



Independent observer
of the Global Fund

PHASE 2 GRANT RENEWAL: A SYSTEM THAT BACKFIRED

Last year, the Global Fund established a procedure, known as “Phase 2 renewal,” for determining which grants should receive three more years of funding after reaching the end of the two years covered in the original grant agreement. The Global Fund Secretariat suggested that these renewal decisions should be made by the Secretariat alone, given that each grant had originally been approved in principle for up to five years. At the insistence of the US board member, however, it was decided that the board would get involved in each renewal decision. Quite simply, the US was worried that the Secretariat would be too lenient.

This involvement by the board has completely backfired. Thus far, the board has never questioned any renewals proposed by the Secretariat. Instead, significant numbers of board members have said that certain poorly-performing grants should be renewed despite a Secretariat desire to terminate them.

In one particular case, which will be reported on in GFO after a final decision is made at next week’s board meeting, enormous numbers of emails, phone calls and appeals are being generated as people attempt to persuade board members to over-rule the Secretariat’s decision to terminate the grant.

This lobbying of board members was inevitable once the board decided to get involved in such decisions. One of the great strengths of the Fund is that the Phase 1 decision process (that is, the original approval of grants, rather than the later renewal) is entirely de-politicized. The Technical Review Panel divides all applications into a smaller pile that it recommends for approval, and a larger pile that it does not recommend for approval. Then, if there is enough money, the board says “Done,” without any discussion of individual grants.

Can you imagine how long each board meeting would last if the board discussed, one at a time, the original approval of grants to countries like Cuba, Myanmar, and Zimbabwe, or of grants that focus on

forms of prevention like harm reduction and condom promotion? And can you imagine the amount of lobbying of board members that would take place in that situation?

But that is where we are moving regarding the Phase 2 renewal process.

As board members prepare for this week's board meeting, they should be intently studying lengthy board papers that discuss key policy decisions. Instead, they are being distracted by particular renewal decisions that they were quite happy not to get involved in when the grants were originally approved.

When a grant is approved, or renewed, the decision to be made is not "Will this expenditure have some benefit?" Of course it will, and of course terminating the grant will cancel that benefit. The decision that actually has to be made is "Should scarce money be spent on this grant, or should it be spent on a different grant that might save more lives?"

If the Global Fund decides to renew every badly-performing grant, it will make a poor use of the money, it will reduce the incentive for implementers of other slow-moving grants to do better, and it will reduce the chances that donors will escalate their donations to the Fund.

The board hires professional staff to make tough professional decisions. Those decisions should be left to the staff. The board should instead focus on the big-picture issues. Like where to get the money from. And how to help poorly-performing grants long before they become candidates for termination.

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