funding (allowed for in the financial forecast) may be provided to Round 11 applicants from the end date of an expiring Phase 2 if there is no other source of funding.²⁰ Given the new timelines for Round 11, the Working Group recommends immediately updating the EEF policy to incorporate it as appropriate to the Round 11 application process.
- 5) **Duration of Funding**: Applications for Round 11, NSA Second Wave and HSFP pilot be limited to a three-year duration. This recommendation recognizes the ongoing work to transition to the new funding model and the development process for appropriate funding allocations.

Further information on implementation

4.11. The following issues affecting implementation are presented here for Board information:

- **Grant architecture and consolidated disease proposals**: The ongoing implementation of the new grant architecture is another important consideration regarding the timing and modalities for Round 11. A critical element for mandatory consolidated proposals is the determination and predictability of the relevant start date for the proposal. The current resource uncertainties however will make it difficult for the Global Fund to give clear guidance on when an approved Round 11 grant can secure new funding. This in turn complicates the setting of a start date for its consolidated proposal. Following Board decisions on Round 11, the Secretariat will issue best possible guidance. This could include stipulation of an earliest grant start date (e.g. July 2013).
- **Second Wave of NSA and the pilot of the HSFP**: For the nine Second-Wave NSA countries²¹ and the four HSFP pilot countries,²² the later timing for funding decisions creates particular challenges. This is because the NSA and HSFP funding modalities are intimately based on national strategies, and the duration of the resulting grants currently depends directly on the remaining timeframe of those national strategies. Allowing a three-year funding duration regardless of the remaining strategy duration will address this issue. To supplement this, the later portion of the three-year NSA/HSFP grants will, where relevant, be based on the new national strategy or a mid-term review of the current national strategy to maintain alignment of the grant with national priorities.
- **Common Proposal Form for Health Systems Strengthening (HSS) with GAVI**: As decided by the Global Fund Board (GF/B22/DP4), eligible Round 11 applicants may submit requests for cross-cutting HSS funding by using a common HSS proposal form. Developed with HSFP partners²³, this form is designed so applicants can use a single form to apply to either the Global Fund or to GAVI, or to both. With the change in funding timelines, the challenge for the two donor agencies is to ensure a harmonized approach to the technical review of applications and

¹⁹ GF/B23/DP25: Exceptional Extension Funding Related to the Timing of the Approval of Round 11.

²⁰ This policy applies to grants that reach the end of the term of Phase 2, RCC 2 after 30 April 2012. EEF may be provided from the end date of an expiring grant up to 3 months after Rd11 is approved (in cases where proposal is rejected) and up to 12 months after approval of Rd 11 (in cases where Rd11 proposal is approved). The upper-ceiling amount of EEF is derived from the average monthly amount of actual and projected expenditures for Phase 2, RCC 2.

²¹ El Salvador, Ethiopia, Ghana, Moldova, Namibia, Nepal, Senegal, Togo, Zambia.

²² Nepal, Ghana, Malawi and Kyrgyzstan.

²³ GAVI, World Bank, and WHO.

negotiation process for those proposals recommended by the respective review committees.

- **Secretariat Capacity:** The implementation of the changes discussed in this paper will have an impact on Secretariat operations. This may require certain staff functions to be strengthened and team roles to be revisited. The Secretariat will need to adapt processes rapidly to align with the recommendations following any Board Decision to support timely transitions as needed.

Draft Decision Point:

- 1. The Board refers to its decision at the Twenty-Fourth Board Meeting entitled “Addressing Funding and Approval Process for Round 11, Second Wave of National Strategy Applications (NSAs) and Health Systems Strengthening Platform (HSFP)” (GF/B24/DP4).**
- 2. Recognizing the financial constraints faced by the Global Fund at this time, the Board decides to take immediate action to invest more strategically in order to maximize the impact of limited resources.**
- 3. The Board approves the recommendations regarding grant renewals (the Renewals Recommendations) in the document “Options for Modification of the Application, Renewal and Approval Processes for New and Existing Investments,” (GF/B25/[•]) (the Options Paper), and requests the Secretariat to begin implementing the Renewals Recommendations.**
- 4. The Board acknowledges the options for Round 11 in the Options Paper, and approves Option [•] and its related recommendations for Round 11 proposals, Second Wave NSAs, and the HSFP Pilot (the Round 11 Recommendations). The Board requests the Secretariat to begin implementing the Round 11 Recommendations.**
- 5. The Board recognizes the complexity of changes to be implemented, and requests that the Secretariat continue its work to further develop the processes for the implementation of both the Renewals and Round 11 recommendations.**
- 6. The Board approves the policy changes listed in Annex [•] to facilitate the Secretariat’s implementation of the recommendations in the Options Paper.**
- 7. The Board requests the TRP to provide the support described in the Options Paper.**
- 8. The Board requests the Secretariat to report to the Board at its Twenty-Sixth meeting, through the new Strategy, Investment and Impact Committee, on its progress on the implementation of the recommendations in the Options Paper, including any challenges faced and suggested changes.**

Annex [●] for Decision Point

Several policy changes or decisions are necessary to enable the Secretariat to implement the recommendations in the Options Paper. These changes and/or decisions are as follows:

- a. The application deadline for submission of Round 11, the Second Wave of NSAs and HSFP applications will be 1 March 2012;
- b. Round 11s, Second Wave of NSAs and HSFP Pilot applications will be submitted for a proposal term of three years;
- c. Approved Round 11s, Second Wave of NSAs and HSFP Pilot applications will be committed with an initial commitment of two years and a second initial commitment of one year;;
- d. Approved Round 11, the Second Wave of NSAs and new HSFP applications will be signed no later than 31 December 2013;
- e. The Policy on Eligibility, Counterpart Financing Requirements, and Prioritization of Proposals for Funding from the Global Fund (GF/B23/14) will be amended to eliminate paragraph 10 (relating to the Grace Period);
- f. The policy on Exceptional Extension Funding (GF/B23/6 Annex 1, as approved under GF/B23/DP25) will be amended as follows:
 - i. Paragraph 7a will be replaced with, “Up to three months after the Board’s initial endorsement of Round 11 proposals in the case of grants where the corresponding Round 11 proposal has been initially rejected.”;
 - ii. Paragraph 7b will be replaced with, “Until Round 11 funding becomes available, but in no event later than 31 December 2013, where the corresponding Round 11 proposal has been endorsed.”; and
 - iii. Paragraph 6 will be replaced with, “Applicants shall submit their application for Exceptional Extension Funding at the same time as their Round 11 proposal.”
- g. Certain provisions of the Policy on Eligibility, Counterpart Financing Requirements, and Prioritization of Proposals for Funding from the Global Fund (GF/B23/14) relating to 1) income level eligibility, 2) focus of proposals, 3) counterpart financing and 4) UMIC allocation, will be made applicable to grant renewals, subject to the guidance provided in the Options Paper;
- h. The Secretariat will be authorized to approve up to a three-month extension for Phase 1s, RCC Phase 1s or implementation periods in order to accommodate possible delays in the implementation of the Renewals Recommendations. These extensions will be in addition to any other extension permitted under existing policy;

If necessary, the new Strategy, Investment and Impact Committee will be delegated the authority to update the Terms of Reference of the Technical Review Panel (TRP) to reflect any changes to its role.