Operational Procedures

Portfolio Optimization

Approved on: 27th September 2024
Approved by: Executive Grant Management Committee
Process Owner: Access to Funding Department
Associated OPN: OPN on Portfolio Optimization

Process Metrics for Portfolio Optimization

Secretariat and Principal Recipients (PRs) are expected to meet the following Performance & Accountability (P&A) metric:

<u>At least 70% of Audit and Finance Committee (AFC) approved Portfolio Optimization (PO) funding integrated into grants within seven calendar months after AFC decision.</u>
With the following in-process targets:

1. For Secretariat: at least 80% of AFC-approved PO funding awarded within three calendar months of AFC decision (GAC award communicated to the Country Teams).

2. For Country Teams (CTs) and Principial Recipients (PRs): at least 80% of PO-related additional funding revisions initiated within 1 month of GAC award and completed within 3 months after initiation in the Global Fund systems, in line with OPN on Revise Grants.

Purpose and Overview

1. These Operational Procedures provide procedural guidance on the Portfolio Optimization process and apply to grants financed under the 2023-2025 allocation period (Grant Cycle 7) and onwards. They aim to ensure the robust and consistent application of the Prioritization Framework by setting out the process, roles, and responsibilities throughout the different PO phases and sub-processes.

2. Specific considerations for eligible multicountry grants within this Operational Procedures are contained within each process step, as relevant. Multicountry regional grants financed solely through the Catalytic Investments-Multicountry Modality are not eligible for PO funding.

3. A list of acronyms can be found in Annex 1 of this document.

   An overview of these Operational Procedures' content is given in the diagram below. Press "Ctrl + click" on the links to go to the relevant phase or sub-process.
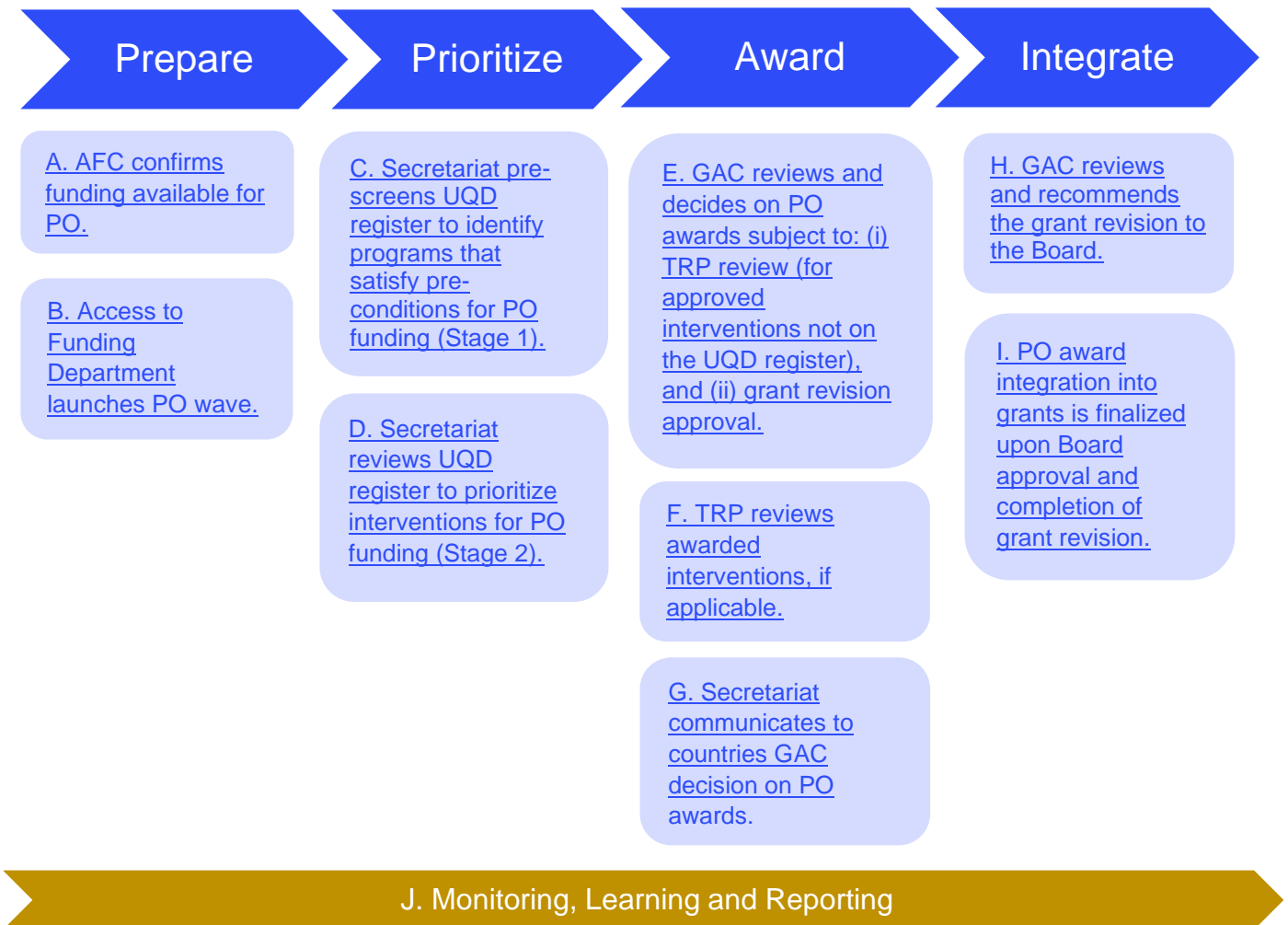
Prepare	Prioritize	Award	Integrate
A. AFC confirms funding available for PO.	C. Secretariat pre-screens UQD register to identify programs that satisfy pre-conditions for PO funding (Stage 1).	E. GAC reviews and decides on PO awards subject to: (i) TRP review (for approved interventions not on the UQD register), and (ii) grant revision approval.	H. GAC reviews and recommends the grant revision to the Board.
B. Access to Funding Department launches PO wave.	D. Secretariat reviews UQD register to prioritize interventions for PO funding (Stage 2).	F. TRP reviews awarded interventions, if applicable.	I. PO award integration into grants is finalized upon Board approval and completion of grant revision.
		G. Secretariat communicates to countries GAC decision on PO awards.	

J. Monitoring, Learning and Reporting

Figure 1: Dynamic Table of Content

1. Portfolio Optimization financed from the below funding sources is not covered by these procedures:
   a. External contributions from private donors and Debt-to-Health initiatives[1] to finance Unfunded Quality Demand (UQD). Private donors will continue to be able to make restricted financial contributions in accordance with the Amended and Restated Policy on Restricted Financial Contributions[2].
   b. Decisions made by the Global Fund Board (with Strategy Committee recommendation if relevant) to use funding made available by the AFC for Portfolio Optimization to finance the Emergency Fund[3] or other exceptional needs[4].
   c. COVID-19 Response Mechanism (C19RM)- funds.[5]

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[1] Debt-to-Health initiatives are the Innovative Finance projects that leverage country debt swaps as a source of funding
[2] Amended and Restated Policy on Restricted Financial Contributions
[3] Guidelines on Emergency Fund Strategic Initiative
[4] See GF/B46/EDP02.
[5] For guidance on portfolio optimization and additional funding for C19RM refer to the C19RM Guidelines
GMD_Guidelines_covid19_C19RM_internal_EN.pdf

A. AFC confirms funding available for PO.

Outputs	Required or Best Practice*		Timeline	Responsibilities
	HI & Core	Focused		
Analysis of key prioritized needs and/or strategic/thematic investment opportunities (i.e. demand shaping).			In advance of scheduled AFC meetings (as per official timelines for documents pre-submission) or on an ad hoc basis.	Prepared by: PO Specialist, Access to Funding (A2F) in consultation with Technical Advice and Partnership (TAP), Community Rights and Gender (CRG) and Health Finance (HF) PO focal points. Reviewed by: - Regional Managers (RMs) / Department Heads (DHs) - Head, A2F - Head, Business Financial Controlling and Administration (BFCA) - Head, Grant Finance Management (GFM) Shared with: - CFO - Head, Strategic Investment and Impact Division (SIID) - Head, Grant Management Department (GMD)

Outputs	Required or Best Practice*		Timeline	Responsibilities
	HI & Core	Focused		
Asset and Liability Management (ALM) review to identify funding available for PO			In advance of scheduled AFC meetings (as per official timelines for documents pre-submission) or on an ad hoc basis	Prepared by: Finance, BFCA. Reviewed by: • Head, BFCA • Head, GFM • CFO Recommended by: • Management Executive Committee (MEC)
AFC decision on available funds for PO.			At scheduled or ad hoc AFC meetings	Approved by: AFC, following the recommendation from the Secretariat.

* R = Required; BP = Best Practice; - = Not required

Outputs	Required or Best Practice*		Timeline	Responsibilities
	HI & Core	Focused		
GAC strategic guidance.			In anticipation of or shortly after AFC decision.	Prepared by: PO Specialist (A2F) with contributions from TAP, CRG, HF PO focal points, who provide the context for priority thematic investments (for example new science or guidelines informing thematic investments) Reviewed by: • RM/DHs who are consulted on the countries to be prioritized in that context in line with the identified needs • Head of A2F Approved by: GAC Executed by: GAC Secretariat (A2F), which disseminates the decision to wider Secretariat
Email to officially launch PO wave.			Shortly after AFC decision for the initial wave, and at any time during the grant implementation for the subsequent waves utilizing already approved PO funding.	Prepared by: PO Specialist (A2F) in consultation with GAC members. Approved by: Head of A2F

* R = Required; BP = Best Practice; - = Not required

C. Secretariat pre-screens UQD register to identify programs that satisfy pre-conditions for PO funding (Stage 1)

Outputs	Required or Best Practice*		Timeline	Responsibilities
	HI & Core	Focused		
Pre-screened UQD register.			Timeline is determined at the launch of each PO wave.	Prepared by: PO Specialist (A2F) in consultation with key internal partners • TAP/CRG/HF PO focal points, • RM/DHs • SPH – Policy and Allocation Managers, • Finance PO focal point
List of critical unfunded needs not on the UQD register.	R	R	During pre-screening.	Flagged by: • TAP/CRG/HF PO focal points, • RM/DHs, in consultation with relevant CTs as needed
Update of the UQD register.	R	R	During pre-screening.	Prepared by: PO Specialist (A2F) with inputs from CTs

* R = Required; BP = Best Practice; - = Not required

D. Secretariat reviews UQD register to prioritize interventions for PO Funding (Stage 2).

Outputs	Required or Best Practice*		Timeline	Responsibilities
	HI & Core	Focused		
Initial list of prioritized interventions for consideration for PO funding.			Timeline is determined at the launch of each PO wave.	Prepared by: TAP/CRG PO focal points based on the Stage 1 analysis (see section C). HF PO focal point is consulted for feedback on the areas including (but not limited to) blended finance priorities and health financing systems. If requested by the PO Specialist, Master Data Server (MDS) Microsoft Excel Add-in will be used to submit information related to PO proposals. If so, refer to PO MDS Process.
Validated list of prioritized interventions for PO funding.	R	R		Prepared by: FPM (or DFM, if applicable) in consultation with CT members Reviewed by: • RM/DHs • TAP/CRG PO focal points • PO Specialist (A2F), who facilitates the review and consultation process

Outputs	Required or Best Practice*		Timeline	Responsibilities
	HI & Core	Focused		
Investment Cases.	R	R		Prepared by: FPM (or DFM, if applicable) in consultation with CT based on the pre-filled template shared by PO Specialist (A2F). Reviewed by: • RM/DHs • TAP and CRG PO focal points. • PO Specialist (A2F)
Assessment of pre-conditions and their implications for the proposed PO award.				Prepared by: PO Specialist in consultation with Finance and HF PO focal points Reviewed by: • Head, BFCA (recoveries and absorptive capacity) • Head, GFM (recoveries and absorptive capacity) • Head, Risk Department (recoveries) • Deputy General Counsel, Grant Management (recoveries) • Deputy Head, HFD (co-financing) • Relevant GFMs (recoveries and absorptive capacity) • Relevant FPM (or DFM, if applicable)

Outputs	Required or Best Practice*		Timeline	Responsibilities
	HI & Core	Focused		
Meeting with pre-GAC members.			*Harmonization meeting* (based on the pre-determined timeline for each PO wave)	Prepared by: PO Specialist (A2F), who organizes and leads the Harmonization meeting, as well as disseminates recommendations from the meeting to inform continued prioritization. Reviewed by: pre-GAC members (TAP, CRG, HF, SPH, Finance, Risk, Legal), who provide input as part of the meeting.
Meeting with GAC.			*Internal Review and Validation meeting.* (based on the pre-determined timeline for each PO wave). It can happen at the same meeting as awards (section E).	Prepared by: PO Specialist (A2F), following the steer provided during Harmonization meeting. Reviewed and validated by: GAC
Optional: List of 'high likelihood' portfolios to receive PO award	-	-	During the PO wave ahead of awards decision.	Reviewed by: • TAP and CRG PO focal points. • RM/DHs • Pre-GAC Approved by: GAC

* R = Required; BP = Best Practice; - = Not required

E. GAC reviews and decides on PO awards subject to: (i) TRP review (for approved interventions not on the UQD register), and (ii) grant revision approval.

Outputs	Required or Best Practice*		Timeline	Responsibilities
	HI & Core	Focused		
In principle decision on PO funding awards.			During or following the Internal Review and Validation meeting. Target: at least 80% of AFC-approved additional funding awarded in line with the PO prioritization framework within 3 months of AFC decision, unless other steer is given from GAC.	Approved by: GAC
Email communication on GAC decision to the relevant CTs.			Shortly following GAC approval.	Prepared by: PO Specialist (A2F) Reviewed and communicated by: GAC Secretariat

* R = Required; BP = Best Practice; - = Not required

F. TRP reviews awarded interventions, (if applicable).

Outputs	Required or Best Practice*		Timeline	Responsibilities
	HI & Core	Focused		
PAAR update of the awarded interventions not previously included on the UQD register or >30% increase vs. initial cost estimate.	R	R	Within 1 week of GAC award recommendation	See Operational Procedures for Design and Review Funding Request.[6]
TRP review of the updated PAAR.			Within three weeks of GAC award recommendation	
Updated UQD register.			Immediately after TRP recommendation	

* R = Required; BP = Best Practice; - = Not required

G.   Secretariat communicates to countries GAC decision on PO awards.

Outputs	Required or Best Practice*		Timeline	Responsibilities
	HI & Core	Focused		
IMM (financial systems) updated to reflect GAC decisions.			Within one week of GAC decision on the award	Updated by: PO Specialist (A2F) Reviewed and approved by: • GAC Secretariat, or • Communications and Information Management Team (as a backup).

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[6] [Operational Procedures, Design and Review Funding Requests](#)

Outputs	Required or Best Practice*		Timeline	Responsibilities
	HI & Core	Focused		
Notification Letter sent to the country	R	R	Within one week of GAC decision on the award	Prepared by: FPM (or DFM, if applicable) Template is shared by A2F. Reviewed by: CT Legal Counsel. Signed by: Head of GMD CT sends letter to the CCM and PR with copy to GACSecretariat@theglobalfund.org

* R = Required; BP = Best Practice; - = Not required

H. GAC reviews and recommends the grant revision to the Board

Outputs	Required or Best Practice*		Timeline	Responsibilities
	HI & Core	Focused		
Grant revision documents prepared and finalized.	R	R	Grant revision initiated in Global Fund system immediately and within 1 month of GAC decision communication on award. Grant revision completed within 3 months of initiation.	See OPN and Operational Procedures for Revise Grants[7]
GAC recommendation to the Board on Additional Funding Revision.				
Report to the Board on GAC PO awards decision.			Within 8 working days post GAC meeting.	Prepared by: PO Specialist (A2F) Reviewed by: • GAC Secretariat • Finance, BFCA • Deputy General Counsel Approved by: GAC

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[7] See OPN Revise Grants and Operational Procedures, Revise Grants

Outputs	Required or Best Practice*		Timeline	Responsibilities
	HI & Core	Focused		
Optional: Expedited grant revision.	-	-	Internal Review and Validation stage through to GAC Award stage.	GAC determines 'high likelihood' investments. FPM opt-in to process. GAC reviews and awards PO funds alongside recommending to the Board the Additional Funding Revision to integrate the PO funds into the relevant grant.

I. PO award integration into grants is finalized upon Board approval and completion of grant revision.

Outputs	Required or Best Practice*		Timeline	Responsibilities
	HI & Core	Focused		
Board approval of Additional Funding Revision including PO funding.			Within 10 business days following submission of GAC report	Approved by: Board
Signed Implementation Letter.	R	R	See OPN and Operational Procedures for Revise Grants[8]	
Updated Grant Purchase Order approved and Additional Funding Revision registered	R	R		

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[8] OPN Revise Grants and Operational Procedures, Revise Grants

Operational Procedures

J. Monitoring, Learning and Reporting

Outputs	Required or Best Practice*		Timeline	Responsibilities
	HI & Core	Focused		

The following metrics are monitored to track the end-to-end PO process and to ensure timely integration of PO awards:
 	
Time from AFC decision on available funding for PO to the integration of PO funding into grants > 70% of AFC approved PO funding integrated into grants within seven calendar months after AFC decision, including in-process targets:
  a. time from AFC decision to GAC award communication to the Country Teams: at least 80% of AFC PO funding (US$) to be awarded within three months of AFC decision.
  b. time from GAC award to completion of grant revision: 80% of PO-related additional funding revisions initiated in Global Fund systems within 1 month of GAC award and completed within 3 months after initiation, in line with OPN on Revise Grants
 	
Calculation methodology:
• Numerator: AFC-approved PO funds integrated into grants (grant revision completed) at end of 7 months
• Denominator: total AFC-approved PO funds. Total PO funding will be considered as a base for calculation (new + unused available PO funding).
			Quarterly reporting of the most recent round	PO Specialist (A2F) is responsible for end-to-end monitoring, lessons learned and evolution of PO process, submitted for a review and approval to Head of A2F Department. Operational Efficiency Team tracks grant revisions through routine operational monitoring.

Outputs	Required or Best Practice*		Timeline	Responsibilities
	HI & Core	Focused		
An Additional Funding Revision is considered complete once the updated grant purchase order is approved and the revision is registered in the Global Fund systems (as per OPN Revise Grants).				
The following data points on critical PO steps and decisions are documented during the end-to-end PO process: a. GAC strategic guidance on operationalization of the 'Prioritization Framework'; b. Prioritized interventions at each step of the prioritization process; c. Overall outcomes and GAC decisions on awards;			Throughout the PO process	PO Specialist monitors and tracks data points.
Lessons learned and opportunities for improvement to feed into updates of the process as relevant.			Ad hoc or as part of A2F department lessons learned process.	PO Specialist consults stakeholders and compiles lessons learned.
Returned funds are regularly tracked and reported. Integrated awards are monitored for impact.			Post PO wave.	Reviewed and monitored by: PO Specialist (A2F) in consultation with BFCA team and FPMs.

* R = Required; BP = Best Practice;- = Not required

Key reference documents:

- [Prioritization Framework for Funds that Become Available for Portfolio Optimization and Financing Unfunded Quality Demand](#) (GF/SC04/04 – Revision 2)
- [OPN on Revise Grants](#)
- [Operational Procedures on Revise Grants](#)
- [OPN on Pooled Procurement Mechanism](#)
- [OPN on Portfolio Optimization](#)
- [Operational Procedures, Design and Review Funding Requests](#)

Annex 1: Acronyms

A2F: Access to Funding Department

CCM: Country Coordinating Mechanism

CRG: Community Right and Gender Department

CFO: Chief Financial Officer

CT: CT (comprises: FPM; Disease Fund Manager, if applicable; State Fund Manager, if applicable; PO; FPA; Finance/PST Specialist, PHME Specialist, HPM Specialist, Legal Counsel)

DH: Department Head for High Impact Portfolios

DFM: Disease Fund Manager

EGMC: Executive Grant Management Committee

FPA: Fund Portfolio Assistant (High Impact & Core) (including Senior FPA) and Fund Portfolio Analyst (Focused)

FPM: Fund Portfolio Manager

GAC: Grant Approvals Committee

GFM: Grant Finance Manager

GMD: Grant Management Division

GPS: Grant Portfolio Support & Solutions

GOS: Grant Operating System

HF: Health Finance

HPMT: Health Products Management Template

IP: Implementation Period

IMM: Investment Management Module

LFA: Local Fund Agent

M&E: Monitoring & Evaluation

OP: Operational Procedures

OPN: Operational Policy Note

PAAR: Prioritized Above Allocation Request

PFQA: Performance Framework Quality Assurance

PHME: Public Health and Monitoring and Evaluation

PMD: Programmatic Monitoring Department

PO: Program Officer for High Impact & Core Portfolios (including Senior PO)

PPM: Pooled Procurement Mechanism

PR: Principal Recipient

PST: Portfolio Services Team of Program Finance

RCM: Regional Coordinating Mechanism

RM: Regional Manager

RO: Regional Organization

SFPM: Senior Fund Portfolio Manager

SO: Supply Operations

SR: Sub-recipient

TAP: Technical Advice and Partnerships Department

ToRs: Terms of Reference

TRP: Technical Review Panel

UQD: Unfunded Quality Demand

Annex 2. Inputs

The following is a list of data points that are used and/or transformed in the course of the prioritization process for PO.

Dataset	Data Owner
Historical awards, including original, actual and status of incorporation	Access to Funding
Program Split	Access to Funding
Relevant component	Access to Funding (Validated by Business Owners)
Returned/released funds from previous PO waves	Access to Funding (Validated by Business Financial Controlling and Administration)
AFC available funds	Treasury
Available funds for a specific PO Wave	Business Financial Controlling and Administration
Communicated Allocation	Allocation Team
Trajectory of Allocation	Allocation Team
Allocation as % of ICA	Allocation Team
Actual Disbursements	Business Financial Controlling and Administration
Financial KPIs (allocation utilization, budget utilization, disbursement utilization, in-country absorption, absorption score)	Business Financial Controlling and Administration
Forecasted disbursements	Business Financial Controlling and Administration / Allocation Team
Allocation Currency	GOS: Grant data
Compliance with co-financing requirements	Health Financing team
Funding Gap	Health Financing team
OIG and Non-OIG Recoveries Status	Recoveries team
Amount approved by Board per wave	Treasury
Region, Country	Public
Disease burden	Access to Funding (with reference to latest published Global Fund eligibility list[9])
Module, Intervention, TRP Priority	Access to Funding (as recorded on UQD Register) or GMD/TAP (for interventions not yet captured on UQD register)

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[9] The latest available disease burden data to feed into the Global Fund Eligibility List is provided by headquarters of UNAIDS for HIV and WHO for tuberculosis and malaria.

Change History

Version No.	Approved By	Change Description	Date
1	EGMC	Original	27th September 2024