

Operational Policy Note

Portfolio Optimization

Approved on: 27th September 2024
Approved by: Executive Grant Management Committee
Process Owner: Access to Funding Department
Sub-process Owner: See Annex 1

Process Metrics for Portfolio Optimization

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

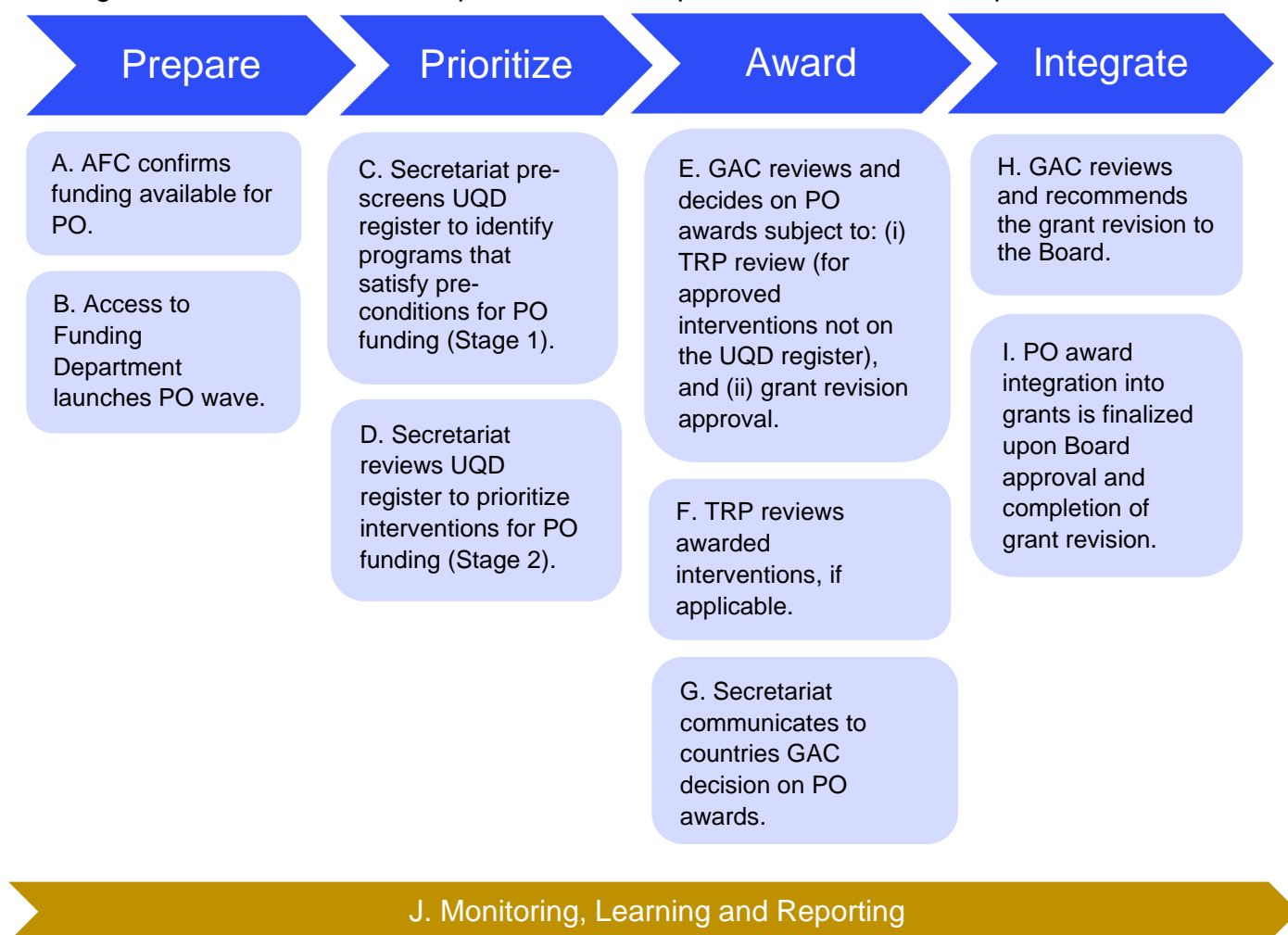
At least 70% of Audit and Finance Committee (AFC) approved Portfolio Optimization (PO) funding integrated into grants within seven calendar months after AFC decision.

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 Principal 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 the OPN on Revise Grants.

Process Objectives

1. Portfolio Optimization is the Global Fund's method for reallocating unused grant funds to areas where they can be invested to achieve greater impact. This allows the Secretariat to be flexible during an allocation period, ensuring that funds are utilized effectively and efficiently to deliver the best results and high absorption.
2. PO refers to the process of investing available sources of funds¹ towards registered, prioritized and costed areas of need, i.e., items on the Unfunded Quality Demand (UQD) register².
3. Figure 1 below describes the phases and sub-processes of Portfolio Optimization.



¹ Refers to funds confirmed by the Global Fund Audit and Finance Committee as available for optimizing the global grant portfolio.

² The Technical Review Panel reviews Prioritized Above Allocation Requests (PAAR) submitted by countries, and recommends strategically focused and technically sound interventions as quality demand, which are then registered as UQD to be funded should additional resources become available.

Operational Policy

1. The Portfolio Optimization process is governed by the Prioritization Framework approved by the Global Fund Strategy Committee³. The Prioritization Framework, supplemented by this Operational Policy Note and the Operational Procedures, defines the guiding principles and requirements on Portfolio Optimization.
2. The OPN applies to country and multicountry portfolios and grants unless otherwise specified in the dedicated multicountry section below. Annex 2 provides a summary of the Portfolio Optimization deliverables and how they apply to each portfolio category.
3. Country components can be eligible for multiple instances of PO funding in the same grant cycle.

PREPARE

A. AFC confirms funding available for PO.

4. The Audit and Finance Committee (AFC) decides on the amount of funding available for PO based on the Asset and Liability Management (ALM)⁴ profile of the portfolio. This is triggered by:
 - i. The AFC's regular review of ALM informed by Finance; and
 - ii. Demand-shaping analysis. The Access to Funding (A2F) Department, in consultation with relevant stakeholders⁵, undertakes an analysis to identify key prioritized needs and/or strategic/thematic investment opportunities. Typically, this is based on, but not limited to, the existing UQD register and unfunded needs identified during the grant-making process. Grant Management Division (GMD) senior management via Regional Managers (RMs) / Department Heads (DHs) is consulted on critical gaps and potential investments opportunities at the portfolio level. As part of this process, the timing of the needs is identified so that the AFC can have an overview of the investment landscape as part of its decision-making process.

B. Access to Funding Department launches PO wave.

5. Following the AFC decision, the A2F Department seeks GAC steer to ensure efficient prioritization of available funds and accelerate discussions at the prioritization and the GAC Award stage (section E). The strategic guidance can identify funding priorities or refine investment criteria based on the Prioritization Framework principles. GAC's guidance is informed by the initial demand shaping analysis if available prior to AFC decision.
6. The GAC may also identify priority thematic investments (e.g. portfolios with gaps in Malaria Insecticide Treated Nets campaigns) and allocate a portion of AFC-determined

³ [Prioritization Framework... - summary](#)

⁴ The mechanism for matching notional Sources and Uses of Fund on an aggregated portfolio basis for an Allocation Period, as defined in [Comprehensive and Funding Policy \(CFP\)](#). The process covers at least five years, from first pledge to final administrative closeout of the last grant in an allocation period and includes decision making on initial sources of funds and ongoing available funds.

⁵ Refer to the [Operational Procedures on Portfolio Optimization](#).

funds to these investments. These investments are likely to be eligible for the expedited revision process (refer to section H below).

7. Following AFC decision and GAC steer, an internal guidance is shared with Country Teams capturing the focus areas and specific timelines of the PO wave. The prioritization of interventions may begin before the AFC decision, in anticipation of available funds, as a way of expediting the funding of time-sensitive programmatic gaps.
8. PO wave timelines are set in line with the target of at least 80% of AFC-approved additional funding being awarded within 3 months of AFC decision, unless a specific steer is given from the GAC to balance other factors (e.g. other organizational priorities or potential changes in the risk profile of the portfolio).
9. CTs and PRs must ensure that grants maximize the absorption of existing funds before new funds are added to a grant via PO. Known and expected grant savings must be fully utilized and/or reinvested before additional funding is requested.
10. PO funds not integrated into grants during the PO wave can be utilized in subsequent PO waves. In consultation with GAC, A2F can launch subsequent PO waves when critical unfunded needs arise (e.g. informed by 'Demand shaping' exercise), provided there is enough time for implementation and absorption of the additional PO funds.

PRIORITIZE

11. **Prioritization criteria:** the overarching principles and criteria set out in the Prioritization Framework⁶ form the basis of the PO prioritization process.
12. **Two-stage prioritization process:** The prioritization of investments for PO and financing items on the UQD register is conducted in two stages as detailed in the Prioritization Framework.

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

13. In order to focus organizational efforts on the cases with the greatest likelihood of impact and with high absorptive capacity, the A2F Department pre-screens the UQD register against the following:
 - a. **Pre-conditions to receive additional funds, such as:**
 - i. The extent to which a country is at risk of not meeting its co-financing requirements based on availability of data;
 - ii. Whether there are existing OIG related recoveries; and
 - iii. Potential for increased absorption of additional investments, and
 - b. **Additional contextual considerations** (e.g. grant performance rating, implementation timelines, allocation trajectory, disease burden, income level).

⁶ [Prioritization Framework... - summary](#)

14. In cases with low absorptive capacity, countries are first encouraged to reinvest unutilized funds within their grants⁷. The Secretariat retains the flexibility to consider PO funding for countries with inadequate performance and/or absorption where the proposed interventions would be high impact and there is potential to absorb additional investments.
15. The UQD register is then updated and interventions funded by other sources are removed, allowing PO funding to support the remaining interventions in the UQD register.
16. Additional critical unfunded needs that are not on the UQD register are flagged by Secretariat to be considered for PO funding. The same pre-conditions specified above shall apply to these needs as well.

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

17. The Secretariat reviews the updated UQD register to prioritize interventions for PO funding based on:
 - a. The strategic priorities set by GAC at the start of the PO wave and the key overarching principles and prioritization criteria set out in the Prioritization Framework⁸.
 - b. Available resources, and levels of funding required for the remaining period of the existing grants (e.g. giving more weight to grants that are nearing the end of their implementation period with the capacity to absorb additional funding, whether a country can self-fund the proposed interventions and/or a country's ability to reinvest existing, unutilized grant funds to prioritize the most critical and urgent needs).
18. The initial list of prioritized interventions for consideration for PO funding is prepared by Technical Advisors, in consultation with relevant stakeholders, based on the above criteria.
19. CTs validate the proposed prioritization of interventions for their respective portfolios and/or propose adjustments considering potential for impact, continued need and contextual factors including, but not limited to, programmatic need, implementation capacity and shifts in the funding landscape. This may include proposing interventions not included on the UQD register. RM/DHs review the proposed outcome, which ultimately forms a basis for the consolidated list of high impact proposals for PO award.
20. CTs prepare the Investment Cases for the prioritized interventions on the consolidated list of high impact proposals, which clearly articulate to GAC the strategic rationale for making additional awards with specific reference to PO pre-conditions and criteria in the Prioritization Framework.
21. A2F Department, in consultation with Finance and Health Finance departments, reviews the Investment Cases against the same pre-conditions defined at paragraph 13 above.
22. The Investment Cases are subsequently reviewed by pre-GAC members, followed by GAC review.

⁷ See [OPN on Revise Grants](#)

⁸ [Prioritization Framework... - summary](#)

23. As part of the Internal Review and Validation meeting, the GAC:
- Reviews the prioritized interventions and the consolidated list of high impact proposals, as identified and proposed by the Secretariat.
 - Considers inputs from across the Secretariat to validate and strengthen rationale.
 - Advises on strategic and operational considerations and the need for operational flexibility.
 - May identify, in collaborations with TAP/CRG and RM/DHs, “high likelihood” portfolios to receive PO award that can opt-in for expedited grant revision (e.g. certain urgent critical needs, thematic priority areas)
24. Depending on the wave context and the level of complexity, the Internal Review and Validation meeting can occur at the same time of the Award meeting.

AWARD

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.

25. GAC reviews the prioritized interventions and high impact proposals and decides on PO awards in principle, based on the criteria set out in the Prioritization Framework. GAC’s decision on PO awards is subject to: (i) TRP review of interventions not previously on the UQD register, and (ii) Board approval of the Additional Funding Revision to integrate the relevant PO award into grants. GAC can also provide additional steer for awards execution as relevant.
26. GAC’s decision falls within the following categories:
- a. **Immediate award:** an upper ceiling for interventions based on available funding; funding is earmarked at the time of the GAC meeting.
 - b. **In-principle endorsement & award later:** interventions for future awards if funding becomes available (in-principle endorsement) or for reprioritization at a following opportunity (award later). These interventions will have priority in the future if the funding becomes available.
 - c. **Partial immediate award:** an upper ceiling to fund part of the intervention, while the remaining part can be covered by in-country optimization if low absorption is reported.
 - d. **In-country optimization:** interventions recommended to be covered by savings from existing grant funds from a country component⁹.
27. Recoveries conditions are included in the decision confirmation in line with the Recoveries Committee guidance as applicable and unless otherwise recommended by the Recoveries Committee. For Multicounty grants, the total recoveries amount should be included, even if the award is for a specific country within the grant.
28. GAC Partners are consulted on PO awards recommendation either during the Award stage or during grant revision.

⁹ See [OPN on Revise Grants](#).

F. TRP reviews awarded interventions, if applicable.

29. TRP review is required of the updated PAAR¹⁰ for awarded interventions:
- a. not previously included in the UQD register, or
 - b. with the amounts 30% above the initial PAAR
30. If TRP does not recommend the updated PAAR, the PO award cannot be integrated into a grant and the PO funds remain in the pool for future PO waves.

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

31. Following GAC decision on PO awards, a Notification Letter is issued to countries which includes:
- a. details of the GAC's decision, and
 - b. required grant revision timelines.

INTEGRATE

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

32. Countries that have been awarded PO in principle by GAC are required to prepare and finalize the Additional Funding Revision documents to integrate the award into grants.
33. During the grant revision process, savings may be identified to cover the PO award in full or in part. In cases where savings can cover a portion or the totality of the prioritized interventions, and corresponding additional funds are not needed, the funds are returned to the PO pool and made available for further investment as applicable (e.g., for awards for "in principle" or "award later" business cases).
34. All PO-related Additional Funding Revisions require Board approval with GAC recommendation.
35. The GAC decision on total PO awards associated with a wave is communicated to the Board, together with the first Additional Funding Revision to incorporate the PO award associated with the wave. The report to the Board includes the overall final amount that was awarded and an overview of the prioritization process that was undertaken in line with the Prioritization Framework.
36. Once the Additional Funding Revision is recommended by the GAC to the Board, it is possible to already initiate the Implementation Letter signature process¹¹, unless otherwise indicated by the GAC.
37. It is possible to initiate advance procurements through and outside PPM ahead of Board approval of the PO Additional Funding Revision, provided the pre-conditions for advance

¹⁰ See [Operational Procedures, Design and Review Funding Requests](#)

¹¹ See [OPN on Revise Grants](#).

procurement set out in the OPNs on Pooled Procurement Mechanism¹² and Revise Grants are met, respectively.

38. Certain portfolios may be eligible for an expedited grant revision process if they were selected as 'high likelihood' PO award candidates by GAC. Country Teams that opt for an expedited grant revision process must prepare the required grant revision documents in advance of the GAC Award meeting (see section E) and in these cases, GAC will simultaneously: (i) approve the PO award in principle, and (ii) recommend the Additional Funding Revisions to the Board for approval. However, Country Teams must consider the risk that if GAC does not approve a PO award, additional work required by the Country Team to prepare the grant revision documents will be rendered null.
39. The expedited grant revision is completely optional, and its purpose is to facilitate timely integration of awards into grants for the most urgent cases responding to critical gaps, with a high likelihood of PO funds being awarded by the GAC. This avoids portfolios returning to the GAC for separate review/approval of the grant revision.

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

Additional funding revisions triggered by PO follow the process described in the OPN¹³ and Operational Procedures on Revise Grants¹⁴.

Specific Multicountry Considerations

1. Multicountry grants eligible for PO funding refer to:
 - a. grants financed through pooled country allocations (e.g., Multicountry Western Pacific and Multicountry Caribbean); and
 - b. regional grants financed through a combination of pooled country allocations and Catalytic Investments (e.g., the Regional Artemisinin-resistance Initiative (RAI)).
2. Multicountry regional grants financed solely through the Catalytic Investments - Multicountry Modality are not eligible for PO funding.

Associated Decisions and Operational Policies:

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

¹² See [OPN on Pooled Procurement Mechanism](#)

¹³ See [OPN on Revise Grants](#)

¹⁴ See [OP on Revise Grants](#)

Annex 1. Sub-process Owners

Sub-process name	Sub-process owner*	Output(s)
A. AFC confirms funding available for PO.	Department Head, Business Financial Controlling & Administration (BFCA)	<ul style="list-style-type: none"> Demand shaping analysis and ALM review to identify funding available for PO. AFC decision on available funds for PO.
B. Access to Funding Department launches PO wave.	Department Head, Access to Funding	<ul style="list-style-type: none"> GAC strategic guidance. Email to officially launch PO wave.
C. Secretariat pre-screens UQD register to identify programs that satisfy pre-conditions for PO funding as set out in the Prioritization Framework (Stage 1).	Department Head, Access to Funding	<ul style="list-style-type: none"> Pre-screened UQD register. List of critical unfunded needs not on the UQD register. Updated UQD register.
D. Secretariat reviews UQD register to prioritize interventions for PO funding in line with key overarching principles and criteria set out in the Prioritization Framework (Stage 2).	Department Head, Access to Funding	<ul style="list-style-type: none"> Initial list of prioritized interventions for consideration for PO funding Validated list of prioritized interventions for PO funding. Investment Cases. Assessment of pre-conditions and their implications for the proposed PO award. Meetings with pre-GAC and GAC. Optional: List of 'high likelihood' portfolios to receive PO award.
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.	Department Head, Access to Funding	<ul style="list-style-type: none"> In principle decision on PO funding awards. Email communication on GAC decision to the relevant CTs.
F. TRP reviews awarded interventions, if applicable ¹⁵ .	Department Head, Access to Funding	<ul style="list-style-type: none"> Updated PAAR. TRP review of the updated PAAR. Updated UQD register.
G. Secretariat communicates to countries GAC decision on PO awards.	Department Head, Access to Funding	<ul style="list-style-type: none"> IMM (financial systems) updated to reflect GAC decisions. Notification Letter sent to the country.
H. GAC reviews and recommends the grant revision to the Board.	Department Head, GPS	<ul style="list-style-type: none"> Grant revision documents prepared and finalized. GAC recommendation to the Board of Additional Funding Revision.

¹⁵ For GAC-approved interventions that are not on the UQD Register.

		<ul style="list-style-type: none"> • Report to the Board on GAC PO awards decision. • Optional: Expedited grant revision. (see section E)
I. PO award integration into grants is finalized upon Board approval and completion of grant revision.	Department Head, GPS	<ul style="list-style-type: none"> • Board approval of Additional funding revision including PO funding. • Signed Implementation Letter. • Updated Grant Purchase Order approved and Additional Funding Revision registered.
J. Monitoring, Learning and Reporting.	Head, Access to Funding	<ul style="list-style-type: none"> • Results of the key process metrics. • Documented outcomes and prioritization process. • Lessons learned and post-evaluation.
Form, functionality or tool	Owner*	
UQD register	Head, Access to Funding	
Allocation and Program Split Dashboard	Head, Access to Funding	
Notification Letters to communicate PO award to countries	Head, Access to Funding	
GAC Report to the Board	Head, Access to Funding	
Investment Management Module system to reflect the awards	Head, Access to Funding	
Grant Revision Module	Head, Operational Efficiency, GPS	

* Key responsibilities of sub-process owners include (i) contribute to business design & requirements for system development, (ii) define test scenarios, ensure tester availability, user acceptance testing & sign-off of requested item from a process, policy, system & data perspective, (iii) prepare change management, training & communications materials (as input into the overall launch communications & change management), (iv) ensure policy, guidance, instructions are up to date, (v) ensure compliance (e.g. reporting, checks for completion at GAC submission etc.), (vi) provide daily support to end-users throughout process completion / grant life cycle (including handling of Service Now tickets), (vii) approve exceptional systems interventions (e.g., rollbacks, data corrections). The overall process owner signs-off on any process, sub-process, template, or tool changes.

Annex 2. Requirement Levels by Portfolio Category

The table below defines the differentiated Portfolio Optimization requirements for each portfolio category (High Impact, Core and Focused).

Portfolio Optimization Deliverables	Requirement by Portfolio Category	
	High Impact & Core	Focused
Prepare		
A. AFC confirms funding available for PO.		
B. Access to Funding Department launches PO wave.		
Prioritize		
C. Secretariat pre-screens UQD register to identify programs that satisfy pre-conditions for PO funding, as set in the 'Prioritization Framework' (Stage 1).		
List of critical unfunded needs not on the UQD register.	R	R
Updated UQD register.	R	R
D. Secretariat reviews the UQD register to prioritize interventions for PO funding (Stage 2)		
Validated list of prioritized interventions for PO funding.	R	R
Investment Cases.	R	R
Award		
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.		
F. TRP reviews awarded interventions (if applicable ¹⁶)		
Updated PAAR.	R	R
G. Secretariat communicates to countries GAC decision on PO awards		
Notification Letter sent to the country.	R	R
Integrate		
H. GAC reviews and recommends the grant revision to the Board.		
Grant revision documents prepared and finalized.	R	R
I. PO award integration into grants is finalized upon Board approval and completion of grant revision		
Signed Implementation Letter.	R	R
Updated Grant Purchase Order approved and Additional Funding Revision registered.	R	R

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

Change History

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

¹⁶ For GAC-approved interventions that are not on the UQD register.