



Independent observer  
of the Global Fund

## EXISTING GRANTS

### Phase 2 renewal decision-making

When the board originally approves a grant, it approves it for five years, but only makes available funding for the first two years (“Phase 1”). At Arusha, the board had to decide whether to delegate the entire grant-by-grant decision regarding the remaining three years (“Phase 2”) to the Secretariat, or whether to be somewhat involved itself.

At the March 2004 board meeting, the board had delegated the Phase 2 decision to the Secretariat, subject to the Secretariat following detailed agreed procedures. But the US delegation objected to this, partly on the grounds that Members of Congress would be less likely to approve substantial contributions to the Fund if the US could not play any role in such decisions.

During this debate, the discussion focused on poorly-performing grants: If the Secretariat wants to approve a Phase 2 renewal to a country that has performed poorly during Phase 1, does the board have the right to over-rule the Secretariat? But underlying it was not just performance, but also politics: What if the Phase 2 renewal is for a grant to a country that the US regards as an “illegitimate and hard line regime,” like Myanmar, Cuba, Iran or Sudan?

Most board members preferred not to change the policy, but they were anxious not to alienate the US and one or two other donors. So a compromise that had been hammered out in recent weeks was approved in Arusha. In brief, each time a grant comes up for Phase 2 renewal, the Secretariat will inform the board of its recommendation. If any board member wishes to object to (or simply to query) that recommendation, they may do so by email. If, within ten days, four or more “donor” board members or four or more “recipient” board members have queried the Secretariat’s recommendation, implementation will be put on hold while additional information is gathered. The process then repeats itself. If there are still enough

votes to force reconsideration, a final decision will be made at the next board meeting. In all other cases, the Secretariat's recommendation will be implemented.

This decision-making procedure will be followed until the first board meeting in 2006. At that time, if the board does not renew this procedure, the procedure will revert to the one agreed in March 2004.

According to a board member, any objections cited by board members to specific Phase 2 renewals will be noted and explained at the Fund's web site, though it is not known if the identity of the board member filing the objection will be revealed.

The ability that the board has now given itself to engage in "line-item" budgeting regarding Phase 2 approvals is not one that it has given itself regarding the original grant approval, where – thus far – it has voted by a single vote to approve all proposals recommended by the TRP.

## 2. Continuity of services

The Fund will soon be considering its first applications from grant recipients for Phase 2 renewals, covering funding for Years 3-5. The Fund has for some time budgeted on the assumption that only 85% of these requests will be approved. Some believe that the percentage approved will be lower. In all cases, Secretariat recommendations will be based on a detailed evaluation – by the Fund and by the CCM – of performance during the first sixteen months of the grant.

This obviously raises the possibility that a grant will be rejected for Phase 2 renewal after some people have started to be provided, during Phase 1, with life-saving antiretroviral treatments that are needed on a life-long basis.

At Arusha, the board agreed that in such a situation, the CCM in question can apply for up to two years of funding to cover the cost of continuing the treatment of those specific people. During that period, alternative sources of funding, or alternative projects to support those particular people, can be sought.

## 3. Reprogramming in the light of changing scientific evidence

Some Round 1 and 2 malaria grants were based on the use of older malaria drugs that in many regions have become less effective than the newer and more expensive artemisinin-based combination therapy (ACT). The Fund was strongly criticized in some academic papers for not responding quickly to this situation.

Generalizing from this, the Fund has recognized that it must decide what to do whenever a grant needs to have its design changed as a result of new scientific evidence that the approach in the proposal is no longer the best approach. Two questions arise: How should such a change be paid for? And what should be done if the grant recipient disagrees with the Fund about whether a change of design is needed?

Regarding the first question, the board agreed at an earlier meeting to set aside some additional funding to cover such situations; and in Arusha, the board agreed that such a situation can also make it acceptable to move more quickly from Phase 1 funding to Phase 2 funding. Regarding the second question, the board agreed in Arusha that the original approval of such a grant can be re-examined by the TRP. In the limit, this means that if a grant recipient in this situation refuses to come up with an improved project design, the grant's approval could be revoked.

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