

# Operational Policy Manual

Issue 2.10

27 January 2017

## Note to External Users

This Operational Policy Manual has been developed to assist Global Fund Secretariat staff in providing guidance on Global Fund policies and processes relating to grant management. The Operational Policy Notes (OPNs) contained in the Manual are based on policies approved by the Global Fund Board and operational procedures developed by the Secretariat.

The OPNs are updated, as necessary, to reflect changes in grant management policies and approaches. The Global Fund reserves the right to interpret the OPNs set out in the Operational Policy Manual.

Questions relating to their application to specific Global Fund-supported programs should be addressed to the relevant Fund Portfolio Managers.

Questions of a general nature that are not program-specific should be addressed to:  
[operationalpolicyhub@theglobalfund.org](mailto:operationalpolicyhub@theglobalfund.org).

Issue date	Remarks
27 January 2017	Issue 2.10 Added: <ul style="list-style-type: none"><li>- OPN on Risk Management Across the Grant Lifecycle</li></ul>
20 January 2017	Issue 2.9 Added: <ul style="list-style-type: none"><li>- OPN on Access To Funding, Grant-making and Approval</li><li>- OPN on Challenging Operating Environments</li></ul> Removed: <ul style="list-style-type: none"><li>- OPN on Grant-Making and Approval</li></ul>
13 July 2016	Issue 2.8 Added: <ul style="list-style-type: none"><li>- OPN on Program and Data Quality</li></ul> Revised: <ul style="list-style-type: none"><li>- Section 2: Grant Implementation</li><li>- OPN on Annual Funding Decisions and Disbursements</li><li>- OPN on Reprogramming During Grant Implementation</li></ul> Removed: <ul style="list-style-type: none"><li>- OPN on Quality of Services Assessment</li><li>- OPN on Monitoring and Evaluation Systems Strengthening And Data Quality</li></ul>
24 July 2015	Issue 2.7 Revised: <ul style="list-style-type: none"><li>- OPN on Additional Safeguard Policy</li><li>- OPN on Grant-making and Approval</li></ul>
25 March 2015	Issue 2.6 Revised: <ul style="list-style-type: none"><li>- OPN on Pooled Procurement Mechanism</li><li>- OPN on Support Costs and Indirect Cost Recovery (ICR) Policy for Non-Governmental Organizations</li></ul>

15 December 2014	<p>Issue 2.5</p> <p>Added:</p> <ul style="list-style-type: none"> <li>- OPN on Counterpart Financing</li> <li>- OPN on M&amp;E Systems Strengthening and Data Quality</li> <li>- OPN on Signing and Amending Grant Agreements</li> <li>- OPN on Grant Closure</li> </ul> <p>Removed:</p> <ul style="list-style-type: none"> <li>- OPN on Grant Renewals</li> <li>- Non-National Entities as Principal Recipient</li> </ul>
19 November 2014	<p>Issue 2.4</p> <p>Added:</p> <ul style="list-style-type: none"> <li>- OPN on Grant-Making and Approval</li> </ul> <p>Removed:</p> <ul style="list-style-type: none"> <li>- OPN on Accessing Global Fund Financing</li> <li>- OPN on Transition to Single Streams of Funding</li> <li>- OPN on Implementing MOU with GLC Revised:</li> <li>- OPN on Extending Grant Implementation Periods</li> <li>- OPN on Conditions and Management Actions</li> <li>- OPN on Implementing the Quality Assurance Policies for Pharmaceutical, Diagnostics and Other Health Products</li> <li>- OPN on Additional Safeguard Policy</li> </ul>
14 October 2014	<p>Issue 2.3</p> <p>Removed:</p> <ul style="list-style-type: none"> <li>- OPN on Continuity of Services</li> </ul>
25 September 2014	<p>Issue 2.2</p> <p>Revised:</p> <ul style="list-style-type: none"> <li>- OPN on Annual Funding Decisions and</li> <li>- Disbursements</li> </ul>
25 June 2014	<p>Issue 2.1</p> <p>Added:</p> <ul style="list-style-type: none"> <li>- OPN on Pooled Procurement Mechanism</li> <li>- OPN on Pre-Financing Grant Making and Start- Up Activities</li> <li>- OPN on Supplier Misconduct</li> </ul> <p>Removed:</p> <ul style="list-style-type: none"> <li>- OPN on Voluntary Pooled Procurement</li> <li>- OPN on Pre-allocation of Grant Funds to</li> <li>- Principal Recipients</li> </ul>
9 April 2014	<p>This is version 2.0 of the Operational Policy Manual. It is now organized by the grant lifecycle and streamlined to focus on operational policies that remain relevant under the new funding model as well as those policies that remain applicable to existing grants that have not yet transitioned. Information Notes and Guidance Documents have been removed and embedded in the relevant part of the Global Fund website.</p>



# Table of Contents

## **Introduction**

[Overview of the Operational Policy Manual](#)

## **Section 1: Access to Global Fund Financing**

- 1.1 [OPN on Access to Funding, Grant-Making and Approval](#)
- 1.2 [OPN on Challenging Operating Environments \(COEs\)](#)
- 1.3 [OPN on Pre-Financing Grant Making and Start-Up Activities](#)
- 1.4 [OPN on Support Costs/Indirect Cost Recovery \(ICR\) Policy for Non-Governmental Organizations](#)
- 1.5 [OPN on Additional Safeguards Policy](#)
- 1.6 [OPN on Conditions and Management Actions](#)
- 1.7 [OPN on Private Sector Co-payment Mechanism for ACTs](#)
- 1.8 [OPN on Counterpart Financing](#)

## **Section 2: Grant Implementation**

- 2.1. [OPN on Annual Funding Decisions and Disbursements](#)
- 2.2. [OPN on Reprogramming During Grant Implementation](#)
- 2.3. [OPN on Signing and Amending Grant Agreements](#)
- 2.4. [OPN on Enhanced Financial Reporting](#)
- 2.5. [OPN on Program and Data Quality](#)
- 2.6. [OPN on Extending Grant Implementation Periods](#)
- 2.7. [OPN on Pooled Procurement Mechanism](#)
- 2.8. [OPN on Implementing the Quality Assurance Policies for Pharmaceutical, Diagnostics and Other Health Products](#)
- 2.9. [OPN on Supplier Misconduct](#)
- 2.10. [OPN on Risk Management across the Grant Lifecycle](#)

## **Section 3: Grant Closure**

- 3.1 [OPN on Grant Closure](#)

## **Introduction**

The Operational Policy Manual describes how the Global Fund manages all activities at each step of the grant cycle from accessing funding through to grant closure. It captures both Board-approved policies as well as approaches to implementing those policies that have been endorsed at the Secretariat level.

For each step of the grant cycle, the Manual provides:

- i. Relevant information and policies that are applicable; and
- ii. A brief step-by-step process guide that summarizes important activities and those responsible.

As the Country Team is the primary mechanism to achieve effective and efficient oversight of the Global Fund grant portfolio, the OPM begins with guidance on how Country Teams should function and defines individual Country Team members' responsibilities.

## **Overview of the Operational Policy Manual**

### **OBJECTIVES**

1. The Operational Policy Manual (“the Manual”) describes how the Global Fund manages different activities and steps of the grant cycle. It captures both Board-approved policies as well as approaches to implementing those policies that have been endorsed at the Secretariat level.
2. The Manual outlines the roles and responsibilities of different Global Fund actors (CCM, PR, LFA, TRP), as well as the Secretariat. It indicates when technical input from subject experts is required and recommended and defines delegated authorities for different grant management situations.
3. For each step of the grant cycle, the Manual provides:
  - i. Relevant information and policies that are applicable; and
  - ii. A brief step-by-step flowchart that summarizes important activities and those responsible.
4. The Manual is intended for both internal and external users, especially those involved in grant management such as Country Teams and the technical advisory teams. It also forms the basis of orientation materials for newcomers of the Global Fund and external stakeholders.

### **TYPES OF DOCUMENTS**

5. The Operational Policy Manual comprises a number of Operational Policy Notes (OPNs).
6. OPNs explain how a particular step in the grant cycle must be managed. They integrate Board-approved policies and Secretariat decisions on how these policies will be operationalized into a single document. They also describe the roles and responsibilities of different teams in the Secretariat and define approval authorities. The summary flowchart is usually contained as an annex to the Operational Policy Note.
7. Operational Policy Notes are generally based on core policy documents, which include: Board decisions, Board Committee papers and guidelines, Memorandums of Understanding and Terms of Reference. These core policy documents establish the parameters and principles of grant management, and they may only be changed by the Board. Relevant core policy documents are referenced in the OPNs.

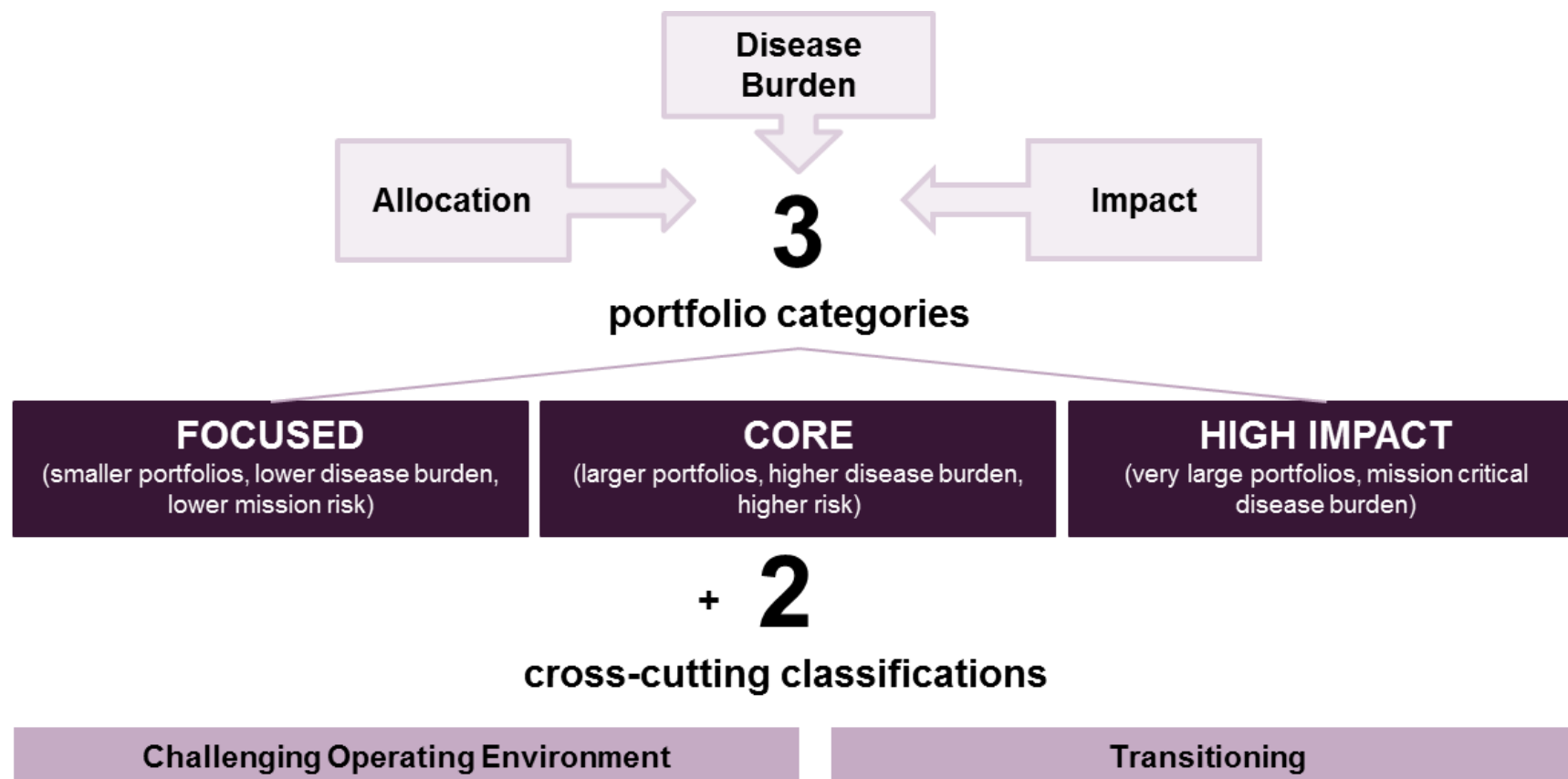
### **HOW OPERATIONAL POLICY IS CREATED AND ENDORSED**

8. Operational policy is based on both core policy documents, as well as priorities that have been identified within the Secretariat. According to the policy, a team will take the lead in coordinating a consultation process (through a working group or task team), and drafting outputs. The Operational Support team supports that process and may also serve as the Grant Management Division’s lead team.
9. Operational policy requires consensus across different teams within the Secretariat. Operational policy materials are systematically reviewed and endorsed by the Executive Grant Management Committee.

### **DIFFERENTIATED PORTFOLIO**

In line with the differentiation principles of the Global Fund, operational policies and processes outlined in the Operational Policy Manual are differentiated according to three portfolio categories: Focused, Core and High Impact.

The portfolio category is determined by the Global Fund Secretariat every allocation period, according to the following framework:





## Portfolio Categorization for the allocation period 2014-2016:

Focused: allocation < 75m (87 portfolios)					Core: allocation >75m < 400m (30 portfolios)		High Impact or allocation > 400m (25 portfolios)	
<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>								

COE

## SECTION 1: ACCESS TO GLOBAL FUND FINANCING

An applicant submits a concept note to the Secretariat reflective of the indicative funding allocation (as determined by the Secretariat), its national strategy, and the outputs of an extensive multi-sectorial country dialogue process between the applicant, technical partners, donors (including the Secretariat) and civil-society organizations. Once the concept note is reviewed by the Secretariat and the TRP, the GAC determines an upper budget ceiling and the grant-making process begins.

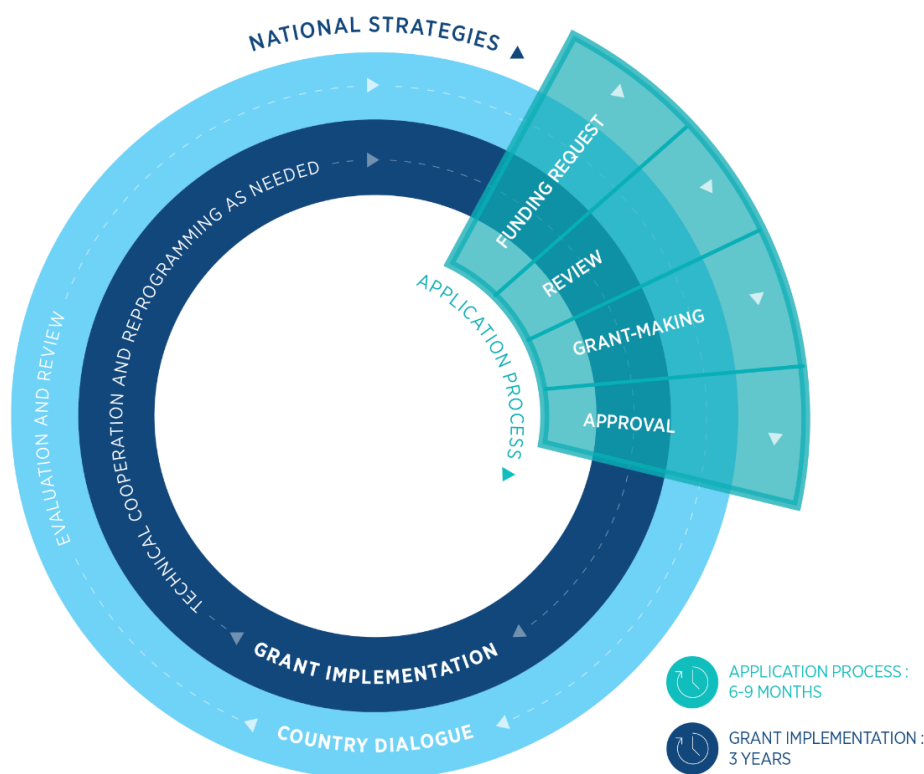
The CT enters into negotiations with CCMs and their nominated PRs to develop disbursement-ready grants for submission to the Board approach through the GAC.

**Access to Funding, Grant-making and Approval**

<b>Issued on:</b>	12 January 2017
<b>Issued by:</b>	Access to Funding and Grant Management Support Departments
<b>Approved by:</b>	Executive Grant Management Committee
<b>Purpose:</b>	To describe the operational policies and processes to access grant funding, including the grant-making and Board-approval stages

**A. OBJECTIVES**

1. This Operational Policy Note (OPN) describes the principles and processes for accessing the country allocation<sup>1</sup> available for single and multi-country grant programs, in addition to the subsequent grant-making and approval processes, to ensure that Global Fund investments are positioned to achieve maximum impact in line with the Global Fund's *Strategy 2017-2022: Investing to End Epidemics* (Global Fund Strategy).<sup>2</sup>
2. The following visual situates the Access to Funding and Grant-making processes within the grant management lifecycle:



<sup>1</sup> Country allocations can be complemented by catalytic investments which will be captured in a forthcoming Annex.

<sup>2</sup> GF/B35/02 – Revision 1, [http://www.theglobalfund.org/documents/board/35/BM35\\_02-TheGlobalFundStrategy2017-2022InvestingToEndEpidemics\\_Report\\_en/](http://www.theglobalfund.org/documents/board/35/BM35_02-TheGlobalFundStrategy2017-2022InvestingToEndEpidemics_Report_en/)

## B. PRINCIPLES

3. In line with the Board-approved access to funding principles<sup>3</sup>, the following core differentiation principles approved by the Board's Strategy Committee are applied to the funding request review and approval processes<sup>4</sup>:
- a. **Differentiated level of independent review:** The Technical Review Panel (TRP) will continue to be engaged in the independent assessment of all funding requests, but with a high degree of differentiation in the scope and depth of the process.
  - b. **Country ownership:** The access to funding process will continue to build on national systems and strategies, mechanisms for co-financing and engagement of in-country stakeholders, including key and vulnerable populations<sup>5</sup>, communities and civil society.
  - c. **Tailored process for funding request and review of funding requests:** The basis, scope and nature of the funding request process and review of funding requests will (i) be evidence informed, building on the challenges, results and impact of previous implementation periods, (ii) be tailored to the different contexts in which countries operate, including but not limited to epidemiology, challenging operating environments, transition stage, multi-country approaches and fiduciary and programmatic risk and (iii) take into consideration material change.
  - d. **Simplification and refocusing on implementation:** The access to funding process should facilitate effective investment and use of Global Fund resources to achieve the highest impact in line with the Global Fund Strategy, recognizing the need to balance the time spent developing funding requests versus the time spent implementing resultant grant programs.
  - e. **Focused and timely reprogramming for greater impact:** Access to funding processes and TRP review should encourage and facilitate efforts to achieve greater strategic focus and impact through reprogramming throughout the grant life cycle, as appropriate, rather than only during the funding request phase.
  - f. **Streamline and refocus on key information for decision making:** Documentation requirements should be tailored to elicit essential information needed to facilitate effective review and decision-making with respect to funding requests, including consistency across the portfolio or categories of the portfolio, building on existing national and portfolio information.

## C. KEY CONCEPTS

4. **Country eligibility:** The Global Fund Eligibility Policy<sup>6</sup> sets forth eligibility criteria to determine which country components may qualify to receive an allocation from the Global Fund, including those newly ineligible country components that may receive transition funding. The eligibility list is published on a yearly basis and available on the Global Fund website.<sup>7</sup> Eligibility to receive an allocation does not guarantee allocation or funding.
5. **Transition Preparedness and Transition Projections:** In line with the Sustainability, Transition and Co-financing policy<sup>8</sup>, the Global Fund encourages all Upper-Middle-Income countries and Upper Lower-Middle-Income countries with low or moderate disease burden to proactively integrate transition considerations and strengthen transition preparedness through Global Fund funding requests. In addition, a [list of country components projected to transition](#)

<sup>3</sup> [GF/B35/05 – Revision 1, Annex 3 - Affirmed Access to Funding Principles, Allocation Methodology 2017-2019](#)

<sup>4</sup> Approved by the Strategy Committee in June 2016 (GF/SC01/DP03) and set forth in GF/SC01/12 – Revision 2

<sup>5</sup> As defined in the Global Fund Key Populations Action Plan 2014 – 2017

<sup>6</sup> [Annex 2 to GF/B35/06 – Revision 1 Eligibility Policy](#)

<sup>7</sup> <http://www.theglobalfund.org/en/fundingmodel/process/eligibility/>

<sup>8</sup> [Sustainability, Transition and Co-Financing Policy](#), Annex 1 to GF/B35/04 – Revisions 1

fully from Global Fund financing in the next three allocation cycles due to improvements in income classification and based on current eligibility criteria is published on a yearly basis. These projections are an additional resource for the Secretariat and countries to consider as part of overall sustainability and transition planning and preparedness.

6. **Types of applicants.** Generally, applicants for Global Fund funding are Country Coordinating Mechanisms (CCMs). In specific cases, the following entities may also submit a funding request to access Global Fund funding: Non-CCMs<sup>9</sup>, Regional Coordinating Mechanisms (RCM) and Regional Organizations (ROs). Applicants must comply with all relevant applicant eligibility requirements before they are considered for Global Fund funding (*see [Guidelines and Requirements for CCMs](#)*).
7. **Sources of funding:** Subject to the eligibility criteria specific to each source of funding, applicants may receive funding from the following sources:
  - a. *Funding for Country Allocations.* These funds are apportioned to countries in line with the Board approved Eligibility Policy and Allocation Methodology<sup>10</sup>.
  - b. *Catalytic Investments.* The Board may approve a portion of resources in addition to country allocations in order to address issues which cannot be adequately addressed by the country allocations alone<sup>11</sup>:
    - i. *Matching Funds.* These funds are available to selected countries to incentivize the investment of a country allocation in key strategic priorities including for key and vulnerable populations, gender-based programs and contributing to resilient and sustainable systems for health, in line with the Global Fund Strategy and partner strategies. For more details refer to *[Guidance on catalytic investment to incentivize country allocation investment \(forthcoming\)](#)*.
    - ii. *Multi-country approaches.* These funds are available to target a limited number of key, strategic multi-country priorities deemed critical to meet the aims of the Global Fund Strategy and not able to be addressed through country allocations alone. Catalytic funding for a multi-country approach may be the only source of funding for the program, or may be provided in addition to funding provided from the country allocations of constituent country components. Certain multi-country programs may also be comprised fully of the combined allocations of constituent country components<sup>12</sup>. In any case, close coordination between national programs and the implementation of multi-country initiatives must be demonstrated, as appropriate. For more details refer to *[Guidance on multi-country funding \(forthcoming\)](#)*.
    - iii. *Strategic Initiatives.* These limited funds are available for centrally managed approaches for strategic areas that cannot be addressed through country allocations due to their cross-cutting, innovative or off-cycle nature, but are critical to ensure country allocations deliver against the Global Fund Strategy (e.g., the Emergency Fund, and funding to strengthen community and civil society engagement). These are not covered by this OPN.
  - c. *External Complementary Restricted Financial Contributions (CFRC)*<sup>13</sup>: These include contributions by eligible Global Fund donors including corporations, foundations, High Net Worth Individuals and a limited number of authorized public mechanisms i.e. UNITAID and Debt2Health. This type of funding is restricted towards specific investments listed in the *[Unfunded Quality Demand register](#)* (UQD register), effectively resulting in

<sup>9</sup> In limited situations, the Global Fund accepts funding requests from applicants outside of the CCM. These include four types of situations: (i) Type 1: countries without a legitimate government; (ii) Type 2: countries in conflict or facing complex emergencies (identified by the Global Fund through reference to international declarations such as those of the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA)); (iii) Type 3: countries that suppress or have not established partnerships with civil society and non-governmental organizations (NGOs); or (iv) Type 4: applicants eligible for HIV funding under the “NGO Rule” of the Eligibility Policy. For additional details, please contact the Access to Funding Department.

<sup>10</sup> Annex 1, *[GF/B35/05 – Revision 1, Allocation Methodology 2017-2019](#)*

<sup>11</sup> GF/B36/04, Catalytic Investments for the 2017-2019 Allocation Period – Revision 2, Catalytic Investments for the 2017-2019 Allocation Period

<sup>12</sup> Ibid

<sup>13</sup> *[GF/B32/DP13, Amended and Restated Global Fund Policy for Restricted Financial Contributions](#)*

additional or complementary amounts of funding to Board-approved grants.

*d. Funds available derived from additional pledges and contributions by donors, actual unutilized funds remaining at the end of grants from a previous allocation period, or forecasted unutilized funds of grants arising from the current allocation period.* Portfolio optimization allows these funds to be made available for investments across portfolios in prioritized areas. Such funds are attributed according to prioritization criteria approved by the Strategy Committee and up to a total ceiling amount approved by the Audit and Finance Committee.

8. **Allocation.** The allocation is the initial upper ceiling of funding made available by the Global Fund for each eligible country for the applicable allocation utilization period, in line with the Allocation Methodology.<sup>14</sup> The allocation includes the ‘co-financing incentive’ which will be made available upon increases in co-financing of the national disease response and/or related health systems (see *forthcoming OPN on Co-Financing*). Countries are informed of their overall country allocation across their eligible disease components and the co-financing incentive in an Allocation Letter<sup>15</sup>. The distribution across the components is confirmed through the program split (see paragraph 11 below).
9. **Allocation period:** The allocation period is the three-year period, aligned to each replenishment period, during which eligible applicants may apply for, and the Board may approve, such funding for grant programs. For the 2017-2019 allocation period, this period starts on 1 January 2017 and ends on 31 December 2019.
10. **Allocation Utilization Period:** The Allocation Utilization Period is the 3-year period<sup>16</sup> during which the country allocation per disease component can be utilized to implement programs. It starts the day after the existing grant(s) ends. Any extension to existing grants will therefore consume funds and time from the new Allocation Utilization Period and proportionately reduce the remaining duration of and funding for the next grant. If the Allocation Utilization Period, as requested by the applicant, is shorter than three years, the allocation funding available will be reduced proportionately. The start date of the Allocation Utilization Period per disease component is documented in the Allocation Letter<sup>17</sup>.

---

<sup>14</sup> Annex 1, [GF/B35/05 – Revision 1, Allocation Methodology 2017-2019](#)

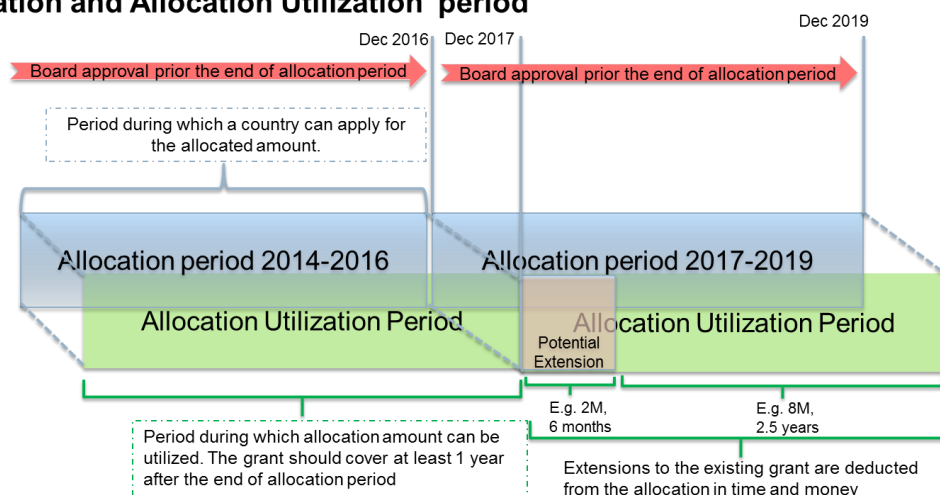
<sup>15</sup> In line with the Eligibility policy, countries or components funded under an existing grant that become ineligible may receive funding for up to one additional allocation period following their change in eligibility (Transition Funding), except a) upper-middle income countries that are members of the Group of 20 (G-20) countries unless they have an ‘extreme’ disease burden; b) high income countries; and c) countries that are Members of the Organisation for Economic Co-operation and Development’s (OECD) Development Assistance Committee (DAC).

<sup>16</sup> Justifications for variations from the three-year standard will be provided to the Board as part of the Secretariat’s grant approval requests - Annex 1, [GF/B35/05 Allocation Methodology 2017-2019](#). Should the allocation utilization period be more than three years, the maximum funding available remains the same.

<sup>17</sup> In order to incentivize joint programming and enable effective and efficient management of such grants in exceptional cases, flexibilities to the grant implementation periods may be applied to achieve this.



## Allocation and Allocation Utilization period



11. **Program split.** An indicative breakdown of the country's allocation per eligible disease component (i.e., "program split") will be communicated in the Allocation Letter. Before the submission of the first funding request, the applicant must use a documented and inclusive process to confirm or revise the program split communicated in the Allocation Letter. Whether the indicative program split provided in the Allocation Letter is confirmed or revised by the applicant, the applicant will provide the Secretariat a program split decision letter prior to or together with the submission of the first funding request, which will be reviewed by the Secretariat. Applicants can adjust their initially communicated and approved program split up until the corresponding grant(s) for the relevant diseases are approved by the Board. Program split revisions by the applicant are subject to review and confirmation by the Secretariat prior to the review of a funding request (see [Guidance Note on Program Split](#)).
12. **Funding available for the Allocation Utilization Period.** The approved program split ultimately defines the upper ceilings arising from country allocations for each disease component for the Allocation Utilization Period and includes the co-financing incentive<sup>18</sup> (see [forthcoming OPN on Co-Financing](#)). This funding may be supplemented by funding from other sources of funds (see paragraph 7), or may be reduced due to outstanding recoveries<sup>19</sup> in extraordinary circumstances, or should the previous co-financing commitments (formerly called "willingness to pay") have not been met. Unused funding from the previous allocation period (e.g. undisbursed funds, in-country cash balances, cash balances at a Procurement Agent), and any recovered funds relating to disbursements made with grant funds arising from the previous allocation period cannot increase a country allocation. Please see [Guidelines for Grant Budgeting and Annual Financial Reporting](#) for further details.
13. **Timeframe to access Allocation.** For each country, the allocation for eligible components can be accessed, jointly with other components or separately by each component, once per allocation period, and must be approved by the Board prior to the end of the allocation period (e.g., by 31 December 2019 for the 2017-2019 allocation period)<sup>20</sup>. The implementation of grants should, however, generally be aligned with country planning cycles, as appropriate.
14. **Currency:** The funding request and the resulting grant may be denominated in either U.S. dollars or Euros and must be fixed for the relevant grant implementation period. The currency is communicated in the Allocation Letter and the applicant may request to change the currency indicated in the Allocation Letter. Requests for currency selection must be made in accordance

<sup>18</sup> The upper ceiling represents 100% of available funding, the full availability of which being conditional on increases in co-financing contributions targeting disease program and/or RSSH investments based on the country's income level (as described in the [Sustainability, Transition and Co-financing Policy](#) set forth in Annex 1 to GF/B35/04 – Revision 1)

<sup>19</sup> Please refer to the OPN on Recoveries (forthcoming).

<sup>20</sup> Annex 1, [GF/B35/05 – Revision 1, Allocation Methodology 2017-2019](#)

with the [Guidelines on Budgeting and Financial Reporting](#) and subject to review by the Treasury Department at the Global Fund Secretariat.

15. **Application Focus and Co-Financing requirements:** All funding requests and resulting grants must comply with the application focus requirements, i.e. focus of interventions requested to be funded from the Global Fund which are differentiated according to country income classification specified for each country income level, and with the co-financing requirements set forth in the Sustainability, Transition and Co-financing Policy<sup>21</sup>. All funding requests to the Global Fund are required to include evidence-based interventions, in line with their epidemiological context, which will maximize impact against HIV, TB and Malaria and contribute towards building Resilient and Sustainable Systems for Health (RSSH). Applicants should include, as appropriate, interventions that respond to key and vulnerable populations, human rights and gender-related barriers and vulnerabilities in access to services, regardless of income level, but differentiated along the development continuum.<sup>22</sup> For those countries who are receiving transition funding for a component, the focus of the request must be on priority transition needs as defined by an agreed upon transition work-plan. For detailed guidance on the co-financing requirements, please refer to the [OPN on Co-financing \(forthcoming\)](#).

#### D. COMPLIANCE WITH CCM ELIGIBILITY REQUIREMENTS

16. **CCM Eligibility Requirements 1 and 2:** As a precondition to initiating the funding request review, when the applicant is a CCM or a RCM, compliance with the CCM eligibility for requirements 1 “Transparent and inclusive funding request development process” and 2 “Transparent and documented PR selection process” will be assessed and confirmed by the Secretariat. Non-CCM applicants need to demonstrate compliance with the overall principle of inclusiveness, as appropriate, given the country’s context.
17. **Differentiated Screening of CCM Eligibility Requirements 1 and 2.** Upon receiving a funding request, the Access to Funding (A2F) Department, with support from the CCM Hub, Community Rights and Gender (CRG) Department (with respect to Eligibility Requirement 1), conducts a screening for CCM Eligibility Requirement 1 and CCM Eligibility Requirement 2. For such tailored and full funding requests and review, determination on the appropriate level of screening for compliance for Eligibility Requirement 1 - “Transparent and inclusive funding request development process” is based on the outcome of the annual assessment of CCM eligibility requirements 3 to 6 (which is conducted prior to funding request submission through the Eligibility Performance Assessment (EPA) tool) from the previous year and additional information from the Community, Rights and Gender Department (CRG): :
- light screening - based on a narrative and statement of compliance; or
  - standard screening - based on a narrative and the review of key supporting documents; or
  - For Program Continuation, light screening of CCM eligibility requirement 1 will be applied, based on the completed and signed Program Continuation Request, including its annex 1 (Inclusiveness of Engagement with Key Populations).

With respect to Eligibility Requirement 2 - “Transparent and documented PR selection process”:

- if the selected PR is continuing and well-performing: light screening will be applied based on a narrative and statement of compliance; or
- if the PR is a new or an existing low-performing PR (B2 or C latest grant performance rating): standard screening will be completed.

The most updated EPA will be used to inform the screening process which will be applied to

<sup>21</sup> Sustainability, Transition and Co-Financing Policy, Annex 1, GF/B35/04 – Revision 1

<sup>22</sup> Ibid

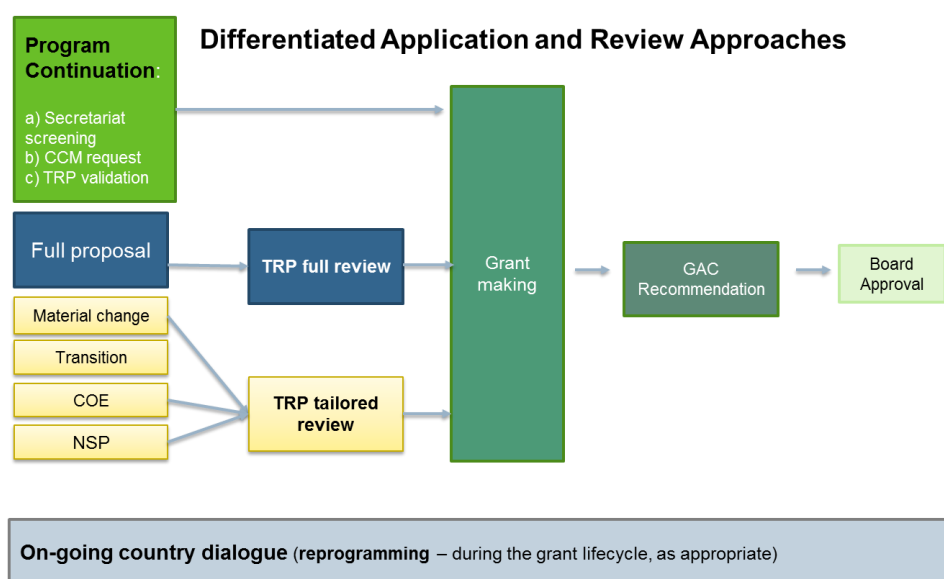


applicants with respect to CCM eligibility requirement 1. Therefore the screening process for a given applicant will be determined on a yearly basis based on the outcome of its EPA from the previous year. Also, whichever screening approach is followed, the Secretariat may request and review supporting documents.

18. This differentiated review of CCM eligibility requirements 1 and 2 is meant to incentivize overall performance and adherence to the CCM eligibility requirements and focus screening efforts on country components for which the level of risk of compliance to the eligibility criteria is deemed greater. Country components considered to have higher risk of non-compliance with regards to meeting CCM eligibility criteria would therefore require greater scrutiny.
19. A panel of Global Fund senior managers assesses compliance for all applicants, with the final decision made by the GAC for cases where eligibility issues have been identified.<sup>23</sup>

## E. FUNDING REQUEST AND REVIEW APPROACHES

- 20. Funding requests and review approaches:** In order to accommodate the diverse portfolio needs with a view of a continuum from one allocation period to the next, there are three different funding request and review approaches: (i) program continuation, (ii) tailored request and review, or (iii) full request and review. Paragraphs 21 to 24 below outline these approaches, including with reference to grant portfolio categories for grant management<sup>24</sup>. A summary of these approaches is provided in Annex 1.



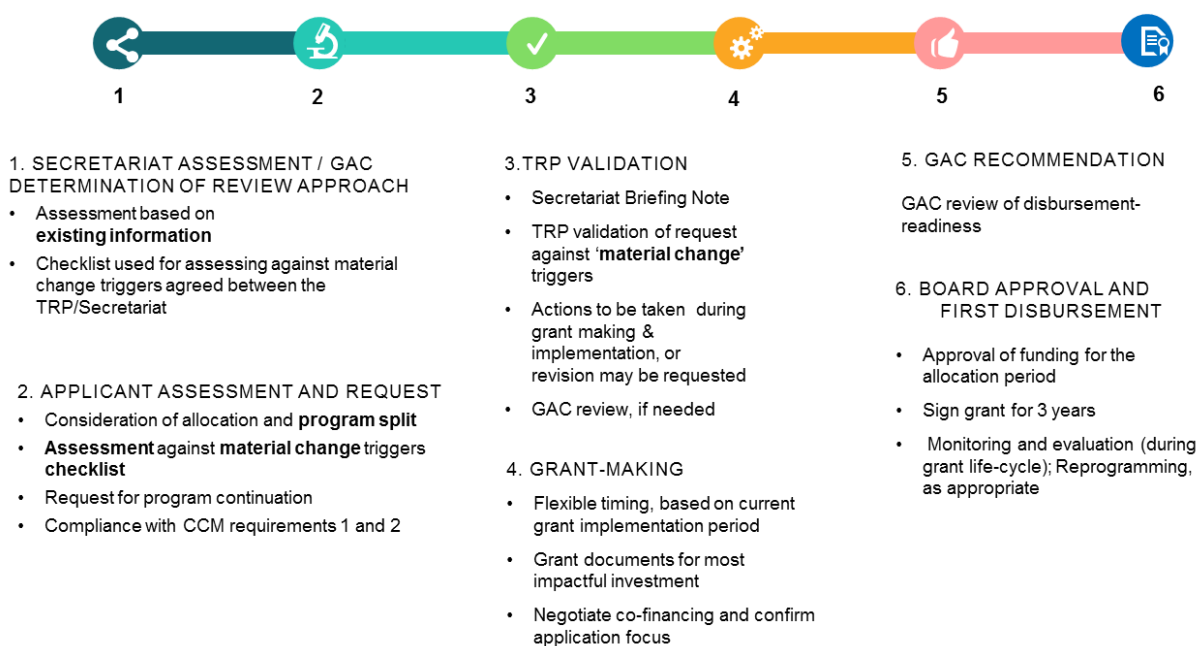
- 21. Determining the request and review approach:** Prior to the start of the allocation period, the A2F Department will coordinate a process to gather existing information from and analysis by the Country Teams, with support from the Technical Advice and Partnership (TAP) department, CRG Department, Risk Department, Health Financing team and other departments, as appropriate, on all country components receiving an allocation. Based on agreed differentiation and anticipated material change triggers (paragraph 22), the GAC will determine potential funding request and review approach for each country component, which will be

<sup>23</sup> This applies to cases deemed indeterminate compliant or where major eligibility issues have been identified.

<sup>24</sup> Refer to the Differentiation for Impact Framework for grant management for related categorization of the Global Fund grant portfolio in focused, core and high impact countries.

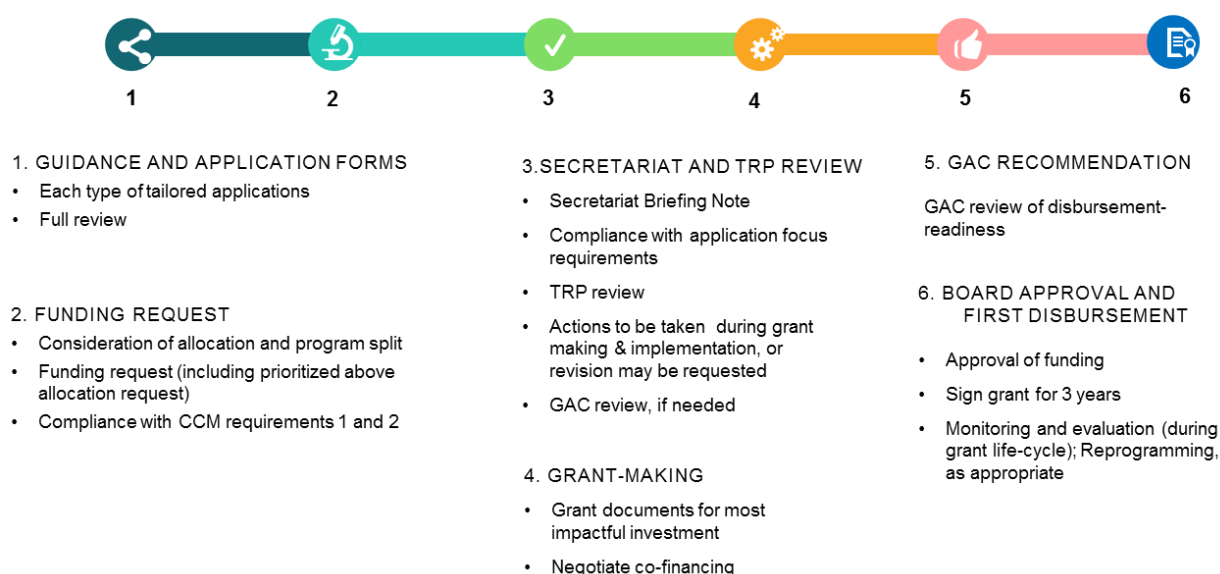
communicated to the applicant in the Allocation Letter and may change based on the outcome of in-country discussions or TRP assessment of the applicant's response.

22. **Material Change Triggers:** The triggers for material change, i.e., changes to scope and scale resulting to material changes in the overall strategic focus, technical soundness and potential for impact of investments in a disease program, which were jointly agreed by the Secretariat and the TRP, are as follows:
  - a. Major changes to allocation and available funding (funding landscape);
  - b. (Insufficient) results and performance (programmatic and financial);
  - c. Risk considerations;
  - d. Sustainability, Transition and Co-financing policy requirements (changes to application focus and co-financing requirements); and
  - e. (Limited) Progress on grant approval conditionalities from previous grant(s) (TRP/GAC and Board recommendations).
23. **Program continuation approach:** Identified country components may access the allocation through a streamlined process for program continuation, which should significantly reduce the level of effort by the applicant, the Secretariat and the TRP during the access to funding stage. The program continuation approach thus maintains focus on program implementation, including promotion of on-going program monitoring and evaluation activities with the possibility to reprogram as needed during the course of grant lifecycle. The following country components may be eligible for program continuation:
  - a. Focused and Core country components with demonstrated performance and no material change needed (High Impact country components may be considered on a case-by-case basis); or
  - b. Focused and Core country components with a signed implementation period of 2 years or less under an existing grant (High Impact country components may be considered on a case-by-case basis).
24. The overview of process steps for the program continuation approach is outlined in Figure 2 below:



\*Prioritized Above Allocation Request (PAAR) could be submitted either at TRP validation stage or during grant making/ implementation

25. **Tailored request and review approach** is aimed at better accommodating for specific objective(s) and the applicant type(s). It applies to the following country components:
- Country components with material change in limited and defined programmatic area(s);
  - Country components with material change in Challenging Operating Environment (COE) countries<sup>25</sup>;
  - Country components receiving Transition Funding<sup>26</sup>, using a transition work plan as the basis of their funding request or that are requested by the Global Fund to submit a transition tailored funding request because of contextual considerations<sup>27</sup>; and
  - Country components where learning opportunities (like National Strategy pilots or results based financing modalities) are applied on a pilot basis.
26. **Full request and review approach** is aimed at comprehensive overall review of a country's investment approach and strategic priorities. It applies to the following country components:
- High Impact country components<sup>28</sup>;
  - Focused and Core country components that were not reviewed by the TRP during the previous allocation period<sup>29</sup>; and
  - Focused and Core country components referred to full review<sup>30</sup>.
27. The overview of process steps for full and tailored request and review modalities are outlined in Figure 3 below:



<sup>25</sup> Governed by the [Challenging Operating Environments Policy, GF/B35/03](#) and the OPN on COEs (forthcoming). Does not apply for High Impact Countries that are COEs, who are subject to the Full Review or country components that qualify for Program Continuation approach.

<sup>26</sup> Countries or components funded under an existing grant that become ineligible may receive funding for up to one additional allocation period following their change in eligibility (Transition Funding), as more detailed, and with the exceptions included, in the Eligibility policy.

<sup>27</sup> Instances where the Global Fund may make such request are countries projected to become high income countries in the next few years, countries where the Global Fund determines that the country should account better for transition preparedness in their funding applications and other circumstances. See the [Sustainability, Transition and Co-Financing Policy, GF/B35/04](#), and the Guidance on Transition, Sustainability and Co-Financing of Programs Supported by the Global Fund (STC Guidance) ([forthcoming](#))

<sup>28</sup> Generally most high High Impact country components would fall under this category unless they are exceptionally assessed under program continuation or tailored approach by the GAC

<sup>29</sup> Except if it is a COE country or a country receiving Transition Funding, in which case the corresponding tailored approach will be used, or due to exceptional circumstances, for which an appropriate tailored funding request and review will apply as determined by the GAC.

<sup>30</sup> By the applicant (when assessing their program continuation request), TRP or the Secretariat.

## F. COUNTRY DIALOGUE AND DEVELOPMENT OF FUNDING REQUEST

28. **Country dialogue**<sup>31</sup>: An ongoing inclusive country dialogue process, as described below, must form part of the grant life cycle, from funding request and grant making to implementation, and reflected accordingly in the submitted funding request. Prospective Principal Recipients are involved in the development of the funding request in order to ensure the resulting request can be implemented. It is also expected that meaningful community engagement is ensured throughout the grant cycle including differentiated funding request processes, grant making and oversight of grant implementation. The Country Team participates in country dialogue to provide guidance on relevant policies and processes, including the differentiated approaches and associated requirements. In addition, the Country Team coordinates discussions and clarifications with the applicant and partners, to facilitate the Global Fund funding request process.
29. The following elements are considered during an inclusive country dialogue process (for Program Continuation funding requests, these elements are considered as relevant for the program continuation validation (paragraphs 33 to 35 and further discussed during grant making):
- i. **National Strategies:** National Health Sector and Disease Strategies, National Health Systems Support Programs (NHSSPs) or other key strategies such as Reproductive, Maternal, Newborn, Child and Adolescent Health and health financing strategies. The applicant should identify interventions to be funded, based on robust national discussions around epidemiological considerations and national strategies, including lessons learned and recommendations from national program reviews and evaluations. In addition, the applicant should take into account findings from program assessments and consider opportunities for efficiencies within and across eligible country components aiming at stronger integrated planning and delivery of care, as well as improvements in program quality.
  - ii. **Governance:** The funding request development process should be led and governed by a properly functioning and inclusive CCM/RCM or other governance body (Non-CCM or RO) as appropriate where the roles and responsibilities are clearly defined. This includes ensuring participation of communities, key and vulnerable populations<sup>32</sup>, subject-experts (e.g. human rights, gender, and experts in RSSH areas) and relevant government bodies beyond those represented at the CCM/RCM as relevant, and in line with the CCM Eligibility Requirement 133. It also includes mobilizing partner support and technical cooperation, as appropriate, resulting in a feasible and strategic funding request, positioned to achieve the highest impact in line with the Global Fund Strategy.
  - iii. **Program Split:** The applicant will determine and confirm the program split in line with paragraph 11 above.
  - iv. **Application Focus:** The applicant is responsible for ensuring the application focus requirements are met.
  - v. **Co-Financing requirements:** The applicant is responsible for coordination of discussions to ensure compliance with the co-financing requirements. As such, the relevant increase in co-financing of the disease program and/or related RSSH investments, based on the country

<sup>31</sup> Country dialogue is an ongoing process that occurs at the country level among all stakeholders, including implementers; key and vulnerable populations, communities and its networks; the government – including the National Ministries of Health, Finance and Planning; the private sector; the public sector; civil society and communities of people living with or affected by the three diseases; academia; and bilateral, multilateral and technical partners, to develop and revise health strategies to fight the three diseases and strengthen health and community systems. It is a nationally-owned and led process and is not Global Fund-specific. The Global Fund serves as an active participant in this process.

<sup>32</sup> As defined in the Global Fund Key Populations Action Plan 2014 – 2017.

<sup>33</sup> Transparent and inclusive funding request development process.

income level, must be assessed and discussed in the context of the Global Fund's additional support. Country discussions on co-financing must include the appropriate stakeholders, such as the Ministry of Finance. Commitments to access the co-financing incentive should specify the specific timing of investments, specific activities financed and how realization of commitments will be verified and reported to the Global Fund. For detailed guidance on co-financing requirements, please refer to the [OPN on Co-financing \(forthcoming\)](#).

- vi. **Sustainability and Transition considerations:** All applicants are expected to take into account sustainability and transition considerations during the development of their funding request regardless of their income level. Upper-middle income countries regardless of disease burden and lower-middle income countries with low/moderate disease burden countries must consider measures to strengthen transition preparedness to ensure eventual transition of all Global Fund financed interventions to domestic financing. For more details refer to [STC Guidance \(forthcoming\)](#).
- vii. **Timelines:** In discussion with the Country Team, the applicant should determine the reasonable timeline for funding request development and submission based on the end of the current grant(s)' implementation period, the national strategy, in-country planning cycles and Technical Review Panel (TRP) review windows<sup>34</sup> to ensure timely finalization of the funding request and grant making processes prior to the end of the existing grant(s).
- viii. **Implementation Arrangements:** The applicant is responsible for defining the program implementation arrangements, including nominating the Principal Recipient and other key implementers for each disease component. The applicant should identify new or confirm existing PR(s) and key implementers, including potential SRs, as early as possible. At the funding request stage, based on an open and transparent process, the applicant must consider which implementer is best suited for the proposed activities. This selection must be in line with relevant Global Fund policies, including the [Guidelines on Implementers of Global Fund Grants](#) and CCM Eligibility Requirement 2.<sup>35</sup> Based on the selection, the applicant can use and/or update existing implementation arrangement maps (see also table below under grant-making). For countries applying through a Transition Tailored review, selection of PRs must also take into consideration the ability of the PR to manage the transition work-plan and advocate for uptake of key interventions by national authorities<sup>36</sup>.
- ix. **Capacity assessment:**
  - (i) For existing PRs and key implementers, a capacity assessment is not required unless the PR will be conducting activities in a new area for which their capacity has not been assessed. The Country Team however can at any time choose to conduct a capacity assessment where they deem it necessary. The scope of such an assessment will be based on performance during previous grant implementation, previously-conducted assessments and information related to their known capacities and systems, as determined by the Country Team. In addition the assessment must be used to review the capacity of an existing PR in new activity areas that have not been assessed previously.
  - (ii) For new PRs and key implementers, a capacity assessment of the new PR/key implementer must be undertaken using the Capacity Assessment Tool. (See [Capacity Assessment Tool User Guide](#) and the [Capacity Assessment Tool](#)). The scope of the capacity assessment will be tailored by the Country Team, taking into consideration the implementer

---

<sup>34</sup> For the Program Continuation approach, TRP validation window will be determined based on the end date of existing grants in the portfolio. These will be validated in the first or fourth TRP review windows for the 2017-19 allocation period. For tailored and full reviews, TRP windows will be communicated at the beginning of the allocation cycle and applicants are requested to inform the Secretariat on expected funding request submission timing.

<sup>35</sup> An open and transparent PR selection process

<sup>36</sup> For more information please refer to the Guidance Note: Sustainability and Transition of programs supported by the Global Fund (forthcoming).

type (government/non-government/international organization), role of the implementer under the program, recent Global Fund or partner assessments or other relevant information available, value of the grant, etc.

For countries deemed very high risk<sup>37</sup> where the proposed PR is known sufficiently in advance (e.g. where the Global Fund applies the Additional Safeguard Policy<sup>38</sup> and selects a new PR), the assessment of the new implementer must be substantially completed prior to the submission of the funding request to the TRP. For all other countries, the assessment of key implementers, when applicable, must be initiated as early as possible and must be finalized before the end of grant-making. (For details please refer to [OPN on Additional Safeguards](#) and [Guidelines on Implementers of Global Fund Grants](#)).

While the assessment of implementers below the PR (e.g. SR) is a PR responsibility, there may be cases where the Country Team decides to undertake the assessment such as when the PR is a pass-through PR or the PR has known capacity issues or is not deemed sufficiently independent to conduct a thorough assessment of key implementers (including where the Global Fund applies the Additional Safeguard Policy).

- x. **Lessons Learned, Evaluations, Results and Key Risks:** The applicant is expected to consider lessons learned, challenges, results and impact achieved during the previous implementation period, including findings and recommendations of national program reviews and evaluations of program and data quality assessments, as well as impact assessments<sup>39</sup>. As part of the early stages of the funding request development, Country Teams will share and discuss with applicants key risks and capacity issues identified during the previous implementation period that impact or may impact the ability of implementers to achieve expected program goals, key objectives and results. The applicant shall articulate in the funding request how it will build on the lessons learned and what strategic information areas need to be strengthened. Drawing on these assessments it will specify how each of the key risks shared by the Country Team will be addressed. (See [OPN on Risk Management Across the Grant Lifecycle](#) and [Program and Data Quality Strategy](#)).
  - xi. **Feedback loop and progress on previous key issues raised by TRP and GAC:** The applicant must consider key issues raised by the TRP and GAC from the previous implementation period if applicable and demonstrate how the applicable key issues have been addressed and/or will be addressed in the current funding request.
30. **Funding request.** A funding request should be submitted to the Global Fund Secretariat for the entire eligible component's allocation, including any investments towards RSSH, using the funding request template for the relevant approach for the component. An integrated funding request for more than one eligible country component or simultaneous submissions of separate funding requests are strongly encouraged. Alternatively, funding requests may be submitted per disease component and/or RSSH, based on the validated program split. Countries are strongly encouraged to discuss RSSH upfront, and develop a comprehensive approach. They should include all cross-cutting RSSH activities in one funding request, ensuring that it covers the needs for all eligible diseases. For countries with a high rate of TB-HIV co-infection<sup>40</sup>, the Global Fund

---

<sup>37</sup> According to the External Risk Index

<sup>38</sup> See [OPN on Additional Safeguards](#)

<sup>39</sup> Findings and conclusions following any audits or investigations by the Office of the Inspector General of the Global Fund, should be also considered. For countries applying through the tailored transition approach, specific attention should be paid to the lessons learned related to sustainability gaps and challenges to the transition of Global Fund financed interventions to domestic sources of funding.

<sup>40</sup> According to the WHO Global TB Report.



requires joint funding requests for TB and HIV disease programs<sup>41</sup>. Joint funding requests may also be requested on operational grounds to enable efficient and effective management of such programs with simplified grant management processes, and to maximize impact to be achieved. (Please see [Information Notes on HIV, Tuberculosis, Malaria and RSSH](#)).

31. **Core grant documents:** A funding request package will be provided to each applicant, customized per application and review modality. Core grant documents developed and submitted as part of full and tailored funding requests can be further detailed and negotiated during grant making and used for program implementation and reprogramming, as appropriate. Find the list of core grant documents below.

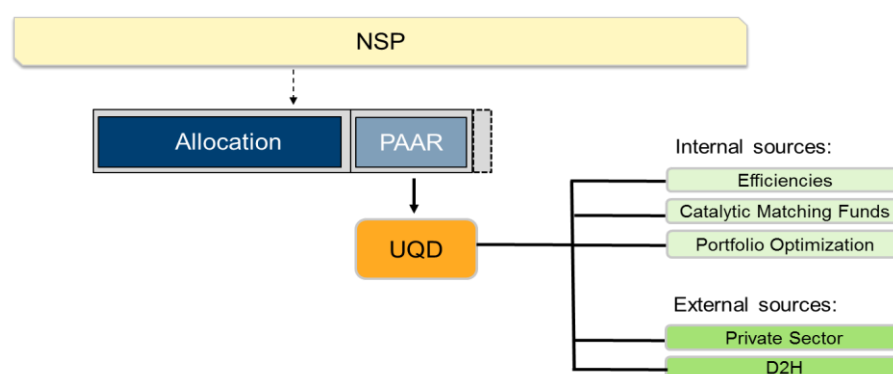
Core documents	Funding Request	Grant-making	Implementation and Revisions
<b>Performance Framework</b>	<ul style="list-style-type: none"> <li>High-level information: impact, outcome, modules, annual or bi-annual targets</li> <li>Alignment with D4I categories/ requirements</li> </ul>	<ul style="list-style-type: none"> <li>Negotiation of details: Indicators, targets, reporting, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Used for monitoring, reporting, disbursing</li> <li>Updated as needed in case of material and non-material revisions</li> </ul>
<b>Budget</b>	<ul style="list-style-type: none"> <li>High-level information: Main interventions per module, implementer and year</li> </ul>	<ul style="list-style-type: none"> <li>Negotiation of details: cost assumptions, activities, etc.</li> <li>Level of detail aligned with D4I requirements</li> </ul>	<ul style="list-style-type: none"> <li>Used for monitoring, reporting, disbursing</li> <li>Updated as needed as per finance/D4I guidelines</li> <li>Revised at the time of material revisions</li> </ul>
<b>Programmatic gap tables and Funding landscape tables</b>	<ul style="list-style-type: none"> <li>Submitted for Full and Tailored reviews</li> <li>Starting point for Prioritized Above Allocation Request</li> <li>Key documentation for reporting compliance with co-financing requirements</li> </ul>	<ul style="list-style-type: none"> <li>Update in case of significant change</li> <li>Submitted for Program continuation (with Prioritized Above allocation request or grant documents)</li> </ul>	<ul style="list-style-type: none"> <li>Used for understanding gaps in programmatic coverage</li> <li>Basis for monitoring domestic financing commitments, measuring KPIs and strategy implementation plan indicators on domestic financing</li> <li>Key input to the Results Framework for reporting Global Fund Results</li> <li>Updated in case of changes (in particular for high impact and some core countries)</li> <li>Can be used for deciding material revisions</li> </ul>
<b>List of Health Products (LoHP) with assumptions /quantifications information</b>	<ul style="list-style-type: none"> <li>Alignment with D4I and depending on proportion of HP budget LoHP required for HI countries and key health products</li> <li>Assumption/quantif. info. needed in free format</li> </ul>	<ul style="list-style-type: none"> <li>Negotiation of details: List of all HP to be procured with grant funds</li> <li>Values of the LoHP is imported/reconciled in the budget</li> </ul>	<ul style="list-style-type: none"> <li>Serves as the basis for grant supply plan for health products</li> <li>Used for monitoring procurement compliance with approved products and quantities</li> <li>The LoHP is updated annually to accommodate changes in demand and supply factors or reprogramming</li> <li>Basis for contracting and allocation of suppliers for PPM</li> </ul>

\*D4I – Differentiation for Impact

32. **Prioritized Above Allocation Request (PAAR) and Unfunded Quality Demand (UQD):** In addition to developing a funding request in response to a country allocation, applicants are encouraged to identify key additional, evidence-based, prioritized and costed funding needs presented in the PAAR. These needs will be submitted together with the funding request (for tailored and full funding requests) or during grant making / implementation (for Program Continuation funding requests) and, where deemed technically sound by the TRP, will be registered and maintained in the UQD Register and may be updated during the grant lifecycle.

The UQD register aims to attract additional resources, such as those from the private sector or Debt2Health<sup>42</sup>, and to facilitate reprogramming of savings or efficiencies often identified during the grant lifecycle. Interventions registered on UQD Register following a PAAR may also be used as a basis for the award of additional funding for catalytic investments to incentivize programming of country allocations to meet strategic priorities. Additionally, through portfolio optimization, the Global Fund plans to review and identify available funds that can be reinvested towards priorities across the portfolio throughout the grant lifecycle.

<sup>42</sup> As defined in the Amended and Restated Global Fund Policy for Restricted Financial Contributions [GF/B32/DP13 - Approval of the Amended and Restated Global Fund Policy for Restricted Financial Contributions](#)



## G. REVIEW AND VALIDATION PROCESS

### Program Continuation:

33. **Applicant assessment for program continuation:** Applicants identified by the Secretariat to be eligible to proceed with program continuation approach will consider the following elements (material change triggers) to confirm whether the proposed approach is appropriate :
  - a. Epidemiological contextual updates;
  - b. National Strategic Plan revisions and updates;
  - c. Investing to maximize impact towards ending the epidemics (noting choice of interventions, normative guidance, new technologies, results and performance, etc.);
  - d. Alignment with the Global Fund Strategy ensuring appropriate resilient and sustainable systems for health and human rights and gender considerations;
  - e. Effectiveness of implementation approaches, including program quality; and
  - f. Funding landscape and Sustainability, Transition and Co-financing Policy.
34. **Applicant assessment for program continuation:** The applicant should also critically assess any opportunities for program refinements, adjustments or any need to undertake a material reprogramming in discrete or limited programmatic areas. Should a material change be appropriate, instead of the program continuation approach, the tailored review may be required or, in a case of an overall change in strategy or investment approach for the national program, the applicant may need to follow the full review, as determined by the applicant, the Secretariat and/or the TRP.
35. **Validation of program continuation.** Where the applicant deems appropriate to proceed with program continuation, it will submit a program continuation request for assessment and validation by the TRP. The Country team with support from other departments and specialists, as appropriate, will review the program continuation request and provide analysis as well as additional context through a [Secretariat Briefing Note](#) to inform the TRP assessment. In line with the [TRP Terms of Reference](#) the TRP will then review the information submitted by the applicant and the Secretariat and make one of the following recommendations for the program continuation request:
  - a. To proceed to grant-making for program continuation. The TRP may recommend strategic actions during grant making or implementation and/or material reprogramming should a material reprogramming be needed either in a set time frame or when conditionalities are fulfilled; or
  - b. Request tailored or full review with clear rationale.



## Full or tailored funding requests:

36. **Secretariat analysis of funding request.** The Country Team, with support from the TAP, CRG, Risk Department, Health Financing team, Legal and Compliance Department and other specialists as necessary, will review the funding request prior to TRP review. The aim of the review is to:
- ensure completeness and consistency of documentation;
  - ensure strategic focus is consistent with in- country discussions;
  - provide analysis in regard to compliance with the application focus requirements and co-financing requirements;
  - as appropriate, provide analysis in regard to appropriate focus of the request on sustainability considerations and transition preparedness, in line with Sustainability, Transition and Co-financing policy; and
  - identify any issues for attention which could otherwise present challenges for grant-making or grant implementation and assess how well the applicant's proposed activities address the key risks that were shared during country dialogue and what additional mitigating actions or controls may be required to be put in place during grant making to ensure effective program implementation and impact to be achieved.

Where necessary, issues arising from the Country Team review may be elevated to Regional Managers/Department Heads and Functional Hub Managers.

37. The Secretariat analysis will be captured in a differentiated [Secretariat Briefing Note<sup>43</sup>](#), which is submitted to the TRP. This input is intended to be an upfront and objective presentation of the Secretariat's analysis of the investment proposed and provide additional context to inform the TRP review.

38. **TRP Review.** In line with the criteria specified in their [Terms of Reference](#), the TRP will assess the information received from the applicant and the Secretariat, and will provide an independent assessment on the strategic focus, technical soundness and potential for impact of the proposed program to ensure Global Fund's investments are positioned for the highest impact in line with the Global Fund Strategy.

## H. GAC REVIEW

39. **GAC Review, as needed.** In line with the criteria and elevation procedure specified in their [Terms of Reference](#), the GAC reviews funding requests following TRP review to:
- Provide strategic steer for critical management concerns for policy and management decisions for and during grant making and/or recommend additional controls to be put in place during grant making to address identified key risks;
  - Revise or determine the upper ceiling for grant-making, as applicable, including recommending adjustments due to non-realization of government commitments in the previous allocation period;
  - Award additional funding for matching funds and/or multi-country approaches from the catalytic investments funding pool based on TRP recommendations.

Most focused and core country components are not anticipated to undergo the GAC review prior to grant making. However, where deemed useful, a GAC review can be requested for any component

---

<sup>43</sup> This will be differentiated for each funding approach type, and considering portfolio differentiation (D4I).

by Country Teams, in consultation with A2F.

40. The outcome of the TRP and/or GAC review is documented in the Review and Recommendation Form and provided to the applicant following the review as well as to the Board at the time of approval of the grant.
41. **Registration of prioritized, costed needs:** Following TRP review and GAC review, if applicable, of the PAAR, PAAR interventions that are deemed technically sound by the TRP, but not otherwise funded will be included in the UQD Register and published on the Global Fund's website.
42. **TRP and/or GAC actions requested/clarifications:** The Country Team, applicant and PRs must ensure that the required clarifications/actions are addressed and are fed into the grant-making process in line with the set timelines and, at the end of the grant-making process, the Country Team must report to the GAC should there be any outstanding issues through the [Grant-making Final Review and Sign-off Form](#).

## I. GRANT-MAKING AND APPROVAL

43. **Objectives.** The purpose of grant-making is to translate funding requests into disbursement-ready grants that are positioned for signature and effective delivery. There are three interrelated work streams during grant-making:
  - a. Review and agree on implementation arrangements;
  - b. Identify capacity gaps and risks related to grant implementation and define mitigation measures to ensure Global Fund grant are positioned to achieve the greatest impact; and
  - c. Develop / negotiate and finalize grant documents.
44. **Planning and Timelines.** The Country Team and the PR(s) should plan for grant-making milestones and timelines. They should manage the grant making process to ensure that the translation of the funding request to disbursement-ready grants happens as soon as possible and all approvals should be obtained at least a month before the existing grant ends. Grant-making should normally be completed within three months after the funding request has been reviewed by the TRP and, if applicable, approved by the GAC. A close collaboration between the Country Team and the PR(s) (and the LFA, subject to the paragraph 47 below) is required to ensure that the approved funding request is translated to a disbursement-ready grant within the required timelines. Relevant in-country stakeholders, including civil society, should also be engaged where possible to ensure that the intent of the funding request is reflected in the resulting grant.
45. Where new PRs require financial support to complete the grant-making process, a pre-financing may be undertaken (see OPN on [Pre-financing Grant Making and Start-up Activities](#)).
46. To avoid any gap in program implementation, the grant end date may be revised through a grant end date revision process while the new request for funding is being reviewed and negotiated. However, the overall budget during the extension period (irrespective of whether funding to finance such budget is drawn from unused funds remaining from the previous allocation period or from the new allocation) will be deducted from the 2017-2019 allocation amount for the disease component, and the length of the extension will be deducted from the three-year Allocation Utilization Period ([see forthcoming OPN on Grant Revisions](#)).
47. **LFA services during grant-making.** Country Teams, in consultation with the Regional Manager/Department Head and Functional Hub Managers if relevant, are expected to tailor LFA services requested during grant-making in consultation with the relevant LFA, based on key considerations such as portfolio categorization, country context, risk profile and the funding amount requested. LFA services must be targeted to those areas they are expected to add most

value, providing additional information and/or addressing a particular risk. For further details, see [Guidelines for Tailoring LFA Services](#).

**48. Grant Documents.** Most of the grant documents that are negotiated during grant making are initiated during the funding request stage. During grant making, the objective is to negotiate such documents to arrive at finalized grant documents. The table below provides additional details on the requirements and where the document can be differentiated based on portfolio categorization.

Grant-making requirements	Guidance
<p><b>Performance Framework:</b></p> <p><i>(see Performance Framework Template and Instructions – link forthcoming)</i></p>	<ul style="list-style-type: none"> <li>- A Performance Framework is developed per grant<sup>44</sup> based on a core list of indicators.</li> <li>- <b>Focused Portfolios</b> include a small set of key indicators and a limited set of workplan tracking measures.</li> <li>- <b>Program continuation:</b> applicants will use the performance framework from the previous implementation period as a basis to define targets for the new implementation period.</li> <li>- <b>Tailored and full review:</b> applicants will further detail the Performance Framework submitted with the funding request taking into consideration the recommendations by the TRP and GAC as relevant.</li> <li>- Where (i) the modules/interventions under the program cannot be measured through coverage/output or outcome indicators, or (ii) where demonstrable impact on disease burden at the national level, based on the activities supported by the grant, is unlikely to be observed during the implementation period, programmatic milestones (i.e., “Workplan Tracking Measures”) will be used. . This may apply to select COEs as per the COE OPN and to Regional Grants for which coverage/output or outcome indicators are not applicable.</li> <li>- The indicators and targets for each grant must be reviewed by the Country Team (with LFA review as necessary) to ensure that they are reasonable, feasible and consistent with the national strategic plan (NSP), aligned with the M&amp;E plan and the approved funding request (taking into account TRP clarifications).</li> </ul>
<p><b>List of Health Products</b></p> <p><i>(see template and guidance)</i></p>	<ul style="list-style-type: none"> <li>- When applicable, developed during grant making based on initial quantification done during funding request stage.</li> <li>- COE grants can submit a detailed LOHP for 18 months for grant signing (with the remainder being displayed as a lump sum) and further detail it consequently by month 15 of implementation. Where this impacts the budget, an IL will need to be issued.</li> </ul>

<sup>44</sup> This can also be a PF per component.

Grant-making requirements	Guidance
<b>Detailed and Summary Budget</b>  <i>(see Detailed Budget Template and Guidelines on Budgeting)</i>	<ul style="list-style-type: none"> <li>- A detailed budget is developed per grant using a standard costing approach based on standardized list of modules, interventions and cost inputs. The detailed budget is aggregated into a summary budget at cost category, modules and implementer level.</li> <li>- <b>Program continuation</b> grants will use the previous grant budget as basis for creating the budget for the next implementation period.</li> <li>- <b>Tailored and full review</b> applicants will use the detailed budget submitted with the request, including TRP clarifications, as the basis for the negotiations.</li> <li>- <b>COE</b> grants can include a negotiated budget for 18 months (with the budget for the remainder of the implementation period being displayed as a lump sum) and can further detail subsequent periods by month 15 of implementation, which can be adjusted through an Implementation Letter (IL).</li> <li>- The budget will be reviewed by the Country Team<sup>45</sup> (with support from the LFA as necessary) to ensure that the budget is within the agreed upper-ceiling amount<sup>46</sup>, reasonable to achieve the grant objectives and is based on the most economic and efficient use of grant resources and in compliance with the Budgeting Guidelines</li> </ul>
<b>Assessment of (key) implementer(s)</b>  <i>(see <a href="#">Guidelines on capacity assessment of implementers</a>)</i>	<ul style="list-style-type: none"> <li>- Required for new PRs or existing PRs with new activity areas that have not been assessed previously. Scope of the assessment is tailored by the Country Team based on type of implementers (government/non-government/international organization), role of the implementer under the program, recent Global Fund or partner assessments or other relevant information available, among others.</li> <li>- Required capacity assessment is initiated as soon as the PRs have been identified at the funding request stage and must be completed during grant-making. Country Team must identify risk mitigating measures for identified capacity gaps.</li> </ul>
<b>Implementation arrangement map (updated or new)</b>  <i>(see <a href="#">Guidance on Implementation Arrangements Mapping</a>)</i>	<ul style="list-style-type: none"> <li>- Depicts: (i) all entities receiving grant funds and/or playing a role in program implementation; (ii) each entity's role in program implementation; (iii) the flow of funds, commodities and data; (iv) the beneficiaries of program activities; and (v) any unknown information on the implementation arrangement. The mapping is an iterative exercise which captures known and unknown information about the implementation arrangement at a particular point in time.</li> <li>- Program/grants that are using existing implementation structures should update existing implementation arrangement maps. Programs/grants using new PRs should initiate an implementation arrangement map during funding request stage, which should be update it during grant making to capture additional information including the results of the capacity assessment of the new PR and other key implementers, as relevant.</li> </ul>
<b>M&amp;E plan (updated or new)</b>  <i>(see <a href="#">Guidance on M&amp;E Plan</a>)</i>	<ul style="list-style-type: none"> <li>- A national M&amp;E Plan is required, which is either specific to a disease, combined for all diseases or is part of the national health sector strategy/plan. In some cases, however a grant-specific M&amp;E plan can be submitted.</li> <li>- In most cases this involves updating the existing M&amp;E plan to capture new indicators in the Performance Framework and M&amp;E strengthening needs.</li> </ul>
<b>Grant Agreement</b>  <i>(see the <a href="#">OPN on Signing and Amending Grant Agreements</a>)</i>	<ul style="list-style-type: none"> <li>- The grant agreement is the legal instrument which forms the basis of the contractual obligation between the Global Fund and the PR. In most cases, a grant agreement consists of two components: a framework agreement, which includes the Grant Regulations, and a grant confirmation, including an integrated grant description (that attaches the negotiated Performance Framework and Summary Budget). The grant confirmation covers the full duration of the implementation period. In most cases, a Framework Agreement has been signed with a country or headquarter offices for international organizations and Grant Making for a particular country and disease component is focused on negotiating the grant confirmation for the grant/new implementation period.</li> </ul>

<sup>45</sup> Together with the Portfolio Services Team for the Focused Portfolios, as relevant.

<sup>46</sup> As determined by the GAC or by the CCM in determining program split and TRP (in cases where no GAC took place in advance of grant making)).

Grant-making requirements	Guidance
<b>Programmatic Gap and Funding Landscape Table</b>	<ul style="list-style-type: none"> <li>- <b>For tailored and full review</b>, this involves updating the programmatic gap and funding landscape table submitted during funding request.</li> <li>- <b>For program continuation</b>, this will be submitted during grant making in addition to the PAAR where possible (with Prioritized Above Allocation Request)</li> </ul>
<b>Master Data</b> <i>(Guidance on Master Data-link forthcoming)</i>	<ul style="list-style-type: none"> <li>- <i>The receipt and due diligence checks of the master data are required prior to finalizing grant documents.</i></li> <li>- <b>During funding request stage</b>, the PR information and banking information should be gathered through the master data process from the PR as soon as the Principal Recipient is identified and confirmed<sup>47</sup>: <ul style="list-style-type: none"> <li>o PR, CCM, LFA or Third Party Information containing critical contact information, such as name, type and address of the organization, focal point and contact details.</li> <li>o PR or Third Party Banking Information: containing the bank account details, such as name, address, account holder name and routing requisites.</li> <li>o PR or Third Party Signatory Specimen: containing Authorized Signatories for legally-binding agreements and disbursement requests (name and job title), together with their specimen signature.</li> </ul> </li> </ul> <p><b>During grant making</b>, grant relevant grant information will also be captured, in accordance with master data guidelines. This will be created by the Country Team and Secretariat staff members and included into the system<sup>48</sup>.</p>
<b>Grant Final Review and Sign Off Form</b>	<ul style="list-style-type: none"> <li>- Internal document to capture sign-off by the Country Team and relevant managers on the grant documents and disbursement-readiness of the grant, residual risks and mitigating measures.</li> <li>- Annexed to the document is the <b>Financial Calculator</b> which defines the proposed grant amount for the implementation periodtotal allocation, amount of catalytic funding awarded, total amount reflected in funding request.</li> </ul>

- 49. Risk Identification and Mitigating Measures.** If critical risks and capacity gaps are identified through the review of grant documents and capacity and implementation arrangement assessment for new PRs, or if there are known risks and gaps for continuing PRs, the Country Team and the PR must agree on mitigating actions and timelines, in line with the OPN on [Risk Management Across the Grant Lifecycle](#) during grant making. Mitigating Measures can include:
- Implement capacity building measures.* This can be through technical assistance from partners or the pre-financing approach (see [OPN on Pre-financing Grant-making and Start-up Activities](#)) if grant funds cannot be reprogrammed. Technical assistance, training and other capacity building activities to be financed by the grant during implementation must be captured in the budget.
  - Change implementation arrangements.* This can be done through: (i) rejecting the nominated PR/ SR, whether new or existing, if there are critical risks or gaps that cannot be addressed within an acceptable amount of time, and the associated risks of using the implementer are deemed unacceptable; or (ii) requiring mandatory risk
  - mitigation measures such as installation of a fiduciary agent or outsourcing of procurement (e.g. Pooled Procurement Mechanism (PPM), or a third party procurement agent) and/or supply and distribution functions. The decision to change the implementation

<sup>47</sup> Starting from Q2 of 2017, it is anticipated that this will be conducted through the Grant Operating System (GOS)

<sup>48</sup> Ibid.



arrangements will be taken by the Country Team with Regional Finance Manager and Regional Manager/Department Head approval.

- d. *Reduce scope and scale*: scaling-down the grant (or focus the grant on essential services) so that the grant aligns with the capacity of the nominated PR (see [OPN on Reprogramming](#)).
- e. For all UMIC, regardless of disease burden, and LMIC with low and moderate disease burden, CTs should consider the major risks to sustainability and transition, and should incorporate mitigating actions in the grant, such as conditions and management actions that proactively address transition gaps and sustainability challenges as identified during the funding request or grant-making process. For a thematic overview of potential areas of risk, please refer to the [Sustainability, Transition Guidance Note \(forthcoming\)](#).

Critical measures to be completed before Board approval must be aligned to the grant-making timelines, to ensure timely Board approval and grant signing, keeping in mind that grants should be disbursement-ready when submitted for Board approval. Residual risks and capacity gaps, and the associated mitigating actions, must be reported in the [Grant-making Final Review and Sign-off Form](#). As relevant, mitigating actions will be captured in the grant agreement as grant requirements, or included as management actions in performance letters, and monitored during implementation.

**50. Reinvesting Efficiencies identified during grant-making.** During the grant-making phase, Country Teams must work with CCMs and PRs to ensure resources are invested in the most impactful and efficient way. In this regard, efficiencies and savings identified during grant making can be invested in line with the TRP and GAC review and recommendations (i.e., do not constitute a material reprogramming) and/or the needs registered in the UQD register. For all Upper Middle Income countries regardless of disease burden and Lower Middle Income countries with low and moderate disease burden, Country Teams should work with CCMs and PRs to address sustainability and transition considerations and may invest efficiencies and savings identified during grant-making in activities designed to strengthen transition preparedness

**51. Due diligence screening.** Prior to GAC review of disbursement-ready grants, the Finance Team at the Secretariat conducts a ***due diligence screening*** against international terrorism, and sanctions lists for the Principal Recipient, the applicant, the authorized representative that executes the grant confirmation (for the PR and the applicant), the person identified in the grant confirmation for receipt of notices at the PR, and the bank account details provided for the grant, as part of the Master Data process. Following the signature of the grant agreement, upon submission of necessary information regarding additional lead implementers, the Finance Team will conduct further due diligence screenings of authorized representatives and bank details of the lead implementers.

## Final GAC recommendation

- 52. Determining disbursement readiness.** The grant will be submitted to the Board for approval only when it is disbursement-ready. Disbursement-readiness will be **reviewed by the GAC in line with its [Terms of Reference](#)** to make funding recommendations to the Board for approval of all disbursement ready grants, and make investment decisions to finance prioritized UQD with additional funding and/or through portfolio optimization:
- i. when all required grant documents described above are in their final form and agreed with the PR;
  - ii. adequate risk identification, with mitigation measures in place against residual risks;
  - iii. when issues to be cleared by the TRP have been addressed to the satisfaction of the TRP and recommended actions during grant making delegated to the Secretariat and the GAC have also been addressed; and

- iv. all critical issues that need to be resolved prior to the first annual funding decision and disbursement release<sup>49</sup> are addressed.

- 53. The Country Team captures the outcome of the grant-making in the Grant-making Final Review and Sign-off Form. This includes actions taken on issues raised by the TRP and GAC, if applicable, as well as the residual risks that remain at the end of the grant making process. In preparing the Grant-making Final Review and Sign-off Form, the Country Teams for Core and High Impact portfolios must consult with the Risk Department to ensure that (i) all key risks related to grant objectives have been identified and appropriately prioritized; (ii) mitigation measures are adequate to manage the risk at an acceptable level; and (iii) appropriate assurance mechanisms are identified (to the extent possible based on known implementation arrangements at the time of GAC review)<sup>50</sup>. When the FPM shares the completed form, reflecting Functional Specialist input, for CT sign-off, it will simultaneously be shared with the Global Fund Risk Department for review of the risk section on a “no-objection” basis within 48 hours.
- 54. The Country Team can use the escalation procedure provided for in the Country Team Approach to resolve areas of disagreement prior to submission of the documents to GAC. Any unresolved critical issues that impact disbursement-readiness must be escalated to the GAC. The FPM can request Functional Managers sign-off (MECA, HPM, and Legal and Compliance Department) for specific cases.
- 55. The Regional Manager/Department Head must provide sign-off prior to submission to GAC for approval. For all grants, the Regional Finance Manager must provide sign-off which serves as the approval of the first annual funding decision, if processed within 30 days of signature. For further details on processing the first disbursement, please see [OPN on Annual Funding Decisions and Disbursements](#).
- 56. The GAC reviews the outcomes of the grant-making stage and decides to: (i) recommend the proposed disbursement-ready grant for Board approval; or (ii) refer the proposed grant back to the Country Team for revision or adjustments to address any GAC comments and critical issues; or (iii) refer the proposed grant back to TRP if any of the changes between the funding request reviewed by the TRP and the final grant are considered material (as defined in the [OPN on Reprogramming](#)). The GAC may recommend actions for follow-up during grant implementation.
- 57. **Update of UQD Register:** Following the GAC recommendation, the Register of Unfunded Quality Demand will be updated to reflect activities arising from the PAAR funded using efficiencies, catalytic investments or portfolio optimization. This information may be further updated during the grant lifecycle.

### **Global Fund Board Approval**

- 58. Board approval of disbursement-ready grants will be requested through an electronic report. The Board approves the grants resulting from each funding request on a no-objection basis. The Secretariat will present the scope of interventions and investments negotiated by the Secretariat for the grant. For each grant, the Board approves funding for the total budget amount for the duration of the new grant resulting from the 2017-2019 allocation period.

## **K. TRANSITIONING TO THE NEXT IMPLEMENTATION PERIOD**

- 59. At the end of an implementation period, all assets (cash and non-cash) and liabilities (commitments of the Principal Recipient and any outstanding liabilities owing to the Global Fund) under the ending grant or implementation period must be addressed.

---

<sup>49</sup> The first disbursement release must take into account any in-country cash balance that has not been returned or requested to be returned by the CT and the cash requirement of the PR for implementation.

<sup>50</sup> [OPN on Risk Management Across the Grant Lifecycle](#)

60. Any funds from an existing grant unused by the start of the Allocation Utilization Period (whether in-country cash balance or funds undisbursed by the Global Fund) will not be additional to the allocation. In addition, any end-date revisions (formerly known as extensions) to such existing grant will use the funding from the allocation for the next Allocation Utilization Period, therefore decreasing the amount of funding available for the next implementation period, in accordance with the upcoming Grant Revisions OPN (*forthcoming*).
61. **Continuing PRs for the same disease component**<sup>51</sup>. If an existing PR will continue to implement a grant for the same component within a country during the next implementation period, the Country Team must obtain the following in order to fulfil requirements under the previous grant agreement:
- i. *Progress Update Report*: The PR must submit to the Global Fund a Progress Update<sup>52</sup> reporting on the progress towards program objectives and targets, covering the last reporting period of the implementation period of the previous grant, within 60 days of the grant end-date.
  - ii. *Audit Report*: The PR must submit to the Global Fund an audit report covering the audit of financial statements up to the last day of the implementation period of the previous grant in accordance with the [Guidelines for Annual Audits of Global Fund Grant Program Financial Statements](#).
  - iii. *AFR*: The PR must submit to the Global Fund an AFR covering the period from the last submitted AFR up to the last day of the previous grant, within 60 days of the grant end date.
  - iv. *Inventory of fixed assets*: During grant-making, the PR must conduct an inventory of fixed assets for the ending grant, in order to determine the fixed assets to be procured in the new implementation period to reach the objectives of the new grant being negotiated. This inventory will be updated as of the implementation period end date and confirmed through the final audit. Such inventory will determine the list of fixed assets to be managed under the new implementation period.

Any programmatic and financial issues identified from these reports or already existing as of the implementation period end date, including any noncompliant expenditures, will be transferred and managed under the next implementation period.<sup>53</sup>

The new grant agreement will stipulate that fixed assets, liabilities of the Principal Recipient to the Global Fund and outstanding commitments of the Principal Recipient as of the end of the previous implementation period are governed by the new grant agreement. Following final financial reconciliation for the previous implementation period<sup>54</sup>, the final in-country cash balance for the previous implementation period (i.e., the balance remaining after the payment of any commitments transferred from the previous implementation period<sup>55</sup>) will be returned to the Global Fund and placed into the general pool of funding, or the grant funds amount of the new grant will be reduced proportionally<sup>56</sup>.

---

<sup>51</sup> For grants followed by a grant implemented by the same PR for the same disease component but with a different grant name, the previous grant must be closed in the Global Fund system following the steps described in paragraph 61 and a final Notification Letter will be issued to the PR communicating the closure of the relevant grant.

<sup>52</sup> The progress report should use the PU/DR template without completing the Disbursement Request template.

<sup>53</sup> In particular, the list of fixed assets as of the implementation period (IP) end date will be the starting list of fixed assets for the new IP; the amount and listing of noncompliant expenditures as of the IP end date will be the starting amount and listing of noncompliant expenditures for the new IP and will be addressed in accordance with the OPN on Recoveries (*forthcoming*); the outstanding commitments as of the IP end date will be the starting list of commitments for the new IP; and the in-country cash balance as of the IP end date will be the starting in-country cash balance for the new IP. Any management actions outstanding under the previous IP will be transferred to the new IP if relevant for the program implemented under the new IP.

<sup>54</sup> Such final reconciliation will be included in the first Progress Update/Disbursement Request submitted by the PR under the new implementation period.

<sup>55</sup> If the estimated cash balance at the end of the implementation period was taken into account in determining the grant funds amount (i.e., the signed budget was to be financed in part by the estimated in-country cash balance), the amount to be refunded to the Global Fund or reduced from the grant funds amount will be the amount in excess of such estimated cash balance.

<sup>56</sup> The Secretariat will ensure that no more than the funding available for the Allocation Utilization Period is signed into grants for the relevant disease components, in accordance with paragraph 12 of the OPN on Access to Funding, Grant Making and Approval.



59. **Exiting PRs.** When an existing PR will **not** continue to be PR for the new grant for the same component, the grant must be closed (please see the [OPN on Grant Closure](#)).

## L. GRANT SIGNING AND FIRST DISBURSEMENT

60. **Grant Signing.** Following Board approval, the grant confirmation is signed as soon as possible to provide the necessary legal framework, to facilitate disbursement of funds and grant implementation. A grant confirmation will be signed for each grant resulting from the Board-approved funding request, including for the program continuation approach. For additional details please refer to the [OPN on Signing and Amending Grant Agreements](#).
61. **Signatory Authority.** The Grant Agreement documents are signed by each of the authorized signatories of the contracting party (see Master Data information paragraph 46) and the Global Fund (see [Signature Authority Procedure](#)). The CCM chair/vice-chair and the CCM civil society representative on the CCM acknowledge the Grant Agreement prior to the Global Fund's signature.
62. **First Annual Funding Decision.** Following grant agreement signature, the Country Team completes the Annual Disbursement-Making Form (ADMF) for the first annual funding decision for processing. See [OPN on Annual Funding Decisions and Disbursements](#) for more information.

## M. PROCESS AND RESPONSIBILITIES

### To use process maps and RACI from Project AIM for both A2F and GM

#### Annexes:

- Annex 1: Summary table for funding request and review modalities
- Annex 2: Guidance on catalytic investment to incentivize country allocation investment (*forthcoming*)
- Annex 3: Guidance on multi-country funding (*forthcoming*)
- Annex 4: Guidance on Unfunded Quality Demand management (*forthcoming*)

## Annex 1: Summary of differentiated funding request and review approaches

Approach	Guidance on potential funding request and review approach	Country dialogue-funding request development	Funding request	Funding request timing	Applicant (CCM) eligibility screening	Secretariat analysis	TRP review /assessment	GAC <sup>1</sup> review for grant making	Grant-making
Program continuation	<p>Analysis by Secretariat of existing information against the material change triggers</p> <p>GAC determination of potential funding request and review modalities per country component</p>	Applicant assessment to confirm Program Continuation or material change triggers: which would result in tailored review or full review in case of change to the overall investment approach, as determined by the TRP.	Request for Program continuation	Pre-determined review windows <sup>57</sup>	Light screening	Analysis and additional information based on material change triggers, to be included in a Secretariat Briefing Note	TRP validation based on no material change triggers	As needed, on a case-by-case basis	<p>Negotiation of grant documents for next Implementation Period based on the content of the same documents during the previous period</p> <p>documents.</p>

<sup>57</sup> For 2017-2019 Allocation period, there are two TRP validation windows: for grants ending between 31 December 2017 and 30 June 2018 – Window 1 and for grants ending after 30 June 2018 – Window 4. Specific dates available on the Global Fund website at: <http://www.theglobalfund.org/en/applying/funding/dates>

Approach	Guidance on potential funding request and review approach	Country dialogue-funding request development	Funding request	Funding request timing	Applicant (CCM) eligibility screening	Secretariat analysis	TRP review /assessment	GAC1 review for grant making	Grant-making
Tailored funding request and review		Tailored to the specific context and/or applicant: <ul style="list-style-type: none"> <li>- COEs with material change</li> <li>- Transitioning Funding</li> <li>- Material Change</li> <li>- Learning opportunities (e.g., NSP pilot) or RBF on a pilot basis</li> </ul>	<ul style="list-style-type: none"> <li>• COE Funding Request</li> <li>• Transition Funding Request</li> <li>• Funding Request tailored to Material Change</li> <li>• Customized learning opportunities</li> </ul>	TRP Review Window, or remote review for specific cases	Light or Standard screening	1) ensure strategic focus is consistent with country discussions;  2) identify issues/risks that could impact grant-making or implementation.  3) assess compliance with co-financing and application focus requirements, and documented in a Secretariat Briefing Note	In accordance with the TRP <a href="#">review criteria</a>		Negotiation of grant documents based on high level documents submitted at the funding request stage
Full funding request and review		Comprehensive overall discussion	Funding Request	TRP Review Window			In accordance with the TRP <a href="#">review criteria</a>		

**CHANGE HISTORY:**

<b>No.</b>	<b>Issued/Changed By</b>	<b>Name of document</b>	<b>Change Description</b>	<b>Date</b>	<b>Version No</b>
1	EGMC	OPN on Accessing Global Fund Financing	N/A	16 December 2013	1.0
2	EGMC	OPN on Grant-Making and Approval	Separation of Access to Funding part and issuing of updated Grant-making OPN	24 July 2015	1.1
3	EGMC	OPN on Access to Funding and Grant-Making	Updates reflecting changes stemming from new Strategy, refined allocation, differentiation, various updated processes from country dialogue to first disbursement		2.0

## **Challenging Operating Environments**

**Issued on:** 16 January 2017  
**Issued by:** Grant Management Division  
**Approved by:** Executive Grant Management Committee

### **OVERALL OBJECTIVES**

1. In April 2016, the Global Fund Board approved the Policy on Challenging Operating Environments (COEs) to provide overall guidance on future Global Fund engagement in such contexts<sup>58</sup>, based on the principles of flexibility, partnerships and innovation. COEs are critical to the Global Fund mission as they account for a third of the global disease burden and a third of Global Fund investments. However, COE portfolios often face heightened programmatic and implementation challenges. A differentiated approach is hence needed to increase the impact of Global Fund investments in COEs.
2. The objective of this Operational Policy Note (OPN) is to provide operational guidance including flexibilities for Country Teams to manage COE portfolios in an agile and timely manner, within the principles defined in the approved COE policy.
3. Flexibilities are not limited to those described in this OPN. Additional flexibilities to the Board or Secretariat policies may be granted through EGMC normal approval channels to ensure an adequate response in these environments, in accordance with Global Fund policies and processes.
4. Categorization as a COE does not automatically guarantee eligibility for a flexibility. Country Teams need to obtain EGMC approval for the package of portfolio management flexibilities proposed for each COE portfolio through a memo. COE portfolios that are categorized as “High Impact” under the Global Fund differentiation framework will be generally managed following the standard approach for High Impact portfolios as defined in relevant OPNs.
5. This OPN will continue to be updated based on lessons learned and best practices.

### **PRINCIPLES AND POLICIES**

#### **Principles**

6. The approach for managing COE portfolios is guided by the following principles defined in the COE policy with the aim to maximize access to essential services and/or coverage:
  - **Flexibility.** *The grant management approach will be tailored to each COE context, with the types of flexibilities differing based on each situation. Flexibilities should increase impact through enhanced grant design, implementation, management and assurance. They should allow for greater responsiveness and timeliness of Global Fund investments, reduce administrative burden for implementing partners and Country Teams, and facilitate more effective service delivery to populations in need.*

---

<sup>58</sup> [GF/B35/DP09](#).

- **Partnerships.** *The Global Fund will optimize the types of partners in COEs to address implementation weaknesses and strengthen grant performance. Given that the Global Fund does not have in-country presence, operational collaboration with development, humanitarian, private sector and non-traditional partners are essential for impact especially in COEs.*
- **Innovations.** *New approaches will be encouraged throughout the grant cycle in order to maximize results in COEs.*

## COE Classification

7. COEs refer to countries or unstable parts of countries or regions, characterized by weak governance, poor access to health services, limited capacity and fragility due to man-made or natural crises. COEs may be experiencing either acute or chronic instability which will be considered in tailoring the country approach (see Annex 1).
8. The Global Fund classifies COEs based on an external risk index (ERI). The ERI is a composite index that is derived by compiling data from 10 authoritative indices<sup>59</sup> and is updated annually by the Risk Department.
9. The ERI categorization drives the classification of a portfolio under COEs. The list is based on the countries under the “very high risk” category of the ERI. Depending on emerging needs, ad-hoc adjustments can be made to the COE portfolios list, in line with the ERI updates and other contextual factors during the allocation period. For instance, countries facing an emergency situation can also be classified as a COE. An emergency is defined as an event or a series of events which has resulted in a critical threat to the health, safety, security or well-being of a large group of people. It can be the result of an armed conflict and coup-d’état, natural disasters, epidemics or famine, and often involves population displacement. Moreover, countries recovering from acute emergencies but continuing to face critical threats may, on a case-by-case basis, continue to be classified by the Secretariat as a COE.
10. The list of country portfolio classified as COE is determined for every allocation period and reviewed annually with the possibility to add countries based on updates to the ERI and emergency status by the Executive Grant Management Committee (EGMC). Once a country is categorized as COE, it will remain in the list for the corresponding allocation period.
11. The Operational Policy Hub in the Grant Management Division, working closely with the Risk Department and the Policy Hub, is responsible for defining the list of countries classified as COEs. Potential additions to the COE list can be triggered by the Country Team, the Operational Policy Hub or the Risk Department.
12. Annex 2 provides the existing list of COEs for the allocation period 2017-2019<sup>60</sup>.

---

<sup>59</sup> The 10 indices used to establish the ERI are: The Fragile States Index (Fund for Peace); INFORM Index (Inter-Agency Standing Committee Task Team for Preparedness and Resilience); Global Peace Index (Institute for Economics and Peace); UN’s Safety & Security Index; Ease of Doing Business Index (World Bank); and five of the six World Bank Governance Indices (Voice and Accountability Index, Government Effectiveness Index, Regulatory Quality Index, Rule of Law Index; and Control of Corruption Index).

<sup>60</sup> Annex 2 will be revised based on updates to the COE list.

### Overall Management Approach

13. Given governance and capacity challenges in COEs, the overall engagement approach for a particular country will be determined by the Country Team, who will define an operational strategy for the portfolio that shall be tailored to achieving impact within the context and needs of the COE based on an analysis of the portfolio. The portfolio analysis and operational strategy will be reviewed by a Secretariat advisory committee<sup>61</sup> and approved by EGMC, prior to its application.
14. Each Country Team managing a COE portfolio shall undertake a portfolio analysis to define a strategic approach for the portfolio management. The portfolio analysis and operational strategy will cover, to the extent possible, the following:
  - Country and epidemiological context;
  - Lessons learned from past implementation;
  - Portfolio risks and challenges;
  - Potential areas for Global Fund investment for the next allocation period (what is the impact that the country needs to achieve in a COE and how can the investment be best focused to achieve that?);
  - Potential activities that may not be achieved given the country context;
  - Proposed implementation arrangements;
  - Proposed policy flexibilities for the portfolio.
15. Ideally, the Country Team should prepare the portfolio analysis and operational strategy before the initiation of the country dialogue and funding request development process, namely if the Country Team is planning to access flexibilities at the country dialogue and funding request stages. In case the Country Team is not able to finalize the portfolio analysis and operational strategy within this timeline, an extension of the timeline may be considered on a case-by-case basis.
16. The portfolio analysis and operational strategy can serve as the Global Fund engagement and investment approach in a COE during the next allocation period. Changes to the EGMC-approved operational strategy will require EGMC approval again, if the changes are deemed material. Materiality will be determined by the Country Team, in consultation with the advisory committee.

### DIFFERENTIATED APPROACH THROUGH GRANT LIFECYCLE

17. This section captures differentiated approaches and flexibilities that may be applied for COE portfolios depending on the context. As indicated in the section above, a Secretariat advisory committee will review and advise on the tailored approach, before submitting to EGMC for final approval. Additional flexibilities may be accessed at any point in time through the normal EGMC approval channels. Examples of such flexibilities are summarized below:

---

<sup>61</sup> The advisory committee membership and ToRs will be defined soon.

## ACCESS TO FUNDING AND GRANT MAKING

18. **Sources of Funding.** Global Fund financing for COEs is provided through country allocations. Under exceptional circumstances, funding may be provided to COEs through the Emergency Fund<sup>62</sup>.
19. **Eligibility for Allocation.** To be able to access an allocation, a country should be eligible to receive Global Fund financing as defined in the [Global Fund Eligibility Policy](#). Country components with existing grants that would otherwise be ineligible to receive an allocation and apply for funding under the Eligibility Policy due to either disease burden or income level, will be eligible to continue to receive an allocation as long as their country remains classified as a COE. The application of this flexibility to a particular COE should be requested by the relevant Country Team and approved by the EGMC, prior to the country allocation exercise which is undertaken every three (3) years.
20. **Use of the Allocation.** In situations of significant cross-border displacement, the funding allocated by the Global Fund to a host country can be used to cover services and access to medicines and health commodities for the populations seeking refuge in the host country, in addition to providing services for the host population. The funding allocation from the country of origin may also be used for services in the relevant country hosting displaced populations from the country of origin, including where the host country is not eligible for Global Fund financing, taking into account whether:
  - The host country lacks the capacity and resources to deliver the necessary services through their national health systems; and
  - The provision of services for populations remaining in the country of origin continue, wherever possible.

The use of a country's allocation for supporting displaced populations in a host country is determined on a case-by-case basis by the EGMC.
21. **Country Dialogue.** The manner in which country dialogue is conducted may be differentiated in COEs, including how to engage relevant stakeholders appropriately given the context. The country should, however, ensure the principle of striving for partner and stakeholder engagement is achieved as optimally as possible within the prevailing context.
22. **CCM and Non-CCM Arrangements.** Country Coordinating Mechanisms (CCMs) are central to the Global Fund's commitment to country ownership and participatory decision-making processes. Where possible, this multi-stakeholder partnership at the country level should be the main body to develop and submit grant proposals to the Global Fund based on priority needs and oversee the progress during implementation.
23. COE Countries that historically applied through CCMs that wish to continue doing so, may benefit from a lighter review of compliance with the CCM requirements provided they have a track record of compliance with these requirements, as demonstrated by previous Eligibility and Performance Assessment (EPA) results. As such, those CCMs may submit simplified supporting documentation to confirm compliance with CCM requirements. The CCM EPA conducted on an annual basis to determine the level of functionality of a CCM may also be tailored to the context to focus on self-assessment and light review (see [CCM Eligibility and Performance Assessment Guidelines](#)).
24. The Global Fund Framework document states that the Global Fund will consider proposals arising from partnerships in circumstances such as (i) where there is no legitimate government; (ii) where there is conflict, or natural disasters; (iii) countries that suppress or have not established partnership with civil society and non-government organizations.

---

<sup>62</sup> As noted in the COE Policy, the Emergency Fund is expected to be used for funding beyond COE country allocations to support activities that cannot be funded through the reprogramming of existing grants during emergency situations. In such circumstances, Country Teams will consider charging back to a grant funded by the country allocation to replenish the Emergency Fund.



25. In exceptional circumstances, alternative governance arrangements will be coordinated by the Global Fund, on a case-by-case basis, depending on the context of the COE and may include partner coordination mechanisms such as health clusters or use of one integrated regional grant management platform<sup>63</sup>.
26. **Application Channel.** In accessing the allocation, COEs will be subject to any of the following application channels:

<b>Program Continuation</b>	Components with no material change needed <sup>64</sup> or with less than 2 years of implementation under an existing grant (High Impact country components may be considered on a case-by-case basis).
<b>Tailored Review</b>	Components involving material changes, in line with the OPN on Grant Revisions
<b>Full Review</b>	Components in COEs categorized as High Impact

Each application channel follows a distinct process with its specific set of application materials. The Grant Approvals Committee (GAC) and the TRP decides on the application track for each of the disease component. For further details on these processes, please refer to the *OPN on Access to Funding and Grant Making*.

In its review of funding requests from COEs, the Technical Review Panel (TRP) will tailor their standard review criteria on a case-by-case basis, by applying considerations and flexibilities as appropriate to the specific COE context.

27. **Funding Request and Program Designs**

- a. Funding requests to use the allocation shall be based on the country's National Strategic Plan or Health Recovery Plan, if available and updated, capturing the most current context and epidemiology of the COE.
- b. Global Fund investments in COEs aim to increase coverage of HIV, TB and malaria preventive and therapeutic services, to reach key and vulnerable populations, and maximize efficiency in existing country partnerships. Investments in COEs also aim to build resilience through stronger community and health systems; and to address gender-related and human rights barriers to services. During emergencies, the scope of Global Fund investments may be more limited, aiming to provide continuity of essential treatment and prevention services for people affected by the three diseases, as well as to help identify, prevent and contain outbreaks. During recovery, the scope of Global Fund investments may be more expansive and support countries rebuild health and community systems. For additional information on focusing and tailoring investments in COEs, please refer to the Guidance Notes on HIV, Tuberculosis, Malaria and Resilient and Sustainable Systems for Health (RSSH) in COEs (*links forthcoming*).
- c. Global Fund investments shall be tailored to the specific context, with flexibility to rapidly respond to the changing environments. As part of their funding request, COE portfolios, in countries facing crisis and emergencies, may indicate their emergency preparedness plans, if available, i.e., define the minimum or altered scope that will be implemented if circumstances deteriorate, including the triggers for shifting to an emergency plan. Where such plans do not exist, Country Teams will work with in-country stakeholders and partners in COE portfolios to identify potential suitable options to implement the grants when situations escalate, namely in acute emergency and volatile settings.

<sup>63</sup> This was the approach followed for the Middle East Regional Grant.

<sup>64</sup> In line with the OPN on Grant Revisions – *Link forthcoming*.

- d. Where there are weak capacities in program management, the program should be simplified to ensure operational feasibility. Country Teams may also explore innovative program designs and grant management approaches such as:
- Consolidating three disease components into one grant for synergy and operational efficiency, if the Principal Recipient has a relatively strong capacity to manage and coordinate activities across multiple components;
  - Payment for results where data quality is sufficient and routine results monitoring and verification are possible;
  - Direct payment from the Global Fund to identified service providers as part of a payment for results contractual framework;
  - Participating in pooled funding with other donors if this ensures a more coordinated and synergistic response and reduces transaction costs, provided adequate measures are in place to ensure appropriate access and audit rights are maintained, including attribution and traceability of Global Fund funding.

## 28. Implementation Arrangements

- a. In COE countries managed under the Additional Safeguard Policy (ASP), the Global Fund may directly appoint the Principal Recipient and/or Sub-Recipients and/or Service Providers which are best placed to implement the grant given the country circumstances. During implementation, Country Teams will continue to adjust implementation arrangements as necessary to address operational bottlenecks, including changing the Principal Recipient, or recommending the Principal Recipient to discontinue working with one or more Sub-Recipients, if their performance was deemed unsatisfactory. For COE countries that are managed under ASP, Country Teams may consider one of the organizations pre-qualified under the Emergency Fund following a competitive tender process.
- b. To address weaknesses in project implementation capacities in COEs, service contract arrangements may be applied to support and build capacity of implementers in project, financial, procurement and supply chain management. This includes the flexibility for Country Teams to appoint a combination of fiscal, fiduciary or procurement agents for specific programs, as required. Such arrangements will not only ensure achievement of project objectives but also build the capacity of implementers.

29. **Co-Financing Requirement.** COEs may be exempt from meeting the co-financing requirement. Such an exception may be granted if the country experiences a protracted emergency, or in situations where a transitional government is in place, and where partners and/or the government shared with the Global Fund an official and substantiated communication confirming the country's inability to meet the co-financing requirement. Exceptions to the co-financing requirement are approved by the Head of Grant Management Division.

## 30. Grant Documents

- a. **Performance Framework.** The Performance Framework for COE portfolios may be tailored to the context and simplified (i.e., include a limited number of indicators, in line with the Performance Framework simplification guidelines for the Focused portfolios or work plan tracking measures). Indicators and targets should be realistic in acute emergencies with volatile and rapidly changing context, and more ambitious in chronic instability situations. Country Teams should work closely with their Public Health and Monitoring and Evaluation (PHME) Specialists, the Monitoring, Evaluation and Country Analysis (MECA) Team and selected implementers to determine the indicators and targets to be included in the Performance Framework given the context.
- b. **Monitoring and Evaluation (M&E) Plan.** In acute emergencies and unstable contexts, the M&E plan and any subsequent updates should focus on critical components such as: 1) the indicators, data collection methods and reporting; 2) the identified needs for strengthening capacity and Strategic Information, where possible as part of health systems strengthening; and 3) analysis of available data and possible

surveys, studies and assessments to further generate data to improve situational awareness and programs.

- c. **Budget.** In COEs, and as part of the differentiated approach provided for in the [Guidelines for Grant Budgeting and Annual Financial Reporting](#) for low value grants (below US\$ 15 million), implementers are authorized and strongly encouraged to budget and report using the broad categories by interventions and cost groupings.

In some instances, where the context is volatile and long-term planning is difficult, COE implementers shall be allowed to submit a budget, with quarterly details only for the first 18 months (i.e. 12 months execution period and 6 months of buffer period to allow for the processing of the first Annual Funding Decision) and annual budget for the remaining periods. The quarterly budgeting breakdown for the remaining period will be submitted with the PU/DR and finalized when processing the next Annual Funding Decision. An Implementation Letter (IL) will then be signed to detail the budget for the remaining periods upon agreement.

- d. **List of Health Products, Quantities and Related Costs.** Where appropriate, COE implementers shall provide detailed information on the health products to be procured on a quarterly basis through the Global Fund financing for a period of 18 months only and annual estimate for the rest of the implementation period. The subsequent quarterly forecasting can be finalized through the annual updating of the procurement forecast. This is a good practice to ensure the forecast is adjusted to correspond to the changing situation and the most updated circumstances in-country.

## GRANT IMPLEMENTATION

- 31. COEs will generally follow the defined grant implementation approach for the portfolio category that they fall under in the differentiation framework (focused, core and high impact). The Overview of Grant Implementation provides a summary of the grant implementation approach that is applicable for each portfolio category. Flexibilities outside of the defined grant implementation approach may be applied for COEs.

### 32. Reporting

- a. A semi-annual progress report will be generally applicable only to COEs in Core and High Impact portfolios using the Global Fund Progress Update template. Recognizing capacity challenges in data collection and reporting in COEs, the due date of semi-annual reporting will be 60 days after reporting period, instead of the usual 45 days.
- b. In emergency situations, the Country Team may decide to focus reporting on selected indicators that are relevant for tracking. This will be determined in consultation with the MECA Team. In such case, the remaining indicators will be deactivated for the relevant period, hence not affecting the grant rating. Such revisions will be documented through amending the Grant Agreement.
- c. In case of pooled funding with other donors, reporting and annual funding decision timelines should align with the defined reporting and reviews for the program agreed among donors.
- d. In compelling circumstances, the Global Fund may at its own discretion accept alternative, suitable and appropriate financial and programmatic reporting for the purposes of assessing progress where it is impossible for the implementer to submit the standard Global Fund reports. Such alternative reports may include available reports from another project, program or development partner with relevant information that the Global Fund can use to assess the progress of its programs.

### 33. Monitoring and Evaluation

- a. Monitoring and evaluation arrangements should be tailored to best enable impact. Programmatic assurance providers could be expanded outside of the traditional service providers especially when there is poor accessibility to certain areas. The Country Team should consider alternative service provider approaches when Local Fund Agents do not have access to certain service sites in some geographic regions. For example, the Country Team may plan for grant budgets to remunerate service providers for M&E verification and assurance work.
- b. COEs shall follow the approach for program and data quality assurance as defined in the *OPN on Program and Data Quality*. The OPN allows for customization to the country context to best respond to the situation and the identified program and data quality risks in the country. For example, in acute situations, Country Teams may opt for spot checks whenever the access permits. Other possibilities may include triangulation of different data sources and real-time data from partners on the ground, where possible, to verify the program quality, instead of using LFA/service providers reviews in such settings.

#### **34. Procurement and Supply Chain Management**

- a. The Country Team should conduct a thorough assessment of the Principal Recipient's procurement capacity. Principal Recipients deemed to have weak capacities in procurement may be registered to the Pooled Procurement Mechanism (PPM), or use a recognized procurement agent.
- b. In areas of difficult access or where supply chain management and governance are poor, Country Teams may opt for contracting established supply chain management agents or services acceptable to the Global Fund, such as humanitarian agencies to manage the transfer of goods and commodities financed with grant funds until they reach the target populations.

#### **35. Financial Management**

- a. Where the Principal Recipient systems are weak, the Country Team may outsource financial management, in its entirety, to fiscal agents (i.e. private consultancy and accounting firms), or use fiscal/payment agents to monitor payments. In such cases, the Country Team should ensure to include in the grants' budget a provision to strengthen the Principal Recipient's financial management capacity.
- a. On an annual basis, and in accordance with the Grant Agreement, the transactions and balances of Principal Recipients and Sub-Recipients have to be audited, as well as at the closure of the grant. Depending on the context and the Principal Recipient, the auditor may have up to six (6) months after the end of the reporting period to submit the audit report, instead of the usual three (3) months.

### 36. Grant Revisions

- a. Grants implemented in COEs experiencing high volatility and rapidly changing environments require regular revision to the approved grants to quickly address the changing situation. In such cases, all COE portfolios, including in Focused countries, will be allowed to submit programmatic revision requests any time during the grant implementation, if warranted by the program context. The OPN on Grant Revisions (*Link Forthcoming*) has several built-in flexibilities to support regular programmatic revisions for COEs.
- b. Adjustments that are purely budgetary and that do not affect the performance framework are governed by the Global Fund's [Guidelines on Budgeting and Annual Financial Reporting](#), and shall follow the approval process defined for the relevant thresholds.
- c. In some acute emergency situations where one Principal Recipient in a certain country is not absorbing funding, the Country Team may authorize shifting activities and budgets from one Principal Recipient to another for the same approved application with the approval of the Regional Manager or Department Head (please see OPN on Grant Revisions – *Link Forthcoming*).
- d. Where an emergency preparedness plan was included and approved as part of the funding request, the program may shift to the emergency plan when the triggers are met. This shift will be approved by the Department Head and will not require a review by the TRP. If the emergency plan changes materially, as determined by the Country Team in consultation with the advisory committee, by the time it is triggered or if the plan was not initially reviewed by the TRP at the time of the funding request, TRP review will be required.

### RISK MANAGEMENT APPROACH FOR COEs

37. Risk management should be informed by the Board, Strategy, Investment and Impact Committee (SIIC)<sup>65</sup> and TERG conclusions<sup>66</sup> that “among the multiple risks, the main risk for the Global Fund in fragile states is operational: the risk of not achieving its mission, due to not reaching key affected populations with priority services and thus not achieving impact in the three diseases.”
38. Risk analysis for COEs shall be conducted through the portfolio analysis and operational strategy discussed above. Portfolio risks will be captured in a Key Risk Matrix which will clearly define the key risks preventing achievement of impact, as well as the controls and risk mitigation measures to help address and overcome those risks.
39. On an annual basis, or whenever the context changes, the Country Team will update the Key Risk Matrix and assurance plan and present an update to a Secretariat advisory committee. Updates to the portfolio risk profile that result in significant changes to the operational strategy and the program's implementation modalities should be presented to a Secretariat advisory committee.

### PARTNERSHIP AND TECHNICAL SUPPORT

40. Partnerships are central to an effective engagement in COEs. As part of the portfolio analysis and operational strategy, Country Team should undertake a mapping of existing in-country partners. This mapping exercise will facilitate Country Teams work in further defining how these partnerships could be leveraged to strengthen in-country governance, enhance service

---

<sup>65</sup> SIIC paper on COEs from June 2015.

<sup>66</sup> TERG Position Paper on fragile states presented to the SIIC in June 2014.

delivery and improve technical assistance, to increase the effectiveness and efficiency of the grants implementation.

41. **Strengthening in-country governance.** Country Team should leverage existing in country coordination and partnerships mechanisms whenever possible, including meaningful engagement of national key stakeholders and communities in decision making and oversight. Linkages with health, logistics, protection, gender-based violence and other clusters/sectors, where applicable, should be made both at national and global levels to improve coordination and foster integrated approaches during emergencies.
42. **Enhancing service delivery.** To enhance service delivery, the Country Team will work closely with national stakeholders and relevant partners to ensure coordination and harmonization of the suggested interventions and implementation approaches. Country Teams should explore the involvement of non-traditional implementation partners such as civil society organization and communities and the private sector, particularly in settings where public health services are primarily provided by the informal sector.
43. **Improving technical assistance.** Country Teams will collaborate with academic institutions, technical partners, civil society organizations, and other relevant actors with expertise in COEs to provide medium to long-term support and capacity building for COEs such as project management, monitoring and evaluation, data collection and reporting, financial management and supply chain management. Country Teams should also link with existing rosters of COEs specialists which can be mobilized to provide short term technical assistance to implementers. Capacity building initiatives may be supported through the Global Fund grants and partners' support and commitment shall be formalized at the approval of the grant.

## ROLES AND RESPONSIBILITIES

44. **Oversight.** Within the Secretariat, the EGMC oversees the implementation of the differentiated approach for COEs, including the flexibilities for each COE.
45. **Secretariat advisory committee.** This committee will review the portfolio analysis and operational strategies submitted by Country Teams, advise on best approaches before the tailored strategies and flexibilities are submitted to EGMC for approval. It will be open to relevant external humanitarian partners on ad-hoc basis.
46. **Country Teams.** Led by the Fund Portfolio Manager, the Country Team is primarily responsible for defining and implementing a tailored operational strategy for each COE portfolio they manage.
47. **Support to COEs.** Several teams within the Secretariat provide support to Country Teams in managing COE portfolios:

<b>COE Support Team</b>	<ul style="list-style-type: none"> <li>- Support Country Teams in accessing proposed flexibilities</li> <li>- Map relevant partners</li> <li>- Compile and share best practices and innovative solutions in implementing program activities in COEs</li> </ul>
<b>TAP (MECA and Disease and HSS Advisors)</b>	<ul style="list-style-type: none"> <li>- Provide guidance on focus of Global Fund investments in COEs</li> <li>- Gather and share evidence-based best practices in COEs</li> </ul>

	<ul style="list-style-type: none"> <li>- Provide guidance in tailoring M&amp;E and information strengthening</li> <li>- Provide guidance on external service providers for verification tasks and technical assistance</li> </ul>
<b>Supply Chain Department</b>	<ul style="list-style-type: none"> <li>- Provide guidance on tailoring procurement and supply chain management</li> <li>- Gather and share best practices on supply chain management</li> <li>- Provide guidance on external service providers for commodity storage and distribution</li> </ul>
<b>Program Finance</b>	<ul style="list-style-type: none"> <li>- Provide guidance in tailoring budgets and financial management</li> <li>- Gather and share best practices on financial management, including the use of national v/s parallel systems</li> </ul>
<b>Risk Management</b>	<ul style="list-style-type: none"> <li>- Provide inputs and oversee risk management for core and high impact portfolios</li> <li>- Provide input in grant design, management and assurance, as relevant</li> </ul>
<b>Policy Hub</b>	<ul style="list-style-type: none"> <li>- Update COE policy as needed</li> <li>- Facilitate reporting to the Strategy Committee and Board on COEs as part of the Strategy Implementation.</li> </ul>
<b>Operational Policy Hub</b>	<ul style="list-style-type: none"> <li>- Coordinate and provide guidance in the management of COEs portfolios</li> <li>- Assist Country Teams in interpreting and applying policies relevant to COEs</li> <li>- Develop and update operational policies and guidelines related to COEs</li> <li>- Consolidate and document best practices and lessons learned on COEs</li> <li>- Facilitate EGMC review and approval of COE tailored portfolio strategies, including requested flexibilities</li> </ul>
<b>Legal and Compliance Department</b>	<ul style="list-style-type: none"> <li>- Ensure compliance with Board policies</li> <li>- Assist Country Teams in structuring, drafting and negotiating relevant contractual arrangements to support COEs</li> </ul>



## Annex 1. Characteristics of Acute Emergency and Chronic Instability Settings

<b>Acute Emergency</b>	<ul style="list-style-type: none"> <li>• Ongoing humanitarian crises due to armed conflict, emerging disease threats or outbreaks or natural disasters.</li> <li>• Volatile security situation, with large numbers of internally displaced persons and/or refugees or other persons of concern</li> <li>• Health system significantly destroyed or overwhelmed by crisis</li> <li>• Major constraints to accessing certain areas and populations due to crisis</li> <li>• Rapidly evolving context, hence significant challenges with data representativeness, timeliness and availability</li> <li>• Disease strategic plans not available or are not a reliable reflection of the context and evolving epidemiology</li> <li>• CCM is not functional or is not well placed to coordinate country disease response in the crisis.</li> <li>• National entities may lack legitimacy, and capacity to implement including systems to ensure adequate fiduciary control and accountability</li> </ul>
<b>Chronic instability</b>	<ul style="list-style-type: none"> <li>• Precarious security situation relating to periodic political strife, governance change or weak leadership or localized conflicts</li> <li>• Accessibility challenges due to insecurity</li> <li>• Protracted economic crisis, low political will, and high levels of corruption</li> <li>• Health system weak and/or is in the process of rehabilitation</li> <li>• Service coverage levels are low</li> <li>• Data collection and analysis systems are weak or not established in certain cases</li> <li>• Disease strategic plans are not available or not robust</li> <li>• Coordination is led by a provisional stakeholder coordination forum; or CCM was only recently revived, or has long-standing challenges with respect to leadership, inclusiveness and transparency of decision-making</li> <li>• National entities have low capacity for implementation, with sustained weak performance</li> </ul>

## **Annex 2. List of COE countries – as of January 2017**

The list below is valid for the 2017-2019 allocation period. Countries identified as challenging operating environments are enumerated below under their respective portfolio categorization following the differentiation framework:

<b>Focused</b>	<b>Core</b>	<b>High Impact</b>
Iraq	Afghanistan	Congo (Democratic Republic)
Lebanon	Burundi	Nigeria
Mauritania	Central African Republic	Pakistan
Palestine	Chad	Sudan
Syrian Arab Republic	Eritrea	
	Guinea	
	Guinea-Bissau	
	Haiti	
	Liberia	
	Mali	
	Niger	
	Sierra Leone	
	Somalia	
	South Sudan	
	Ukraine	
	Yemen	

### **Pre-Financing Grant-Making and Start-Up Activities**

**Issued in:** 11 June 2014

**Purpose:** To provide guidance on pre-financing mechanisms to support grant making and start-up activities for new Principal Recipients

#### **OVERALL OBJECTIVES**

1. In order to support and expedite grant making and signing as well as program delivery with minimal delay for new Principal Recipients (“PRs”), the Global Fund allows the pre-approval of certain expenditures that may be made prior to the signing of the relevant grant, to be funded from the grant. These approved grant expenditures will be pre-financed either through:
  - i. an advance using resources of the PR to be reimbursed from the grant after it is approved by the Board and signed; or
  - ii. a transfer of funds by the Global Fund prior to signing a grant agreement, which will eventually be recovered from the amount of grant funds approved by the Board<sup>67</sup>.

#### **POLICY AND PRINCIPLES**

##### **Eligible PRs**

2. Subject to paragraph 3 below, local entity PRs (governmental and non-governmental entities) that are going to implement a Global Fund grant for the first time are eligible to receive pre-financing for approved expenditures. This could be when the PR is nominated as a PR for a new grant or taking over an existing grant from another PR.
3. In the case of international, multilateral, and other organizations acting as PRs which traditionally would be expected to have sufficient resources to fund eligible expenditures, these organizations can apply for, and may receive pre-financing approval from the Global Fund Secretariat in exceptional circumstances (e.g., when the organization is taking on the PR role in a country for the first time and has significant start-up costs, and/or when pre-financing would facilitate fast PR transition and prevent treatment disruption).
4. Only local entity PRs that do not have other sources of funds, including an advance of their own resources, to pre-finance the grant start-up expenditures are eligible for a transfer of funds by the Global Fund prior to signing the grant agreement.

##### **Eligible Expenditures**

5. Expenditures for activities that are essential to the negotiation of grant documents and to fulfilling grant signature requirements (i.e., preparing a disbursement-ready grant) are eligible for pre-financing. Some sample activities include:

---

<sup>67</sup>The Board’s approval of special initiatives at the Thirty-First Board Meeting in March 2014 included authorization for the Secretariat to use funds prior to the Board’s approval of grant amounts to work with some new PRs without access to existing grant funds or other sources of funds, including an advance of the Principal Recipient’s own resources, to strengthen capacity during the grant-making process, provided such funds would eventually be recovered from grant funds upon the Board’s approval of grant amounts and the signature of a grant agreement. These principles are outlined in the Board paper setting forth the recommendation to the Board on special initiatives (GF/B31/o8A – Revision 1).

- i. Recruitment and salary costs for core staff essential for start-up activities<sup>68</sup> (e.g., Program Manager/Coordinator and Finance Manager, etc.)
  - ii. Procurement of limited office equipment and furniture including accounting software essential for start-up activities.
  - iii. Technical Assistance to improve PR capacity and/or short-term measures to address critical capacity gaps identified from the capacity assessment that must be implemented prior to Board approval and grant signing.
6. Expenditures related to program implementation and/or service delivery are not permitted for pre-financing, including the procurement of health products.
  7. The pre-financing request and detailed list of expenditures must be endorsed by the Country Coordinating Mechanism (CCM) and agreed on between the PR and the Secretariat. Expenditures not previously approved by the Secretariat will not be reimbursed and/or financed from the grant.

### **Amount and Source of Pre-Financing**

8. The maximum amount allowed for pre-financing is US\$ 500,000 or 5% of the upper ceiling, whichever is less. The amount should be negotiated between the PR and the Country Team based on the agreed expenditure items.
9. Pre-financing should as much as possible come from the PR. If a local entity PR does not have resources that can be used for pre-financing, the Global Fund may transfer funds prior to the signing of a grant agreement, in accordance with the principles and conditions set forth in Paragraph 12 below.

### **Applicable Conditions**

10. Requests for pre-financing may only be submitted after the Concept Note (or simplified application to access the allocation) has been reviewed by the TRP and/or GAC, and the applicant has been directed to commence the grant-making process. Pre-financing will be allowed when there is high degree of certainty that a grant will be signed with the new PR. The Secretariat will consider the risk that a Grant Agreement may not be signed with the new PR, prior to agreeing to the pre-financing request.
11. **Pre-financing by PR:** The approved expenditures pre-financed by the PR will be reimbursed from grant funds after signing. If the funds are advanced by the PR, the PR **must agree** in writing that if the grant is not signed with them, the Global Fund will not be liable for the expenditures incurred by that PR.
12. **Pre-financing through a Transfer of Funds by the Global Fund:** The transfer of funds by the Global Fund to a nominated PR prior to the signature of a grant agreement must be authorized by the Grant Approvals Committee<sup>69</sup>. The Country Team reviews eligibility of a local entity PR for such funds transfer prior to grant signature and recommends an estimated amount to the GAC based on the pre-financing request submitted by the PR. It is mandatory to sign a pre-financing agreement with the PR and the CCM stipulating that the (i) funds transferred will be deducted from the grant amount; and (ii) in case the Global Fund eventually does not approve funding for or sign the grant

---

<sup>68</sup> The recruitment process (ToRs, advertisement and other selection elements) of other service providers required for implementation (Community Health workers, medical staff etc.) may be initiated, however, the contract mechanism and salary should not be completed until finalization of grant making and signing of the grant agreement.

<sup>69</sup> This may be done during GAC1 review if there have been appropriate assessments of the nominated PR that demonstrate it meets minimum requirements to perform its role as the PR and the grant making and start-up expenditures are already known at that time. Otherwise, GAC approval may be requested after GAC 1 through electronic approval after such assessments and information are known.

agreement with the PR, the disbursed funds shall be recovered from the PR or the relevant country disease component's allocation amount<sup>70</sup>.

## Approving Pre-Financing Requests

13. Pre-financing requests will be approved based on the source of pre-financing and the status of the grant. The signature of pre-financing agreements or undertakings is a pre-requisite and will follow the Signature Authority Procedure.

Source of Pre-financing	Approval Process
Pre-financing from the PR	<p><b>If GAC 1 approved:</b> Department Head and Head, Program Finance and Controlling Department</p> <p><b>If GAC 2 recommendation or Board-approved but experiencing delays in signing:</b> Regional Manager (or Head, Regional Department for High Impact countries) and Regional Finance Manager</p>
Transfer of funds by the Global Fund prior to grant signature	<b>Grant Approvals Committee</b> authorizes the pre-financing and the amount for the pre-financing.

## Disbursement

14. Once grant making expenditures have been approved for pre-financing from the grant funds, the Secretariat will release the funds to the PR following the process indicated in Annex 1.
15. Pre-financing using PR's own resources will be reimbursed from grant funds following grant signing. The PR includes the approved grant making expenditures in the final grant budget. The relevant expenditures will be reimbursed to the PR as part of the first annual funding decision (*please refer to [OPN on Annual Funding Decisions and Disbursements](#)*) in the event that such were financed using PR's own resources.

<sup>70</sup> In very exceptional cases where the funds transferred by the Global Fund cannot be recovered from the PR or the country's disease allocation, funds lost will be charged from the US\$500,000 PR Grant-Making Capacity Building fund approved by the Global Fund Board.

## PROCESS & RESPONSIBILITIES

### Responsibilities

16. The **Principal Recipient** prepares the pre-financing request and detailed list of expenditures. The PR is also expected to provide the following information using the templates attached to this document:
  - (i) Principal Recipient information (Name, Address and contact) and the authorized signatories for all legally binding agreements with the Global Fund;
  - (ii) The relevant bank account information for the grant. The Global Fund strongly recommends the PR to open the bank account for the “final grant agreement” and use the same account for the pre-financing, unless there are strong legal justifications to the contrary.
17. The **Country Coordinating Mechanism** endorses PR requests for pre-financing and detailed list of expenditures.
18. The **Country Team** assesses the PR’s eligibility and need for pre-financing. The Country Team also reviews the pre-financing request and list of requested expenditures, recommends to the approval authority and prepares the pre-financing agreement and all relevant supporting documents as stipulated in this OPN.
19. The **LFA** verifies expenditures if requested by the Country Team.

### Processes

20. Annex 1 provides guidance on the pre-financing and reimbursement processes.

### CHANGE HISTORY:

No.	Issued/Changed By	Change Description	Date	Version No
1	OPC	N/A	February 2009	1.0
2	EGMC	Clarify pre-allocation rules for multilateral, international and other organizations	September 2012	1.1
3	EGMC	Update to reflect the NFM terminology and include transfer of funds from Global Fund prior to grant agreement signing.	June 2014	1.2

## ANNEX 1: PRE-FINANCING PROCESS

Seq. No	Actor	Description	Output	Relevant Links
<b><i>Assessing the Need for Pre-financing</i></b>				
1.	PR	The PR expresses the need for pre-financing to carry on with the negotiation process and preparations for the grant implementation.		
2.	Country Team	<p>During the country dialogue and negotiation of the grant documents, the Country Team assesses:</p> <ul style="list-style-type: none"> <li>(i) The likelihood of signing a grant with the nominated PR; and</li> <li>(ii) The PR's need for pre-financing.</li> </ul> <p>If the Pre-financing is appropriate for the PR, the FPM notifies the PR of the possibility of requesting pre-financing.</p>		
<b><i>Prepare Pre-financing Request</i></b>				
3.	PR	<p>The PR submits the following documents:</p> <ul style="list-style-type: none"> <li>(i) List of expenditures necessary during the negotiation of grant documents providing justifications; and</li> <li>(ii) CCM endorsement of the request for pre-allocation.</li> </ul> <p><b>Control Point:</b></p> <p><b>The CCM must review the request and provide its endorsement to the expenditures proposed by the PR.</b></p>	Pre-financing request with the list of expenditures and CCM endorsement	
<b><i>Review and Approval of Pre-financing Request</i></b>				
4.	Country Team	<p>The Country Team reviews the request, and makes recommendations on:</p> <ul style="list-style-type: none"> <li>(i) The expenditure items to be pre-approved; and</li> <li>(ii) A reasonable total amount of pre-financing in light of efficiency savings (maximum US\$ 500,000 or 5% of the committed amount, whichever is less)</li> <li>(iii) the source of pre-financing and the relevant disbursement details if pre-financing from the grant funds.</li> </ul>	Memo to Management on pre-financing request	
5.	Relevant Approval Authority	Reviews and approves the pre-financing request. <i>(see paragraph 12 of the OPN)</i>		



6.	Country Team	<p>Once the pre-financing is approved, a written agreement should be signed with the PR. For this purpose, the FPM sends a letter:</p> <ul style="list-style-type: none"> <li>(i) outlining the expenditures approved for pre-financing and the relevant conditions related to the pre-financing; and</li> <li>(ii) <i>if the Pre-financing is from the PR</i>, a written agreement is sent for PR signature, explicitly stating that the Global Fund will not be liable for incurred expenditures if the Grant Agreement is not signed with the PR; OR</li> <li>(iii) <i>if pre-financing is from the grant funds</i>, a pre-financing agreement is sent for the PR and CCM signature.</li> </ul> <p><u>Control Point:</u></p> <p>Signature of the agreement or undertaking is a pre-requisite for pre-financing and will follow Signatory Authority Procedure.</p>	A written agreement shared with the PR for signature	
7.	PR	(If pre-financing from the PR): The PR countersigns the agreement and sends it back to the Global Fund to confirm its approval.		
<p><b>Recording of Pre-financing Agreement</b></p> <p><i>(This step is applicable only when Pre-financing from Global Fund – i.e., transfer of funds from Global Fund)</i></p>				
8.	Country Team	<p>Following approval of pre-financing, sends the following information to Finance (GrantPO@theglobalfund.org with a copy to Joelle Ndikumasabo on Joelle.Ndikumasabo@theglobalfund.org).</p> <ul style="list-style-type: none"> <li>- scanned copy of the GAC approval</li> <li>- pre-financing agreement with the PR</li> <li>- Core data forms (PR details, Bank and proposed grant details)</li> </ul>		
9.	Finance Officer	Creates a Purchase Order for the pre-financing and notifies the Country Team and the PR of the disbursement	Memo and PO	

<b>ADMF &amp; Disbursement for Pre-financing</b>				
<i>(This step is applicable only when Pre-financing from Global Fund – i.e., transfer of funds from Global Fund)</i>				
10.	Country Team	Submits simplified first disbursement ADMF with the required disbursement information	ADMF with associated GFS interfaces	
11.	Financial Services	Processes the ADMF and disbursement release	GFS	
<b>Reimbursement</b>				
12.	PR and Country Team	The PR includes the approved expenditures in the final grant budget.  Following on the Board approval, proceed with the signing of the grant agreement.		
13.	Country Team	Include the reimbursement instructions (to the PR) in the first annual funding decision.		
14.	Finance	Based on instructions in the first ADMF, approved expenditures will be reimbursed to the PR.		
<b>LFA Verification</b>				
15.	LFA	The LFA verifies the PR expenditures and reports to the Country Team, as required.		

## **Support Costs and Indirect Cost Recovery (ICR) Policy for Non-Governmental Organizations**

**Issue Date:** 13 March 2015

**Purpose:** To define the policy and principles related to Support Costs/Indirect Cost Recovery (ICR) for non-governmental organizations.

### **OVERALL OBJECTIVES**

1. International non-governmental organizations (INGOs) implementing programs funded by Global Fund grants may request to include funds in their budgets to compensate for services that are provided by their headquarters, regional offices and/or parent organization (together referred to as “*Headquarters*” in this policy). Headquarters are generally located outside the country where the grant is implemented and support the in-country office of the organization to fulfill their activities and meet the grant’s objectives. This may be the case either when the Grant Agreement is signed directly by the in-country office or when it is signed by the Headquarters while the program is implemented by the local office.
2. The Global Fund encourages the development of in-country capacity and strives to ensure optimal allocation of resources to service delivery and maintaining the overall level of administrative costs at a minimum level.
3. Local non-governmental organizations (local NGOs) are generally expected and strongly encouraged to include all costs associated with the implementation of program activities as direct charges to the grant. In exceptional circumstances as indicated in the Global Fund guidelines for grant budgeting and reporting, and at the sole discretion of the Global Fund, where a local NGO is implementing programs and activities supported by several donors and has the financial system and capacity to demonstrate transparent cost recovery<sup>71</sup>, the Global Fund at its sole discretion may authorize the relevant local NGO to charge a percentage of direct costs as ICR.

### **POLICY AND PRINCIPLES**

4. This policy does not apply to UN agencies<sup>72</sup> for which separate arrangements for ICR apply.
5. The in-country common costs of implementing entities (e.g. salaries, office rent, utilities, security, etc.) related to the management and administration of Global Fund programs should generally be charged directly to the grant “as direct costs” and are not affected by this policy.
6. Funding for support costs and ICR shall not be applied when a financial management intermediary (i.e. a “fiduciary agent” or “fiscal agent”) is appointed to oversee and verify expenditures of grant funds, unless there is a prior approval of the Grant Approvals Committee.
7. The maximum rates which an eligible non-governmental organization may charge to support costs/ICR under Global Fund grant agreements and grant extensions signed are

<sup>71</sup> This may include a clear audit trail on cost recovery mechanisms that are in place and subject to independent external audit review.

<sup>72</sup> If a UN agency is selected as an implementer for a grant financed under the Emergency Fund, they must comply with this policy on indirect cost recovery.

established in Annexes 1 and 2 of this OPN. However, where an organization is currently charging rates on Global Fund grants which are below or above the maximum rates established in Annexes 1 and 2, but in accordance with the approved budgets, these rates may be maintained until the end of the current implementation period. Any requests for support costs funding via ICR under a new implementation period or grant extension must be in accordance with this policy.

8. In the event the nomination of the Principal Recipient (PR) is not finalized at the time of Concept Note development and approval (as permitted under Global Fund policies and procedures), support costs/ICR costs of eligible PRs may be incorporated in the grant-making budget within the limits of the total funding ceiling. The budgetary implications of such costs should be disclosed to the CCM before submitting the final grant-making budget to the Global Fund.
9. If the Global Fund at its sole discretion approves funding for support costs/ICR, the Global Fund may include a special condition in the relevant Grant Agreement to specify terms such as the applicable rates, approved budget, description of services to be covered or other terms it may deem appropriate in accordance with this policy.
10. Each PR that receives funding for support costs or ICR is required to acknowledge and agree in the relevant Grant Agreement that it shall use such funding only in compliance with the Global Fund's policy and principles on Support Costs/ ICR for non-governmental organizations and any conditions relating thereto in the Grant Agreement.
11. The support costs/ICR may be used exclusively to finance the following activities in support of the program:
  - a) accounting, treasury management, reporting support and internal audit;
  - b) human resources administration support;
  - c) procurement services
  - d) management support and oversight;
  - e) legal support;
  - f) IT support; and
  - g) routine technical assistance and capacity building of in-country staff and structures
12. The PR shall ensure that support costs/ICR generated from grant funds are not used for fundraising, marketing, or for costs related to the development of Concept Notes<sup>73</sup>.
13. All funds generated and costs charged will form part of the organization's Annual Financial Statements<sup>74</sup> which will be subject to external audit. In the event that this is part of the Statutory Financial Statements, a copy of the audit report for the organization as a whole may be requested by the Global Fund. The audit report and auditor opinion should be submitted no later than six (6) months following the end of the organization's regular fiscal year.
14. Accepting support costs commits the Headquarters organization to providing timely support to the country office for the effective and efficient implementation of grant activities and reporting. It is also expected that should weaknesses be identified in the management and administration of the grant by the country office, the Headquarters services or entity (in the case of local NGO) would implement appropriate and/or recommended actions in a timely manner.
15. The organization commits to providing the Global Fund with all the necessary information to allow the Global Fund to confirm that funds have been charged to the grant in accordance with the approved budget (including any budgetary adjustments as per section

---

<sup>73</sup> The Global Fund at its sole discretion may in exceptional circumstances approve the use of such funds to support the country dialogue and Concept Note process

<sup>74</sup> The Annual Financial Statement referred to in this OPN for purposes of support costs/ICR may be an integral annex in the Global Fund grant external audit or the Statutory Financial Statements of the Principal Recipient.

3.5.1 of the [Global Fund Guidelines for Grant Budgeting and Annual Financial Reporting](#)) and to confirm that the Headquarters have provided any agreed services (when applicable).

16. The disbursement of funding for support costs/ICR by the Global Fund will follow the Global Fund's standard annual funding and disbursement procedures and may be charged to the grant in proportion of the actual expenditures incurred.
17. Support costs/ICR will be considered eligible expenditures when charged to the grant based on actual expenditures and disbursement to Sub-Recipients (SRs) made by the PR. For SRs, the eligibility is based on actual expenditures.
18. In the event that a PR charges SR disbursements to a grant as support costs eligible for ICR, but the services not rendered by the SR, the SR shall refund in full the disbursed amounts to the PR. The PR shall be required to make an adjustment to ICR in its accounts based on amount refunded by the SR and the original rates applied. .
19. Any support costs/ICR charges on accrued expenses and/or budget will be considered as ineligible expenditures by the Global Fund.

### **International Non-Governmental Organizations (INGO) Implementers**

20. Eligible implementers, whose legal structure, reporting line and historical relationships demonstrate strong Headquarters involvement in their operations, may request financing for the support they receive from their Headquarters to be included in the Global Fund's grant budget.
21. Costs related to the Headquarters' own public relations, marketing and fundraising activities are not eligible for funding.
22. The percentage-based charge is designed to contribute to costs incurred by the Headquarters of an INGO and therefore costs related to the Regional Office or Headquarters should not be budgeted as direct costs in the grant. In certain instances based on the operational structure of the INGO, the Global Fund at its own discretion may approve charging limited costs incurred at the Regional Office or Headquarters level as direct costs under the grants.
23. In cases where the PR identifies an activity which would be undertaken in the most cost-efficient way by an employee of the INGO Headquarters office, these costs may be included as direct costs in the grant budget, provided that they are not part of the services to be provided against the payment of the ICR/support costs. The PR should provide justification demonstrating value-for-money, efficiency in the execution of activities using Headquarters staff, the nature of the activity, deliverable, costs, and the expected outcome. Such direct costs should be classified as "consultants" and managed using internal invoicing mechanisms and not considered as human resources costs.
24. Some INGOs may have a robust mechanism of charging local administrative costs using a "shared-costs" approach. Shared costs can be defined as expenses that can be allocated to two or more funding sources (government, the Global Fund, other donors etc.) or different Global Fund grants on the basis of shared benefits and administrative efficiency. Such mechanisms should be clearly outlined in the framework agreement to be considered as eligible expenditure under Global Fund grants. Section 2.6 of the [Global Fund Guidelines for Grant Budgeting and Annual Financial Reporting](#). Provide additional information on the "shared-cost" concept.

### **Local Non-Governmental Organizations (NGO) Implementers**

25. Percentage-based ICR is generally not applicable when the Global Fund is the main funder<sup>75</sup> of the NGO's operations.
26. Local NGOs implementing programs and projects for multiple donors are encouraged for the purpose of the Global Fund budgeting and expenditure reporting, to apply a cost sharing methodology across the different funders based on the principles in section 2.6 of the [Global Fund Guidelines for Grant Budgeting and Annual Financial Reporting](#).
27. The same assumptions and methodology used for apportionment of budgets of shared activities in the latest approved budget should be applied for expenditure apportionment. The actual shared costs expended and reported to the Global Fund should be based on the actual expenditures incurred by the implementer and not the budgeted amount.
28. In the event the provisions in paragraph 26 create additional administrative burden and inefficiencies in the management of shared-costs, local NGOs with the appropriate financial management capacity may be allowed to charge a percentage-based support costs/ICR. The Global Fund in approving this mechanism expects a proportional reduction in direct costs charged to the grant for administrative overhead to avoid duplication of costs for the same purposes.

## RESPONSIBILITIES & PROCESSES

### Responsibilities

29. The **Principal Recipient**:
  - a) includes in the request for funding for support costs/ICR in the budget submitted to the Global Fund as part of the concept note and/or grant-making budget. The rates applied shall be in accordance with the Global Fund rates in effect as described in Annexes 1 or 2 for new grant agreements and grant extensions signed from 18 December 2014;
  - b) provides the Secretariat with a narrative description of the services to be provided by Headquarters and/or the services that will be charged as ICR as part of the grant-making documents when support costs/ICR provisions are not included in the signed framework agreement. In the event of any exceptional requests for Headquarters related direct costs for an individual grant, the narrative description shall be updated to ensure it is specific to the country context and grant implementation needs;
  - c) integrates in the Annual Financial Report (AFR)<sup>76</sup> that include support costs/ICR charged to the grant, both at the PR and SR level. These amounts for each grant could be included in available annexes to the AFR by disclosing the calculations; and
  - d) submits to the Global Fund a copy of the Annual Financial Statements for the organization no later than six months following the end of the organization's fiscal year. All funds generated and costs charged will form part of the organization's Annual Financial Statements which will be subject to external audit.
30. The **Country Coordinating Mechanism** endorses the budget submitted in the concept note including the support costs or ICR. In the event that support costs/ICR costs were not included in the concept note submission, the Principal Recipient is expected to inform the Country Coordination Mechanism on the implication of such changes in the overall budget.
31. The **Local Fund Agent**, as requested by the country team:
  - a) ensures that the budgeted support costs/ICR are within the maximum upper ceiling defined in Annexes 1 or 2;
  - b) verifies on a regular basis that rates charged to the grant are in accordance with the agreed rates per the detailed budget; and

<sup>75</sup> The Global Fund annual budget represents 70% or more of the implementers (PR or SR) operations.

<sup>76</sup> Enhanced Financial Report for grants that are not part of the new funding model.

- c) assesses the NGO implementers (including INGO) capacity to perform transactions falling under their responsibility may be done on an annual basis. This assessment shall not be done by the LFA for each grant-making involving this organization but may be mandated by the Global Fund once a year or more frequently as necessary with the view to inform all relevant grant-makings, confirm that any agreed services to be provided by the NGO implementers (including INGO) have been performed, and assess any relevant issues related to the ongoing implementation of grants managed by this organization. The assessment will be coordinated by the Global Fund LFA team.

32. **The Country Team:**

- a) reviews the request for ICR in the budget submitted by the PR and the recommendations of the LFA (if applicable);
- b) notifies the PR of the outcome of the concept note review, including the budget; and
- c) verifies that rates charged to the grant are in accordance with the agreed rates in the detailed budget.

**CHANGE HISTORY:**

No.	Issued/Changed By	Change Description	Date	Version No
1	Program Finance	N/A	18 April 2011	1.0
2	Financial Development Team	Key changes include the eligibility and methodology of charging ICR by local NGOs.	13 March 2015	1.1



**ANNEX 1: Maximum Headquarters Support Costs/ICR Applicable to International NGOs (INGO) Implementing Global Fund grants.**

***These rates are the maximum that may be applied to any eligible INGO requesting Headquarters support costs/ICR for new grant agreements or grant extensions signed from December 18, 2014***

Entity	Type of Cost	Maximum Percentage Rates	Indicative guidance on the application of rates in the budget
INGO Principal Recipient (PR)	Health Products <sup>77</sup>	3%	<ul style="list-style-type: none"> <li>Where a procurement agent is used, the maximum rate that can be applied is 1%.</li> <li>If the SR is procuring directly, the PR may only charge a maximum of 1% on the value of the procurement in addition to a maximum of 3% which may be charged by an INGO SR and 2% by NGO SR</li> </ul>
	All other Direct costs incurred by the PR	7%	
	Funds managed by Sub Recipients	5%	<ul style="list-style-type: none"> <li>The PR may charge up to a maximum of 5% on SR direct costs.</li> <li>If the SR is also an INGO claiming ICR, the SR may charge up to a maximum of 5% on their own direct costs, and the PR may charge a maximum of 2% on the SR direct costs (the calculation should exclude the SR ICR)</li> <li>If the SR is NGO claiming ICR, the SR may charge up to a maximum of 3% on their own direct costs, and the PR may charge a maximum of 4% on the SR direct costs (the calculation should exclude the SR ICR)</li> </ul>
INGO Sub Recipient	Health Products <sup>1</sup>	3%	<ul style="list-style-type: none"> <li>Where a procurement agent is contracted by the SR, the maximum rate that can be applied is 1%.</li> <li>If the PR is managing the procurement, the SR is not entitled to charge any overheads on these amounts.</li> </ul>
	All other Direct costs incurred by the SR	5%	
Additional Safeguard	All Rates remain the same with the following exceptions <ul style="list-style-type: none"> <li>The PR may charge up to a maximum of 7% on SR direct costs.</li> </ul>		

<sup>77</sup> All costs included in the cost categories Health Products-Pharmaceutical Products (category 4), Health Products - Non-Pharmaceuticals (category 5), Health Products – Equipment (Category 6), and cost input 7.2.

Countries	<ul style="list-style-type: none"> <li>• If the SR is also an INGO claiming ICR, the SR may charge up to a maximum of 7% on their own direct costs, and the PR may charge a maximum of 3% on the SR direct costs (the calculation should exclude the SR ICR).</li> <li>• If the SR is an NGO claiming ICR, the SR may charge up to a maximum of 5% on their own direct costs, and the PR may charge a maximum of 5% on the SR direct costs (the calculation should exclude the SR ICR).</li> <li>• Where an INGO is an SR of a UN agency, they may charge up to 7% on their own direct costs.</li> <li>• If a fiscal agent is contracted, no ICR should be paid to the PR.</li> </ul>
Direct Costs from Headquarters	<ul style="list-style-type: none"> <li>• The percentage based fee is designed to contribute to costs incurred by the Regional or Headquarters of an INGO and therefore no direct costs related to the Regional Office or Headquarters should be budgeted in the grant, unless approved as part of the Framework agreement signed with the Global Fund.</li> <li>• However, in cases where the PR requests to directly charge a limited number of costs incurred at Headquarters level or where the Global Fund has requested the Headquarters to provide a specific service to the Country (e.g. more than 1 internal audit per year from the Headquarters), the PR should provide sufficient justification as to why the costs are not part of the normal Regional or Headquarters support to the grant. Requests for inclusion of these costs should normally be addressed during the grant making process and should include a detailed description of the activity, a detailed budget for the activity, and a confirmation that none of the related costs are included in the indirect costs of the Headquarters and the services specified.</li> </ul>
CALCULATION NOTE:	<ul style="list-style-type: none"> <li>• The PR charge on funds managed by SRs should be exclusive of the percentage based charges applied by the SR.</li> <li>• These rates may only be charged to the grant based on actual cash expenditure and disbursement to SRs. Therefore they may not be charged based on accrued expenses.</li> </ul>

**ANNEX 2: Maximum ICR Applicable to Local NGOs (NGO) Implementing Global Fund grants.**

***These rates are the maximum that may be applied to any eligible INGO requesting Headquarters support costs/ICR for new grant agreements or grant extensions signed from December 18, 2014***

Entity	Type of Cost	Maximum Percentage Rates	Indicative guidance on the application of rates in the budget
NGO Principal Recipient (PR)	Health Products <sup>78</sup>	2%	<ul style="list-style-type: none"> <li>Where a procurement agent or PPM is used, the maximum rate that can be applied is 1%.</li> <li>If the SR is procuring directly, the PR may only charge a maximum of 1% on the value of the procurement in addition to a maximum of 3% which may be charged by an INGO SR and 2% by a NGO SR</li> </ul>
	All other Direct costs incurred by the PR	5%	
	Funds managed by Sub Recipients	3%	<ul style="list-style-type: none"> <li>The PR may charge up to a maximum of 3% on SR direct costs.</li> <li>If the SR is an INGO claiming ICR, the SR may charge up to a maximum of 5% on their own direct costs, and the PR may charge a maximum of 2% on the SR direct costs (the calculation should exclude the SR ICR)</li> <li>If the SR is NGO claiming ICR, the SR may charge up to a maximum of 3% on their own direct costs, and the PR may charge a maximum of 2% on the SR direct costs (the calculation should exclude the SR ICR)</li> </ul>
NGO Sub Recipient	Health Products <sup>3</sup>	2%	<ul style="list-style-type: none"> <li>Where a procurement agent is contracted by the SR, the maximum rate that can be applied is 1%.</li> <li>If the PR is managing the procurement, the SR is not entitled to charge any overheads on these amounts.</li> </ul>
	All other Direct costs incurred by the SR	3%	
Additional Safeguard Countries	All Rates remain the same with the following exceptions <ul style="list-style-type: none"> <li>The PR may charge up to a maximum of 5% on SR direct costs.</li> <li>If the SR is an INGO claiming ICR, the SR may charge up to a maximum of 7% on their own direct costs, and the PR may charge a maximum of 2% on the SR direct costs (the calculation should exclude the SR ICR).</li> </ul>		

<sup>78</sup> All costs included in the cost categories Health Products-Pharmaceutical Products (category 4), Health Products - Non-Pharmaceuticals (category 5), Health Products – Equipment (Category 6), and cost input 7.2.

	<ul style="list-style-type: none"> <li>• If the SR is an NGO claiming ICR, the SR may charge up to a maximum of 5% on their own direct costs, and the PR may charge a maximum of 2% on the SR direct costs (the calculation should exclude the SR ICR).</li> <li>• Where an eligible NGO is an SR of a UN agency, they may charge up to 5% on their own direct costs.</li> <li>• If a fiscal agent is contracted, no ICR should be paid to the PR.</li> </ul>
CALCULATION NOTE:	<ul style="list-style-type: none"> <li>• The PR charge on funds managed by SRs should be exclusive of the percentage based charges applied by the SR.</li> <li>• These rates may only be charged to the grant based on actual cash expenditure and disbursement to SRs. Therefore they may not be charged based on accrued expenses.</li> </ul>

### **ANNEX 3: Sample Calculation**

GRANT X – an INGO PR with 2 SRs (1 INGO and 1 NGO). The PR and SRs require ICR.

#### **Budget Breakdown**

PR – 10,000,000 (8,000,000 Health Products, 2,000,000 Other Direct Costs)

SR 1 (INGO) – 5,000,000 (Other Direct Costs)

SR 2 (NGO) – 3,000,000 (Total Budget including common costs which are detailed)

Total Budget before Support/ICR – 18,000,000

#### **Headquarters Support/ICR Calculation**

PR – Health Products – 8,000,000 X 3% = 240,000

PR – Direct Costs – 2,000,000 x 7% = 140,000

PR – Disbursements to SR 1 (INGO) – 5,000,000 X 2% = 100,000

PR – Disbursements to SR 2 (NGO) – 3,000,000 X 2% = 60,000

Total Percentage Charge by PR – 540,000

SR 1 (INGO) – 5,000,000 X 5% = 250,000

SR 2 (NGO) – 3,000,000 X 5% = 150,000

TOTAL GRANT VALUE – 18,940,000

Total Headquarters Support Costs/ICR levied on the grant at both PR/SR combined = 5.2% or 940,000

## ANNEX 4: ICR APPROVAL PROCESS

Seq. No	Actors	Process Description	Output	Relevant Links
<b>Concept note</b>				
1.	CCM	Submits the Concept Note (along with the budget) including the request for Headquarters support costs/ICR.		
2.	Country Team	Informs the CCM of the outcome of the TRP/GAC1 review and pursues the grant making.		
<b>Grant-making</b>				
3.	Country Team	Conducts and finalizes the capacity assessment of the PR (with support from the LFA as necessary), in order to confirm the suitability of the PR.		
4.	PR	Submits the detailed budget including the ICR costs as well as a narrative description of the services to be provided by Headquarters and a confirmation that the PR agrees to comply with the requirements for the use of Headquarters support costs/ICR.		
5.	Country Team	Undertakes initial review of the documents provided by the PR and decides on the areas of focus for the LFA review.		
6.	LFA	As relevant, reviews the documents based on CT requirements and provides recommendations.		
7.	PR	Revises the documents taking into account the Country Team and LFA recommendations.		
8.	Country Team	Approves the final grant documents, as well as the final grant amount, including the relevant ICR costs.	<b>Grant Agreement</b>	

### **Additional Safeguard Policy**

**Issued on:** 24 July 2015

**Purpose:** To specify the policy and process on when and how to manage countries or grants under the Additional Safeguard Policy (the “ASP”).

#### **OVERALL OBJECTIVES**

1. The ASP was instituted by the Board at its Seventh Meeting. It can be invoked in full or in part whenever “the existing systems to ensure accountable use of Global Fund financing suggest that Global Fund monies could be placed in jeopardy without the use of additional measures”.

#### **POLICY AND PRINCIPLES**

##### **Scope of ASP**

2. The ASP is usually invoked for the entire portfolio of Global Fund grants, on a country-wide basis. In very rare cases, the ASP may be invoked for a specific disease component or grant where the risks are specific to a disease component or a grant.

##### **Criteria for Invoking the ASP**

3. The criteria for applying the ASP may be prompted by Global Fund Secretariat assessments, OIG findings, LFA reports, and/or reports from partners or other sources related to risk factors in a particular portfolio.
4. The criteria include, without limitation, the following, some of which may, in a particular case, be inter-related:
  - a. Significant concerns about governance at the country or implementing level;
  - b. Lack of a transparent process for identifying a broad range of implementing partners;
  - c. Major concerns about corruption in the country;
  - d. Identified fraud or misuse of donor funds, including, but not limited to, Global Fund funding;
  - e. Widespread lack of public accountability;
  - f. Recent or ongoing conflict in the country or region where the program supported by the grant operates;
  - g. Political instability or lack of a functioning government;
  - h. Limited/restricted access by the Country Team and/or LFA to the country;
  - i. Poorly developed civil society/lack of civil society participation;
  - j. Financial risks, such as hyperinflation or devaluation; and/or
  - k. Lack of a proven track record in managing donor funds in the health or other sectors.

##### **Safeguards Invoked Through the ASP**



5. In invoking the ASP for a particular country, the safeguards established should protect the Global Fund and its resources against the identified risks. Through this application, the ASP is tailored for each situation, instead of a “one size fits all” approach.
6. The following are examples of additional safeguards that may be applied to ensure the necessary transparency, fiduciary accountability, and reporting in an applicable country portfolio, and which have historically been regularly used when the Secretariat has invoked the ASP. This list is illustrative only. The safeguards established for a particular country portfolio or grant(s) must be tailored to the specific risks identified:

- i. Global Fund Pre-Approval of Implementation Arrangements, Including PR Selection: The Global Fund will be closely involved in the selection of implementers for the program. The nomination of the PR is made directly by the Global Fund, in consultation with the CCM and other development partners. PRs could include multilateral or bilateral organizations, NGOs, or other suitable entities<sup>79</sup>. To date, this has been an integral part of the ASP for a country. ASP countries, for which this safeguard is adopted, are exempt from the assessment of the open and transparent PR selection process<sup>80</sup> by the CCM at the time of submission of the Concept Note.

When selecting a PR, the Country Team is expected to conduct an assessment of potential organizations in order to transparently select the most suitable entity for the implementation of the grant. This will be done through the Capacity Assessment Tool (CAT) tailored to specific risks or other more in-depth assessments as necessary. This assessment should be substantially completed prior the submission of the Concept Note to the TRP.

- ii. SR Selection and Assessments: Selection of SRs is subject to Global Fund approval based on the assessment of risks. The Secretariat may require and be involved in the assessment of SRs and in certain cases, contractors, and sub-contractors. The assessment would include their financial management systems, institutional and programmatic structures, procurement systems, and where appropriate their monitoring and evaluation structures. The assessment will be conducted through the CAT tool.
- iii. Fiscal and Financial Controls: If financial management risks are identified, the Global Fund may determine it necessary to impose one or more of the following safeguards:
  - a. Establish and impose a financial management intermediary (i.e. a “fiduciary agent” or “fiscal agent”) to oversee and verify expenditures of grant funds (including, if necessary, through a pre-expenditure review and sign off process);
  - b. Disburse funds on a reimbursable basis based on actual expenditures may be advisable; and/or
  - c. Establish tighter arrangements on the flow of funds (e.g., Sub-Recipients may not receive grant funding in advance, in that, disbursement is made on a reimbursement basis only against submission of appropriate invoices and other supporting documentation – the “zero cash” policy).
- iv. Tailored/Mandatory Procurement Arrangements: The Secretariat may determine it advisable to tailor procurement arrangements to address perceived risks, including, but not limited to, the risk of diversion. Measures may include:
  - a. Disbursement of funds on a reimbursable basis based on actual expenditures;
  - b. Arrangement for direct payment to contractors/vendors;
  - c. The imposition of a procurement management arrangement (including the selection of a procurement agent or manufacturer); or

---

<sup>79</sup> In the event that UNDP is selected as Principal Recipient, the special ASP standards terms and conditions of the grant agreement for UNDP should be used.

<sup>80</sup> CCM Eligibility Requirement 2.

- d. The requirement that all health products be procured through the Pooled Procurement Mechanism (PPM).
- v. Minimization of Exchange Rate Distortions: In circumstances of major distortions between the official exchange rate and the market rate, the Global Fund will work with other development partners, and/or establish alternative mechanisms for judicious management of grant funds in order to be able to utilize acceptable currency exchange rate baskets to remove any distortions. The LFA may be instructed to engage in more frequent site visits and accounting reviews.
- vi. Reporting/Disbursements and Monitoring: As with other grants, annual funding decisions will be made based on achieving performance indicators. The frequency of reporting requirements is generally on a semi-annual basis but it may be quarterly in exceptional cases where the grant is facing significant risks or other factors at the country level (e.g. significant currency fluctuations). LFAs may be requested to conduct enhanced on-site monitoring and program verification. The disbursement schedule is established by the Country Team as an integral part of the Annual Funding Decision (AFD) process, based on the country's risk profile. Disbursement releases would typically be done quarterly or semi-annually to accommodate operational requirements while observing risk factors.

### **Deciding on the ASP**

- 7. The Executive Director makes the final decision on invoking (or revoking) the ASP for a country portfolio based on the recommendations from the Country Team, through the Head of the Grant Management Division. The Head of the Grant Management Division may suggest a discussion at the Executive Grant Management Committee (EGMC) prior to a decision by the Executive Director.
- 8. In recommending to invoke the ASP, the Country Team should clearly state: a) the rationale for the proposed ASP status and clear identification of risk factors; b) the additional safeguard measures that will be required; and c) specific conditions to be met to move out of the ASP status.
- 9. Risk factors and Country Team recommendations to invoke or revoke the ASP should be discussed with the Country Coordinating Mechanism (CCM) including the implications to the grant portfolio. The final decision to invoke or revoke the ASP should be notified to the CCM.

### **Monitoring Risk and Safeguards**

- 10. The Country Team should regularly monitor risk factors and additional safeguards as part of their routine operational risk management functions. The regular monitoring exercise can contribute to recommendations to revise the additional safeguard measures or revoke the ASP status.

### **Revoking the ASP**

- 11. The ASP status should apply until the Global Fund has made a decision to revoke this for a country portfolio based on the analysis of risks and the additional safeguards in place. The ASP may be revoked if:
  - a. the circumstances that gave rise to the original decision to invoke the ASP for the specific country portfolio have materially changed such that the country have put in place systems and safeguards to safeguard Global Fund investments. With this, the additional measures adopted under the ASP are no longer necessary; or

- b. the grant implementation experience has demonstrated that the risks identified at the time of invoking the ASP were significantly over-estimated such that the ASP measures are no longer necessary.
- 12. In recommending revoking the ASP, the Country Team should clearly: a) state the rationale for the proposed revocation providing the status of risks for the portfolio; and b) the relevance of the additional safeguards that were originally imposed on the portfolio.

### **Secretariat Reporting of ASP Arrangements to the FOPC**

- 13. The Secretariat will report to the FOPC, cases in which the ASP has been invoked or revoked. The report will include information on why the policy was invoked and how particular obstacles were or were not overcome in reaching a grant agreement (e.g., the selection of the Principal Recipient, if there were major discrepancies between the official and market exchange rates, etc.). The report will also include information on why the policy was revoked with respect to a particular country and how the associated risks have been addressed. The report will be made on an annual basis, at the first meeting of the FOPC each year.

### **Amendments to this Policy**

- 14. The ASP, as set forth in this Operational Policy Note, will be reviewed and updated as necessary based on specific cases and experiences.

## **PROCESS AND RESPONSIBILITIES**

### **Responsibilities**

- 15. The **Country Team** is responsible for assessing and recommending to the Head of the Grant Management Division whether, with respect to the particular grants under the Team's oversight:
  - (i) Any country portfolio should be managed under the ASP;
  - (ii) The safeguards imposed on grants managed under the ASP are effective; and
  - (iii) ASP should be revoked for any country portfolio currently being managed under the ASP.
- 16. The **Head of the Grant Management Division** is responsible for:
  - (i) considering the recommendation of the Country Team and making recommendations to the EGMC and Executive Director for final decision; and
  - (ii) reporting compliance with this policy to the FOPC.
- 17. The **Executive Director** considers the recommendation from the Head of the Grant Management Division and makes his/her final determination.
- 18. The **Country Coordinating Mechanism** is responsible for the oversight of the Principal Recipient and working towards implementing the necessary safeguards and conditions to transition out of the ASP status.
- 19. The new **Principal Recipient** is responsible for safeguarding the Global Fund investments and implementing the grant as agreed with the Global Fund. They are also expected to build local capacity and ensure local entities are capable of taking over the implementation of the portfolio once the ASP is revoked.
- 20. The **LFA** assists the Country Team, by assessing the risks of a particular country portfolio and recommending appropriate safeguard measures and, as requested, oversee ASP safeguard measures such as in-depth assessments of the PR and SRs.

## Process

21. **Annex 1** provides guidance on invoking and revoking the additional safeguard policy.

### CHANGE HISTORY:

No.	Issued/Changed By	Change Description	Date	Version No
1.	Office of the Director, Country Programs Cluster	N/A	February 2008	1.0
2.	Operational Support Team and Legal and Compliance Department	Updating the general process of invoking and revoking the ASP, including the list of criteria for invoking the policy as well as the list safeguard measures.	October 2014	1.1

## ANNEX 1: INVOKING AND REVOKING THE ADDITIONAL SAFEGUARD POLICY

Seq. No	Actors	Process Description	Output	Relevant Links
<b>Process for Invoking the ASP</b>				
1.	Country Team	As part of the routine risk management, determines if there are significant portfolio risks that need to be addressed through the Additional Safeguards Policy. Country Team discusses the findings with Regional Manager and/or Department Head. <b>Control Point:</b> Regional Manager provides guidance to Country Team whether the ASP should be invoked.		
2.	Country Team	Drafts an internal memo to the Executive Director (through Head of the Grant Management Division). The memo shall form the basis for the final decision adopted by the Executive Director and should include: <ul style="list-style-type: none"> <li>a background on the country and the Global Fund supported programs;</li> <li>the circumstances that gave rise to the decision to invoke the ASP;</li> <li>the safeguards the Country Team is proposing to establish under the ASP to counter the risks identified in-country; and</li> <li>the necessary arrangements for the country to move out of the ASP.</li> </ul> <b>Control Point:</b> Head of the Grant Management Division considers the recommendation of the Country Team, reviews and signs the memo that requests invoking the ASP. In some cases, the Head, Grant Management Division may request a discussion at the EGMC.	Memo	
3.	EGMC	If requested by the Head of the Grant Management Division, discusses the Country Team's recommendation to invoke ASP and advises the Executive Director.		
4.	Executive Director	Based on the recommendation of the Head of the Grant Management Division (and EGMC as relevant), makes the final decision on the ASP invocation.		
5.	Country Team	Following the Executive Director's decision, the Country Team prepares a Notification Letter, signed by the Regional Manager/Department Head and notifies the relevant country's CCM Chair and the relevant signatory party of the Framework Agreement signed with the Global Fund of the decision to invoke the ASP. The letter should also explain: <ul style="list-style-type: none"> <li>the reasons behind the decision; and</li> <li>the safeguards established by the Global Fund following this decision.</li> </ul>	Notification Letter	
<b>Process for Revoking the ASP</b>				
6.	Country Team	As part of the routine risk management, determines		



that the reasons that gave rise to the decision to revoke the ASP have significantly changed and the current systems are adequately working to safeguard the Global Fund investments.

The Country Team discusses these observations with the Regional Manager and/or Department Head.

**Control Point:**

The Regional Manager and/or Department Head provides guidance whether the ASP should be revoked.

7.	Country Team	<p>Drafts an internal memo to the Executive Director, through the Head of the Grant Management Division. The memo should include:</p> <ul style="list-style-type: none"> <li>• a background on the country and the Global Fund supported programs;</li> <li>• a summary of the circumstances that gave rise to the decision to invoke the ASP;</li> <li>• the safeguards the Country Team established under the ASP to counter the risks identified in-country;</li> <li>• the changes that happened in the country's systems that now safeguard the Global Fund's investments and provide the Country Team with the required assurances; and</li> <li>• the request for approval to revoke the ASP, given the change in the country's context that had initially originated in invoking the ASP.</li> </ul> <p><b>Control Point:</b> Head of the Grant Management Division considers the recommendation of the Country Team, reviews and signs the memo that requests revoking the ASP. In some cases, the Head, Grant Management Division may request a discussion at the EGMC.</p>	Memo	
8.	EGMC	If requested by the Head of the Grant Management Division, discusses the Country Team's recommendation and advises the Executive Director.		
9.	Executive Director	Based on the recommendation of the Head of the Grant Management Division (and EGMC as relevant), makes the final decision on the ASP revocation.		
10.	Country Team	<p>Following the Executive Director's decision, prepares a Notification Letter, signed by the Regional Manager/Department Head and notifies the relevant country's CCM Chair of the Global Fund's decision to revoke the ASP. The letter should explain:</p> <ul style="list-style-type: none"> <li>• the reasons behind the decision; and</li> <li>• the importance of maintaining strong systems that safeguard the Global Fund's grant funds and assets.</li> </ul>	Notification Letter	

## Conditions and Management Actions

**Issued on:** 10 November 2014

**Purpose:** To define Conditions and Management Actions and the process for setting and managing them.

### OVERALL OBJECTIVES

1. Under the new funding model, following the review of a concept note by the TRP and the GAC, the proposed Principal Recipient(s) and the Country Team enter the grant-making phase. During grant-making, capacity gaps and risks associated with the program, if any, will be identified and final grant documents will be negotiated. The grant-making phase will result in “disbursement-ready grant(s)” for submission to the Board for approval, such that all critical issues that impact the first annual funding decision and disbursement release are addressed by the time of grant signature, though adequate risk mitigation measures. Where issues that impact overall grant implementation are not resolved by the time of signature of the Grant Agreement, risk mitigating measures that remain to be addressed are incorporated into the grant documentation as conditions or are dealt with through management actions. These are tailored to take into account the contextual and programmatic aspect of each grant (i.e., varying levels of capacity among Principal Recipients and implementation arrangements).

### POLICY, PRINCIPLES, ROLES AND RESPONSIBILITIES

#### Definitions

2. References to the “Country Team” should be read in line with the Guidance on Country Team Approach.
3. A condition is a legal obligation to address a critical risk or issue related to program implementation. Conditions are captured in the Grant Confirmation of the Grant Agreement. There are two types of conditions:
  - (i) A condition precedent is a measure to address a critical risk or an issue which must be fulfilled before a specific event (e.g., use of funds for a specific activity, disbursement or annual funding decision, depending on severity of the issue) relevant to the grant can take place; and
  - (ii) A special condition is a measure to address a critical risk or an issue which must be fulfilled by a specified deadline during the term of the grant, and then, if relevant, remain fulfilled throughout the term of the grant.
4. Because grants are meant to be “disbursement-ready” (see [OPN on Grant-Making and Approval](#)), as a matter of principle, critical issues that need to be addressed prior to a first annual funding decision or disbursement release should be resolved during grant-making. The Country Team must undertake specific actions during grant-making to ensure that the grant is ready for implementation.<sup>81</sup> Country Teams should therefore endeavor to minimize the use of conditions precedent to the first annual funding decision or to the first disbursement release, applying them on an exceptional basis. Only those actions that have not been acted upon by the Principal Recipient prior to grant signing or that require longer time to implement should be included in the Grant Confirmation as conditions.
5. Conditions included in a Grant Confirmation must be actionable by the Principal Recipient. For example, risk mitigating measures that the Principal Recipient has no legal authority to

---

<sup>81</sup> For additional details for the requirements for grant-making, please refer to [OPN on Grant-Making and Approval](#).

implement or otherwise is not in a position to act on (e.g., a civil society or INGO PR does not have control over a national process) should be phrased accordingly (e.g., by requiring the Principal Recipient to *facilitate* the relevant measure, including through creating contractual obligations between the PR and relevant implementers) or dealt with outside of the Grant Agreement (e.g., if the condition is more actionable by another stakeholder).

6. A management action is a measure to ensure timely program implementation but
  - (i) is not necessarily addressing a critical risk,
  - (ii) does not need to be countersigned by the Principal Recipient, and
  - (iii) is not legally binding but is a management tool used at the discretion of the Country Team to ensure sound program management practices by the Principal Recipient.

### **Setting Conditions and Management Actions**

7. Conditions are captured in the Grant Confirmation while management actions (also see paragraph 11 below) are communicated to the Principal Recipient through a performance letter, or other formal written communication and are captured in the ADMF.
8. Country Teams should categorize risks to determine whether they are critical (and need to be addressed through a condition) or less critical (and to be addressed through a management action) in accordance with the Guidance on Country Team Approach, based on the assessment of risks in each specific context and grant risk profile generated through the QUART and/or other tool(s), if available.
9. Risks should be identified and dealt with as early as possible as part of the country dialogue process. While efforts should be made to address any remaining risks during grant-making, the Grant Confirmation presented to the GAC2 and the Board for approval may need to incorporate conditions addressing identified risks that remain to be mitigated during grant implementation.
10. Any condition incorporated in a Grant Confirmation must be discussed with the Principal Recipient<sup>82</sup> prior to their inclusion in a Grant Agreement.
11. During grant implementation, the Country Team may set additional conditions and/or management actions to address risks and other issues that may arise, following the submission of any reports to the Global Fund, further to Country Team mission reports or based on findings from the Capacity Assessment (CAT action plan), OSDVs, audits, progress updates and/or disbursement requests, etc. Additional conditions are set through the process set out in Paragraph 19 below, while additional management actions are communicated to the Principal Recipient through a performance letter and documented in the ADMF.

### **Managing Conditions**

12. Tracking Conditions. The Country Team is responsible for tracking the status of each condition on a regular basis. The Country Team inputs the conditions precedent, special conditions and management actions into the Grant Management System (GMS). Reports documenting all conditions can also be generated through Business Analysis and Reporting Tool (BART). All conditions that are unmet and are relevant to the commitment period in question should be listed in a given ADMF.
13. Determining Fulfillment of Conditions. The fulfillment of conditions is reviewed by the Country Team in connection with each disbursement release. If requested by the Country Team, LFAs review the status of fulfillment of conditions either in connection with the LFA review of the PUDR or as a separate service and make recommendations to the Country Team.

---

<sup>82</sup> For certain Principal Recipients, there may exist certain standard practices previously agreed with the Global Fund at the institutional level (e.g., UNDP), which are relevant to how conditions and management actions should be negotiated in a given grant.



14. The Country Team is responsible for determining whether a condition has been fulfilled. In cases where consensus is not achieved within the Country Team, the issue should be resolved through a standard escalation procedure set forth in the Guidance on Country Team Approach.
15. The fulfillment of conditions is inputted in and documented through GMS. Conditions that are fulfilled should be removed from the grant documentation in the next Implementation Letter signed following such fulfillment (i.e., when and if an Implementation letter is signed in connection with other amendment to the Grant Confirmation).
16. Waiving Conditions. A condition precedent may be waived when a Country Team would like to process a milestone (e.g., an annual funding decision or a transfer of funds that is otherwise subject to the fulfillment of the condition) despite the condition not being met. A special condition may be waived when a Country Team considers that a disbursement should be released despite the condition not being met by the due date. Situations that may give rise to a waiver of a condition include the case where the risk addressed by the condition no longer exists, or the measure put forth by the condition has become irrelevant, but the activity for which the condition originally sought to limit an identified risk is still happening under the grant. In addition, a waiver is required in connection with a substantive amendment to a condition (see paragraph 20 below). A condition can only be waived if:
  - (i) The Country Team is in full agreement with the approach;
  - (ii) The rationale for the waiver and the position of the Country Team are duly inputted in GMS and reflected in the ADMF; and
  - (iii) The Head of Grant Management Division has approved the recommendation to waive the condition through an email or a memo. The Country Team, in its request seeking approval of the waiver of a condition, must provide alternative risk management measures if appropriate.
17. To the extent an activity for which a condition originally sought to limit an identified risk is no longer happening under the grant (e.g., as a result of a reprogramming or an extension, each done in compliance with Global Fund policies), the waiver procedure described above does not need to be followed. Only the Regional Manager's approval (or the Department Head for High-Impact countries) is required to treat the condition as non-applicable.
18. Postponing Conditions. The postponement of a condition refers to the deferral of its due-date. Only special conditions may be postponed. A postponement of a condition is appropriate when the risk that the condition was designed to mitigate will not materialize before the specified due-date (e.g., the condition addresses procurement risks, but no procurement takes place until its fulfillment) or sufficient progress has been made towards fulfilling the condition. A condition can only be postponed if:
  - (i) The Country Team is in full agreement with the approach; and
  - (ii) The rationale for the postponement and the Country Team's position are duly inputted in GMS and reflected in the ADMF together with the date to which the condition is postponed.
19. Adding Conditions: New conditions may be added by the Country Team to address critical risks that may arise during grant implementation. Additional conditions are set by amendment to the Grant Confirmation through an Implementation Letter (see [OPN on Amending Grant Agreements](#)) signed in accordance with the Signature Authority Procedure (SAP).
20. Amending Conditions: Minor editorial amendments (i.e. correcting typos or clarifying edits that do not change the substance of the condition) may be made to existing conditions by the Country Team during grant implementation. Such minor editorial amendments to conditions will be made by amendment to the Grant Confirmation through an

Implementation Letter signed in accordance with the Signature Authority Procedure (SAP). Major amendments that change the substance of the condition require a waiver of the existing condition (in accordance with the waiver procedure set forth in Paragraph 16 above) and addition of a new condition (in accordance with the adding conditions procedure set forth in Paragraph 19 above) to reflect the amendments.

22. Review of Conditions: Conditions are systematically tracked and reviewed as part of ongoing management of a grant, including during the progress update and/or disbursement request review process. Conditions should also be reviewed at the time of signing a new grant (resulting from a new concept note) with an existing Principal Recipient. Outstanding conditions from the existing grant should be reviewed to determine which remain relevant to address existing risks and implementation arrangements. Conditions that are still relevant should be rolled over into the new Grant Confirmation to apply to the new Implementation Period.
23. In order to facilitate a proactive management of a grant during implementation or at the time of a reprogramming, an ad hoc comprehensive review of all conditions may be undertaken. Annex 1 of the OPN provides a process overview for undertaking such a comprehensive review exercise, when needed.

### **Funding Decisions and Disbursement Releases**

24. The status of conditions and management actions is taken into account in annual funding decisions and in determining disbursement releases, in accordance with the [OPN on Annual Funding Decisions and Disbursements](#).
25. If a condition precedent is tied to a funding decision and such condition remains unfulfilled at the time of the funding decision, part or all, as applicable, of the funding decision must be withheld.
26. If a condition precedent is tied to a transfer/use of funds and such condition remains unfulfilled at the time of the disbursement release, the Country Team may withhold the transfer or prohibit the Principal Recipient to use the relevant funds until the condition is fulfilled.
27. If a special condition is unfulfilled, no disbursement may be made unless the condition is waived or postponed.
28. In the ADMF and in the cash transfer form, the rationale for determining the fulfilment of any given condition should make reference to specific evidence used by the Country Team as well as the extent to which technical team inputs were considered as applicable. The Regional Teams/Country Teams must keep the supporting evidence on file.

### **Overseeing Management Actions**

29. Tracking Management Actions. As a part of pro-active grant management, the Country Team is responsible for monitoring, overseeing and tracking management actions and determining whether they have been fulfilled or partially fulfilled, whether the deadline should be postponed, or whether the management action should be waived or removed.
30. Determining Fulfillment of Management Actions. Progress on the fulfilment of management actions is reported on and reviewed during the progress update and/or disbursement request review process. After each progress update and/or disbursement request review, the status of each relevant management action is shared with the PR through a performance letter and captured in the ADMF, where unmet and applicable for the period in question. Further, the fulfilment of management actions is reviewed by the Country Team in connection with each disbursement release.
31. Management actions are dealt with at the Country Team level. In cases where consensus is not achieved within the Country Team, the issue should be resolved through a standard escalation procedure set forth in the Guidance on Country Team Approach.

**Annex 1:** Comprehensive review of Conditions in existing Grant Agreements: Process Overview for ad hoc reviews.

**CHANGE HISTORY:**

No.	Issued/Changed By	Change Description	Date	Version No
1	OPC	N/A	October 2010	1.0
2	OPC	Removing the requirement on notification on postponing conditions and allowing email approval for waiving conditions	July 2011	1.1
3	EGMC	Added process for comprehensive review, addition and amendments of conditions Added GF/B26/DP5 delegated authorities and reflection of organizational changes	September 2012	1.2
4	EGMC	Update to reflect the new NFM grant agreement structure as well as the “disbursement-readiness” of NFM grants submitted to Board for approval.		1.3

## Annex 1

### COMPREHENSIVE REVIEW OF CONDITIONS IN EXISTING GRANT AGREEMENTS: PROCESS OVERVIEW<sup>83</sup>

Actor	Description
<b>COUNTRY TEAM COMPREHENSIVE REVIEW OF CONDITIONS</b>	
Country Team	<p>Based on assessment of risks and the context of the grant, the Country Team assesses if each condition needs to be:</p> <ol style="list-style-type: none"> <li><b>1. Retained</b>, if the measure put forth in the condition is still relevant based on the risk assessment. The CT may decide to: <ul style="list-style-type: none"> <li>• <u>Keep the original</u> condition without any changes;</li> <li>• <u>Revise Measures</u> - the Country Team may determine (as necessary) adjustments in the current formulation (amendment) as well as agreed deadlines (postponement) and need for new conditions (adding) to reflect current realities and context.</li> <li>• <u>Reclassify Measures</u> - the Country Team may agree to reclassify the conditions. Measures addressing critical risks should be retained as conditions (condition precedent or special condition). Measures which do not address critical risks may be reclassified as management actions. A decision to reclassify a condition into a management action is considered a waiver of a condition.</li> </ul> </li> <li><b>2. Waived</b> if the risk addressed by a condition no longer exists or the measure put forth by the condition is no longer relevant, but the activity for which the condition originally sought to limit an identified risk is still happening under the grant.</li> <li><b>3. Removed</b> if the program activities have changed in accordance with Global Fund policies (e.g., extension, reprogramming, etc.) and the condition becomes irrelevant because of the removal of certain activities from the grant.</li> </ol>
<b>PR DISCUSSION AND AGREEMENT</b>	
Principal Recipient	The proposed recommendations of the Country Team need to be discussed with a Principal Recipient, subject to the Panel's recommendation and final decision.
<b>FINAL DECISION AND SIGN OFF</b>	
Regional Manager/ Department Head (for High Impact countries), Functional Hub Managers (PSM, MEPH, Finance and Legal)	<p>A Panel consisting of a Regional Manager or Department Head (for High Impact countries) and Functional Hub Managers, including the Legal Grant Manager, reviews the Country Team's proposed recommendation on the comprehensive review of conditions and endorses or revises the proposed recommendation in a Panel recommendation to the relevant head as described below.</p> <p><b><u>Addition, Amendment, Postponement and Removal of Conditions:</u></b> If the Panel recommendation includes only addition, amendment, postponement and removal of conditions in the context of programmatic change (without waiver of conditions), the relevant Head, Grant Management Department signs off on the Panel recommendations.</p>

<sup>83</sup> This process should only be applicable when a one-time comprehensive review and streamlining of all conditions and management actions for a grant or group of grants is needed. For the routine management of conditions and management actions, the standard process in the OPN should be followed.

	<p><b><u>Waiving Conditions:</u></b> If the Panel recommendation includes a waiver of a condition or a reclassification of a condition into a management action, the Panel recommendation is submitted to the Head, Grant Management Division for sign off. Recommendations to waive conditions with a risk element must be accompanied with appropriate risk mitigating measures.</p> <p>The Head, Grant Management Division reviews the Panel recommendations and decides to sign off on a recommendation or to object to a recommendation. The Head, Grant Management Division may consult with the Operational Risk Committee when a critical risk element pertaining to the specific country or grant is involved, before making a decision.</p>
Relevant signatory under Signature Authority Procedure	Once the Panel recommendations are approved, an Implementation Letter is issued to document the changes to the conditions in the Grant Confirmation. Implementation Letters (see <a href="#">OPN on Signing and Amending Grant Agreements</a> ) are signed in accordance with the Signature Authority Procedure (SAP).

## Private Sector Co-Payment Mechanism for ACTs

**Issued on:** 16 December 2013

**Purpose:** To provide guidance on operationalizing the establishment of a Private Sector Co-payment Mechanism for ACTs in Global Fund Grants

### OVERALL OBJECTIVES

1. The Private Sector Co-payment Mechanism (“Co-payment Mechanism”) is a financing model to expand access to artemisinin-based combination therapies (ACTs) in the private sector,<sup>84</sup> particularly in countries where the private retail sector is a major provider of malaria case management. It is based on the results of the Affordable Medicines Facility-malaria (AMFm) Phase 1 Independent Evaluation, which showed that the combination of price negotiations, a subsidy provided directly to manufacturers, and large-scale mass communications led to rapid and large changes in price, availability, and market share of quality-assured ACTs.
2. This OPN provides guidance to relevant parties (including CCMs, PRs, and the Global Fund Secretariat) on how to establish such a mechanism for those countries that choose to allocate Global Fund funding to the Co-payment Mechanism in new malaria grants or to integrate the Co-payment Mechanism into existing malaria grants supported by the Global Fund. Annexes 1 and 2 describe the process for integrating the Co-payment Mechanism into existing and new malaria grants, respectively.

### POLICY AND PRINCIPLES

#### Co-payment Mechanism Components

3. The Co-payment Mechanism can be used for quality-assured ACTs only (as described in the first footnote of this OPN) and is limited to private for-profit and private not-for-profit first-line buyers. Public sector entities will continue accessing ACTs through traditional grant procurement channels.
4. The Co-payment Mechanism model is comprised of three elements:
  - a. **Price negotiations:** Regular negotiations by the Global Fund Sourcing Department at the global-level with manufacturers to establish maximum allowable ex-factory prices of quality-assured ACTs procured using Global Fund grant resources;
  - b. **Subsidy provided directly to manufacturers:** Further reductions of the price paid by first-line buyers<sup>85</sup> through a partial payment made directly to manufacturers using grant funds for the procurement of ACTs (a “co-payment”);<sup>86</sup> and

<sup>84</sup> An assessment by the World Health Organization of the feasibility to include diagnostic testing in the Co-payment Mechanism has been submitted to the Global Fund, and some countries have requested funding for scaling up diagnostic testing in the private sector. The results of this study will help shape operationalization of the co-payment mechanism for diagnostic testing, in addition to any early experience of these countries. Based on this work, this OPN may be amended for the inclusion of co-payments for malaria diagnostic tests or a separate OPN will be developed subsequently.

<sup>85</sup> **First-line buyers** for the Co-payment Mechanism include international, regional and national buyers/importers from the private not-for-profit and for-profit sectors who purchase ACTs directly from the manufacturer.

<sup>86</sup> A partial payment is made by the Global Fund directly to manufacturers on behalf of eligible first-line buyers to cover a proportion of the ex-factory price of quality-assured ACTs plus freight and insurance. The first-line buyer is

- c. **Supporting interventions:** Country-level activities funded by Global Fund grants or the national government to facilitate the safe and effective scale-up of access to ACTs in the private sector. The following activities represent the minimum bundle of activities identified by the AMFm Phase 1 Independent Evaluation as essential to achieve the greatest impact.
- Mass communication campaigns to increase public awareness about the co-payment and important attributes of co-paid products. These messages may complement existing campaigns to improve malaria case management and the use of ACTs in the public and private sectors.
  - Private sector provider training.
  - Periodic (e.g. quarterly) monitoring of retail price and availability implemented by an independent entity in order to guide management decisions on implementation of the Co-payment Mechanism by the PR and Co-payment Task Force.<sup>87</sup>
  - Policy and/or regulatory changes at the country level (e.g. banning sales and importation of artemisinin monotherapies, granting waivers for import duties and taxes).

### Accessing Funding for the Co-payment Mechanism

5. The decision by the CCM to include the Co-payment Mechanism in a funding request to the Global Fund or to allocate funding to the Co-payment Mechanism in their existing Global Fund-supported malaria programs<sup>88</sup> should be informed by the country's relevant national malaria control strategy, which defines the role of the private sector in achieving a country's malaria case management targets.<sup>89</sup>
6. The review and approval of a request for funding the Co-payment Mechanism will be in accordance with the access to funding process. Discussions about funding for the Co-payment Mechanism should be done through the country dialogue process. Once a decision is made, the Concept Note should indicate relevant parameters and design factors to implement the Co-payment Mechanism in a given context,<sup>90</sup> including but not limited to, key supporting interventions (described above, to ensure maximum impact of the subsidy), the role of diagnostic testing based on national guidelines and regulatory policies.

---

responsible for any remaining costs of the ACTs not covered by the co-payment plus all direct in-country supply-chain costs, including distribution and storage.

<sup>87</sup> Standard, validated methodologies exist that permit a systematic approach to data collection and analysis without a hefty price tag for monitoring availability and price at the retail level; examples of the tracking survey approach used across AMFm Phase 1 pilots are available.

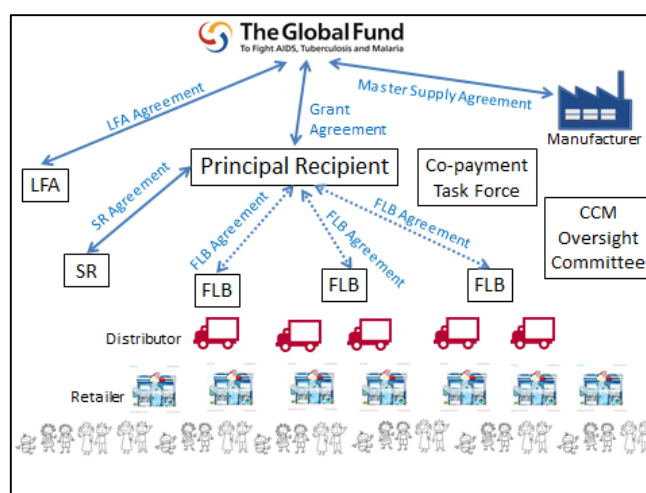
<sup>88</sup> Countries which participated in AMFm Phase 1 will be able to allocate funding to the Co-payment Mechanism through existing Global Fund grants through reprogramming of existing malaria grants, including at the time of Grant renewal.

<sup>89</sup> The Co-payment Mechanism should be implemented in the context of a country's long-term strategy to increase access to basic primary health services, given that all patients, whether presenting with fever in the public, private and/or community sectors, should be able to receive a diagnostic test and appropriate treatment, and be captured by national reporting systems. While the availability of diagnostic testing in the private sector remains low and there are limited mechanisms for private retailers to report cases through national malaria control systems, the Co-payment Mechanism provides a proven mechanism to expand access to quality-assured malaria treatment through the private sector in the immediate/short-term.

<sup>90</sup> Please see the *Use of a private sector co-payment mechanism to improve access to ACTs* [Information Note](#) for more details on key considerations.



## IMPLEMENTATION AND CONTRACTUAL ARRANGEMENTS



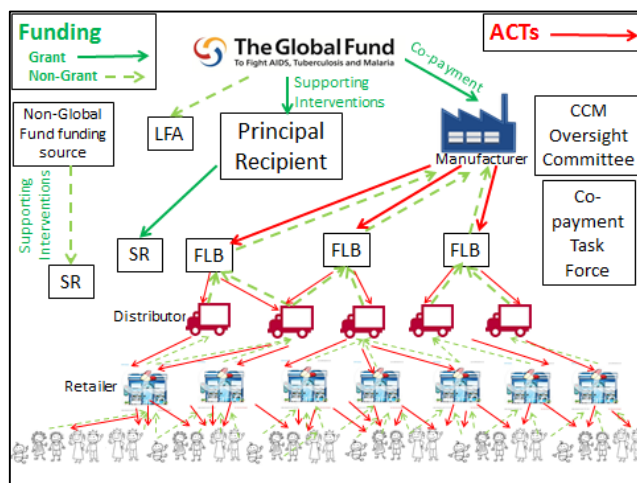
<sup>91</sup> Countries that established operational AMFm Task Forces in AMFm Phase 1 may wish to build on these existing bodies to fulfil these functions.



Fund, for compliance by the first line buyer with its obligations under the First Line Buyer Agreement, as if they were its obligations. The PR shall also be required to conduct periodic spot checks of first-line buyers for compliance with their obligations. Special Terms and Conditions will be added to the PR's Grant Agreement to reflect this arrangement. On behalf of the Secretariat, the LFA will verify compliance of a smaller sample of first-line buyers on an annual basis.

## FINANCING ARRANGEMENTS

**Figure 2. Co-payment Mechanism Funding and Commodity Flow**



12. **Disbursement.** Approved funding for the Co-payment Mechanism will not be released to the PR but will be managed by the Global Fund Secretariat through a pooled procurement sub-account and based on the Co-payment Mechanism Implementation Arrangements. The Co-payment Mechanism budget will be disbursed to the pooled procurement account in line with the grant disbursement schedule, and no co-payment commitment for any ACT order can be made until sufficient funding has been transferred. The full budget for co-payments (e.g., for 12 months if on an annual disbursement schedule) will be disbursed (i.e., no partial cash transfer).
13. **Co-payment Approval and Invoicing System.** The Global Fund Sourcing Department will manage the co-payment approval and invoicing system.
  - a. *Approvals:* Using an automated and transparent process, the Global Fund Sourcing Department will prepare a periodic (e.g., quarterly) proposal for co-payment allocation against requests for co-payment submitted by manufacturers on behalf of eligible first-line buyers (according to the conditions of participation set by the PR and described in the Implementation Arrangements plan) for all grants which have allocated resources to the Co-payment Mechanism. The “demand-shaping levers”<sup>92</sup> (set by Co-payment Task Force) and first-line buyer capacity assessments described in the Co-payment Mechanism Implementation Arrangements will be built into the allocation system and can be updated over the life of the grant, as needed. PR approval of the quarterly allocation will be built into workflow management before the co-payment commitment is processed through the GFS-based Co-payment Approval and Invoicing System.
  - b. *Invoices:* Manufacturers will submit invoices to the Global Fund, along with acceptable proof of delivery. These will be reviewed and approved by the Co-payment Mechanism focal point at the Global Fund Secretariat.
  - c. *Public Reporting/Tracking of Co-payment:* Each round of co-payment allocation will be automatically posted on a public Web Report. This Web Report will include all

<sup>92</sup> Demand shaping levers are order prioritization criteria used to determine which requests for co-payment are to be approved in the event that demand for co-payment exceeds available financing. Some examples of demand shaping levers applied during AMFm Phase 1 can be found in Annex 3 of this OPN.

relevant information (e.g., prices, co-payment, products and quantities procured and delivered, manufacturers, first-line buyers) needed for monitoring co-payment approval. All co-payment approvals and invoices will be tagged with the relevant grant number and will directly interface with the Global Fund's Price and Quality Reporting mechanism (PQR) and the relevant finance and grant management information systems.

14. **Reprogramming.** The PR (with CCM endorsement) may reprogram funding to and from the ring-fenced Co-payment Mechanism funding for a particular grant, once approved, in line with grant management processes and policies. Reprogramming from the ring-fenced Co-payment Mechanism funding is limited to funds which have not already been committed to ACT co-payments.

## PROCUREMENT AND SUPPLY MANAGEMENT ARRANGEMENTS

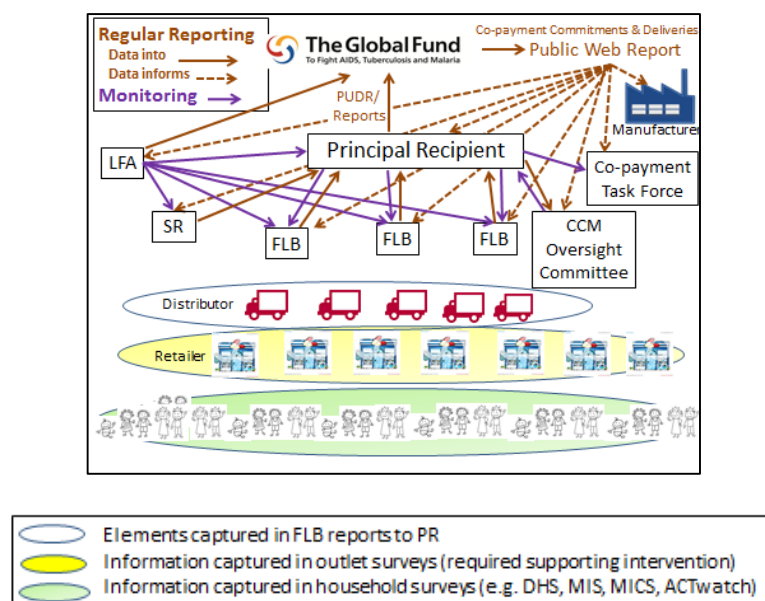
15. Through the Co-payment Mechanism, grant funds will be used to make a co-payment towards procurement which is carried out by private sector first-line buyers; all direct in-country supply-chain costs, including distribution and storage, will be borne by the private sector, not by the Global Fund grant.
16. The PR will complete components of the Implementation Assessment Tool describing the following elements: list of ACTs eligible for co-payment, conditions of participation for first-line buyers, first-line buyer assessment, list of first line buyers if available, subsidy level and demand levers (described below). The PR will complete the Modular tool detailing the quantification for ACTs eligible for copayment, the co-payment subsidies budget per year (i.e. copayments as well as freight and insurance) and all costs related to product management that will be funded by the grant.
  - a. *First-line Buyer Assessment:* The PR will describe a maximum annual allocation of co-paid ACTs for each first-line buyer, based on an assessment of distribution network and capacity by the PR, with guidance by the Co-payment Task Force. The proposed allocation across first-line buyers will be approved by the Country Team (LFA review, as needed), and revisited every 6 months in light of requests for co-payment received, new first-line buyers registered, or the findings from first-line buyer spot checks and retail price tracking surveys.
  - b. *ACT Quantification:* Estimating the total market for antimalarials in the private sector can be a challenge, due to the lack of available data and the fact that the private sector market is based on demand. The PR should estimate the ACT needs based on the country's overall case management strategy or link to any national gap analysis.
  - c. *Demand Levers:* The Co-payment Task Force will establish the parameters for the automated system to allocate co-payment managed by the Global Fund Secretariat, particularly in the event that demand for co-payment is greater than the available funding.<sup>93</sup>
17. **Procurement:** Each first-line buyer will procure ACTs from eligible manufacturers with signed agreements with the Global Fund at or below the maximum prices negotiated by the Global Fund Sourcing Department. The first-line buyer is responsible for clearance/import duties and all storage and in-country distribution costs. Through the Co-payment Mechanism, grant funds for co-payment and transport to the first port of entry are paid directly to the manufacturer after confirmation of delivery.
18. **Quality Assurance:** The Global Fund's Quality Assurance Policy will apply to procurement, pre-shipment inspection and quality control testing of ACTs purchases through the Co-payment Mechanism. PRs will be responsible for allocating resources for post-shipment inspection and quality monitoring for products co-paid on behalf of private

<sup>93</sup> Please see Annex 3 for examples of possible demand levers.

sector first-line buyers.

## REPORTING ARRANGEMENTS

**Figure 3. Co-payment Mechanism Data and Reporting Arrangements**



19. In addition to monitoring progress against the National Malaria Strategy in the modular tool, which may include tracking the capacity of the health system to report out on malaria testing and treatment, private sector grants with allocations to the Co-payment Mechanism will be required to report out on the following:
  - a. *Co-payment commitments and deliveries:* The Secretariat will make all relevant information (e.g., prices, co-payment, products and quantities procured and delivered, manufacturers, first-line buyers) available via a publicly available Web Report.
  - b. *Implementation of key supporting interventions:* The price and availability surveys will provide visibility regarding the retail level, and findings from these reports will be submitted by the PR to the CCM, Co-payment Task Force and Secretariat. If the implementation of key supporting interventions (namely, mass communication campaign) is not well synchronized with the arrival in country of co-paid ACTs, a decision by the Co-payment Task Force will need to be taken regarding whether to continue co-payment approvals in the absence of critical supporting interventions.
  - c. *Programmatic Reviews and Thematic Evaluations:* As the Co-payment Mechanism will be part of the National Strategy, this will be assessed during periodic Malaria Program Reviews. In addition, a country may decide to implement a special “thematic evaluation” of the Co-payment Mechanism after two years to inform decisions regarding continuation of the investment. Findings from national-level household surveys (DHS, MIS, MICS, ACTwatch) can be considered.

**Table 1:** Summary of Co-payment Mechanism Roles and Responsibilities

**Annex 1:** Process for integrating the Private Sector Co-payment Mechanism into existing malaria grants

**Annex 2:** Process for integrating and implementation of the Private Sector Co-payment Mechanism in new grants

**Annex 3:** Description of examples of “demand levers” applied by the Secretariat at the end of AMFm Phase 1

## RESPONSIBILITIES AND PROCESSES

**Table 1: Summary of Co-payment Mechanism Roles and Responsibilities**

Actor	Responsibility
<b>National Government</b>	<ul style="list-style-type: none"> <li>Develop National Malaria Control Strategy, defining role of the private sector in malaria case management</li> <li>Provide supportive policy environment for the Co-payment Mechanism (e.g., waivers on import duties/taxes)</li> </ul>
<b>Country Coordinating Mechanism</b>	<ul style="list-style-type: none"> <li>Include the Co-payment Mechanism in Concept Note (or allocate funding to the Co-payment Mechanism in the existing malaria grants) and select implementing PR</li> <li>Ensures that the CCM Oversight Committee has included 'Co-payment' related activities in its scope of oversight</li> </ul>
<b>Co-payment Task Force</b>	<ul style="list-style-type: none"> <li>Advise and provide guidance to PR on the implementation of the Co-Payment Mechanism (including PR's review and approval of results of each round of co-payment allocation) and minimize potential conflicts of interest</li> <li>With PR, establish and periodically review first-line buyer conditions of participation, proposed allocation across first-line buyers and demand shaping levers</li> <li>Monitor co-payment mechanism contracting arrangements</li> <li>Take action on the results of retail price and availability surveys and first-line buyer spot checks as necessary</li> <li>Link with the country PSM coordination mechanism</li> </ul>
<b>Principal Recipient</b>	<ul style="list-style-type: none"> <li>Assess first-line buyer capacity (storage, distribution network/coverage) to inform proposed allocation across first-line buyers with guidance from the Co-payment Task Force</li> <li>Maintain and oversee First-line Buyer Agreements</li> <li>Conduct periodic spot checks of first-line buyers for compliance with terms and conditions of the First-line Buyer Agreement</li> <li>Manage implementation of the grant that includes the Co-payment Mechanism, including execution of the approved Implementation Arrangements plan and supporting interventions</li> <li>Ensure that grant funds are used solely for program purposes and properly managed in implementing the Co-payment Mechanism</li> <li>With guidance from Co-payment Task Force, review, validate and approve results of each round of co-payment allocations proposed by the Secretariat in accordance with demand levers and first-line buyer assessments</li> </ul>
<b>First-line Buyer</b>	<ul style="list-style-type: none"> <li>Procure and distribute co-paid ACTs in accordance with terms and conditions of First-line Buyer Agreement</li> </ul>
<b>LFA</b>	<ul style="list-style-type: none"> <li>As requested by the Secretariat, verify compliance of a sample of first line buyers with terms and conditions of the First-line Buyer Agreement on an annual basis</li> </ul>
<b>Global Fund Secretariat</b>	<p><u>Country Team:</u></p> <ul style="list-style-type: none"> <li>Lead Global Fund engagement with Co-payment Mechanism-implementing country throughout all stages of grant cycle</li> <li>Manage LFA engagement for First-Line Buyer spot checks commissioned by the Global Fund</li> </ul>

	<ul style="list-style-type: none"> <li>Review first-line buyer assessments and co-payment allocations for compliance with the Co-payment Implementation Arrangements Plan<sup>94</sup> and potential conflicts of interest</li> </ul> <p><u>Sourcing Department:</u></p> <ul style="list-style-type: none"> <li>Own and protect ACTm™ logo (as its use will be licensed to manufacturers and appropriate entities responsible for marketing campaigns and communication activities in countries making use of the Co-payment Mechanism)</li> <li>Negotiate prices of ACTs with manufacturers including applicable ceiling prices</li> <li>Establish and manage Master Supply Agreements with manufacturers subject to consultation and sign-off from the Legal and Compliance Department</li> <li>Manage co-payment approval and invoicing system, including periodic co-payment allocation and Web Report</li> </ul>
--	---

20. The integration of funding for the Co-payment Mechanism into Global Fund grants requires the CCM and PR to take on more responsibility for the management of co-payment funding (relative to AMFm Phase 1). The CCM and PR are responsible for allocating resources (quantification, budgeting, rationing), exercising oversight of first-line buyers (including management of conflicts of interest), and commissioning quarterly price and availability surveys. These modifications imply some changes in the level of risks associated with the Co-payment Mechanism.

---

<sup>94</sup> The PR will describe the list of ACTs eligible for co-payment, conditions of participation for first-line buyers, first-line buyer assessment, list of first line buyers if available, subsidy level and demand levers in the Co-payment Implementation Arrangements Plan.

## Annex 1: Process for integrating the Private Sector Co-payment Mechanism into existing malaria grants<sup>95</sup>

References: OPN on Private Sector Co-payment Mechanism for ACTs

OPN on Reprogramming

Seq. No	Actors	Process Description	Relevant Links
<b>Decision to finance and implement Private Sector Co-payment Mechanism for ACTs</b>			
1	CCM and PR (consulting with the CT)	Consider whether the Private Sector Co-payment Mechanism for ACTs is appropriate in light of the national malaria control strategy and the role of the private retail sector in malaria case management.	
<b>Proposal Development and Review</b>			
2	CCM (consulting with the CT)	Identify PR to be responsible for the co-payment mechanism.	
3	CCM/PR	In consultation with the Secretariat, initiate a reprogramming process as described in the <a href="#">OPN on Reprogramming</a> . Submit all relevant documents (i.e. workplan and budget) outlining details required for the private sector co-payment component (i.e. list of ACTs eligible for co-payment, subsidy level and demand shaping levers, budget for co-payment and key supporting interventions). Initiate assessment of eligible first-line buyers. Identify Co-payment Task Force.	
4	LFA	As relevant, review documents and submit recommendations to the CT within the required deadline.	
5	CT with support from malaria advisor and PR	Agree on revisions to documents, as necessary, to ensure proposed implementation arrangements for the private sector co-payment mechanism are consistent with guidance and procedures specified in this OPN.	
<b>GAC Review</b>			
6	GAC	Review the proposal and make a recommendation. A request may be sent to the TRP for review if determined material by the GAC (see definition of materiality in the <a href="#">OPN on Reprogramming</a> ).	
<b>Grant implementation</b>			
7	Co-payment Task Force and PR	Finalize ACT quantification, first-line buyer conditions of participation, annual procurement expected from private sector first-line buyers, detailed budget for co-payment (including freight and insurance).	
8	PR	Complete assessment of eligible first-line buyers.	
9	Co-payment Task Force and PR	Upon completion of first-line buyer assessment and based on the findings, communicate to the Secretariat the proposed annual co-payment allocation split across first-line buyers. (This may be periodically updated and resubmitted for consideration in light of requests for co-payment received, new first-line buyers registered, or the findings from first-line buyer spot checks and retail price tracking surveys.)	
10	CT and Sourcing	Review and approve proposed allocation across first-line buyers (with LFA review, as needed). Complete this task when/if proposed	

<sup>95</sup> For the three grant agreements incorporating the Private Sector Co-payment Mechanism signed prior to the issuance of this OPN, “Identify Co-Payment Task Force” and “Initiate assessment of first-line buyers” (per Step 3) are expected to be the only pre-grant implementation steps that will still need to be undertaken upon issuance of this OPN. For these grants, to avoid a potential interruption in supplies of co-paid ACTs, PRs may request the Secretariat to continue to manage the co-payment allocations on their behalf for a three month grace period while steps 7 to 11 are completed; in this instance, the PR will agree that one quarter of the annual allocation be transferred to the pooled procurement account for co-payments.

	Department	allocation across first-line buyers is updated.	
11	PR	Ensure that the Secretariat has received copies of signed First-Line Buyer Agreements for all participating first-line buyers and implement key supporting interventions, including price and availability surveys.	
12	Sourcing Department	Propose co-payment allocation across first-line buyers against requests received for co-payments in accordance with demand levers and submit to PR for review and approval.	
13	PR	Review, validate and approve results of each round of co-payment allocation proposed by the Secretariat in accordance with demand levers and first-line buyer assessments.	
14	Sourcing Department	Process co-payment approvals, invoices and update Web Report in public domain.	



## Annex 2: Process for integrating and implementation of the Private Sector Co-payment Mechanism in new grants

References: OPN on Private Sector Co-payment Mechanism for ACTs

Information Note

Concept Note, Guidelines and Annexes

RBM AMFm Lessons Learned

AMFm Phase 1 Independent Evaluation

New Funding Model Manual

Seq. No	Actors	Process Description	Relevant Links
<b>Decision to finance and implement Private Sector Co-payment Mechanism for ACTs</b>			
1	CCM (consulting with the CT)	Consider whether the Private Sector Co-payment Mechanism for ACTs is appropriate in light of the national malaria control strategy and the role of the private retail sector in malaria case management.	Information Note Concept Note Guidance RBM AMFm Lessons Learned AMFm Phase 1 Independent Evaluation
<b>Concept Note Development</b>			
2	CCM (consulting with the CT)	Propose PR.	
3	CCM (in consultation with PR and NMCP/MOH)	Identify Co-payment Task Force and establish a list of ACTs eligible for co-payment, subsidy level and demand shaping levers, define a high-level budget for co-payment and propose key private sector co-payment mechanism supporting interventions (including summary budget or confirmation that the supporting interventions are funded from another source).	
4	CCM CCM Writing Group Technical Partners CT with support from technical advisors	<p>After a participatory country dialogue, CCMs and other in-country partners translate a country's national strategic plan and programmatic/financial gap analysis into a targeted request for funding from the Global Fund using the relevant concept note template, including details for the Private Sector Co-payment Mechanism.</p> <p>The CCM may task a writing group with drafting the concept note, culminating in the preparation of the concept note and incorporating input of various stakeholders. This step is not prescribed by the Global Fund and may vary by country.</p> <p><b>Control Point: CCM reviews and endorses concept note, and submits to the Secretariat</b></p>	Information notes NFM manual Application materials
5	PR	Initiate assessment of eligible first-line buyers.	
<b>Assess Implementers' Capacities and Systems</b>			
6	CT	As soon as the possible PRs have been identified, and based on the type (new or repeat PR), role of PR and available information related to the PR (with emphasis on the PR's capacity to implement the Private Sector Co-payment Mechanism), CT determines the scope of the required capacity assessment including focus of the LFA review as relevant.	Capacity Assessment Tool Capacity Assessment Guidelines
7	LFA	As relevant, undertakes assessment of capabilities and submits recommendations to the Country Team within the required deadline.	
8	CT	Completes and finalizes the assessment and determines the required measures to address identified capacity gaps and risks.	
<b>Secretariat Review of Concept Note</b>			

9	CT with support from malaria advisor Access to Funding	The country team screens the Concept Notes for completeness as well as for issues which could present challenges related to the implementation of the Private Sector Co-payment Mechanism. In some cases, a Concept Note may be sent back to countries for further development before submission and technical review.	
10	CTs and technical advisors	Country Teams prepare their program scorecard in advance of the TRP and GAC meeting. They also prepare a presentation, and address questions and provide clarifications during the TRP review meeting (tbc).	
<b>Technical Review of the Concept Note</b>			
11	TRP	The TRP independently reviews all funding requests for strategic focus and technical soundness, including the rationale for inclusion of the Private Sector Co-payment mechanism. It makes recommendations to the GAC on the award of available incentive funding, and what unfunded quality demand should be added to the Register of Unfunded Quality Demand. It also makes technical recommendations on what needs to be clarified or adjusted during grant-making or grant implementation.	
<b>GAC Review (prior to grant-making)</b>			
12	GAC	After the TRP review, the Secretariat's Grant Approvals Committee (GAC) reviews the Concept Note and recommends the upper ceiling and related parameters for grant making.	
<b>Grant making</b>			
13	Co-payment Task Force and PR	Finalize ACT quantification, first-line buyer conditions of participation, annual procurement expected from private sector first-line buyers, detailed budget for co-payment (including freight and insurance).	
14	PR	Complete assessment of eligible first-line buyers.	
15	Co-payment Task Force and PR	Upon completion of first-line buyer assessment and based on the findings, communicate to the Secretariat the proposed annual co-payment allocation split across first-line buyers. (This may be periodically updated and resubmitted for consideration in light of requests for co-payment received, new first-line buyers registered, or the findings from first-line buyer spot checks and retail price tracking surveys.)	
16	CT and Sourcing Department	Review and approve proposed allocation across first-line buyers (with LFA review, as needed).	
<b>Grant approval</b>			
17	GAC	The GAC reviews the outcomes of the grant making stage and decides whether to recommend the proposed grant for Board approval.	
18	Board	Board approves the grant through an electronic report	
<b>Grant implementation</b>			
17	PR	Ensure that the Secretariat has received copies of signed First-Line Buyer Agreements for all participating first-line buyers and implement key supporting interventions, including price and availability surveys.	
18	CT and Sourcing Department	When updated, review and approve proposed allocation across first-line buyers (with LFA review, as needed).	
19	Sourcing Department	Propose co-payment allocation across first-line buyers against requests received for co-payments in accordance with demand levers and submit to PR for review and approval.	
20	PR (under oversight of Co-payment Task Force)	Review, validate and approve results of each round of co-payment allocation proposed by the Secretariat in accordance with demand	

		levers and first-line buyer assessments.	
21	Sourcing Department	Process co-payment approvals, invoices and update Web Report in public domain.	

**Annex 3: Description of examples of “demand levers” applied by the Secretariat at the end of AMFm Phase 1**

<b>Demand Lever</b>	<b>Description</b>
<b>Treatment price</b>	Manufacturers that offered the lowest treatment price (below ceiling or maximum price) were prioritized
<b>First-Line Buyer pipeline</b>	Co-payment approval priority was given to First-Line Buyers with fewer undelivered treatments in the pipeline
<b>Performance of manufacturers</b>	At least 75% delivered of past approved orders
<b>Delivery date</b>	Within 3 months of order approval
<b>Formulation/Pack Size</b>	Distribution in the following ratios: <ul style="list-style-type: none"> <li>• Treatment Band 1: 3.4%</li> <li>• Treatment Band 2: 30.5%</li> <li>• Treatment Band 3: 8.7%</li> <li>• Treatment Band 4: 57.4%</li> </ul>
<b>Transport by Sea vs. Air</b>	Only Sea shipments were approved
<b>First-line Buyer Procurement ceiling</b>	No First-Line Buyer was able to purchase more than 10% of the annual funding allocation

## Counterpart Financing

**Issued on:** 15 December 2014

**Purpose:** To describe the processes necessary to fulfill the Board's requirements for 'counterpart financing'.

### OVERALL OBJECTIVES

1. Implementation of the policy on counterpart financing are key grant management functions aimed at:
  - i. Ensuring accountability to the Global Fund's core principles of additionality, country ownership, and sustainability;<sup>96</sup> and
  - ii. Mobilizing additional resources to achieve the ambitious goals and targets of the Global Fund Strategy 2012-16.<sup>97</sup>
2. Access to Funding and Grant Management processes and decisions should facilitate appropriate engagement between the Global Fund and country stakeholders on counterpart financing requirements and ensure compliance.

### POLICY AND PRINCIPLES

3. The counterpart financing requirements are set in the Global Fund's Eligibility and Counterpart Financing Policy ("ECFP")<sup>98</sup> which aims to ensure that available resources are allocated to countries and regions with the highest disease burden and least ability to bring financial resources to address these health problems, while giving due priority to communities and subpopulations at high risk of disease.
4. Counterpart financing relates to all domestic public resources allocated to the national response for the fight against HIV, tuberculosis or malaria, as well as the overall health sector from: (i) government revenues, (ii) government borrowings from external sources or private creditors<sup>99</sup>; (iii) social health insurance; and (iv) debt relief proceeds, including Debt2Health arrangements with the Global Fund.<sup>100</sup> With the exception of loans and debt relief, all other forms of external assistance (even when routed through government budgets) are not counted as a government's contribution towards counterpart financing.
5. Counterpart financing consists of two core requirements:
  - Requirement 1: compliance with the minimum threshold of the national government's contribution to each national disease program over the implementation period of the funding request; and
  - Requirement 2: additional government investments for implementation of Global Fund supported programs over the implementation period of the funding request in the context of increasing government contribution to the health sector.<sup>101</sup>

<sup>96</sup> The Framework Document, the Global Fund to Fight AIDS, Tuberculosis and Malaria, 2001.

<sup>97</sup> The Global Fund Strategy 2012-2016: Investing for Impact, The Global Fund to Fight AIDS, Tuberculosis and Malaria, Geneva, 2012.

<sup>98</sup> [GF/B30/6 Revision 1, Attachment 1](#), adopted by the Board of the Global Fund under Decision Point GF/B30/DP5.

<sup>99</sup> Pertains to expenditure from loan proceeds in a grant implementation period and excludes repayment and interest.

<sup>100</sup> Debt2Health contributions to the Global Fund are considered towards counterpart financing of disease programs subsequent to Board decision GF/BM32/DP13.

<sup>101</sup> 'Requirement 2' refers to what was previously known as 'willingness-to-pay'.

6. All references to “counterpart financing requirements” in this document refer to the compliance of requirements 1 and 2. Implicit in the two requirements is the availability of reliable data to demonstrate compliance with counterpart financing.
7. Implementation of the counterpart financing policies is envisaged to be integrated within operational policies and processes for grant management. Unless otherwise specified, the processes for implementation of counterpart financing policies would follow decision-making processes prescribed by operational policies for grant management<sup>102</sup>.

### **Requirement 1 (“Minimum Contribution”)**

8. The counterpart financing threshold is the minimum level that the government’s contribution to each national disease program should reach, as a share of total government and Global Fund financing.

	Government Contribution (A)
Counterpart Financing Share (CFS)=	$\frac{\text{Government (A) + Global Fund (B) Contribution}}{\text{Government (A) + Global Fund (B) Contribution}}$

9. The minimum threshold is currently set at 5 percent for low-income countries (LICs), 20 percent for lower lower-middle income countries (LLMICs), 40 percent for Upper lower-middle income countries (ULMICs), and 60 percent for upper-middle income countries (UMICs). UMICs should be encouraged to increase their counterpart financing contribution to above 90 percent during the life of the grant to facilitate transition out of Global Fund financing.
10. In addition to being an eligibility requirement, meeting the minimum threshold requirement is a pre-requisite for accessing 15 percent of country allocation which is subject to the counterpart financing requirement of additional government investments.

### **Requirement 2 (“Additional Investments”)**

11. This requirement refers to additional government investments for implementation of national disease programs supported by the Global Fund that are beyond the minimum counterpart financing threshold *and/or* current level of spending, whichever is greater. Government investments should be focused on priority areas of national strategic plans; should not be lower than existing commitments; and easily verifiable.
12. To incentivize additional co-investments by the government in disease programs supported by the Global Fund, the new funding model<sup>103</sup> requires that 15 percent of the allocation amount (subsequent to adjustment by all other qualitative factors) is available to countries based on meeting the additional counterpart financing requirements. In addition, compliance with the additional counterpart financing requirement is one of the factors for determining access to incentive funding.
13. The actual level of government commitments required to access the 15 percent of the country allocation will be agreed upon during country dialogue and will depend on the funding need, existing commitments, past spending trends, program split<sup>104</sup>, country income, and fiscal space. See Annex 1 for minimum requirements of additional government investments.
14. Additional investments required for accessing the 15 percent of the total country allocation are not specific to a disease program. If the minimum counterpart financing threshold

<sup>102</sup> These include OPNs on Grant-Making and Approval, ‘Conditions and Management Actions’, ‘Annual Funding Decisions and Disbursements’

<sup>103</sup> Evolving the New Funding Model, GF/B28/02, The Global Fund Twenty-Eighth Board Meeting, Geneva, November 2012.

<sup>104</sup> Program split determines Global Fund contribution and hence minimum threshold government contribution. Further, available funding from the Global Fund which is incumbent on the program split also determines the residual funding need for the disease programs which forms a basis for negotiations on additional government investments to address these gaps

requirements to programs are met and current investments are maintained, the government can commit additional investments to any disease program supported by the Global Fund, including relevant HSS programs that clearly benefit them, in order to access the last 15 percent of the allocation.

### **Applicability of Counterpart Financing**

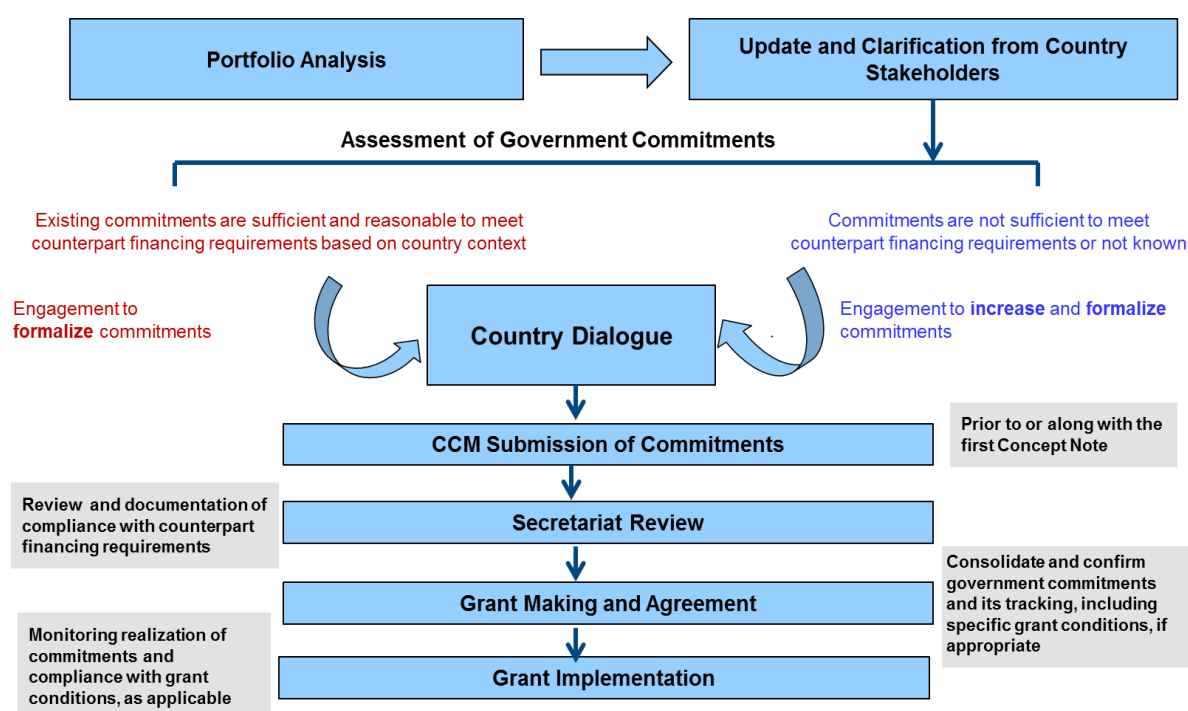
15. Compliance with counterpart financing requirements and the adjustments of country allocations is applicable to all funding requests to the Global Fund, irrespective of whether the Principal Recipient is from the governmental or non-governmental sector (including the private sector); except for the following:
  - i. Non-CCM, regional and multi-country concept note submissions;
  - ii. Costed extensions to amend the end date of the current implementation period to allow continued grant implementation and avoid program disruptions while operational challenges are addressed;<sup>105</sup> or
  - iii. Extenuating circumstances that are approved by the Head, Grant Management Division (see below).
16. **Extenuating Circumstances:** In exceptional circumstances, where the country is not in a position to meet the counterpart financing threshold requirements and/or provide additional commitment to avail the 15% of the allocation tied to additional government investments, the Country Team may recommend a full or partial<sup>106</sup> exemption from the requirements. Exemptions from counterpart financing requirements may be considered in cases of strongly justified and/or exceptional circumstances, such as:
  - i. Government contribution to the disease program and health sector in local currency, adjusted for domestic inflation is stable or increasing. However, severe weakening of the local currency results in a declining trend of government contribution when reported in US dollar/Euro.
  - ii. Government contribution to health and disease programs as a proportion of budget is stable or increasing. However, severe economic/fiscal crisis impacting government revenues/expenditure results in lower health and disease spending.
  - iii. *Force majeure* events such as natural disasters, sudden outbreaks of disease, sudden or unforeseen outbreaks of war, civil or political unrest that results in severe disruption of program implementation or reallocation of government resources to address emergencies.
  - iv. Government contribution is significantly above the minimum threshold requirement. The government will maintain that high level of contribution, but it is not in a position to further increase its contribution.
17. Exemptions must be approved by the Head, Grant Management Division through a standardized memo template, and may be granted during country dialogue, application or grant making, which exempts the applicant for the duration of implementation period. If a partial exemption is sought and granted, the country will be reviewed and monitored for the approved lower level of requirements.

---

<sup>105</sup> It should be noted that funds to be disbursed during both costed and no-cost extensions are counted against the country component's current allocation of grant funds (in the current replenishment period); and the total allocation for the replenishment period will continue to serve as the basis of estimating minimum requirements for CPF Requirement 2 for subsequent grants that are outcomes of NFM modalities and processes.

<sup>106</sup> In instances, where country is in a position to make additional investments in the next phase but not sufficient to meet the minimum requirements

## Process for Review of Counterpart Financing and Additional Government Commitments



18. **Portfolio analysis.** As part of the overall portfolio analysis, the Country Team with support of the Health Financing team (if required), reviews available data and information on government disease/health financing mechanisms, spending, and commitments (see Annex 2 for data sources) to prepare a strong background for subsequent country engagement. The review will also identify issues related to counterpart financing, if any (see Annex 3 for additional guidance); to be clarified during the country dialogue process.
19. **Country dialogue.** The Country Team will clarify counterpart financing issues identified by the portfolio analysis and engage with country stakeholders on additional governmental investments and sustainability actions for Global Fund supported programs according to the country context and requirements. To provide a frame of reference and to guide negotiations with countries, internal guidelines for minimum additional government investments have been prescribed based on country income classification (see Annex 1). Where commitments are higher than the minimum required and in line with country priorities, the primary focus of the country engagement should be to firm up these commitments. If commitments are not available, or lower than the minimum prescribed requirements, and/or not aligned to country priorities and requirements, country team will focus its engagement on obtaining additional commitments relevant to the country context, which will at least meet the minimum requirements. See Annex 4 for guidance on potential areas where additional commitments can be negotiated.



20. A key focus of country dialogue in countries no longer eligible for Global Fund support, middle income countries, and low income countries that are likely to transition to higher income categories in the near future will be on development and implementation of a 'financial sustainability plan'.
21. The country dialogue will establish the required level of government commitments to meet the counterpart financing requirements and avail the total counterpart financing component of the allocation. See Annex 4 for examples of the types of commitments and elements of a commitment plan. The country dialogue process shall ensure a clear understanding of:
  - i. Mechanisms through which government will finance the disease program (central/regional/local government revenues, loans, debt relief and/or social health insurance);
  - ii. Current and planned additional government financing of disease programs in terms of extent of funding and interventions supported;
  - iii. Timing or annual calendar of government investments;
  - iv. Mechanism by which government spending will be tracked and reported (see Annex 4 for indicative examples), including assurance provided by country's public finance management systems and 'supreme audit institutions' for reliable monitoring of realization of government commitments.
22. **Concept note submission.** In the concept note, the CCM is required to indicate:
  - i. Compliance with the minimum counterpart financing (requirement 1). In case of non-compliance, planned actions to ensure compliance during grant implementation (see section B of Annex 3 for guidance on actions to improve compliance during grant implementation); and
  - ii. Compliance with the additional commitment to access the 15 percent of the total allocation (requirement 2). Additional government investments to national programs for the implementation period that counts towards accessing the counterpart financing component of the allocation including how these will be tracked and reported during implementation
23. **Concept note review.** The Country Team assessment (supported by inputs from the Strategic Information Department) of compliance with counterpart financing requirements along with the rationale for formalizing and monitoring the additional counterpart financing commitments are captured in the Secretariat Briefing Note submitted to the TRP and the GAC.
24. It is expected that government commitments to meet counterpart financing requirements are available by the time the Secretariat Briefing Note is submitted. If the necessary commitments are not available at this stage, the review can still proceed provided that the Country Team has reasonable assurances that compliance will be ensured during the grant-making process based on outcomes of its country engagement and evidence of ongoing processes which when completed will provide the necessary commitments<sup>107</sup>. If the Country Team has not been reasonably assured of forthcoming commitments that will be sufficient to access the full allocation by the time of submitting the 'Secretariat Briefing Note', the upper-ceiling amount considered by the TRP and GAC will be proportionately<sup>108</sup> lowered.
25. If any exemption to counterpart financing requirements is recommended by the Country Team, approval from the Head, Grant Management Division must be obtained prior to the submission of the Secretariat Briefing Note.
26. The TRP and GAC will consider the Country Team's assessment of compliance with counterpart financing requirements in their review of the concept note. By recommending

---

<sup>107</sup> Ongoing processes for budget formulation, development of medium term expenditure frameworks, approval of national strategy plans, development of sustainability plans, resource tracking etc.

<sup>108</sup> The ratios prescribed for each income category in Annex-1 will serve as the basis for proportionately lowering the allocation component tied to counterpart financing requirements, in accordance with level of government commitments

the concept note, the GAC will also be endorsing the option recommended by the Country Team for the monitoring of additional commitments during implementation so that the details can be appropriately captured in the grant agreement during the grant-making process (see sections below for details). This will equally apply to grants that are fast-tracked through the GAC<sup>109</sup> review process.

**27. Grant-making and agreement.** A country's counterpart financing commitments are fully consolidated and confirmed at grant-making. As meeting minimum threshold requirement is a mandatory eligibility condition, no grants can be signed without sufficient government commitments for complying with this requirement, unless exempted. If sufficient government commitment to access the full allocation is not available by the time the first grant under a new allocation is signed, grants will be signed with a proportionately lowered budget<sup>109</sup>, unless exempted.

**28.** Capturing counterpart financing commitments in the grant agreement during the grant-making process will depend on the Country Team's assessment and its endorsement by the GAC. Accordingly, two options are available:

- i. A generic condition in the grant agreement that reserves the right of the Global Fund to withhold funding proportionate to non-compliance with additional commitments, if it is determined that there is (a) a low risk of non-realization of government commitments based on past track record of government spending or if additional commitments are related to approved loans, Debt2Health arrangements, or recurrent costs for which arrangements are already in place such as approved new staff positions; and/or (b) a low risk of substantive impact on the program, in the event of non-compliance. In such situations, the grant agreement will not tie annual grant budgets and funding decisions to materialization of government commitments.
- ii. Country-specific grant condition (s) that will formalize the counterpart financing commitments for the implementation period, if it is determined that there is a material risk of (a) non-compliance and/or (b) non-compliance will have significant impact on program outcomes. The risks include poor track record of meeting government commitments and/or the need for specific monitoring in instances such as substantive commitments to absorb existing Global Fund support, development or implementation of sustainability plans, or co-financing commitments to specific interventions which if not realized would have significant programmatic impact.

The 'grant condition' will specify annual government investments or specific outputs related to government commitments (as applicable), and the mechanisms and time-frame for reporting realization of government commitments. If appropriate, the 'grant condition' should specify the disbursement amount per grant per year that is tied to realization of counterpart financing commitments. The amount tied per year will generally be proportional to the amount of government commitment per year as confirmed to the Global Fund at the time of the Concept Note submission/grant making. If appropriate, the 'Country Team' may at its discretion tie specific components of the grant budget to realization of government commitments. The grant agreement will by default incorporate requirements of a 'financial sustainability plan' for countries no longer eligible for Global Fund support and upper-middle income countries.

**29.** GAC 2 will approve either the generic condition or the language of the country-specific condition in the Grant Agreement when the final grant documents are submitted for review prior to Board approval.

### **Monitoring Government Commitments during Grant Implementation**

**30.** The monitoring of government commitments and implications of non-compliance will be differentiated as presented in table below. Country Teams should agree with Regional

---

<sup>109</sup>The ratios prescribed for each income category in Annex-1 will serve as the basis for proportionately lowering the budget for a disease in accordance with level of government commitments. Within a disease program, which has more than one grants, the reduction of budget between same disease grants will be done by the 'Country Team' based on country context and priorities

Managers/Regional Department Heads on prioritizing countries that require monitoring and follow-up.

Option	Grant Agreement	Approval of CPF Approach	Monitoring	Implications for Non-Compliance	Approval of CPF reduction
1	Generic condition in the grant agreement for countries with low risk of non-realization of government commitments that reserves the right of Global Fund to withhold funding proportionate to non-compliance	GAC 2	Not linked to Annual Funding Decision. Periodically followed up through National Health Accounts, National AIDS Spending Assessments, budget execution, partner and country reported data	If evidence of non-compliance, proportional counterpart financing reduction when determining the country's allocation for the next replenishment period. If evidence of serious non-compliance, CTs may take one or more actions identified below during grant implementation.	CT and Health Financing Team input into subsequent allocation decision  CT and RM/DH for Annual Funding Decisions
2	Country specific condition in grant agreement for countries where there is a risk of non-compliance and/or a strategic requirement	GAC 2	Based on country context, strategic requirements <sup>110</sup> and impact on the program:  Monitoring of specific commitments as per the terms of the condition in the grant agreement (i.e. at the time of an Annual Funding Decision or other specified date).	If evidence of non-compliance, based on country context, strategic requirements and impact on the program; one or more of the following actions:  (a) performance letter and follow up with country stakeholders (b) withholding a portion of disbursement (c) reduction in annual funding decision (d) reduction in signed grant amount (e) reduction of allocation at next replenishment	

31. Under option 2, factors to be considered when analyzing the strategic importance of counterpart financing to a portfolio include disease burden, portfolio size and implications of non-compliance on the program. For example, in non-high impact countries, monitoring and follow-up measures would be exceptional.
32. Depending on the context, risk profile and country specific requirements, LFA services may be tailored for appropriate monitoring and verification of counterpart financing<sup>111</sup>
33. During implementation, only evidence of either disbursement of government funds for intended activities or implementation of agreed upon activities constitutes realization of a commitment.
34. If it is determined during grant implementation that a country is not compliant with the additional counterpart financing commitments it has made, a proportional reduction in its

---

<sup>111</sup> See 'Guidelines for Tailoring LFA Services'

funding will be made according to terms of the grant agreement either during grant implementation or when the Global Fund determines the country's next allocation.

35. If a country does not meet its additional counterpart financing commitments, it is mandatory to have a country-specific condition in all subsequent grant agreements signed with funds from future allocations until a track record of compliance can be (re-) established.

## PROCESS AND RESPONSIBILITIES

### RESPONSIBILITIES

36. **Country Team:** Strategic engagement to enhance sustainability of Global Fund supported programs, appropriate to the country context. Provide necessary guidance to country stakeholders on counterpart financing requirements and articulation of its compliance through relevant documentation and mechanisms at the time of accessing funding and grant implementation. Assess compliance with counterpart financing requirements at the time of accessing funding and reflect the assessment in 'Secretariat Briefing Notes' and GAC documentation. Incorporate 'conditions' related to counterpart financing commitments in Grant Agreements based on country context and requirements, and accordingly track their materialization during grant implementation. Take appropriate actions for non-compliance in line with guidance provided in the OPN based on country context, strategic requirements and impact on the supported program(s).
- i. **FPM with support of Program Officer(s):** Leads Global Fund negotiations and decision making related to counterpart financing requirements in the grant lifecycle. Leverage 'Secretariat resources'<sup>112</sup> and strategically engage with country stakeholders to advocate and support actions for sustainability of Global Fund supported programs.
  - ii. **Finance Officer:** Bring to the Country Team understanding of public financing mechanisms in the country; assess compliance with counterpart financing requirements; responsible for monitoring of grant conditions related to counterpart financing and tracking of materialization of government commitments during grant implementation; training and communication on counterpart financing requirements to country stakeholders; facilitate technical cooperation on expenditure tracking and development of sustainability plans in collaboration with the Strategic Information Department.
  - iii. **Legal Officer:** Incorporation of counterpart financing requirements in Grant Agreements in a manner that is enforceable and consistent with Board and Secretariat policies and advises on legal implications of non-compliance.
  - iv. **Public Health Officer:** Where appropriate, support negotiations by identifying key programmatic gaps that could be potentially supported by the government; assess commitments to absorb existing support and/or scale up program provided through previous requests to the Global Fund; support assessment of evidence with regard to implementation of agreed upon activities.
  - v. **Procurement and Supply Management Officer:** Where appropriate, assess implications of commitments for absorbing and/or scaling up procurement of drugs and commodities. Support as required tracking of realization of specific counterpart financing commitments related to procurement.
37. **Health Financing Team:** Based on requests from Country Teams, provides technical support and advice for counterpart financing negotiations through assessment of public financing mechanisms, macroeconomic and fiscal outlook, updated data and other information inputs on program and health sector financing; supports assessment of

---

<sup>112</sup> Including Executive/Senior Management for high level engagement, Technical Advisors and Partnership Department for assessing strategic investment options, Health Financing Team for technical advice on public financing issues and country support, External Relations Division for targeted advocacy

compliance with counterpart financing requirements at the time of accessing funding and tracking materialization of government commitments during grant implementation. Responsible for tracking and reporting of progress on counterpart financing at the portfolio level including KPI on domestic financing and facilitating support of technical partners in expenditure tracking and development of sustainability plans.

38. **Access to Funding Department:** Applicant support for submission of funding requests, coordination of TRP/GAC review process, incorporation of counterpart financing information in GAC reports to the Board and 'Access to Funding' reports
39. **Local Fund Agent:** Where relevant, LFA services to be used as a source of assurance for appropriate monitoring and verification of counterpart financing
40. **National Government:** (as represented by the ministries of health, finance and/or other relevant authorities) is expected to engage in negotiations through the CCM to augment sustainability of Global Fund supported programs, commit additional government investments to Global Fund supported programs according to specific timelines that can be tracked and reported, and provide official documentation as evidence of government spending and commitments during grant implementation.
41. **CCM:** Responsible for facilitating engagement with country stakeholders and advocates for additional government investments in Global Fund supported programs with key country stakeholders, including appropriate government authorities as required. Ensures submission of government commitments with the first concept note, and facilitates government reporting of materialized commitments during implementation.

## ANNEXES

42. The following Annexes provide guidance on the relevant processes:
  - i. Annex 1: Calculating Counterpart Financing
  - ii. Annex 2: Data Sources for Counterpart Financing
  - iii. Annex 3: Assessment and Reporting of Compliance with Counterpart Financing Requirements
  - iv. Annex 4: Negotiation and Tracking Additional Government Investments
  - v.

## MONITORING AND REPORTING

43. Compliance with counterpart financing requirements 1 and 2 will be monitored and reported to the Board and within the Secretariat by the Strategy, Investment and Impact Division, as part of the oversight of the overall Global Fund portfolio:
  - i. **Corporate KPI on Domestic financing for AIDS, TB & Malaria (KPI 14).** Annual reporting on compliance with counterpart financing requirement 1 across the portfolio. Reporting to provide supplementary information on government commitments to Global Fund supported programs and their realization
  - ii. **GAC Report to the Board.** GAC recommendations to the Board for grant approval to include compliance with counterpart financing and additional investments committed by governments of individual countries reviewed in each wave.
  - iii. **Access to Funding Report.** For each funding window to report on:
    - Countries meeting counterpart financing requirements
    - Increases in government contribution compared to previous implementation period
    - Country dialogue/concept note survey on whether counterpart financing requirement helped increase national investment
    - Any positive stories or challenging issues on counterpart financing in countries that had applied through the funding window



## Annex 1: Calculating Additional Counterpart Financing (Requirement 2)

- Additional government investments in disease programs supported by the Global Fund that are beyond minimum counterpart financing threshold and/or current level of spending (whichever is greater) counts towards counterpart financing requirement 2. To provide a frame of reference and to guide negotiations with countries, **internal guidelines** for minimum additional government investments have been prescribed per USD are available for the counterpart financing component of the country allocation, based on country income classification (see table below).

Income Level	Minimum Additional Government Investment	
	Per USD Global Fund CPF Allocation	Government/Global Fund CPF Ratio
Low Income	USD 0.25	1:4
Lower Lower-Middle Income	USD 0.5	1:2
Upper Lower-Middle Income	USD 1	1:1
Upper Middle Income	USD 2	1:0.5

- Determining the share of the counterpart financing component of country allocation that can be accessed by a country:**

### Example 1: Illustration of an Upper LMI Country (USD millions)

Component	Global Fund Allocation	Minimum Threshold (MT)	Current Government Spending (\$M) (CP)				Government Commitment (\$M) (NP)				Additional Commitment (NP - CP)
			2012	2013	2014	TOTAL	2015	2016	2017	TOTAL	
HIV	120	80	27	28	30	85	30	32	33	95	+10*
TB	20	13	4	4	5	13	5	5	6	16	+3*
Malaria	60	40	12	14	18	44	15	15	21	51	+7*
<b>Total</b>	<b>200M</b>		<b>Current Phase Spending</b>			<b>142M</b>	<b>Commitments for Next Phase</b>			<b>162M</b>	<b>+20M</b>

When considering CPF additional commitments, current spending and future commitments are compared across phases, not year by year

- Country Allocation = \$200M
- Allocation tied to CPF = 15% of A (0.15 x \$200M) = \$30M
- Minimum Additional Government Investment per US\$ Global Fund CPF Allocation for Upper-LMICs = \$1
- Minimum Additional Government Investment Required to Access Total CPF Allocation = B x C = \$30M
- Additional Government Investment Committed = \$20M
- CPF Allocation from Global Fund Based on Commitments = (E/D x B = \$20M)
- Allocation Unavailable due to Less than Minimum Commitments = B - F = \$10M
- Final Allocation = A - G = \$190M

\* In this example, minimum threshold requirements are met for each component, hence additional commitment is NP - CP; if not, additional commitment is NP - MT.

## **Annex 2: Data Sources for Counterpart Financing**

### **Global Fund Resources**

- Historical data reported to Global Fund in previous proposals and requests for continued funding
- Data and background information elicited in current requests for continued funding
- LFA assessment report
- Program financing database maintained by the health financing team

### **Partner Resources**

- HIV: <http://www.unaids.org/en/resources/documents/2013/name.85053.en.asp>
- HIV: <http://www.unaids.org/en/dataanalysis/monitoringcountryprogress/nasacountryreports/>
- HIV: <http://aidsinfoonline.org/devinfo/libraries/asp/Home.aspx>
- HIV: <http://www.pepfar.gov/countries/cop/>
- TB: [http://www.who.int/tb/publications/global\\_report/en/](http://www.who.int/tb/publications/global_report/en/)
- Malaria: [http://www.who.int/malaria/publications/world\\_malaria\\_report\\_2013/en/index.html](http://www.who.int/malaria/publications/world_malaria_report_2013/en/index.html)
- Malaria: <http://www.pmi.gov/countries/mops/index.html>
- Health: <http://apps.who.int/nha/database/ChoiceDataExplorerRegime.aspx>
- Health: <http://www.who.int/nha/country/en/>
- Disease and Health: <http://www.healthsystems2020.org/section/resources/>
- Macroeconomic Indicators: <http://www.imf.org/external/ns/cs.aspx?id=28>

### **Country Resources**

- Health and disease strategy documents
- Medium Term Expenditure Framework (MTEF)
- Government Budgets and Supporting Documents
- Budget Outturns/Obligations
- Government Accounts
- Accounts of Autonomous entities such as NACs/Disease Funds
- Beneficiary Payment Statement of Social Security Spending
- National Health Accounts (NHA) with disease sub-accounts
- National AIDS Spending Assessment (NASA)
- Public Expenditure Reviews (PER)
- Public Expenditure Tracking Surveys (PETS)
- Program Evaluation/Review Reports



## **Annex 3: Assessment and Reporting of Compliance with Counterpart Financing Requirements**

### **A. Non-exhaustive list of issues for consideration in assessment of counterpart financing requirements**

1. Understanding of public financing mechanisms
  - a. How government contribution to the disease program is financed-through revenue resources, loans, social health insurance, and/or debt relief?
  - b. Which levels of government incur disease spending – central, regional and local?
  - c. Through which ministries, departments or agencies at each level of government does government spending occur?
  - d. Is all lower-level government spending from its own resources or do they include transfers from a higher level of government?
  - e. What interventions or actions do government contributions fund?
  - f. Do government budgets have earmarked budget heads or line items to capture government disease spending?
  - g. Is all government disease spending captured by earmarked budget heads or line items?
  - h. When earmarked budget heads or line items are not available or if they do not capture all government disease spending, how is government spending reported?
  - i. Are loans availed from international sources reported under government spending or under external funding?
  - j. When funding from external sources is routed through government budgets, how are they accounted for?
  - k. What are the data sources for the reported spending, which can be verified?
  - l. Are there bottlenecks in budgeting, financial management, audit, or reporting systems that make it difficult for the country to report actual expenditure on disease programs?
  - m. If there are bottlenecks hindering routine reporting of expenditure data, can they be addressed through support provided through grants? Has any support been provided by the Global Fund to improve expenditure reporting?
2. Data availability
  - a. Is data on government spending on disease program reported to Global Fund through proposals and requests for continued funding and/or technical partners available?
  - b. What does the reported government-spending figure represent?
    - i. All or part of government spending
    - ii. Earmarked disease spending only or do they include apportioned health system costs or estimates based on assumptions regarding proportion of human resources deployed, general health services utilized etc.
    - iii. Recurrent programmatic spending or do they include capital investments also
    - iv. Budget allocation, budget outturns, actual expenditure or estimates of spending based on historical trends
  - c. Is data reported to Global Fund consistent across different periods of time and with that reported to partners? If not, are reasons for inconsistencies known?
3. Analysis of past spending:
  - a. Based on historical data what has been actual spending compared to budget allocations and previous commitments
  - b. Based on trends available from data on past spending, what is the likelihood of the country meeting the minimum counterpart financing threshold in the next implementation period
  - c. What activities/interventions did the government invest its resources in
  - d. Do trends of past government spending show a stable or increasing trend?
  - e. Is there a likelihood of skewing of government spending trends due to severe exchange rate fluctuations, intermittent capital investments etc.
4. Assessment of existing commitments:

- a. Nature of commitments- Are projections for future government spending realistic based on past spending trends? If not, are they based on official commitments either publically available or communicated to Global Fund
  - b. Implications of country systems, macroeconomic, policy and financing context, in allocation of resources for health/disease programs; and,
  - c. Likelihood of accessing allocation that is tied to counterpart financing requirements.
5. Identifying priority areas for strategic country engagement for counterpart financing:
- a. Potential areas of additional government investments based on country context and requirements;
  - b. Potential areas of take-over of existing Global Fund support which will free Global Fund resources to be reinvested in strategic areas;
  - c. Assessment of where the country stands, *vis-à-vis*, regional strategy targets, if applicable.

## **B. Action plans to improve compliance with counterpart financing requirements**

An action plan is prepared by the CCM in consultation with relevant government agencies such as the Ministry of Finance and should describe the set of activities, processes and schedule for addressing current gaps in compliance with counterpart financing requirements. The action plan should include:

- i. Background and description of the gaps that the action plan intends to address;
- ii. Time bound actions for addressing identified gaps including:
  - a. Entities responsible for implementing the actions;
  - b. The implementation process;
  - c. Time lines.
- iii. Likely challenges and barriers in achieving objectives of the action plan;
- iv. What evidence indicates progress in implementation of the action plan;
- v. How and when will the evidence be gathered and reported to the Global Fund;
- vi. Financial requirements for implementing action plans to improve data quality and reporting, if any. How will the required resources be made available? Specify if the CCM has requested funding from the Global Fund to cover all or part of the resource requirements;
- vii. For action plans to increase government contribution, specify how and on what components additional resources would be spent.

Examples of actions to improve compliance with counterpart financing requirements include:

- i. Incorporating requirements for additional commitments within national planning processes such for national development plans, medium term budgeting and expenditure frameworks, national disease/health strategies, health sector development plans, budget cycle etc.;
- ii. Plans for utilizing debt relief proceeds or availing loans from agencies, such as the World Bank for the disease program and/or health sector;
- iii. Additional allocation to support specific high impact interventions from discretionary funds available to the government;
- iv. Actions to improve absorption and execution rates of allocated budget;
- v. Incorporating specific budget heads for earmarked allocation to disease program;
- vi. Strengthening systems for expenditure tracking;
- vii. Disease spending assessments to have an accurate estimate of the disease expenditure and improve data collection systems;
- viii. Actions to improve routine reporting of government disease spending in official country documents and/or to technical partners.

## **Annex 4: Negotiation and Tracking Additional Government Investments**

1. The Country Team should negotiate for additional commitments leveraging the incentive of counterpart financing or a proportion of it in accordance with the government/Global Fund counterpart financing ratio (see Annex 1 for details). Illustrative areas for additional commitments include:
  - i. Strategic benchmarks set internally by Global Fund regional management, if applicable;
  - ii. Direct investments to scale coverage of key intervention in accordance with national targets (example: targeted interventions such as harm reduction, drugs, commodities, equipment);
  - iii. Absorption of existing Global Fund support (example: recurrent costs such as human resources<sup>113</sup>, targeted interventions, drugs, commodities); allowing the release of Global Fund resources to other priority areas;
  - iv. Co-financing of specific Global Fund support. Examples include:
    - a. In-country storage and distribution costs of drugs and commodities procured with Global Fund support;
    - b. Mass campaign distribution costs of LLINs procured with Global Fund support;
  - v. Investments in health systems that clearly benefit Global Fund-supported programs (example: central medical stores and PSM systems)
  - vi. Reinvestment of savings from reform of service delivery (example: shift from hospitalized TB care to ambulatory care) in priority interventions
2. Types of commitments acceptable to the Global Fund will depend on the country context, official nature of commitments, trends in government spending and past history of meeting commitments.
  - i. Commitments that are based on national strategic plans, medium-term expenditure frameworks, budget program or other official documents are acceptable, provided the government has a reasonable track record of meeting its commitments.
  - ii. In case of countries where government spending show strong increasing trends but official medium-term commitments is not available, commitments negotiated during country dialogue and confirmed by the CCM as part of the concept note submission, should be sufficient.
  - iii. In case of other countries which have a poor track record of government spending or require significant increases in government spending to reach minimum the counterpart financing threshold and/or avail the counterpart financing allocation, commitments negotiated as part of the country dialogue need to be formalized by the Ministry of Health or Ministry of Finance, as appropriate. A formal commitment should specify:
    - a. Calendar of investments
    - b. Specific activities financed
    - c. When information of budget allocation and execution will be available
    - d. How realization of commitment will be verified and reported (budget line, implementer accounts etc.)
3. Illustrative examples of mechanisms for tracking realization of government commitments during grant implementation include:
  - i. Disbursement/expenditure against earmarked budget allocations;
  - ii. Funds release for procurement orders;
  - iii. Funds release to implementing agencies;

---

<sup>113</sup> Global Fund investments in recurrent costs, such as that for human resources in the public sector, should be considered only if it is strategic to the objectives of grant support. To ensure sustainability, the country needs to develop a medium-term plan for transitioning such support to the government budget.

- iv. Attestation by Ministry of Finance/ Finance Department of Ministry of Health along with supporting evidence;
- v. Outputs of routine expenditure tracking exercises such as National Health Accounts, National AIDS Spending Assessment, Public Expenditure Review, etc.
- vi. Evidence of absorption of specified human resources on government payroll;
- vii. Evidence of implementation of provisions of an agreed sustainability plan
- viii. Evidence of implementation of other agreed upon activity such as distribution of drugs, harm reduction interventions, scale up of services, conduct of special surveys or training

## SECTION 2: GRANT IMPLEMENTATION

Once a grant is signed, work begins to implement the grant. Funds for the first year are committed based on the first annual funding decision and the first disbursement is released to the account of the Principal Recipient. Subsequent disbursements are released based on defined schedules, and the funds for the remainder of the implementation period are committed on an annual basis.

Implementation is monitored by the Secretariat on an ongoing basis. Country Teams, in coordination with LFAs and in-country partners, monitor programmatic activities through regular progress updates, country visits, and programmatic assurance activities. In addition, financial activities are monitored and verified through financial reports and annual external audits.

The ongoing monitoring and reporting feed into regular decision-making on determining grant performance ratings, making annual funding decisions, setting operational risk levels and putting in place management actions and other requirements. It may also lead to adjustments to the grant (programmatic and/or financial) to respond to the implementation environment as well as to maximize the impact of programs.

The approaches and requirements during grant implementation are differentiated depending on the portfolio category and are summarized below.

## FOCUSED PORTFOLIO

PROCESS	Requirements	Relevant Guidance
<b>PR Reporting</b>		
Annual PU/DR	<p><u>Programmatic</u></p> <ul style="list-style-type: none"> <li>Annual progress against impact, outcome and coverage indicators and/or work plan tracking measures</li> <li>Disaggregated results on relevant indicators</li> </ul> <p><u>Finance</u></p> <ul style="list-style-type: none"> <li>Annual expenditure report (budget variance analysis and annual financial report)</li> <li>Annual cash balance report (PR cash reconciliation and optional PR reconciliation of funds provided to SRs)</li> <li>Annual cash forecast</li> <li>Disbursement report</li> </ul> <p><u>HPM</u></p> <ul style="list-style-type: none"> <li>Reporting on transaction level procurement information on key health products. To be completed every time PR undertakes procurement of health products</li> <li>No routine stock status reporting and verification</li> </ul> <p><u>Grant Management</u></p> <ul style="list-style-type: none"> <li>Annual reporting of progress on grant agreement requirements and management actions</li> </ul> <p>Report due 60 days from reporting period end date</p> <p>LFA review of annual PU/DR required except:</p> <ul style="list-style-type: none"> <li>No verification of programmatic results</li> <li>No verification of expenditures. High level analytical review of expenditures vs budget</li> </ul>	<p><a href="#">Guidelines on PU/DR</a> (<a href="#">Español</a>, <a href="#">Français</a>, <a href="#">Русский</a>)</p> <p>(To be updated)</p>
Annual Tax Report	<ul style="list-style-type: none"> <li>Annual tax report for import duties and VAT related to goods and services paid from Global Fund grants</li> <li>No LFA verification required</li> </ul>	Guidelines on Quarterly Financial Report

PROCESS	Requirements	Relevant Guidance
<b>Annual Funding Decision and Disbursements</b>		
Annual Funding Decision	<ul style="list-style-type: none"> <li>Covers 12 months + up to six months buffer period</li> <li>PPM commitments, AmFM commitments, Wambo orders processed outside the ADMF</li> </ul>	OPN on Annual Funding Decisions and Disbursements
Disbursement Releases	<ul style="list-style-type: none"> <li>Typically quarterly disbursements</li> <li>Disbursement schedule approved in the ADMF should proceed and be authorized by the FPM and Finance Specialist through a no-objection process unless modified, cancelled or exceptional requiring additional sign-off</li> </ul>	OPN on Annual Funding Decisions and Disbursements
<b>Grant Revisions</b>		
Reprogramming <sup>114</sup>	<ul style="list-style-type: none"> <li>If required, reprogramming request to be submitted once per year<sup>115</sup></li> </ul>	OPN on Reprogramming During Grant Implementation
Budget Adjustments <sup>116</sup>	<ul style="list-style-type: none"> <li>No Secretariat review of non-material budget adjustments</li> <li>If required, material budget adjustments to be submitted once per year<sup>117</sup></li> </ul>	<a href="#">Guidelines on Budgeting and Financial Reporting</a> <a href="#">(Español, Français, Português, Русский)</a> <a href="#">Supplementary Guidance on Budget Adjustments</a> <a href="#">(Español, Français, Português, Русский)</a>
Extensions	<ul style="list-style-type: none"> <li>Standard grant extension process apply</li> </ul>	<a href="#">OPN on Extending Grant Implementation Periods</a>
<b>Risk Management and Assurance</b>		
Financial Assurance	<ul style="list-style-type: none"> <li>Financial assurance planning at the beginning of the year. Initiated by LFA and FPM and signed-off by Portfolio Services Team.</li> <li>Annual external audit of grant</li> <li>Auditor to be selected by the Global Fund or selected by the PR from accredited list of auditors</li> </ul>	Financial Assurance planning guidance <i>(being developed)</i> <a href="#">Guidelines for Annual Audits of Global Fund Grant Program Financial Statements</a> <a href="#">(Español, Français, Русский)</a>
M&E Assurance	<ul style="list-style-type: none"> <li>Programmatic spot-checks in selected countries, ad hoc based on risks</li> <li>Targeted data quality review in selected countries, ad hoc based on risks</li> <li>Programmatic evaluation once during</li> </ul>	OPN on Program and Data Quality

<sup>114</sup> Refers to changes to performance frameworks.

<sup>115</sup> Exceptions possible for strongly justified cases, such as when a country is facing an emergency situation (either political or natural disaster) and reprogramming the grant is therefore necessary.

<sup>116</sup> Refers to purely budget reallocations without changes to performance frameworks. Budget adjustments that changes the performance framework are considered reprogramming.

<sup>117</sup> Exceptions possible for strongly justified cases, such as when a country is facing an emergency situation (either political or natural disaster) and material budget adjustments is therefore necessary.

PROCESS	Requirements	Relevant Guidance
	the implementation period	
HPM Assurance	<ul style="list-style-type: none"> <li>Targeted risk-based spot checks to verify HPM performance capacity</li> <li>Scope of programmatic spot checks to include review of availability of key health products and quality of services</li> <li>PQR verification</li> </ul>	OPN on Program and Data Quality
General Risk Management	<ul style="list-style-type: none"> <li>Capacity assessment<sup>118</sup> completed if there is introduction of new PR during implementation</li> <li>Implementation map updated when there are changes in implementation arrangements</li> <li>Review of priority risks and management issues during annual funding decision</li> <li>No QUART required</li> </ul>	<a href="#">Guidelines on Capacity Assessment of Implementers</a> <a href="#">(Español, Français, Русский)</a>  <a href="#">Guidelines on Implementation Arrangement Maps</a> <a href="#">(Español, Français, Русский)</a>
Country Missions	<ul style="list-style-type: none"> <li>Country missions for functional specialists only for exceptional and critical cases to be determined by Regional Manager</li> </ul>	

## CORE AND HIGH IMPACT PORTFOLIO

PROCESS	Requirements	Relevant Guidance
<b>PR Reporting</b>		
Mid-year PU	<p><u>Programmatic</u></p> <ul style="list-style-type: none"> <li>Progress against impact, outcome and coverage indicators and/or work plan tracking measures</li> <li>Disaggregated results on relevant indicators</li> </ul> <p><u>Financial</u><sup>119</sup></p> <ul style="list-style-type: none"> <li>Expenditure reporting for high impact portfolio and all countries covered by Implementation through Partnerships Project (ITP); optional for core portfolio</li> </ul> <p><u>HPM</u></p> <ul style="list-style-type: none"> <li>Reporting on procurement information on key health products (PQR tool). To be completed every time PR undertakes procurement of health products; annual</li> </ul>	<a href="#">Guidelines on PU/DR</a> <a href="#">(Español, Français, Русский)</a>  <i>(To be updated)</i>

<sup>118</sup> As part of AIM, the capacity assessment tool and QUART are being integrated into one risk assessment tool. Relevant guidelines will also be integrated.

<sup>119</sup> ITP countries currently undertaking quarterly expenditure reporting will shift to semi-annual expenditure reporting (1 mid-year expenditure report with the mid-year PU and end of year AFR as part of the PU/DR. The end of year AFR should cover the full year). With this, the quarterly expenditure report covering July –September 2016 will not be required anymore. For high impact countries that were not covered by ITP, the semi-annual expenditure report should be included in the next scheduled mid-year PU.



PROCESS	Requirements	Relevant Guidance
	<p>LFA review</p> <ul style="list-style-type: none"> <li>• Risk of stock-outs and expiries</li> </ul> <p><u>Grant Management</u></p> <ul style="list-style-type: none"> <li>• Progress on grant agreement requirements and management actions</li> </ul> <p>Report due 60 days from reporting period end date. LFA review to be determined by Country Team.</p>	
Annual PU/DR	<p><u>Programmatic</u></p> <ul style="list-style-type: none"> <li>• Progress against impact, outcome and coverage indicators and/or work plan tracking measures</li> <li>• Disaggregated results on relevant indicators</li> </ul> <p><u>Financial</u></p> <ul style="list-style-type: none"> <li>• Annual budget variance analysis</li> <li>• Annual Financial Report</li> <li>• Annual PR cash reconciliation and optional PR reconciliation of funds provided to SRs;</li> <li>• Annual cash forecast</li> <li>• Disbursement request</li> </ul> <p><u>HPM</u></p> <ul style="list-style-type: none"> <li>• PQR reporting</li> <li>• Risk of stock-outs and expiries</li> </ul> <p><u>Grant Management</u></p> <ul style="list-style-type: none"> <li>• Progress on grant agreement requirements and management actions</li> </ul> <p>Report due 60 days from reporting period end date. LFA review of annual PU/DR required.</p>	<p><a href="#">Guidelines on PU/DR</a> (<a href="#">Español</a>, <a href="#">Français</a>, <a href="#">Русский</a>)</p> <p>(To be updated)</p>
Quarterly Cash Balance	<ul style="list-style-type: none"> <li>• Quarterly cash balance report</li> <li>• LFA review not required</li> <li>• Due 30 days after Global Fund quarterly cycle (i.e., April 30, July 30, October 31, January 31).</li> </ul>	Guidelines on Quarterly Financial Report
Annual Tax Report	<ul style="list-style-type: none"> <li>• Annual tax report for import duties and VAT related to goods and services paid from Global Fund grants</li> <li>• LFA review not required.</li> </ul>	Guidelines on Quarterly Financial Report
<b>Annual Funding Decision and Disbursements</b>		
Annual Funding Decision	<ul style="list-style-type: none"> <li>• Covers 12 months + up to 6 months buffer period, follows standard process</li> <li>• PPM commitments, AmFM commitments and Wambo orders processed outside the ADMF</li> </ul>	OPN on Annual Funding Decisions and Disbursements
Disbursement	<ul style="list-style-type: none"> <li>• Typically quarterly disbursements</li> </ul>	OPN on Annual Funding

PROCESS	Requirements	Relevant Guidance
Releases	<ul style="list-style-type: none"> <li>Disbursements are approved either through physical signature or through an automated workflow approval in the future. FPM and Finance Specialists will have the option to approve, modify/reschedule or cancel the scheduled disbursement. Additional sign-off required for exceptional cases.</li> </ul>	Decisions and Disbursements
<b>Grant Revisions</b>		
Reprogramming	<ul style="list-style-type: none"> <li>As required following the standard process</li> </ul>	OPN on Reprogramming During Grant Implementation
Budget Adjustments	<ul style="list-style-type: none"> <li>As required following the standard process</li> <li>No Secretariat review of non-material budget adjustments</li> </ul>	<a href="#">Guidelines on Budgeting and Financial Reporting</a> <a href="#">(Español, Français, Português, Русский)</a>  <a href="#">Supplementary Guidance on Budget Adjustments</a> <a href="#">(Español, Français, Português, Русский)</a>
Extensions	<ul style="list-style-type: none"> <li>As required, following the standard process</li> </ul>	OPN on Extending Grant Implementation Periods
<b>Risk Management and Assurance</b>		
Financial Assurance	<ul style="list-style-type: none"> <li>Annual financial assurance planning – initiated by Finance Specialist and FPM</li> <li>Annual external audit of the grant</li> <li>Financial spot checks as defined in the annual financial assurance plan</li> </ul>	Financial Assurance planning guidance <i>(being developed)</i>  <a href="#">Guidelines for Annual Audits of Global Fund Grant Program Financial Statements</a> <a href="#">(Español, Français, Русский)</a>
M&E Assurance	<p><u>Core Portfolio:</u></p> <ul style="list-style-type: none"> <li><i>Program Quality:</i> Targeted health facility assessment (HFAs), Special Studies or Programmatic Spot Checks, required every other year</li> <li><i>Data Quality:</i> Targeted data quality review, required every other year</li> <li>Programmatic evaluation at least once during the implementation period, review of all available data with focus on assessing impact</li> </ul> <p><u>High Impact</u></p> <ul style="list-style-type: none"> <li><i>Program Quality:</i> Health Facility Assessment aligned with the country mid-term review and planning cycle; required every 2 years</li> <li><i>Data Quality:</i> If Health Facility</li> </ul>	OPN on Program and Data Quality

PROCESS	Requirements	Relevant Guidance
	<p>Assessment year, include the Data Quality Review module; If not HFA year, select from the data quality assessment options. Required every year</p> <ul style="list-style-type: none"> <li>• Programmatic evaluation at least once during the implementation period; in-depth assessment of impact using plausibility argument</li> </ul>	
HPM Assurance	<ul style="list-style-type: none"> <li>• LFA spot checks of supply chain</li> <li>• Health facility assessment/programmatic spot checks to cover availability of health products and quality of services</li> <li>• Health product procurement reviews</li> <li>• Country Team joint missions with supply chain partners</li> <li>• PQR verification</li> </ul>	
General Risk Management and Assurance	<ul style="list-style-type: none"> <li>• Combined assurance planning<sup>120</sup></li> <li>• Capacity assessment<sup>121</sup> of PR if there is introduction of new PR during implementation</li> <li>• Implementation map updated when there are changes in implementation arrangements</li> <li>• Annual risk assessment (currently through QUART)</li> </ul>	<p><a href="#">Guidelines on Capacity Assessment of Implementers</a> (<a href="#">Español</a>, <a href="#">Français</a>, <a href="#">Русский</a>)</p> <p><a href="#">Guidelines on Implementation Arrangement Maps</a> (<a href="#">Español</a>, <a href="#">Français</a>, <a href="#">Русский</a>)</p> <p>Guidelines on QUART (<i>link forthcoming</i>)</p>

<sup>120</sup> To be initiated with selected core and high impact portfolios.

<sup>121</sup> As part of AIM, the capacity assessment tool and QUART are being integrated into one risk assessment tool. Relevant guidelines will also be integrated.

## **Annual Funding Decisions and Disbursements**

**Issued on:** 12 July 2016 (effective 22 July 2016)  
**Issued by:** Grant Management Support, FISA and MECA  
**Approved by:** Executive Grant Management Committee  
**Purpose:** To consolidate all policies and outline processes and responsibilities related to reporting, annual funding decisions and disbursements.

### **OVERALL OBJECTIVES**

1. The annual funding decision and disbursement processes are key grant management functions aimed at:
  - i. reviewing implementation progress of each grant (programmatic, financial and management aspects) and assigning an overall grant rating;
  - ii. determining and committing the funding to be disbursed to each eligible grant recipient for a period of up to 12 months (plus a buffer period), and establishing the schedule for the disbursements; and,
  - iii. identifying implementation issues and risks, as well as the corresponding mitigating measures.
2. The annual funding decision and disbursement processes must ensure that:
  - i. grant funds are used for agreed objectives and outputs in an accountable manner where known risks are minimized and mitigated;
  - ii. Annual Funding Decisions are linked to performance to encourage grant recipients to focus on results and timely implementation; and
  - iii. Annual Funding Decisions are well documented and justified.

### **POLICY AND PRINCIPLES**

#### **ANNUAL FUNDING DECISION**

3. An annual funding decision is the process of determining and setting aside (i.e., “committing”) grant funds to be disbursed on a staggered basis to the Principal Recipient, and third parties as relevant, in accordance with the relevant Grant Agreement. All commitments to the grant are processed through the annual funding decision except commitments related to procurement of health products through the Pooled Procurement Mechanism (PPM), the private sector co-payment mechanism for ACTs (AMFm) and Wambo-related transactions, which are processed directly in the Grant Financial System using the Internal Order Confirmation Form (IOCF) or an automated interface with Wambo (*refer to the OPN on Pooled Procurement Mechanism – To be updated*).
4. Each annual funding decision is processed through an annual decision making form (ADMF) which includes the total amount that may be disbursed over a specified 12-month period<sup>122</sup> (the “execution period”), and may include a buffer of up to six months for all grants (“buffer period”).
5. The “annual funding decision period” is the total of the execution period and the buffer period and can be a maximum of 18 months. The commitments approved under an annual funding decision are disbursed during the 18-month period or up to 21 months

<sup>122</sup> In some cases, an execution period may be six months in high-risk environments. The same policies and processes apply except where indicated otherwise.

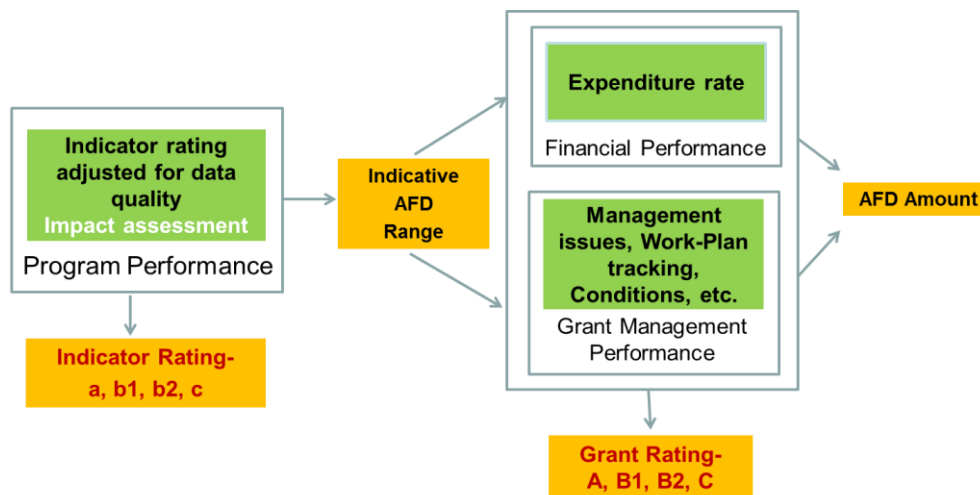
(“disbursement period”). While there is flexibility in the disbursement period, Country Teams should ensure that Principal Recipients adhere to agreed progress reporting schedules to facilitate timely performance-based funding decisions.

6. The sum of all funds committed through annual funding decisions, Wambo orders, and the PPM IOCF for the full implementation period and closure period of a grant must not exceed the amount stipulated in the relevant grant agreement.
7. **Alignment of Annual Funding Decisions.** The annual funding decision and disbursement schedule should align with the progress reporting period<sup>123</sup> which in turn should be aligned with the national reporting cycle. If the grant start date is not aligned with the national reporting cycle, the first annual funding decision should be lengthened or shortened to ensure alignment. For example, if the grant starts on 1 April and the programmatic reporting period for the grant is January to December, the disbursement request should cover the remaining nine months of that period (plus a buffer). This will align the execution period and allow the Secretariat to make a full annual funding decision for the second execution period.
8. **First Annual Funding Decision.** The first annual funding decision for a new grant or implementation period is taken immediately after the grant signing and is based on the approved grant budget. The first annual funding decision is not performance-based. It should, however, consider any issues or actions identified at the time of grant making.
9. The first annual funding decision should be processed by the Country Team<sup>124</sup> immediately once the Grant Agreement has been signed and the purchase order (PO) has been approved by the Chief Financial Officer (or designated Finance official) in the Grant Financial Systems. If the first funding decision is completed within 30 days of the PO approval, no signatures are required to process the first funding decision. If there is a delay of more than 30 days in processing the first funding decision, the relevant signatory authority stipulated in Annex 1 will be invoked.
10. **Standard Annual Funding Decision.** The subsequent annual funding decisions are typically for years 2 and 3 of the grant implementation period and are established based on demonstrated performance and financial needs as reported through the Progress Update/Disbursement Request (*see Guidelines on Progress Update/Disbursement Request – to be updated*), and financial assurance through the external audit (*see Guidelines on Audits of Global Fund grants*) or the Local Fund Agent, as relevant.
11. The annual funding decision is based on the principle of **performance-based funding** which makes additional funding available to grant recipients based on results achieved in a defined timeframe. The methodology for determining the indicator rating, overall grant rating and annual funding decision amount is summarized in the diagram below and explained in Annex 2 - *Grant Performance Rating Methodology*).

---

<sup>123</sup> The progress reporting period should be aligned with the national reporting cycle and is not necessarily linked to calendar year or implementation years from the program start date. Alignment to this period is necessary to ensure availability of programmatic results required for informed annual funding decisions.

<sup>124</sup> The composition of the Country Team varies depending on the portfolio category. For Focused Countries, the Country Team is comprised of the Fund Portfolio Manager, Senior Fund Portfolio Assistant, the Public Health and M&E Specialist, the Health Product Management Specialist and the Legal Officer. For Core and High Impact Countries, the Country Team includes the Fund Portfolio Manager, Program Officer, Public Health and M&E Specialist, HPM Specialist, Finance Specialist and Legal Officer.



12. **Risk Management during Annual Funding Decisions.** In determining the grant rating and annual funding decision, the Country Team undertakes a review of management issues and risks. While Country Teams remain the overall risk owner and responsible manager for all grant risks, the Risk Department provides independent and objective oversight over grants to ensure that key risks are adequately identified, prioritized and mitigated with appropriate assurance mechanisms in place. This is a key element of the risk engagement for High Impact and Core portfolios. The Risk Department and Country Teams are expected to engage on an ongoing basis throughout the grant cycle, so that issues or differences of opinion are identified early in the processes and resolved.
13. In preparing the annual funding decision, Country Teams for High Impact and Core portfolios should engage with the Risk Department in the review of management issues and risks. Before submitting the ADMF for sign-off by the relevant approval authority, the ADMF will be shared with the Risk Management Department via an email seeking “no objection” on the ADMF risk section within 48 hours<sup>125</sup>. If the Risk Department does not raise an objection within that period, their agreement with the risk analysis is assumed. If an objection is raised, the issue is escalated to the next management level in accordance with the process outlined in the Guidance on Country Team Approach.
14. **Approval Authority for Annual Funding Decisions.** Annex 1 provides the delegated authority for annual funding decisions.
15. **Notification and Performance Letters.** The Principal Recipient will be informed of the annual funding decision amount and the planned disbursements through an *Annual Funding Decision Notification Letter*. The notification letter should be sent within 15 days from the approval of the annual funding decision. In addition, a Performance Letter will be issued to the Principal Recipient outlining issues arising from the Secretariat’s review of the Progress Update/Disbursement Request, recommended actions to address these issues, and a timeline for completion.
16. **Supplementary Funding Decision.** A supplementary funding decision may be processed for the following cases:
  - there is insufficient commitment under the initial funding decision to support grant activities for the Principal Recipient or third parties; and
  - to disburse for closure activities, after the grant end date, as long as the Implementation Letter approving the grant closure plan and budget, and/or Final Payment Letter has been signed by the Principal Recipient.

<sup>125</sup> Given the ongoing engagement, it is expected that the 48 hours-period for raising an objection will be used rarely. In case of frequent use, it would reflect poorly on the engagement between the Country Team and Risk Department and should be escalated to Grant Management Department Head and the Chief Risk Officer.

17. Supplementary funding decisions may be processed up to 18 months from the start date of the annual funding decision period<sup>126</sup>. It is possible to process more than one supplementary funding decision in an annual funding decision period. This would be done through completing an additional supplementary ADMF that would be generated to supplement the existing decision.
18. Supplementary funding decisions follow the delegated authority matrix (Annex 1) based on the cumulative amount of funding decisions.

## DISBURSEMENT DECISIONS

19. A disbursement is the actual transfer of cash from the Global Fund to the Principal Recipient or to third parties on behalf of the Principal Recipient for the payment of goods and services. Disbursements are generally in the currency(ies) of the signed grant agreement unless there is a specific framework agreement between the Global Fund Secretariat under a corporate initiative with third party entities (e.g. Green Light Committee) requiring the use of another currency or currencies. Disbursements can also be processed in multiple currencies, if deemed by the Global Fund to be more advantageous in terms of managing and neutralizing foreign exchange impact on grant activities.
20. **Direct Disbursement to Third Parties.** A direct disbursement to a third party can be initiated by the Principal Recipient or mandated by the Global Fund. Third parties that can receive direct disbursements include:
  - i. procurement service agents;
  - ii. agents that are directly contracted by the Global Fund Secretariat (e.g., fiduciary agents, fiscal agents);
  - iii. auditors and other service providers providing independent assurance to the Global Fund on grant implementation (external audit, diagnostics and other independent reviews);
  - iv. private entities and internationally recognized technical assistance agencies and service providers with which the Global Fund has signed partnership agreements (including the official travel agent of the Global Fund when it is deemed more optimal and efficient for the Secretariat to arrange implementers' travel on grant related missions to Geneva);
  - v. Green Light Committee (for the payment of the cost-sharing element pursuant to the MoU with the Green Light Committee);
  - vi. Sub-Recipients, in cases where Sub-Recipients are acting as procurement agents, Sub-Recipients in Additional Safeguard Policy (ASP) countries or in countries where the political and/or the financial context does not enable the Principal Recipient to disburse to the Sub-Recipient, and Sub-Recipients that are in different geographical locations<sup>127</sup> than the Principal Recipient and where risks relating to potential foreign exchange exposure and/or inefficient banking regulations exist.

Third party payments outside of the above cases should be strongly justified and signed off on exceptional basis (see Annex 1).

21. For direct disbursements to third parties, the following information needs to be provided in order to register the relevant entity in the system:
  - i. A communication from the Principal Recipient requesting the Global Fund to process direct disbursements to the relevant third party;
  - ii. A signed agreement between the third party and the Principal Recipient or the Global Fund;
  - iii. A bank letter filled with the relevant third party's bank details

<sup>126</sup> Supplementary funding decisions related to grant closures can be processed until six months after grant end date (see *OPN on Grant Closures*).

<sup>127</sup> For example, for regional grants where the Principal Recipient and Sub-Recipients are located in different countries.

- iv. An anti-terrorism screening performed prior to approving the direct disbursement process.
22. **Disbursement amounts and schedule.** The disbursement schedule and forecasted amounts will be established by the Country Team as an integral part of the annual funding decision process based on the grant risk profile and the forecasted cash requirements for the execution period covered by the annual funding decision. The cumulative amount of the disbursement schedule may exceed the total funding decision for the related execution period if there are Grant Payable (committed undisbursed) funds remaining with the grant from previous execution periods. However, the cumulative amount of the disbursement schedule cannot exceed the available total Grant Payable (including the amount being committed through the annual funding decision being made).
23. Disbursements are typically done quarterly or when the Principal Recipient requires cash during the execution period covered by the funding decision.
24. The disbursement schedule is determined at the discretion of the Country Team to accommodate for operational requirements. In certain instances, the Country Team may propose the release of disbursements outside the regular quarterly cycle due to country or grant specific circumstances. For such decisions, the Country Team should provide a valid rationale taking into account efficiency<sup>128</sup>, cash optimization, grant risk profile (including currency risks), grant context, nature of interventions/activities, implementation arrangements, cash needs<sup>129</sup> and cash absorption rate. The rationale should be duly documented and captured in the ADMF.
25. Issues on disbursement schedule that cannot be resolved at the Country Team level should be escalated in accordance with the process outlined in the Guidance on Country Team Approach.
26. **Approval Authority for Disbursements.** Annex 1 provides the delegated authority for disbursements. Disbursements are approved either through physical signature or through an automated workflow approval. Fund Portfolio Managers and Finance Specialists<sup>130</sup> will have the options to approve (affirmative action or no-objection), modify/reschedule or cancel the scheduled disbursement. For focused portfolios, the authorization of scheduled disbursements will be operationalized through no-objection basis unless the Fund Portfolio Manager and/or Finance Specialist modify or cancel the scheduled disbursement or the disbursement is exceptional requiring additional sign-off.
27. Country Teams should base its disbursement decision on the most recent Progress Report received<sup>131</sup> taking into account the cash forecasted by the Principal Recipient, open commitments/obligations, advances and cash balance.
28. **Modifying or Stopping Scheduled Disbursements.** Country Teams are responsible for ongoing grant monitoring and determining if circumstances have changed between the time of the Annual Funding Decision and the scheduled disbursements. All changes on dates and amounts for payees as originally planned and within the overall Annual Funding Decision are done through an automated workflow approval<sup>132</sup>.

---

<sup>128</sup> For example, the grant has multiple Sub-Recipients and splitting small annual funding decision into quarterly disbursements will result into inefficient multiple transaction costs for the PR.

<sup>129</sup> For example, the full amount of the annual funding decision is needed for the payment of health products and the PR/Procurement Agent does not have a procurement commitment agreement with the Treasury Team.

<sup>130</sup> For Focused Countries, this refers to the Portfolio Services Team (PST).

<sup>131</sup> Most recent Quarterly Cash Balance Report for High Impact and Core portfolios, and most recent annual Progress Update/Disbursement Request for Focused portfolios.

<sup>132</sup> Country Teams will continue releasing disbursements through the Disbursement Release Request Form until the automated workflow approval is implemented in the system.



29. The following provides indicative guidance that Country Teams can follow when determining whether a scheduled disbursement (including the buffer) should be modified downward or upward, stopped or postponed:
  - i. progress on requirements related to the scheduled disbursement as well as compliance with requirements due during the annual funding decision period;
  - ii. Low cash burn rate<sup>133</sup>; and
  - iii. Increased cash needs due to accelerated implementation.
30. Where the Country Team is modifying or canceling the scheduled disbursement a rationale should be provided to justify such action.
31. It may also be necessary in exceptional circumstances for some disbursements to be released outside of the schedule defined at the time of the Annual Funding Decision, such as large procurement orders or direct payments requiring final supplier invoice (please see Annex 1 for the delegated authority on annual funding decisions and disbursements). Where the Country Team would like to increase or advance the disbursement amount, they should provide a rationale of this decision including the cash absorption rate at the Principal Recipient level in the last 12 months based on the last submitted cash balance information or Progress Update/Disbursement Request received (see footnote 10).
32. **Disbursement Notification Letter.** A Notification Letter is sent from the Country Team<sup>134</sup> to the Principal Recipient and/or third party, within 15 days from the release of the disbursement, to inform them of the disbursement. The Country Team should provide additional contextual information to the Principal Recipient if the relevant disbursement amount differs from what was originally approved in the annual funding decision. The Principal Recipient and/or third party does not have to sign the disbursement Notification Letter to confirm receipt of the funds. The funds will be deemed to have been received unless notification to the contrary is sent by the Principal Recipient and/or funds recipient to the Fund Portfolio Manager within 30 days of the date of the disbursement notification letter.

## PROCESS AND RESPONSIBILITIES

33. The following Annexes provide guidance on the relevant processes:
  - Annex 1: Delegated Authority for Annual Funding and Disbursement Release Decisions
  - Annex 2: Grant Performance Rating Methodology
  - Annex 3: Scoring Methodology for Workplan Tracking Measures
  - Annex 4: Annual Funding Decision Process and RACI - *to be developed with AIM*
  - Annex 5: Disbursement Decision Process and RACI – *to be developed with AIM*
  - Annex 6: Standard Checklist for Management Issues

<sup>133</sup> Significant unspent cash balances which are not required before the next disbursement – more than 25-50% not spent of the previous cash disbursed under the current Annual Funding Decision as evidenced by the latest progress reports or updates in cash balances.

<sup>134</sup> This can be done through an automatic process once the functionality is implemented in the system.

## CHANGE HISTORY:

No.	Approved By	Change Description	Date	Version No
1.	EGMC	<ul style="list-style-type: none"> <li>Clarified rules that buffer should not be release before 12 months of the execution period, but if required, the disbursement must be approved by Treasury.</li> <li>Clarified definition of annual funding decision (not incremental commitment but total disbursement over the execution and buffer period) and included rules on disbursing beyond the buffer period (up to 6 months after the buffer).</li> <li>A differentiated approach for rolling out the new requirement for PRs to submit quarterly financial reporting on cash balances and (ii) clarification that the EFR remains applicable for old grants, while the new Annual Financial Report (AFR) is applicable for grants signed under the new funding model.</li> <li>Introduces workplan tracking measures for use in grants without service delivery components as well as the rating methodology for grants converting the milestone tracking into a standard indicator rating.</li> <li>Clarifies the simplified process for making a first annual funding decision based on the recently signed budget in the grant agreement.</li> </ul>	18 September 2014	2.2
2.	EGMC	<ul style="list-style-type: none"> <li>Standard 6 months buffer for annual funding decisions for focused countries. 6 months buffer is also allowed for core and high impact countries.</li> <li>For Focused Countries, disbursements approved either through a no-objection basis except when the disbursement is modified, cancelled or requires additional sign-off.</li> <li>PPM, AMFm and Wambo-related commitments will not be processed through the ADMF but through the IOCF process.</li> <li>Provision for multi-currency disbursements if deemed more advantageous in terms of managing foreign exchange fluctuations.</li> <li>Revised delegated authority for annual funding decisions and disbursements.</li> <li>Additional flexibilities on disbursements to third parties.</li> <li>Revised grant rating methodology.</li> </ul>	22 July 2016	2.3

## **ANNEX 1. DELEGATED AUTHORITY ON ANNUAL FUNDING DECISION AND DISBURSEMENTS**

1. The purpose of this annex is to determine the delegated authority and approval limits for Annual Funding Decisions and Disbursement Decisions.
2. Delegation of authority is the assignment to certain officers or staff members of the Global Fund the responsibility and power to authorize certain transactions. The delegated authority of an officer or staff member can only be approved within the approval limits specifying the value of the transactions which such officer or staff member may authorize.
3. Officers and staff members receiving a delegation of authority under this annex are responsible for the delegated authorities and approval limits granted to them. Sub-delegations of authority and approval limits, however, must be specified in writing and no sub-delegated authority or approval limit should ever be assumed in the absence of a written sub-delegation of authority.
4. Delegated authority and approval limit can only be sub-delegated together to a person holding a similar function<sup>135</sup> (e.g. Fund Portfolio Manager to Fund Portfolio Manager, Regional Finance Manager to Regional Finance Manager, Department Head to Department Head etc..) or to the direct supervisor of the approver. They may never be delegated to subordinates.
5. The exercise of a delegated authority is performed through an approval process to record approval actions whether within an automated workflow system, paper-based, or e-signature. For purposes of the annual funding and disbursement decisions, the transactions will require an affirmative action by the holder of the delegated authority (i.e. physical signature or automated workflow approval), except for certain transactions which will be authorized on a no-objection basis<sup>136</sup>.
6. No-objection approval is defined as approval granted by an officer(s) or staff member with delegated approval authority, implying that that they have no objection to proceed with a given transaction and/or request as per agreed upon procedures. If (i) one or more approver(s) with delegated authority expresses an objection within the stipulated timeframe; or (ii) any of the exceptions outlined in paragraph 11 below is applicable, the no-objection approval process is no longer applicable for the transaction and/or request. The initiator of the transaction or request would need to provide the additional information for regular affirmative action approval.

### **Annual Funding Decision**

7. Approval limits for purposes of the annual funding decisions are broken-down into three categories (as outlined in the table below):
  - a. Up to and including US\$ 20 million
  - b. Above US\$ 20 million and up to (and including) US\$ 40 million
  - c. Above US\$ 40 million

---

<sup>135</sup> Function is a key determinant and not just the grade level of the individuals. For example, a Fund Portfolio Manager can sign on behalf of a Senior Fund Portfolio Manager. However, the Senior Manager Risks & Assurance cannot sign on behalf of the Regional Finance Manager, as the function is different.

<sup>136</sup> The initial pilot for a no-objection based approval for disbursement release will soon be initiated for Focused Countries.

## Funding Decision Delegated Authority - Approval Limits (Including Exceptions)

Legends					
Analysis & first level review					
Recommendation					
Validation					
Approval					
Not Applicable					
Compliance verification					
Compliance review and approval					
Funding Decision Approval Limits					
Approval Level	Approver Role	Zero Disbursement*	Up to (and including) US\$ 20M	US\$ 20M and Up to (and including) US\$ 40M	Above US\$40M
Operational - Team	Program Officer/Senior Program Officer**	Analysis	Analysis	Analysis	Analysis
	Fund Portfolio Manager	Approval	Recommendation	Recommendation	Recommendation
	Finance Specialist	Approval	Recommendation	Recommendation	Recommendation
	Regional Manager***		Approval	Validation	Validation
	Senior Finance Specialist***		Approval		
	Regional Finance Manager***			Approval	Approval
Portfolio - Department	Head of Department, Grant Management			Approval	Validation
Strategic - Division	Division Head, Grant Management				Approval

\*No additional funding is committed.

\*\*For Focused Countries, the analysis task is performed by the Fund Portfolio Managers.

\*\*\*The Regional Manager and Senior Finance Specialist validation and approval levels are relevant for Focused and Core portfolios. For High Impact countries, validation and approval limits are at the Head of Department and Regional Finance Manager only.

Compliance & Back Office	Approver Role	Decommitment***	SINGLE PROCESS		
Corporate Finance	Analyst, Grant Finance	Compliance verification			
	Analyst, Financial Services	Compliance approval	Compliance approval	Compliance approval	Compliance approval

\*\*\*Decommitment and transfers between periods and grants. This is not related to funding decision transactions.

## Disbursement Decisions

8. As a general principle, the Fund Portfolio Manager and Finance Specialist have the approval authority to release disbursements for the grant (excluding Wambo and PPM). Release of exceptional disbursements outlined in paragraph 11 below shall trigger the additional approval of the Regional Manager (Head of Department for High Impact) and the Regional Finance Manager.
9. Disbursements are approved either through physical signature, e-signature or through an automated workflow approval. Fund Portfolio Managers and Finance Specialists will have the option to approve (affirmative action or no-objection), modify/reschedule or cancel the scheduled disbursement. For Focused Countries, scheduled disbursements approved in the annual funding decision shall proceed and be authorized by the Fund Portfolio Manager and Finance Specialist through a no-objection basis except when the disbursement is modified or cancelled, or requires additional sign-off due to an exceptional case (as defined in the table of exceptional cases below).
10. The Financial Services Team will perform a final compliance and due-diligence review to ensure compliance with established procedures as outlined in the OPN and accurate matching the payee details (name and associated bank account). There will be a 2-step verification within Financial Services as follows:
  - a. Step 1: Analyst, Financial Services – verification
  - b. Step 2: Supervisor or Manager, Financial Services – Review and approval<sup>137</sup>

<sup>137</sup> This includes the Batch Release Approval for execution of the transaction by the Treasury and banking institution.

**11. Exceptional Cases.** Exceptional cases are classified into 3-levels as follows:

Exception Level 1	Exception Level 2 <sup>138</sup>	Exception Level 3
<ul style="list-style-type: none"> <li>The Grant Agreement has reached the implementation period end-date plus the 6 months closure period to liquidate financial liabilities.</li> <li>Funding decision amount that deviates by +/-10% of the agreed corporate forecast amount for the specific grant.<sup>139</sup></li> <li>Critical issues (programmatic &amp; financial) raised by the LFA and/or other assurance providers and validated by the Country Team.</li> <li>Audit report not received or received with a qualified opinion or major disclaimers and issues</li> <li>Progress Update/ Disbursement Request was not received, significant issues were highlighted or the Quarterly Cash balance report was not compliant<sup>140</sup> in the last reporting window.</li> <li>Cumulative ineligible expenditure represent the lower of 1% of the total funds disbursed or US\$ 200K for a specific grant.</li> <li>The Secretariat is aware and/or has been informed by the OIG or other sources of ongoing investigations of the Principal Recipient/ implementer.</li> <li>The disbursement is to a third party not listed in this OPN.</li> </ul>	<ul style="list-style-type: none"> <li>The Secretariat has been informed in writing that the Inspector General has made a “determination there is credible and substantive evidence of fraud, abuse, misappropriation or corruption” relating to the grant in question and the Executive Director has subsequently approved the continued implementation of the grant in accordance with the Board Decision <a href="#">B19/DP25</a> (May/2009).</li> <li>The Secretariat has been informed of credible and substantive evidence of fraud, abuse, misappropriation or corruption” relating to the grant in question from non-OIG sources.</li> </ul>	<ul style="list-style-type: none"> <li>Release of buffer during the execution period.</li> </ul> <p>Note: In cases where the execution and buffer period is within 12months, the exception is not applicable and regular approval authority applies.</p>

<sup>138</sup> The level-2 exceptions and signature authority takes precedence even when there are more level-1 factors in the same decision.

<sup>139</sup> Applicable to core and high impact countries only. Focused portfolios do not always submit corporate forecast at grant level.

<sup>140</sup> The report was incomplete or inaccurate information was reported, etc.

12. The approval authority for exceptions management will follow the regular approval limit as outlined in paragraph 7 above in addition to the following approvers.

Exceptional Funding Decision Approval Matrix*			
Approval Limit	Level 1	Level 2**	Level 3
Up to (and including) US\$ 20M	Head of Department, Grant Management	Head of Division, Grant Management	Treasurer
Above US\$ 20M and Up to (and including) US\$ 40M	Head of Division, Grant Management	Head of Division, Grant Management	
Above US\$40M	Head of Division, Grant Management	Head of Division, Grant Management	

*\*Generally, the Delegated Authority for Finance remains with the Regional Finance Managers. For Level 2 exceptions, RFM is expected to consult with the Head of Program Finance and Controlling & CFO as appropriate.*

*\*\*The Executive Director approval is required in cases where there is an OIG-confirmed misuse of funds.*

13. In addition to the Regional Manager and Regional Finance Manager approval, the exceptional release of the buffer amount within the 12-month execution period (Level 3 Exception) requires the additional signature of the Treasurer (or an authorized representative from the Treasury Team) to ensure the availability of resources in terms of the timing and amount, to cover the buffer amount to be disbursed. Treasury sign-off is not required in cases when a grant's execution period and buffer period are less than 12 months.

## ANNEX 2: GRANT PERFORMANCE RATING METHODOLOGY

**References:** OPN on Annual Funding Decisions  
 OPN on Conditions and Management Actions  
 Annex 6: Standard Checklist of Management Issues

Seq No	Responsible	Process Description	Output
<b>CALCULATE INDICATOR RATING</b>			<b>Indicator Rating</b>
1.	Country Team	<p>Inputs data from the PU/DR into GMS.</p> <p>*** If the grant's quantitative indicator rating will be based on Work-Plan Tracking Measures, please follow the guidance in Annex 3 on how to convert the Country Team's evaluation of progress against the work-plan into a quantitative indicator rating. The results shall be entered into GMS.</p>	
2.	GMS (GRT)	<p>The Grant Rating Tool within GMS produces a <u>quantitative indicator rating</u> that is automatically extracted by the Annual Decision Making Form (ADMF). Depending on the type of indicator and target setting in the Performance Framework, the results will be aggregated over the reporting periods for Annual Funding decision. Indicator ratings will be calculated as follows:</p> <ul style="list-style-type: none"> <li>• "Non-cumulative" targets: These reflect period specific targets/results, irrespective of the targets/results in the previous periods. In such cases, the relevant periodic targets/results will be added up to calculate the indicator rating for the Annual Funding Decision.</li> <li>• "Non-cumulative (other)" targets: This is applied to indicators that refer to people currently receiving services irrespective of the targets/results in previous periods. Therefore, the targets/results in the last reporting period will be used to calculate the indicator rating for the Annual Funding Decision.</li> <li>• "Cumulative annually" targets: These targets are already cumulated over the year or the reporting period*. In such cases, the targets in the last reporting period will be used to calculate the indicator rating for the Annual Funding Decision.</li> </ul> <p><i>* This is to avoid cumulating targets over the entire Grant Implementation Period, which is no longer permissible.</i></p> <p>The calculated Indicator Rating is automatically downgraded by one rating if one indicator has less than 60% achievement. The downgrade only applies to grants with an Indicator Rating of a1 and/or a2. The final rating, however, remains the same if the Indicator Rating is b1, b2 or c, i.e. no further downgrading shall be applied in such cases.</p>	
3.	Country Team	<p>- Assesses the quality of reported data and whether the calculated quantitative indicator rating adequately reflects the programmatic performance of the grant.</p> <p>-If not, the Country Team adjusts the quantitative rating to reach the final indicator rating. Appropriate and documented justification must be included in the ADMF for any changes to the quantitative rating. Grant management and contextual factors (force majeure, political and civil issues at the country level, etc.) do not form part of the indicator rating.</p>	
<b>DETERMINE INDICATIVE FUNDING RANGES</b>			<b>Indicative Funding Range</b>
4.	ADMF Tool	<p>Calculates the indicative annual funding range based on the indicator rating and the cumulative budget (including the period covered by funding decision). The indicative annual funding ranges are linked to indicator rating and are intended to ensure that the funding decisions are commensurate with the program performance. The indicative funding ranges for each Indicator Rating, before other factors are taken into consideration, are as follows:</p>	

Seq No	Responsible	Process Description				Output	
		Indicator Rating		Average Achievement (Result/Target) (%)	Cumulative Budget Amount (including current funding request)		
		a1	Exceeding expectations	>100%	Between 90-100% of Cumulative Budget through the next reporting period		
		a2	Meet expectations	100-90%			
		b1	Adequate	60-89%	Between 60-89% of Cumulative Budget through the next reporting period		
		b2	Inadequate but potential demonstrated	30-59%	Between 30-59% of Cumulative Budget through the next reporting period		
		c	Unacceptable	<30%	To be discussed individually		
		Funding ranges are only indicative; they serve as a “starting point” for the Country Team in determining the annual funding amount. There are many valid reasons for disbursing outside the indicative ranges and these should be documented in the ADMF.					
		<div><div><div>Indicator Rating</div><div>b2</div></div><div>+</div><div><div>Cumulative Budget</div><div>\$16,743,641</div></div><div>=</div><div><div>Indicative Funding Range</div><div><div>In %</div><div>30-59%</div></div><div><div>In US\$</div><div>\$5,023,092</div></div></div><div>-</div><div>\$9,878,748</div></div>					
		IDENTIFY MANAGEMENT ISSUES					Rated Management Issues
		5.	Country Team	<div>-Determines whether there are management issues in each of the following four functional areas:<div>(i) Monitoring and Evaluation (M&amp;E);</div><div>(ii) Program Management (PM);</div><div>(iii) Financial Management and Systems (FM&amp;S); and</div><div>(iv) Health Product Management (HPM).</div></div> <div>- Assigns a score of no, minor, or major issues for each functional area</div> <div>- Captures these scores in the ADMF including the remedial actions and/or capacity-building measures to be implemented by the Principal Recipient. These actions and measures shall also be communicated to the Principal Recipient through the Performance Letter. Where appropriate, the additional costs for capacity strengthening should be specified and explained in the annual funding decision.</div> <div>- When processing the ADMF, ensure that significant discrepancies between expenditures, program performance and results are identified. Country Teams should also perform a comprehensive analysis to justify and document the cause of the discrepancy, including identifying any corrective actions where necessary.</div>			
DERIVE THE OVERALL GRANT RATING					Overall Grant Rating		



Seq No	Responsible	Process Description	Output																										
6.	Country Team	<p>Determines the overall grant rating:</p> <ul style="list-style-type: none"><li>- The overall grant rating should be one rating lower than the indicator rating if one or more of the functional areas (M&amp;E, PM, PHP, FM&amp;S) receive a score of “Major Issues”.</li><li>- In severe cases where there are two or more functional areas scoring as “Major Issues”, the Country Team may exceptionally consider an overall grant rating that is two ratings lower than the indicator rating.</li></ul> <table><tr><th rowspan="2">Indicator Rating</th><th rowspan="2">Overall Grant Rating</th><th colspan="4">Rationale for Overall Grant Rating</th></tr><tr><th colspan="4">Grant Management Issues</th></tr><tr><td rowspan="2">a2</td><td rowspan="2">B1</td><td>Prog Mgt</td><td>FM&amp;S</td><td>PHP</td><td>M&amp;E</td></tr><tr><td>Minor</td><td>Major</td><td>None</td><td>None</td></tr><tr><td colspan="6">Insert one sentence describing the rationale for Grant Rating.</td></tr></table> <p>Includes in the ADMF:</p> <ul style="list-style-type: none"><li>- An explanation of important deviations, if any, between results and targets for individual indicators;</li><li>- A description of how overall performance, including any available information related to progress toward outcome and impact supports the annual funding decision; and,</li><li>- Identifies management issues that affected the overall grant rating (including quality of services and progress against work-plan tracking measures, requirements, strengthening measures identified capacity assessment and other reviews, etc.), as well as required follow-up actions.</li></ul>	Indicator Rating	Overall Grant Rating	Rationale for Overall Grant Rating				Grant Management Issues				a2	B1	Prog Mgt	FM&S	PHP	M&E	Minor	Major	None	None	Insert one sentence describing the rationale for Grant Rating.						
Indicator Rating	Overall Grant Rating	Rationale for Overall Grant Rating																											
		Grant Management Issues																											
a2	B1	Prog Mgt	FM&S	PHP	M&E																								
		Minor	Major	None	None																								
Insert one sentence describing the rationale for Grant Rating.																													
DETERMINE ANNUAL FUNDING DECISION AMOUNT			Recommended AFD Amount																										
7.	Country Team	<p>The annual funding amount should be based on the</p> <ul style="list-style-type: none"><li>- indicative range based on the indicator rating;</li><li>- expenditure rate;</li><li>- grant management issues (including quality of services where available), including the mitigating actions needed to address them.</li></ul>																											

## ANNEX 3: SCORING METHODOLOGY FOR WORK-PLAN TRACKING MEASURES

There are some program areas (modules) and interventions that constitute essential investments in Global Fund grants but cannot be measured using available coverage indicators during the execution period being assessed and will therefore not result in a standard indicator rating.<sup>141</sup> Moreover, these areas require additional qualitative measures to assess their effectiveness.

To address this, the Global Fund has developed a specific M&E framework for modules that do not have a service delivery component and will request the Principal Recipient to report on progress through the Progress Update/Disbursement Request on the agreed upon work-plan tracking measures (WPTM) in country specific, multi-country and regional grants (see the [M&E Framework for the Global Fund Grants with Insufficient Coverage Indicators for Performance Based Funding](#) for further information).

A differentiated approach will be applied in using these measures for determining an indicator rating and in making performance-based annual funding decisions:

- i. When grants do not include any coverage/output indicators, a scoring methodology will be applied to measure progress against WPTMs to arrive at an indicator rating.
- ii. When grants include both coverage/output indicators as well as the WPTMs, only the coverage/output indicators will be used to calculate the indicator rating<sup>142</sup>. In these instances, WPTM may be additionally used at the discretion of the Country Team in determining the overall grant rating and adjusting the annual funding decision amount.

The following scoring methodology will be applied to derive scores and equivalent indicative funding range at each reporting period.

1. The progress on work-plan tracking measures (i.e. milestones and targets for input and process indicators) will be categorized as:

Implementation progress during the reporting period	Category
No progress against planned milestone or target	Not started
Less than 50% completion of the milestone or target	Started
50% or more completion of planned milestone or target	Advancing
100% achievement of planned milestone or target	Completed

2. Achievement against each work-plan tracking measure (milestones and targets) will be graded on a four point scale from 0 to 3:

Category	Score
Not started	0
Started	1
Advancing	2
Completed	3

3. At each reporting period, depending on the progress in implementation of various activities, respective score will be allotted to each measure.
4. Based on reported progress, the sum of all scores during the reporting period will be compared against the maximum score for that period to obtain the default rating.

<sup>141</sup> Examples of such modules/interventions include removing legal barriers to access or changes in policy and governance under HSS.

<sup>142</sup> At the time of Grant Making, the Country Team decides and agrees with the PR whether the indicator rating will be based on Coverage Indicators or Work-Plan Tracking Measures.

Percentage achievement during the reporting period (Total score/Maximum score)	Default WPTM rating
100% or above	a1
90-99%	a2
60-89%	b1
30-59%	b2
<30%	c

5. The default rating determines the indicative funding range. The indicative funding ranges for each Indicator Rating, before other factors are taken into consideration, are as follows:

Default WPTM Rating	Cumulative Budget Amount (including current funding request)
a1	Between 90-100% of Cumulative Budget through the next reporting period
a2	Between 90-100% of Cumulative Budget through the next reporting period
b1	Between 60-89% of Cumulative Budget through the next reporting period
b2	Between 30-59% of Cumulative Budget through the next reporting period
c	To be discussed individually

## ANNEX 4: STANDARD CHECKLIST OF MANAGEMENT ISSUES

This list has been compiled to assist Country Teams in evaluating management performance issues in the four functional areas. This is not an exhaustive list. Country Teams may identify and document other grant-specific management issues as appropriate.

Description	Source
<b>Monitoring and Evaluation</b>	
1. Activities deviate from agreed National Strategic Plan and M&E Plan	M&E Plan / LFA Report
2. In-country data quality assessments show Major or Minor data quality issues in the last 6 months	LFA Spot Check Report
3. In-country program quality assessments, program evaluations, special studies or spot checks show Major or Minor service quality issues in the last 6 months	LFA Spot Check Report
4. Inappropriate impact measurement framework (i.e., without standard indicators, targets, data source and/or corresponding budget), or lack of timely availability of impact data due to delayed implementation of surveys	M&E Plan
<b>Program Management</b>	
5. Unmet or Little Progress on Requirements or Management Actions	LFA Report
6. End-Year Progress Update/Disbursement Request submitted more than 60 days after the end of reporting period	End-Year Progress Update/Disbursement Request
7. Period covered by Principal Recipient's financial and/or programmatic report ended more than 6 months ago	Mid/End-Year Progress Update/Disbursement Request
8. Principal Recipient staffing, expertise or capacity does not follow workplan/budget and/or FPM judges this to be inadequate for implementation	LFA Report
9. Poor oversight and monitoring of sub-recipients	LFA Report
<b>Financial Management and Systems</b>	
10. Detailed budget for the previous period or period corresponding to the next disbursement period not agreed and/or activities deviate from approved Budget	Grant Agreement / LFA Report
11. Principal Recipient has expended grant amounts which are ineligible (i.e., on non-grant activities or otherwise in violation of the terms and requirements of the Grant Agreement) or not properly justified	LFA Report
12. Cash balance not reconciled to the cash reconciliation and bank account with significant (+/-5%) and unexplained differences	LFA Report
13. Audit Report overdue	Audit Report
14. Qualified or adverse opinion received for the latest audit	Audit Report
15. Critical recommendations by auditors, OIG or the Global Fund on internal controls are not implemented or being addressed by the Principal Recipient	LFA Report/Audit Report
16. Enhanced Financial Report/Principal Recipient Expenditure Report has important deficiencies (e.g., correctness of opening balance, funds in transit, computation of closing balance, etc.)	End-Year Progress Update/Disbursement Request
17. Inadequate explanation of significant variance (+/-10%) between budget and actual expenditures by intervention/Service Delivery Area and/or cost grouping/cost category	End-Year Progress Update/Disbursement Request
<b>Health Product Management</b>	
18. Activities for the management of health products being implemented deviate from the approved HPM arrangements & List of Health Products (LoHP)	Approved HPM arrangements (incl. CAT) & LoHP/LFA Report, Audit Report
19. The Price and Quality Reporting system not completed through latest Implementation Period	PQR
20. Procurement & Supply chain management activities in violation of the Global Fund policies	LFA Report, PQR reports, spot checks/verifications, Audit Report
21. Delays in procurement of health products >6 months	LFA Report, Principal Recipient Reports

## **Reprogramming during Grant Implementation**

**Issued on:** 13 July 2016

**Issued by:** MECA and Operational Policy Hub

**Approved by:** Executive Grant Management Committee

**Purpose:** To define the policy and process for reprogramming, changing scope and scale of Global Fund-supported programs<sup>143</sup>, during grant-making, implementation and renewals.

### **OVERALL OBJECTIVES**

63. The overall goal of reprogramming is to promote and enable the adjustments of programs to ensure the continued effective and efficient use of Global Fund resources invested to achieve maximum impact in line with the Global Fund's Strategy.
64. Reprogramming is the process of changing the scope and/or scale of a Global Fund-supported program. Changing the scope is the process of (i) adding or deleting goals and/or objectives, or (ii) changing key interventions<sup>144</sup>, either at the level of a grant, or at the level of the Global Fund supported disease or HSS program. Changing scale is the process of increasing or decreasing targets for goals and objectives for key interventions. These programmatic changes should be reflected in changes to the grant agreement, including potentially the performance indicators, targets and the budget.
65. Adjustments that are purely budgetary and that do not affect the performance framework are governed by the Global Fund's [Guidelines on Budgeting and Annual Financial Reporting](#).

### **POLICY AND PRINCIPLES**

#### **Initiating Reprogramming**

66. Reprogramming may be initiated by the Country Coordinating Mechanism (CCM), Principal Recipient (PR), or the Global Fund Secretariat and managed in consultation with CCM, PR(s) and technical partners. The CCM Request for Reprogramming template should be used to submit all material reprogramming requests<sup>145</sup>. All reprogramming requests must be endorsed by the CCM<sup>146</sup>. Once finalized and approved by the Global Fund, in accordance with the process described below, a reprogramming shall be reflected in the grant agreement, performance framework and budget.

<sup>143</sup> Including approved funding request.

<sup>144</sup> High-impact interventions within a defined epidemiological context, as confirmed by the relevant disease advisor: interventions that are not adequately funded at present and/or **interventions** that meet one or more of the following criteria: i) address emerging threats to disease control, ii) lift barriers to the broader disease response and/or create conditions for improved service delivery; AND/OR iii) enable the roll-out of new technologies that represent best practice.

<sup>145</sup> The Country Team may require an LFA review of the request or a specific element of it. The scope of the LFA review is to be agreed between the Country Team and the LFA, on a case-by-case basis.

<sup>146</sup> In the absence of a CCM or an alternative coordinating platform in the country, the Country Team must seek endorsement from the Regional Manager (or for High Impact countries, relevant Department Head), after consulting with the Manager of the Monitoring, Evaluation & Country Analysis (MECA) Team, the Head of the Technical Advice & Partnerships Team within the Strategy, Investment and Impact Division (SIID) and to the extent possible in-country partners.

67. There are a number of events that may trigger a grant reprogramming. Please refer to Annex 1 for an indicative list of triggers and scenarios.
68. Reprogramming may be proposed during grant-making or during grant implementation. The timing of submission of a reprogramming request during grant implementation depends on the defined portfolio category:

Portfolio Category	When a reprogramming request may be submitted
Focused	Once a year <sup>147</sup> , if warranted by the program context.
Core	Any time during grant implementation, if warranted by the program context.
High Impact	Any time during grant implementation, if warranted by the program context.

## Types of Reprogramming

69. A reprogramming request is classified as either “material” or “non-material”. The materiality of a reprogramming request is assessed at the disease or HSS program level (supported by the Global Fund) and not at the individual grant level. A request involving a shift of activities and respective budget from one PR to another PR from the same approved application will not be considered material<sup>148</sup>.

70. **Material Reprogramming.** A reprogramming is considered material when:

- It contradicts the TRP’s original or modified review and recommendation on the funding request (e.g. intervention originally removed by TRP is being re-introduced to the program; there is a significant redesign or shift of balance of original approved funding request/grant, i.e. a prevention program is shifting to treatment; a key intervention is removed from the grant without evidence of alternative funding in the country); OR
- There is a lack of agreement in the normative guidance, significant gaps in evidence to support a reprogramming need, unexplained lack of impact, or difficult trade-offs in decision making (e.g. the grant is operating in a context where there is no national strategy or there is a lack of strategic focus of additional investments or interventions), which therefore requires an independent technical review of the reprogramming request; OR
- Additional Global Fund financing representing more than a 30% increase to the approved funding for the implementation period is allocated to an existing disease or HSS program outside of the application process to access allocation. This threshold does not apply when the additional funds will finance TRP-reviewed unfunded quality demand (UQD).

<sup>147</sup> Such as when a country is facing an emergency situation (either political or natural disaster) and reprogramming the grant is therefore necessary. This is to be decided by the FPM on a case -by-case basis.

<sup>148</sup> During a reallocation of activities and accompanying budget between PRs in the same program, Country Team must ensure that (i) PR(s) to whom the activities will be reallocated has achieved satisfactory past performance and has relevant capacity to perform the activities; (ii) the proposed reallocation is aligned with the program goals and objectives; and (iii) the proposed reallocation is consistent with the TRP recommendations for the program.

71. **Non-Material reprogramming.** A reprogramming request is considered non-material if it falls outside the definition of materiality described in paragraph 9 above. In addition, funding activities (either through savings or additional funding) that are included and prioritized in the UQD register generally will be considered non-material reprogramming and therefore will not require a TRP review. (Please contact your Access to Funding Focal Point for more information on the UQD process).

## **Reviewing and Approving Reprogramming**

72. The Country Team<sup>149</sup>, in consultation with relevant Disease Advisors and Regional Managers/Department Heads, reviews the reprogramming request and makes a preliminary determination of whether the reprogramming is material or non-material as defined above. If there is no agreement among parties involved in the consultations in determining the materiality of the request, the decision-making will be escalated as per the standard escalation procedure, as determined in the *Country Team Approach*.
73. If the reprogramming request is considered material, the [Country Team Assessment of the Reprogramming Request](#) should be completed and submitted to the Grant Approvals Committee (GAC).
74. **Material Reprogramming.** All cases identified as material reprogramming shall be reviewed by the GAC. The GAC confirms whether a reprogramming identified by the Country Team as material is indeed material. If the GAC determines the request to be non-material, the GAC approves the request.
75. All cases of reprogramming that are confirmed as material by the GAC are referred to the TRP for review<sup>150</sup>. The TRP makes a recommendation to the GAC on the strategic focus and technical soundness of a reprogramming request. The GAC then makes the decision on the reprogramming request.
76. **Non-material Reprogramming.** The Regional Manager or Department Head for High Impact countries reviews and approves non-material reprogramming cases that involve:
- a. the addition or deletion of an intervention; OR
  - b. an increase of more than 100% or reduction of more than 20% to the targets for any core coverage or output indicator measuring the number of people reached by a service; OR
  - c. a shift of activities and respective budget from one grant/PR to another grant/PR emanating from one approved funding request.
77. Where there is lack of consensus within the Country Team in approving the non-material reprogramming, the Regional Manager or Department Head consults with the MECA Manager and Disease Advisor, and may escalate the request to the GAC.
78. Non-material reprogramming requests below the thresholds described in paragraph 14 are decided by the Country Team.

---

<sup>149</sup> The composition of the Country Team varies depending on the portfolio category. For Focused Countries, the Country Team is comprised of the Fund Portfolio Manager, Senior Fund Portfolio Assistant, the Public Health and M&E Specialist, the Health Product Management Specialist and the Legal Officer. For Core and High Impact Countries, the Country Team includes the Fund Portfolio Manager, Program Officer, Public Health and M&E Specialist, HPM Specialist, Finance Specialist and Legal Officer.

<sup>150</sup> See Annex 2 for the TRP review process of the material reprogramming requests.

Annex 1: Indicative Triggers and Scenarios for Reprogramming

Annex 2: TRP Review Process of Material Reprogramming Requests and Documentation Requirements

Annex 3: Process Flow for Reprogramming (*to be developed with AIM*)

**Version Control:**

Version	Change	Date
<b>1.0</b>	Original version	29 May 2013
<b>1.1</b>	Updated to reflect new titles of managers and modified paragraph 9.c) to clarify that the 30% threshold did not apply at the time of application for allocation.	16 June 2014
<b>1.2</b>	Updated to reflect differentiated approach when reprogramming may be requested; to include new guidance on shifting activities and budget across grants resulting from one approved funding request.	13 July 2016



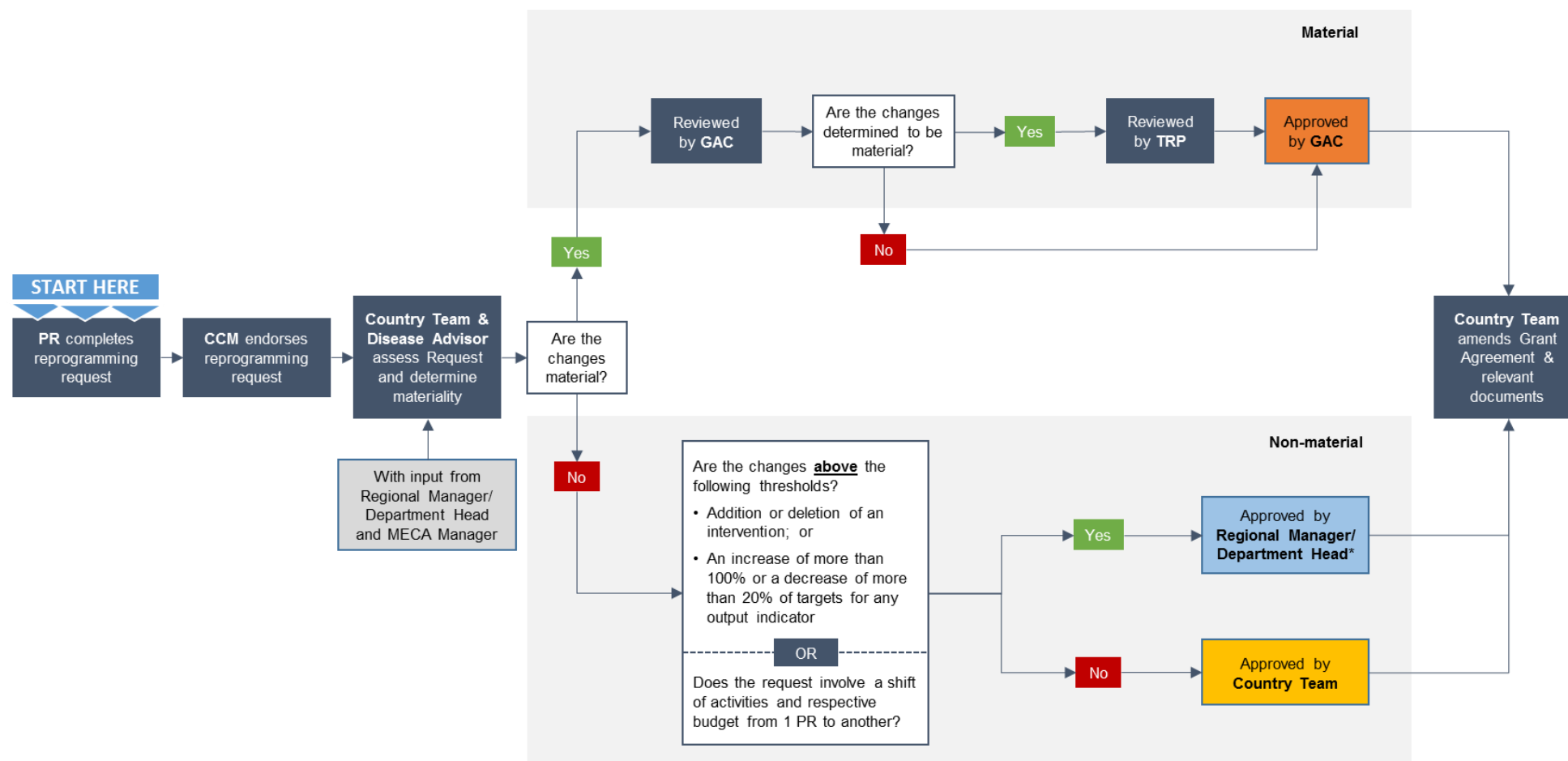
## ANNEX 1: INDICATIVE TRIGGERS AND SCENARIOS FOR REPROGRAMMING

	Reprogramming triggers	Indicative scenarios for reprogramming
1	Investing more strategically	<ol style="list-style-type: none"> <li>1. Interventions aligned with national strategies</li> <li>2. Activities to be deleted or reduced are non-essential; evidence shows low returns on investment / no impact.</li> <li>3. Accelerated progress towards goal of the program or SDGs if reprogramming is implemented</li> <li>4. Refocusing available resources to high-impact interventions,</li> <li>5. Increasing coverage/scope and effectiveness of interventions for greater impact of Global Fund investments</li> </ol>
2	Emerging scientific evidence or normative guidance	<ol style="list-style-type: none"> <li>1. Respond to the release of a new scientific evidence to the disease(s) control</li> <li>2. Changing epidemiological evidence in a country agreed by partners justifies reprogramming in itself (e.g. program reviews).</li> <li>3. Proposed interventions are consistent with the normative guidance from technical partners (WHO, UNAIDS, Global Malaria Program).</li> </ol>
3	Changes in the national context	<ol style="list-style-type: none"> <li>1. Responds to the changes in the National strategy</li> <li>2. Address gaps identified by evaluations and program reviews</li> <li>3. Respond to the changes in the funding landscape by refocusing on under-funded interventions</li> <li>4. Responds to natural disasters and humanitarian emergencies</li> <li>5. Corresponds to changes in legal, political and socio-economic environment; and responds to context in fragile states</li> </ol>
4	Changes in unit costs and budgetary changes	<ol style="list-style-type: none"> <li>1. Major fluctuations in the unit costs of goods/services procured under the program (e.g. reducing costs of health products)</li> <li>2. Changes in the budget that do not adversely affect progress toward program goals and targets or shift the balance between program activities</li> <li>3. Changes in a budget caused by implementation delays</li> <li>4. Changes in a budget related to PBF</li> <li>5. Achieving better value for money</li> </ol>
5	Changes in implementation arrangements	<ol style="list-style-type: none"> <li>1. Addressing community and health system strengthening needs</li> <li>2. Reduction of number of PRs/SRs in-country</li> <li>3. Scale up is based on a demonstrated effectiveness of interventions</li> <li>4. Moving activities from one PR to another in the same disease program, with potential for strategic shift and ensuring maximum impact, effectiveness and efficiency of program</li> </ol>
6	Scale up effective interventions	<ol style="list-style-type: none"> <li>1. The PRs and/or SRs have or will have the capacity to achieve the increased targets</li> <li>2. The increase in targets will not shift the balance between program activities or adversely impact other programmatic interventions</li> <li>3. Proposed performance targets and measurement metrics are consistent with the goal of the program, and aligned to Global Fund guidance</li> <li>4. Reduction/refocusing of a portfolio to essential services</li> </ol>
7	Risk mitigation purposes	<ol style="list-style-type: none"> <li>1. Reassessing a package of interventions based on identified capacity gaps and risks</li> </ol>

## **ANNEX 2: TRP REVIEW PROCESS OF MATERIAL REPROGRAMMING REQUESTS AND DOCUMENTATION REQUIREMENTS**

1. The Secretariat shall provide the following documentation to the TRP to facilitate the review of the reprogramming request in question:
  - a. The reprogramming request as submitted by the country with supporting documentation, as applicable;
  - b. The Global Fund Secretariat's (i) assessment of the reprogramming request, (ii) rationale for requesting TRP review and (iii) review form or memo outlining strategic investments for additional funding;
  - c. Data on the performance and implementation of the grant(s), including recent program/portfolio reviews (if available) and analyses of progress towards impact;
  - d. Original approved funding request, including TRP Review form and TRP clarifications final approval form, grant agreement, if applicable latest budget and performance framework; and
  - e. **If available**, Grant Risk Assessment.
  - f. **If available**, programmatic input provided by donors, technical partners, key populations and other partners, including information on national strategies and/or national program reviews and country contextual information.
2. After submission of complete documentation a conference call may be organized between the Country Team and the TRP to discuss any outstanding questions and provide further clarifications, if needed.
3. Within four weeks from the submission of complete documentation needed for the TRP review, the TRP makes a recommendation to the GAC on the technical soundness of the reprogramming request.

### ANNEX 3: PROCESS FLOW FOR REPROGRAMMING *(to be developed with AIM)*



\* Where there is lack of consensus within the Country Team, the Regional Manager/Department Head consults with the MECA Manager and Disease Advisor, and may escalate the request to the GAC.

## **Signing and Amending Grant Agreements**

**Issued in:** 15 December 2014

**Purpose:** To provide guidance to country teams on the structure of the Grant Agreements under the Rounds Based Model and the New Funding Model; Explain procedures for signing and amending Grant Agreements.

### **OVERALL OBJECTIVE**

1. In order to start implementing a program, the Global Fund enters into a Grant Agreement with a recipient country or an entity, defining terms and conditions for financing. Such Grant Agreements may be amended to reflect changed circumstances and arrangements.

### **STRUCTURE AND TYPES OF GRANT AGREEMENTS**

2. A Grant Agreement is a legal contract that defines the terms and conditions under which the Global Fund provides financing to the recipients in countries where the Global Fund programs are implemented. There are two different structures currently in place under which the Global Fund provides funding:
  - a. Grant Agreement structure under the Rounds Based Model; and
  - b. Grant Agreement structure under the New Funding Model.
3. The Grant Agreement structure under the Rounds Based Model (the “Rounds Based Structure”) consists of the following:
  - a. Face Sheet: contains the program title, country, disease, grant name, grant agreement number, implementation period dates, grant amount, names and contact details of the principal recipient (“PR”) and the local fund agent (“LFA”), fiscal year of the PR and contact details of The Global Fund;
  - b. Standard Terms and Conditions (“STCs”): sets forth the basic terms and conditions for utilizing the funding provided by the Global Fund for programs;
  - c. Annex A: contains the “Program Implementation Description”, which is based on the program proposal submitted to the Global Fund by the relevant Country Coordinating Mechanism (“CCM”), along with conditions precedent to disbursements and special conditions applicable to the program;
  - d. Performance Framework: sets out indicators in relation to the Monitoring and Evaluation Plan that are used to measure the program’s performance and inform the disbursement decisions; and
  - e. Summary Budget: sets out approved budgets for the program expenditures, which is broken down by cost category, Service Delivery Area (SDA), and implementers (Principal Recipients and Sub-recipients).
4. The Grant Agreement structure under the New Funding Model (the “NFM Structure”) consists of the following:
  - c. Framework Agreement: constitutes an overarching agreement that establishes the general legal framework between the Global Fund and a grant recipient regarding how the Global Fund funding is provided and regulated. Each

Framework Agreement is effective for indefinite period of time and incorporates the “Grant Regulations” by reference;

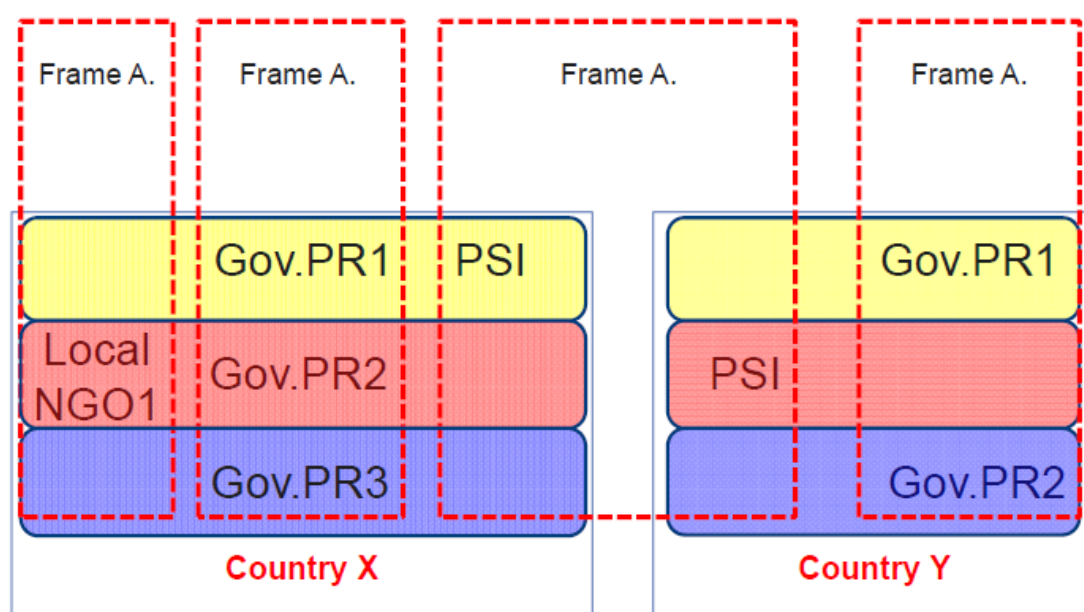
- d. Grant Regulations: is essentially a set of new STCs, which sets forth the basic terms and conditions for utilizing the funding provided by the Global Fund for programs; and
  - e. Grant Confirmation: is a legal document issued under the Framework Agreement following the approval of funding by the Global Fund Board for a specific disease program. The Grant Confirmation makes reference to the Framework Agreement and contains the following elements: program specific contractual provisions and conditions, program title, grant name, grant agreement number, implementation period dates, grant amount, fiscal year of the Principal Recipient, Local Fund Agent, the Principal Recipient and the Global Fund representative names and addresses. Each Grant Confirmation also includes an “Integrated Grant Description” which sets out the program activities and implementation arrangements, along with the Summary Budget and the Performance Framework.
5. The NFM Structure described in Section 4 above has been rolled out along with the New Funding Model. Prior to the NFM Structure, the Global Fund provided funding under the Rounds Based Structure described in Section 3 above.
  6. Despite the roll out of the NFM Structure, substantial number of programs continue being implemented and governed under the Rounds Based Structure until the existing grant agreements expire and new funding, if any, is provided through legal agreements documented under the NFM Structure. In other words, with the roll out of the New Funding Model, the Global Fund is not changing the legal agreements entered into under the Rounds Based Structure, and only the new agreements signed under the New Funding Model shall be processed under the NFM Structure. The Rounds Based Structure shall continue to be used in cases of extensions to the current programs, top up of grant funds and reprogramming of existing programs. In cases of change of a Principal Recipient in an on-going program, the NFM Structure shall be used unless the Legal and Compliance Department determines otherwise. It is necessary to consult with the Legal and Compliance Department before the decision on the use of either structure is made.
  7. Apart from the two structures described above, the Global Fund over the years has also developed several different sets of templates and precedents used for signing grant agreements with UN agencies and international organizations for them to act as program implementers. The most-commonly used are two templates for UNDP Grant Agreements, one for countries managed under the Additional Safeguards Policy (“ASP”) and the other for non-ASP countries.
  8. The grant documents that are used as basis for the Grant Agreement are defined in the *OPN on Grant-Making and Approval*.

## **SIGNING GRANT AGREEMENTS UNDER THE NFM STRUCTURE**

9. Under the NFM Structure, for any country that is eligible for funding from the Global Fund, the Global Fund will sign one Framework Agreement with the country (i.e., the sovereign state). This Framework Agreement only needs to be signed once and, as mentioned above, will remain effective for an indefinite period of time to cover all future Global Fund programs (irrespective of disease components) to be implemented by any and all government PRs in such a country. To further enhance the country ownership under the New Funding Model, the Framework Agreement shall be signed in the name of such country, not in the name of any particular Ministry or government PR. This is also to ensure full enforceability of the grant agreements irrespective of potential changing governments or administrations in each state to which the Global Fund provides funding.

Also, as mentioned above, each Framework Agreement will incorporate a set of the Grant Regulations.

10. For Global Fund programs to be implemented by a non-government PR (e.g., an NGO) in a country, subject to the nature of such non-government PR and its existing cooperation mode with the Global Fund, the Global Fund will sign a separate Framework Agreement with the head office of such non-government PR, so that a single Framework Agreement will govern all Global Fund programs (irrespective of disease component) to be implemented by such non-government PR (irrespective of countries).
11. For example, the Framework Agreement with the Republic of Ghana shall cover the programs implemented by the Ministry of Health of Ghana as well as by Ghana AIDS Commission. Similarly, a Framework Agreement signed with the headquarters of a non-governmental organization (e.g., PSI) applies to and regulates all programs implemented by such non-governmental organization in, e.g., Sudan and Nepal, etc. See the diagram below as an illustration:



12. Prior to the signature of the Framework Agreement, the counterparts shall produce legal evidence demonstrating that a proposed entity or signing representative is duly authorized to bind, as the case may be, the sovereign state under their domestic law or the NGO in accordance with its constituting documents (e.g., by-laws). Such evidence may be or include, among others, an extract from the domestic legislation or a certified copy of its constituting document, an authorization from cabinet or a head of state, and/or a resolution or power of attorney issued by the governing body of the NGO. In each instance the Legal Officer shall review and assess the documents provided.
13. After the relevant Framework Agreement is signed and put in place, once the funding proposal for a specific Global Fund program is approved by the Global Fund Board, a Grant Confirmation will be issued and signed. A standard Grant Confirmation will include the elements described in Section 4.e. above. After the signature of the Grant Confirmation by both parties, and the approval of the Purchase Order in GFS by the Chief Financial Officer (CFO), the funds may be disbursed and program implementation can begin. Grant Confirmations may be signed by the Grantee (signatory to the Framework Agreement) or the relevant Principal Recipient (if different from the Grantee), acting on behalf of the Grantee. Signatories from the Global Fund side shall be determined in accordance with the most recent Signature Authority Procedure.

14. In order to comply with the requirements of the contribution agreements that the Global Fund signed with donors, prior to signing, an anti-terrorism screening of the name of the Principal Recipient, representatives for notices, authorized signatories and the bank of the Principal Recipient shall be conducted. Screening is conducted through specialized software.

## **AMENDMENTS**

15. An amendment is a written modification of an existing agreement. Depending on the rights of the parties to an agreement, an amendment may either be done unilaterally by one of the parties or may require a written consent of all parties.

### **Framework Agreement**

16. Amendments to the Framework Agreements generally shall not be required due to its overarching nature and structure. If such amendments are required, the Legal Department will create the necessary forms and provide them to the Country Teams.

### **Grant Confirmation and the Grant Agreement under the Rounds Based Structure**

17. Changes to any part of the Grant Confirmation also require an amendment. Amendments to the Grant Agreements generally take the form of either an Implementation Letter or a Notification Letter.
18. Notification Letters are used for modifications that can be done unilaterally by the Global Fund in accordance with the terms and conditions of the Grant Agreement. In other words, Notification Letters are only signed by the Global Fund and are effective immediately following its receipt by the Principal Recipient. Notification Letters do not need to be signed by the Principal Recipients.
19. Where under the Grant Agreement a modification requires a written consent of the Principal Recipient, an Implementation Letter shall be used. Implementation Letters are signed by the Global Fund and the Principal Recipient and only become effective after both parties have signed it.
20. Only authorized representatives of the Principal Recipient can sign the Implementation Letters. The Signature Authority Procedure (SAP) of the Global Fund sets forth the authorized signatories at the Global Fund.
21. As the applicant for Global Fund financing, the CCM shall be informed when a Grant Agreement is amended. All the templates for Implementation Letters and Notification Letters provide for such notification to the CCM.
22. Amendments to the Grant Agreements under the Rounds Based Structure shall follow the same guidance in Sections 15 through 30.

## **TYPES OF AMENDMENTS**

23. A wide range of events may trigger an amendment to a Grant Confirmation or to a Grant Agreement under the Rounds Based Structure (in this Section, the term “Grant Agreement” shall be used interchangeably to refer to both Grant Confirmation and the Grant Agreement under the Rounds Based Structure). Below is an illustrative list of amendments.

24. Extending grant implementation periods with or without additional funding. An amendment to the Grant Agreement is required when a program term is extended with or without additional funding. An amendment takes form of an Implementation Letter which includes an updated Summary Budget and the Performance Framework, as needed (See *OPN on Extending Grant Implementation Periods*).
25. Amending the Summary Budget. Changes to the summary budget arising due to extensions or reallocations in the budget regardless of the scale, require an amendment to the Grant Agreement. An Implementation Letter is issued to amend the summary budget along with an updated Summary Budget or an addendum to an existing Summary Budget.
26. Amending the Performance Framework. Both material and non-material changes to existing Performance Framework require an amendment through an Implementation Letter. (See *OPN on Reprogramming during Grant Implementation*).
27. Grant Closure. The Grant Agreement is amended twice in order to effectuate closure of the program. First amendment is issued when the Global Fund approves the Close-out Plan and the Budget. This amendment is issued in the form of an Implementation Letter as it requires Principal Recipients' written consent. The second amendment is issued when the Global Fund notifies the closure of the program to the Principal Recipient following the implementation of all the activities in the Close-out Plan (see *OPN on Grant Closure*). Final closure is notified through a Notification Letter and does not require the Principal Recipients' written consent.
28. Amendments Due to Finance Transformation Project ("Step-Up"). Under the Rounds Based Structure, the first Implementation Letters to the existing Grant Agreement issued following 1 May 2014 shall incorporate the changes to the Standard Terms and Conditions. These changes are of non-substantive nature and are due to transition to a new Finance system at the Global Fund. Subsequent Implementation Letters should follow the regular templates from the Legal Share Point site, without incorporating the changes described in this Section.
29. Changing the Principal Recipient. If during the program implementation a decision is taken to change the Principal Recipient, a new grant Agreement shall be negotiated and signed with a new entity. The Country Team shall at the same time follow the procedures to close the grant with the outgoing Principal Recipient (see *OPN on Grant Closure*).
30. Amending and Restating the Grant Confirmation. In certain cases where the number of changes is significant, amended and restated grant confirmation may be issued.

#### **Annex 1:** Grant Confirmation Signing Process

#### **Annex 2:** Grant Amendment Process



## Annex 1: Grant Confirmation Signing Process

Responsible Party	Action
<b>COLLECT AND SUBMIT INFORMATION IN THE FINANCE SYSTEM TO PREPARE THE DOCUMENTS</b>	
Country Team	Country Team collect and submits all the information required for the Grant Confirmation through the Core Data Forms (PR details, authorized signatories, bank account information and etc.);
Finance Department	Finance Department:  (i) Reviews / Approves provided information before data is entered in the Finance System (GFS); and  (ii) Conducts an anti-terrorism screening.
Finance Officer	Finance Officer:  (i) Generates the Grant Signing Calculator;  (ii) Creates the Purchase Order (PO) in GFS; and  (iii) Requests the generation of the Grant Confirmation.
Country Team	Country Team:  (i) Generates the Grant Confirmation in GFS and fills in sections 5-7 accordingly;  (ii) Obtains all the necessary signs offs from relevant members of the Country Team; and  (iii) Obtains additional approvals, as required.
<b>LEGAL REVIEW AND SIGN OFF</b>	
Legal Officer	Reviews all the documents and provides signs off.
<b>APPROVE, SIGN AND VALIDATE IN THE FINANCE SYSTEM</b>	
Grant Management Department Head or Regional Manager	Grant Management Department Head or Regional Manager

<b>Responsible Party</b>	<b>Action</b>
	approves the execution version of the Grant Confirmation.
Country Team	Country Team sends the execution copy of the Grant Confirmation to the Principal Recipient for signature.
Principal Recipient	Principal Recipient: <ul style="list-style-type: none"> <li>(i) Signs two original copies of the Grant Confirmation;</li> <li>(ii) Ensures that the CCM chair and the CCM's civil society representative sign the Grant Confirmation acknowledging the agreement between the Global Fund and the Principal Recipient; and</li> <li>(iii) Returns both copies to the Global Fund for signature.</li> </ul>
Grant Management Division Head	Grant Management Division Head signs the two original copies of the Grant Confirmations.
Country Team	Country Team sends the one original of the executed Grant Confirmation to the Principal Recipient and the copies to the CCM and any other party, as indicated in the Grant Confirmation.  Country Team sends scanned copies of the signed Grant Agreement to the Finance Officer to be uploaded in GFS, along with the documents listed below. The documents to be uploaded are: <ul style="list-style-type: none"> <li>(i) Signed Grant Agreement (including Summary Budget and the Performance Framework);</li> <li>(ii) Health Products Lists and Costs;</li> <li>(iii) Grant signing calculator; and</li> <li>(iv) Grant making sign-off sheets duly approved.</li> </ul>
Finance Department	<ul style="list-style-type: none"> <li>(i) Finance Officer uploads the scanned documents in GFS and enters the Grant Confirmation signature dates and releases the PO workflow for electronic approval;</li> <li>(ii) Regional Finance Manager (RFM) electronically validates uploaded documents in PO;</li> <li>(iii) CFO electronically approves the Grant Agreement (PO) in GFS; and</li> <li>(iv) Following the approval of the PO by the CFO, the first ADMF and disbursement may be initiated by the Country Team.</li> </ul>

## Annex 2: Grant Amendment Process

Responsible Party	Action
<b>DECIDE ON REQUIRED AMENDMENTS</b>	
Country Team	Country Team: (i) Prepares the document required for an amendment; (ii) Undertakes internal consultations and obtains sign offs, as necessary, from relevant members of the Country Team; (iii) Obtains additional approvals, as required; and (iv) Submits amended information for data entry in the Finance System, if such data is being amended.
Finance Department	(i) Reviews and approves amended information before data are entered in the Finance System (GFS), if such data is being amended; and (ii) Conducts an anti-terrorism screening, if necessary <sup>151</sup> .
<b>PREPARE RELEVANT DOCUMENTS</b>	
FPM/PO	FPM/PO draft: (i) Implementation Letter/Notification Letter; OR (ii) Amended and Restated Grant Confirmation.
<b>LEGAL REVIEW AND SIGN OFF</b>	
Legal Officer	Reviews all the documents and provides signs off.
<b>APPROVE, SIGN AND VALIDATE IN THE FINANCE SYSTEM</b>	
Grant Management Department Head or the Regional Manager	Grant Management Department Head or the Regional Manager signs two original copies of the amendments in accordance with the Signature Authority Policy.
Country Team	Country Team sends the signed Implementation or Notification Letter to the Principal Recipient.

<sup>151</sup> In the event if any of the information listed in Section 14 is changing, repeat anti-terrorism screening shall be conducted.

<b>Responsible Party</b>	<b>Action</b>
Principal Recipient	Principal Recipient signs two original copies and returns both copies to the Global Fund.
Regional Finance Manager	Regional Finance Manager co-signs the two original copies of the amendment.
Country Team	The Country Team sends one original of the executed amendment to the Principal Recipient and the copies to the CCM, LFA and other party, as indicated in the amendment itself.
Finance Department	<ul style="list-style-type: none"> <li>(i) Finance Officer uploads the scanned documents in GFS and enters the IL/NL signature dates. If the Grant Agreement amount (PO) has been modified by the IL/NL, the FO also releases the PO workflow for electronic approval</li> <li>(ii) Regional Finance Manager (RFM) electronically validates uploaded documents in PO;</li> <li>(iii) Head of Program Finance and Controlling electronically re-approves the updated Grant Agreement (PO) in GFS ; and</li> <li>(iv) Following the approval of the PO by the Finance Department, ADMF and disbursement may be initiated by the Country Team.</li> </ul>

## **Enhanced Financial Reporting**

**Issued in:** February 2010

**Purpose:** To describe the requirements and processes for Enhanced Financial Reporting by Principal Recipients (PRs).

### **POLICY**

#### **Purpose of Enhanced Financial Reporting**

1. The Global Fund's purpose is to attract, manage and disburse additional resources to fight AIDS, Tuberculosis and Malaria. To fulfill these functions, the Global Fund needs a minimum set of reliable financial information regarding the implementation of Grants. Such information is important to:
  - (i) Assist Grant management: Having financial breakdowns and variance analysis, and being able to link financial information to programmatic performance enhances the ability to make informed funding and investment decisions (e.g., disbursements and Phase 2).
  - (ii) Pin-point areas of financial risks: Tracking expenditures against budgets also enables an analysis of financial risks across the portfolio of programs funded by the Global Fund. For example, where is the largest proportion of funds being used? Are the funds rightfully spent in the planned areas? Are there any financial bottlenecks (such as in procurement)? etc.; and
  - (iii) For external reporting and resource mobilizations: Being able to report "*where the money is going*" and "*how it is being spent*" is critical for external reporting and resource mobilization. Transparency and accountability, which are core principles of the Global Fund, involves being able to accurately report on the use of funds to donors, the general public and other stakeholders.

#### **Use of National Systems**

2. The Global Fund is also committed to relying on existing financial management, monitoring and reporting systems, where possible. This means that requirements for financial reporting should, to the extent possible, be the least disruptive as possible on existing country systems. The PR is therefore expected to use their existing information systems to prepare EFR rather than creating a parallel system. This may require the use of reasonable assumptions to complete the EFR template which should be disclosed in the EFR report and to the LFA during the review.

#### **Reporting Schedule**

3. Each grant should report financial information at least annually from the grant start date (i.e., Month 12, Month 24, etc) and at Phase 2 (i.e., Month 18). More frequent reporting (i.e., every quarter or every semester) is optional and can be agreed upon between the Regional Team and the PR.
4. The reporting template is enclosed in Annex A. Exceptions to the reporting cycle (alignment with Fiscal Year reporting, UNDP etc.) should be discussed between the Regional Team and the Program Finance Team.

#### **Financial Information**

5. The financial information reported should include budgets, expenditures and variance analysis (a) by Cost Category; (b) by Program Activity; and (c) by Implementing Entity.
  - (i) The reporting by Cost Category is based on the categories from the Round 7 Proposal Form or as subsequently amended by the Secretariat.
  - (ii) The reporting by *Program Activity* should include breakdowns (1) by Macro-category (e.g., prevention, treatment, care and support); (2) by Objective, as per the Performance Framework of the Grant Agreement; and (3) by Service Delivery Area, as specified in the Enhanced Financial Reporting Template.
  - (iii) The reporting by *Implementing Entity* should include both the name and the type of Implementing Entity (i.e., FBO, NGO/CBO/Academic, Private Sector, Ministry Health (MoH), Other Government, UN and Affiliated Organizations, Other Multilateral Organization). This reporting should be done on the PR and Sub-Recipient (SR) level, without separately identifying the sub-SR level.
6. Total budget and expenditure amounts across all three breakdowns should be the same.
7. Financial information should be reported for the current grant cycle year and cumulatively from the beginning of the grant. Reporting should cover the entire grant budget and expenditure information.
8. Grants that have not been assessed for Phase 2 at the date of reporting should ensure that the information submitted for the *current* reporting period and *cumulatively*, from the beginning of the grant, is precise and fully verifiable by the LFA (in order to inform decision-making on Phase 2 Grant Renewal).
9. Grants that have already been assessed at Phase 2 should ensure that the information submitted for the *current* reporting period is precise and fully verifiable by the LFA. For the *cumulative* information from the beginning of the grant, the PR should provide information as accurately as possible. However, in cases where such information is not available, the PR can use assumptions to approximate the cumulative information (c.f., assumptions that can be used for calculations are outlined in the *Guidelines for Completing EFR*).

## PROCESS AND TIMELINE

### For reporting during implementation (i.e., Month 12, Month 24, etc.):

10. The PR should complete the *Enhanced Financial Reporting (EFR) template* within 45 days of the end of the reporting period. It should be submitted to the LFA alongside the *Progress Update & Disbursement Request (PU/DR)*. In exceptional circumstances, if compilation of the financial information risks delaying the submission of the PU/DR, the PR may submit the *EFR template* separately from the PU/DR (but within a maximum of 60 days after the end of the reporting period).
11. The LFA is required to review the information contained in the *EFR template* and submit the template to the Regional Team, with relevant comments, alongside the PU/DR. Delays in verifying the EFR which are beyond the control of the LFA should not prevent the LFA from submitting the PU/DR.

### For Phase 2:

12. The PR should submit to the LFA and the Regional Team the completed *EFR template alongside the CCM Request for Continued Funding*.
13. The LFA is required to review the information contained in the *EFR Template* and submit the template to the Regional Team, with relevant comments, alongside the *Phase 2 Request Assessment Report*.



### **Program and Data Quality**

**Issued on:** 13 July 2016

**Issued by:** Monitoring Evaluation & Country Analysis Team

**Approved by:** Executive Grant Management Committee

**Purpose:** To define the Global Fund Monitoring and Evaluation (M&E) requirements for ensuring program and data quality and provide guidance to the Country Teams on different assessment options and tools that are available

#### **OVERALL OBJECTIVES**

1. One of the aims of the Global Fund strategic framework (2017-2022) is to strengthen data systems for health and strengthen countries' capacity for data analysis and use. In line with this, the Global Fund Strategy for Program and Data Quality Assessment and Improvement<sup>152</sup> contributes to the generation of the quality data needed at each level of the health systems and assist countries in assessing and improving their program quality in a systematic way.
2. The purpose of this OPN is to provide guidance to the Country Teams<sup>153</sup> on M&E requirements and processes with regards to ensuring program and data quality in Global Fund supported programs. It outlines the different assessment options and tools available to better identify and manage risks within their grants that may prevent achievement of grant objectives.

#### **POLICIES AND PRINCIPLES**

##### **Principles**

3. The following principles underpin the implementation of various quality assessment and improvement processes and tools. Country Teams must take into account these principles when selecting appropriate quality assessment options for their countries.

Principle 1: Build on lessons learned: Country Teams should identify any ongoing efforts and innovative best practices already being implemented in countries, and factor these into the program and data quality assessment planning.

Principle 2: Improve alignment with country processes: Program and data quality assessment activities should feed into national review and strategic planning cycles.

Principle 3: Collaborate with relevant partners: Country Teams should harmonize the Global Fund assessment needs with other planned in-country assessment efforts and leverage appropriate country stakeholders and partners to support program and data quality assessment and improvement actions while managing costs.

---

<sup>152</sup> Add link to the GF Strategy for Program and Data Quality Assessment and Improvement

<sup>153</sup> For Focused Countries, the Country Team is comprised of the Fund Portfolio Manager, Senior Fund Portfolio Assistant, the Public Health and Monitoring and Evaluation Specialist, the Health Product Managements Specialist and the Legal Officer. For Core and High Impact Countries, the Country Team includes the Program Officer/Senior Program Officer, in addition to the functions named above.



Principle 4: Utilize a differentiated approach to quality assurance: Recognizing that countries vary with regard to disease burden, size of investment and level of risk, the Country Teams should select the assessment methods based on the pre- defined framework (see para. 7) best tailored to the country context and programmatic needs.

Principle 5: Clearly identify the program and data quality assessment objectives: Specific and achievable objectives are critical to selecting the best assessment option as well as to ensuring that the needed results are obtained.

Principle 6: Mobilize resources: including Global Fund grants, to invest in capacity and health systems and institutionalize program and data quality assessment and improvement activities into grant implementation and management processes.

Principle 7: Inform decision making: Country Teams should review and follow up on the action plans resulting from various assessment options and use these to inform funding decisions to ensure adequate funds are available for necessary quality improvement and systems strengthening activities.

### **Box 1: What has changed from before**

1. Differentiated requirements: Moving from a one-size-fits-all approach to a more tailored and customizable approach that will better fit the specific needs and context of the country. Not all assessments will take place in all countries.
2. Health facility assessments (HFA): Focus on nationally representative, country-led HFAs (including data quality reviews) in High-Impact countries
3. Flexible assessment options: OSDV/RSQA assessments replaced with a set of assessment options customizable to the country context including national health facility assessments, targeted health facility assessments, special studies, programmatic spot checks, national data quality reviews, and/or targeted data quality reviews,
4. Increased number of sites assessed: Targeted assessment activities will assess more sites compared to OSDV and RSQA activities, utilizing a survey type approach.
5. Harmonized tools: Moving from Global Fund specific tools to global harmonized tools. For example, changing from the Global Fund OSDV tool to the WHO Data Quality Review Toolkit for assessing data quality.
6. Program reviews/evaluations: Program review/evaluations to be conducted at least once during the implementation period.
7. PR Report: No LFA review of programmatic reporting of the PR Report submitted in Focused countries.
8. Data use: Systematic follow up of key recommendations and actions, and increased focus on data use for quality improvement and achieving better health outcomes.

### **Differentiated Requirements**

4. The approach and requirements of data and program quality assessment are determined according to the category of portfolio.<sup>154</sup> Regional grants are excluded from these assessment criteria due to the fact that they are primarily focused on advocacy and capacity building issues and not direct service delivery. Assessment options provide Country Teams

---

<sup>154</sup> Assessments are carried out at the disease program level. All three diseases could be assessed at the same time with the same tool and service provider. The assessment options replace the Onsite Data Verification and Rapid Service Quality Assessment.

with the flexibility to tailor the approach according to each country's context and needs. Country Teams will document their choice of options selected for their countries using the Selection of Assessment Option and Sign-Off Form, provided in Annex 2.

5. The general framework shown in Table 1 below is to guide what Global Fund will use to assess the systems that are needed to provide program and data quality in each category of countries.
6. The choice of methods used for assessments can be refined further by the Country Teams based on the following qualitative factors:
  - Program and data quality risks identified in the past (e.g. based on QUART, Capacity Assessment Tool or other contextual knowledge by the Country Team)
  - Performance of key programmatic indicators linked to facility based services
  - A country is categorized as a “Challenging Operating Environment”
  - Presence and engagement of in-country partners, other donors and technical agencies in country to support quality assessment and improvement

*Table 1: Differentiated quality assessment approaches and requirements*

Country Category	Assessment Approach			
	Program Quality <sup>155</sup>	Data Quality	Programmatic Reporting	Program Evaluations
Focused countries	Programmatic spot-check, targeted health facility assessment, or special study in selected countries  <i>As required based on risks</i>	Targeted DQR in selected countries  <i>As required based on risks</i>	<i>Report required every year.</i>  <i>No LFA review.</i>	Targeted and thematic evaluations <sup>156</sup>  <i>Required at least once during the implementation period</i>
Core countries	Programmatic spot-check, national or targeted health facility assessment, or special study  <i>Required every other year</i>	National or targeted DQR  <i>Required every other year</i>	<i>Report required every 6 months<sup>157</sup>.</i>  <i>LFA review required annually, mid-year review optional.</i>	

<sup>155</sup> Countries should routinely undertake review of data generated and use it for routine program management and decision making. Regular review and use of data for program management and quality improvement will be further elaborated and the strategy will be updated accordingly.

<sup>156</sup> A detailed and systematic approach to these reviews/evaluations will be included in the Monitoring & Evaluation Strategy currently being discussed with the Technical Evaluation Reference Group (TERG).

<sup>157</sup> Exceptionally, a Programmatic Report can be requested on a quarterly basis for some grants by the Country Team.

High Impact countries	National health facility assessment  <i>Required once during the implementation period, aligned with the country reviews and planning cycle</i>	If Health Facility Assessment year, include the DQR; if not HFA year, complete a targeted data quality review or desk review  <i>Required every year</i>	<i>Report required every 6 months<sup>158</sup>.  LFA review required annually, mid-year review optional.</i>	Evaluations including in-depth assessment of impact  <i>Required once during the implementation period</i>
-----------------------	---	--	---	--

## Program and Data Quality Assessment Options

7. Table 2 below presents the options available for assessing program and data quality in the Global Fund supported programs. Details on implementing these options are provided in Annex 1. Table 2 also provides examples of how the findings and recommendations from these assessments may be used by the Global Fund.

*Table 2: Assessment options and use of results during grant management cycle*

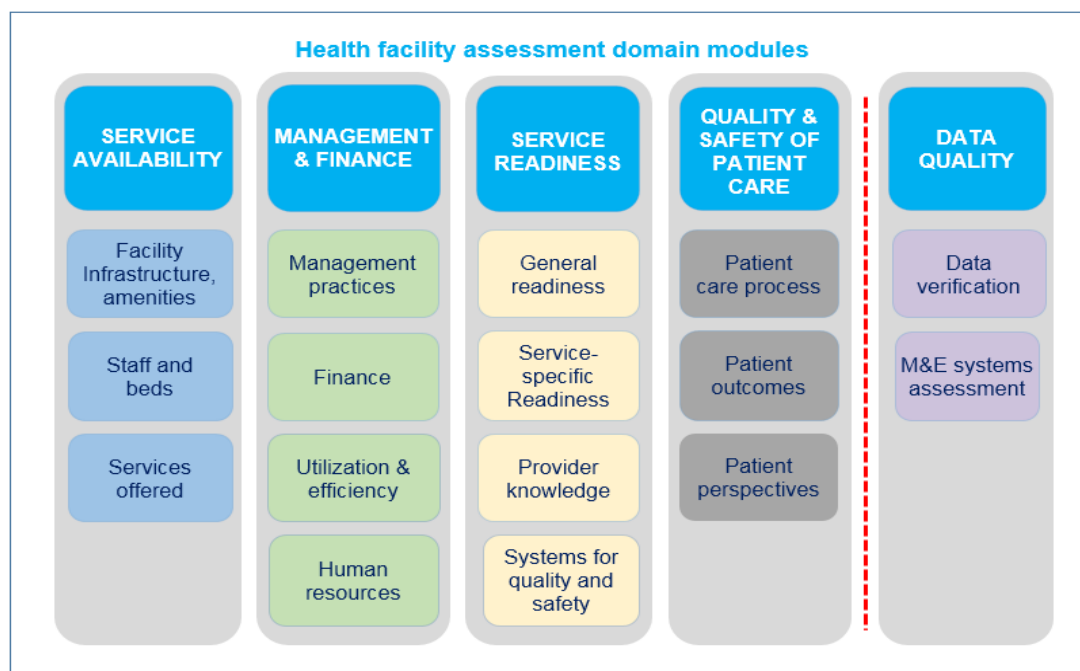
	Assessment Options	Description	Use of findings
Program Quality	Health facility assessment* (HFA)	Assess the availability, readiness and quality of services against international standards at health facilities in the country in a nationally representative survey	<ul style="list-style-type: none"> <li>– Use findings to inform the funding decisions to ensure adequate funds are available for necessary actions.</li> <li>– Mobilize support from other donors and partners</li> <li>– Improve the design, planning, implementation and efficiency of programs through reprogramming of existing grants, if necessary.</li> <li>– Follow up on implementation of priority activities</li> <li>– Promote use of data by policy makers and program implementers for effective planning, allocation and utilization of resources</li> </ul>
	Targeted Health Facility Assessment*	Use certain specific modules or domains from the HFA with a smaller and more targeted sample	
	Programmatic spot checks	Perform targeted spot checks based on identified specific programmatic issues with a particular disease, geographic area, facility type, supply chain, etc. Could be used for community based services	
	Special study	Examine a specific aspect of care or model that cannot usually be answered through routine systems	
Data Quality	Data Quality Review (DQR)	Assess the quality of facility reported data within the routine health information system in a nationally representative survey- conducted standalone or as part of a national HFA	
	Targeted Data Quality Review	Assess the quality of facility reported data within the routine health information system with a smaller	

<sup>158</sup> Exceptionally, a Programmatic Report can be requested on a quarterly basis for some grants by the Country Team.

		and more targeted sample, using one or more components of DQR tool	
	Desk review	Implement solely the desk review (analysis of national data quality) component of the DQR tool	
<b>Programmatic Reporting</b>	PR Report	A template used by the Global Fund grant recipients to report on programmatic and financial progress and forecast of the cash requirements	<ul style="list-style-type: none"> <li>Findings will be used to periodically disburse funds to the Principal Recipient based on demonstrated program performance and financial needs for the following year of implementation</li> </ul>
<b>Program evaluations/ reviews</b>	Program evaluation/ reviews	<p>In Focused and Core countries, this is a desk review of available data/reports and field visits by in-country and external partners.</p> <p>In High Impact countries this includes more in-depth assessment impact using plausibility argument and field visits.</p> <p>In all countries, evaluation and reviews to be conducted jointly with other funding partners, preferably prior to the start of the funding periods.</p>	<ul style="list-style-type: none"> <li>Assessment of program performance every three years and serve as trigger for TRP review of the funding request</li> <li>Improve the design, implementation and efficiency of programs at concept note submission</li> </ul>

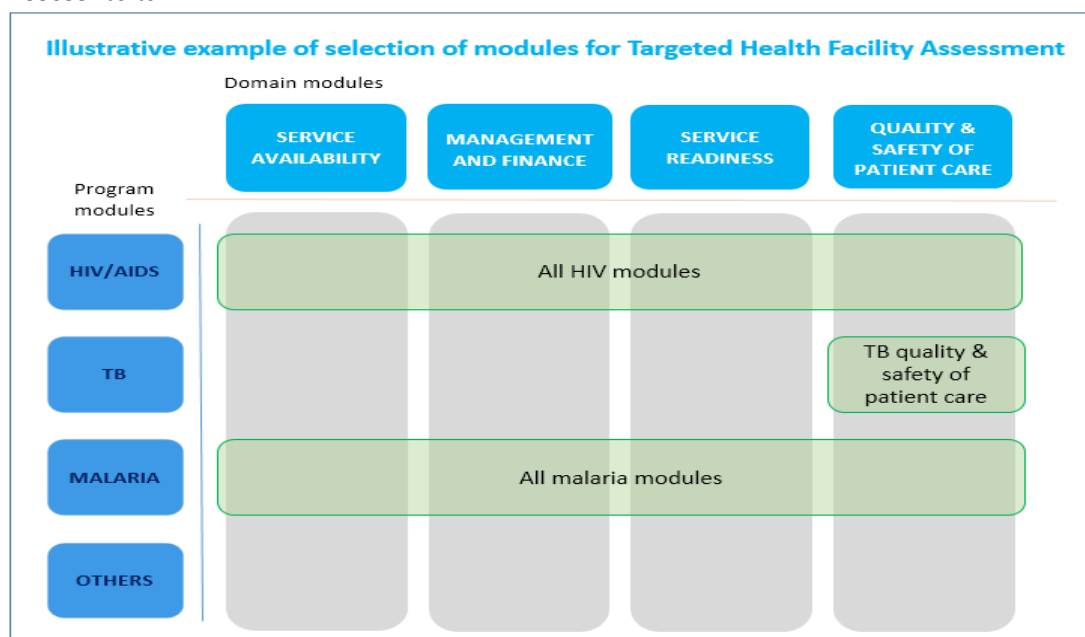
\*Refer to Figure 1 and 2 for the domains of an HFA and examples of selection of modules for a targeted HFA

Figure 2: Proposed Domains for a Common Core for a Full Health Facility Assessment



Source: Harmonized health facility assessment tool (WHO and partners)

Figure 3: Illustrative examples of selection of modules for Targeted Health Facility Assessment



Source: The Global Fund

8. Country Teams should use their own experience, along with information collected through the PR Report, QUART, Capacity Assessment Tool (CAT) and other in-country information sources, to determine the appropriate method/tool for the context. For example, if there is fairly high confidence in the facility and district level data quality based on other exercises, the country team may select only the Desk Review component of the Data Quality Review to instead focus on assessing the data quality of national level data; whereas if the data quality is unknown, a Country Team may want to conduct the complete Data Quality Review Toolkit, including the Data Verification component that goes to the site level to verify data accuracy.
9. Country Teams will document the choice and rationale of options selected for their countries each year using the form provided in Annex 2, which will be endorsed by the FPM, the MECA team, and the Regional Manager.

### Planning and financing program and data quality assessments

10. The specific program and data quality assessments to be undertaken for each grant will be determined on an annual basis during the assurance planning exercise and LFA Annual Budgeting Process, as part of the Operational Expenditure Process (OPEX). The approach will be defined by the Country Team, with sign-off from the MECA team, HPM Hub and Regional Manager.
11. The assessment options described in Table 2 will be implemented either by the LFA or by another service provider. The HFA including the data quality review (DQR) and the special studies require a specialized skill set and will be implemented by a specialized service provider in coordination with a country implementer. The other assessment options may be implemented by LFAs or other service providers based on the Country Team decision. Refer to annex 1 for more information on implementing partners for each of the assessment options.

12. With regards to financing of these assessments, there are many factors that influence the cost including in-country labor costs, size of the sample, scope of the assessment, type of tool, availability of co-funding, etc. Each Country Team will need to consider these factors when budgeting for these activities.
13. The targeted HFAs, targeted DQRs, and other assessment options that are implemented by LFAs will be funded through the LFA budgeting process. In cases where the budget may not allow for a nationally representative sample, Country Teams should be strategic about using resources to maximize scope. Country teams and LFAs/service providers must also be strategic and specific when targeting these exercises based on the program objectives. Examples include targeting by high volume facilities, by districts that have known issues in data or program quality, by areas with recent changes to program implementation, etc.
14. The costs for a nationally representative HFA should be planned for within the grant. As the Global Fund moves to this new model of program and data quality assessments, there will be a transition period and it is recognized that not all grants will be able to absorb these costs immediately. In the short-term (2016-17), additional funding for HFAs will be provided through the central external assurance budgeting process. Beyond this period, it is anticipated that the cost of these assessments will be integrated into the grants. Funding for the quality assurance of these national HFA/DQR surveys (e.g. verification of the sampling methodology, reassessment of 5% of the sites surveyed, etc.) will continue to be funded centrally (see para. 15 and 16).
15. Quality assurance of the assessment process itself is a critical component of any HFA. It allows for effective use of survey results. The Global Fund requires that a part of its funding support to the national HFA/DQR must be used for quality assurance activities to be conducted by an external service provider. The service provider will be selected from the Global Fund identified pool of consultants.
16. The service provider will at a minimum provide a set package of quality assurance services to the HFA/DQR assessment process, but can also further assist with the implementation of the assessment depending on the country context. Annex 3 sets forth more information on roles and responsibilities of various actors involved.

### **Assessment findings, follow up and use of data**

17. Taking action on the findings from the program and data quality assessments is critical. If an HFA<sup>159</sup> or national Data Quality Review is completed, the Country Team should ensure the budget includes both dissemination of findings and a data use workshop to strategize on how to address the identified issues. The workshop should include multiple stakeholders and make a concrete, costed and time bound plan to ensure the gaps or issues in quality are addressed. While national stakeholders are critical, findings should be disseminated to the sub-regional and even facility level to ensure they are understood and that appropriate action is taken. For more targeted exercises, such as spot checks or programmatic use of the tools, findings should still be shared, discussed and acted upon, but with a more targeted set of stakeholders including the LFA, PRs, Sub-recipients and relevant staff or community members.
18. Data from the various tools should be used by the Global Fund, the partner government, Principal Recipient, partners and other stakeholders to make mid-course correction in programs, to design interventions to address the issues identified and to feed into the strategy and budget in the long-term. Actively using the data will result in better quality data, improved quality of services and programs and achieve efficiencies due to better targeted programs.

---

<sup>159</sup> If the HFA is funded by the Global Fund, it is also expected that the data – analyzed and raw – be made publically available.

19. Country Teams should use existing grant management processes and tools to follow up and reinforce the use of findings and ensure the action plan is implemented. The implementation of various tools each year and the key follow up actions will be tracked and, in the future, will be integrated in the new grant management platform.
20. When significant issues are identified, the remedial actions should be prioritized and added as items for reporting in the PR Report. The PR will be required to report on progress on a regular basis. In the case of major findings, a portion of the grant can be re-programmed to specifically address systemic issues identified during the assessment process (please refer to the [OPN on Reprogramming during Grant Implementation](#)). In addition, the findings and progress on action plans resulting from the assessments of program and data quality will be reviewed during annual funding decision making process and will inform the funding decisions to ensure adequate funds are available for necessary actions.

## Annexes

- Annex 1 Program and Data Quality assessment options
- Annex 2 Selection of Assessment Option and Sign-Off Form
- Annex 3 Roles and responsibilities
- Annex 4 Process for Program and Data Quality (*to be developed through AIM Project with RACI*)

## Version control

Version	Change	Date
<b>1.0</b>	<p>Original version including various program and data quality assessment options and differentiated requirements across High Impact, Core and Focused countries.</p> <p>This OPN replaces the previous <i>OPN on M&amp;E, Systems Strengthening and Data Quality</i>, and the <i>OPN on Quality of Services Assessment</i>.</p>	13 July 2016

## Annex 1: Program and Data Quality Assessment Options:

### A. Program Quality Assessment

Assessment option	When to use	Tool	Implementer(s)	Scope
<b>Health Facility Assessment (HFA):</b> A nationally representative survey completed using a harmonized tool to assess the availability, readiness and quality of services against international standards at health facilities in the country. An HFA assesses all health facility services, including, but not limited to, HIV, TB, and malaria. An HFA generally also includes a data quality module (see Data Quality section below) to assess completeness, timeliness, and accuracy of the facility and district level HMIS.	This option may be used: <ul style="list-style-type: none"> <li>– To generate rigorous and statistically sound results on the extent and quality of services, offered across health facilities in a country</li> <li>– As a strong risk assurance mechanism especially for high impact and high risk portfolios for services delivered at health facilities across a country</li> <li>– To collect information for program planning, prioritization and quality improvement of health facility services nationwide</li> </ul>	Harmonized tool or recommended tools used by partners <sup>160</sup>	Led by in-country stakeholders with quality assurance provided by specialized service provider	Done on a large scale in a nationally representative sample of sites.
<b>Targeted health facility assessment:</b> Involves using a specific module(s) of the HFA (e.g. HIV, TB or Malaria) and/or some specific domains of a module (service availability, service readiness, management and finance or client care) depending on the country context, with a smaller and more	This option may be used: <ul style="list-style-type: none"> <li>– For an assessment of the extent and quality of specific health facility services (e.g. for HIV, TB and/or malaria) included in the assessment</li> <li>– To provide risk assurance of specific services provided at the health facilities</li> </ul>	Specific modules from harmonized HFA tool	LFA/ specialized service provider	Approx. 20-40 sites depending on country context

<sup>160</sup> The recommended tools include WHO's Service Availability and Readiness Assessment (SARA), the World Bank's Service Delivery Indicator (SDI) and the USAID-supported Service Provision Assessment (SPA)



Assessment option	When to use	Tool	Implementer(s)	Scope
targeted sample than a national HFA. Level of statistical inference depends on the sampling method used.	<ul style="list-style-type: none"> <li>– To collect information for planning and quality improvement of specific services provided at the health facilities</li> </ul>			
<b>Programmatic spot checks:</b>  These are designed to generate detailed information about a specific aspect of a program using a well-defined scope of work.  Level of statistical inference depends on the sampling method used.	This option may be used: <ul style="list-style-type: none"> <li>– To provide risk assurance for a specific aspect of a program, e.g. that may be new, recently undergone a change in the implementation model, flagged as having problems, or an area that falls outside the scope of HFA tools such as home or community-based services or campaigns around IRS or LLINs</li> <li>– To collect information for planning and quality improvement of the specific program aspect assessed through the spot check</li> </ul>	Global Fund specific tool	LFA	Approx. 20-40 sites depending on country context
<b>Special study:</b>  Examines a specific aspect of care or service delivery model. This study may rely on secondary analysis of data or could include a more targeted primary data collection effort. Examples of special studies include: <ul style="list-style-type: none"> <li>• Retention on ART or TB treatment</li> <li>• Viral suppression among patients on ART</li> <li>• Linkages across services</li> <li>• Compliance with malaria diagnosis and treatment guidelines</li> <li>• Effectiveness of a community-based service</li> <li>• KP service coverage and outcomes</li> </ul>	This option may be used: <ul style="list-style-type: none"> <li>– To respond to questions that cannot be adequately answered through the routine information systems</li> <li>– As a risk assurance mechanism for specific area under study</li> <li>– To generate information for program planning and quality improvement for the specific area under study</li> <li>– When the Global Fund supported program is largely outside of health facilities</li> <li>– If there is a known issue that requires more intensive study</li> </ul>	Specific Scope of Work under development	Specialized service provider	Customized to the focus area being examined

Assessment option	When to use	Tool	Implementer(s)	Scope
Generates rigorous and statistically sound results for the area studied.				

## B. Data Quality Assessment

Assessment option	When to use	Tool	Implementer(s)	Scope
<p><b>Data Quality Review:</b></p> <p>A nationally representative survey to assess the completeness, timeliness and accuracy of the HMIS data. It contains three components: 1) Data Verification at the facility and district levels; 2) an M&amp;E Systems Assessment completed at the facility and district levels; 3) the Desk Review, an analysis of the quality of national level data.</p> <p>The DQR can be conducted in conjunction with an HFA and can be applied to the same representative sample of sites as those selected for the HFA</p>	<p>This option may be used:</p> <ul style="list-style-type: none"> <li>– To generate rigorous and statistically sound results on the quality of health facility reported data in a country and use it for improving data collection and reporting systems.</li> <li>– As a strong risk assurance mechanism especially for high impact and high risk portfolios for quality of data reported at health facilities across a country</li> <li>– To ensure availability of quality assured data for planning and program improvement in a country</li> </ul>	Data Quality Review Toolkit developed by WHO and partners	Led by in-country stakeholders with quality assurance provided by specialized service provider	Nationally representative sample of sites
<p><b>Targeted data quality review:</b></p> <p>Involves selecting any or all of the three components of the DQR Toolkit (Data Verification, Systems Assessment, and/or Desk Review analysis of national data quality), selecting specific HIV, TB, and/or malaria indicators for assessment, and</p>	<p>This option may be used:</p> <ul style="list-style-type: none"> <li>– For a more focused assessment of the quality of health facility reported data for a selected set of indicators and use it for further improvement of data quality.</li> <li>– As a risk assurance mechanism to ensure quality data is reported by the</li> </ul>	Data Quality Review Toolkit developed by WHO and partners	LFA	Approx. 20-40 sites depending on country context

Assessment option	When to use	Tool	Implementer(s)	Scope
<p>using a smaller and more targeted sample than a national DQR.</p> <p>Level of statistical inference depends on the sampling method used.</p>	<p>health facilities for a selected set of indicators</p> <ul style="list-style-type: none"> <li>– To ensure availability of quality assured data for planning and program improvement in the area covered by the review</li> </ul>			
<p><b>Desk review:</b></p> <p>Programs may choose to implement solely the desk review component of the DQR Toolkit. The desk review component of the DQR is not a traditional desk review, but rather an analysis of the quality of national level data; it examines the quality of aggregate reported data for recommended program indicators using standardized data quality metrics.</p>	<p>This option may be used:</p> <ul style="list-style-type: none"> <li>– As a risk assurance mechanism to assess the quality of HMIS data at the national level for a selected set of indicators</li> <li>– To collect information for quality improvement of national level HMIS data for the selected set of indicators</li> <li>– In cases where there are time or resource constraints to complete all three components of a Targeted DQR</li> <li>– When there is fairly high confidence in the quality of data at health facility and district levels, but there are issues with the quality of the data at the national level</li> </ul>	<p>Desk Review component only of the Data Quality Review toolkit developed by WHO and partners</p>	<p>LFA/country implementer with specialized service provider</p>	<p>The desk review does not involve field data collection; Instead, it relies on collating all data available at the national level captured through the national HMIS for the indicators that are being assessed, as well as other secondary sources e.g. surveys.</p>

### C. Progress Update and Disbursement Request

Assessment option	When to use	Tool	Implementer(s)	Scope
<p><b>Review of the PR Report:</b></p> <p>It is a template used by the Global Fund grant recipients to report on programmatic and financial progress and forecast of the cash requirements for the annual funding decision period. It also includes an update on fulfillment of requirements, management actions and other requirements (see the <i>Guidelines on PR Reporting</i> for details).</p>	<p><b>Focused countries:</b></p> <p>This is used to assess implementation progress and as an input to the Annual Funding Decision.</p> <p>It provides initial assurance on whether grants are being implemented as planned and are reaching desired targets.</p>	Global Fund Tool	Completed by the Principal Recipient and verified by the LFA in Core and High Impact countries.	Global Fund grant related programmatic and financial reporting
	<p><b>For Core and High Impact countries:</b></p> <p>A Progress Update (PU) is required every 6 months (and, exceptionally for some grants, on a quarterly basis) to assess implementation progress.</p> <p>The PR Report is used to assess implementation progress and as an input to the Annual Funding Decision.</p> <p>The PR Report provides initial assurance on whether grants are being implemented as planned and are reaching desired targets.</p>		Completed by the Principal Recipient and verified by LFA	

## D. Program evaluations

Assessment option	When to use	Tool	Implementer(s)	Scope
<b>Focused countries:</b> It includes a desk review of available data/reports and field visits by in-country and external partners. The timing should be aligned with any planned assessments, in country.	Evaluations in Focused countries for A2F decisions every three year  Serves as assurance mechanisms to identify factors affecting achievement of impact and allow for taking corrective measures	Global Fund specific	Specialized service provider	Specific focus on activities supported by the grant
<b>Core and High Impact countries:</b> It includes more in-depth assessment impact using plausibility argument and field visits. The timing should be aligned with any planned assessments, mid- or end-term review of the national health/disease strategy, and development of the new strategy.		Part of national planning process	Led by country stakeholders and supported by technical and other partners	National programs

## Annex 2: Selection of Assessment Option and Sign-Off Form

Program and Data Quality options- Decision making form				
Country Name				
Country Category	Please select: High Impact <input type="checkbox"/> Core <input type="checkbox"/> Focused <input type="checkbox"/>			
Date (of completing form)				
Brief rationale for selected assessment option				
Please indicate which quality assessment activities are planned for [year] from the Assessment Options list:				
Assessment Option	Amount Budgeted (OPEX)	Additional Funding (grant, other partners, etc.)	Implementer	Comments

Program and data quality assessment activities approved by:

Team/Department	Name	Date	Signature
Fund Portfolio Manager			
Regional Manager or Department Head			
MECA Team manager			

## Annex 3: Roles and responsibilities

Key actors	Roles
<b>FPM</b>	<ul style="list-style-type: none"> <li>– Work with respective PHME and HPM specialists, LFA, HPM and MECA teams to plan and budget for required program and data quality assessments at the time of the assurance planning and the OPEX planning processes.</li> <li>– Engage with the Government and other appropriate stakeholders to make sure there is coordination and appropriate organizations are involved</li> <li>– Supported by the PHME specialist, works with all relevant stakeholders to ensure timely implementation, dissemination and use of findings and recommendations among appropriate stakeholders</li> <li>– Use findings to inform the funding decisions and ensure adequate funds are available for necessary actions.</li> </ul>
<b>PR</b>	<p>For all program and data quality assessment activities:</p> <ul style="list-style-type: none"> <li>– Unless otherwise advised, inform the sites to be assessed prior to the planned visit, and ensure the availability of staff and source documents during the visit.</li> <li>– Permit or ensure authorized representatives of the Global Fund, its agents (including the LFA) or any other third party authorized by the Global Fund, access at all times to all records deemed necessary to conduct of program and data quality assessments, including, subject to applicable law, patient records.</li> <li>– In the event that the Principal Recipient is restricted by applicable law from providing access to patient records, the Principal Recipient shall (and, if relevant, shall cause its SRs to) (a) use its best efforts to enable the Global Fund or its representatives and agents to get such access (including obtaining written consent from each patient) and (b) provide access to alternative information not subject to such restriction (e.g., medical runs that use case numbers which are not tied to individual names or information, sanitized data aggregation documents such as Excel Spread-sheets, etc.).</li> <li>– The Country Team Legal Officer should be consulted as needed on these issues.</li> </ul> <p>For the national HFA/DQR:</p> <ul style="list-style-type: none"> <li>– When possible, identify local Government entity, academic, or public health organizations as the primary implementer.</li> <li>– Coordinate planning and implementation of the assessment with the country implementer and the specialized service provider.</li> <li>– Ensure coordination across various donors and stakeholders including support from the Global Fund.</li> <li>– Share any existing data/reports from partners, academics, etc.</li> <li>– Involve all relevant stakeholders at all stages- planning, design, implementation, dissemination of findings, use of data and follow up on action plan.</li> <li>– Organize a national stakeholder meeting to discuss results and develop an action plan for quality improvement.</li> </ul>
<b>PHME / HPM specialists</b>	<ul style="list-style-type: none"> <li>– Together with the FPM/PO, select and document the appropriate assessment option(s) for their portfolio/disease programs each year.</li> <li>– Work with relevant in-country stakeholders and the service providers to customize and finalize the sample Terms of Reference for the specific assessment activity.</li> </ul>

Key actors	Roles
	<ul style="list-style-type: none"> <li>– In the case of targeted assessment options, ensure the targeted population of facilities (or communities, etc. for programmatic spot checks) has been clearly defined, and that objectives in the TOR are specific to this.</li> <li>– Work with relevant in-country stakeholders and the service providers to tailor questionnaires and content to the country context and the specific assessment activity. In the case of a national HFA, ensure all relevant modules, domains and indicators are included. These include HIV, TB, malaria, and quality of care.</li> <li>– In the case of a national HFA, review with the Fund Portfolio Manager the HFA budget from country implementer prior to money being released for implementation and quality assurance.</li> <li>– Monitor implementation with a specific focus on sampling methodology, budget, overall timeline and quality control measures.</li> <li>– Use the program and data quality assessment findings to improve the design, implementation and efficiency of programs- (1) through reprogramming, if necessary and/or (2) at the time of preparation of funding request to the Global Fund.</li> <li>– Follow up on the activities in the action plan and use of grant funds to address key issues.</li> <li>– Mobilize funding and technical assistance from technical and other partners.</li> </ul>
<b>MECA / HPM Hub</b>	<ul style="list-style-type: none"> <li>– Support planning and manage the roll out of the agreed data and program quality assurance tools and mechanism across the Global Fund portfolio of grants.</li> <li>– Provide support to HPM/PHME specialists in customizing the assessment tools to the country context.</li> <li>– Mobilize support from technical and other partners in harmonizing program and data quality efforts.</li> <li>– Facilitate technical assistance and support to the countries and country teams in planning, implementation and follow up on various recommendations.</li> <li>– Create and manage a pool of consultants and facilitate support to the Country Teams in quality assessment and improvement and strengthening of M&amp;E/HPM systems.</li> <li>– Track planning and implementation of program and data quality assessments and action plans across the Global Fund portfolio.</li> <li>– Track and implement lessons learned as revised program and data quality approach is piloted in 2016. Evaluate the revised program and data approach after first year's implementation.</li> </ul>
<b>Specialized service provider</b>	<p>Minimum package of quality assurance services to be provided by specialized service provider:</p> <ul style="list-style-type: none"> <li>– Assess the sampling methodology for accuracy and appropriateness</li> <li>– Assess the questionnaire to ensure core modules/domains and standards are included</li> <li>– Re-assess ~5% of facilities to verify results</li> <li>– Review data for core indicators to ensure data quality</li> <li>– Ensure core standard indicators as well as a set of clear recommendations for improving program and data quality moving forward are included in the final report</li> <li>– Assist in dissemination and publication of results to ensure key messages reach relevant stakeholders at national, district and local levels, and</li> <li>– Assist, as needed, in coordinating a national stakeholder meeting to discuss results and develop an action plan for quality improvement</li> </ul>



Key actors	Roles
<b>LFA</b>	<ul style="list-style-type: none"> <li>– Provide information as requested to the PHM&amp;E Specialist, HPM Specialist and FPM in order to select the most appropriate program and data quality assessment options.</li> <li>– Work with the PHM&amp;E Specialist, HPM Specialist and Country Team to customize and finalize the sample Terms of Reference for the specific targeted assessment activity.</li> <li>– Complete and work with the PHM&amp;E Specialist, HPM Specialist and Country Team to finalize the Planning Template for targeted assessment activities.</li> <li>– Select the sample for the targeted assessment activity, with assistance from the PHM&amp;E Officer, MECA, HPM Specialist and HPM HUB.</li> <li>– Ensure clear communication and coordination on the targeted assessment activity with the PR and the Ministry of Health, facilitated by the Country Team.</li> <li>– Adapt/customize the relevant tools and templates as needed for the specific targeted assessment activity, in coordination with the Country Team and MECA.</li> <li>– Conduct training, data collection, data entry, data analysis, reporting, and any other implementation activities for the specific targeted assessment activity.</li> <li>– Submit to the Global Fund all required reports and data as outlined in the Terms of Reference for the specific targeted assessment activity.</li> <li>– Conduct debriefs and action planning as specified and agreed upon with the Country Team in the Terms of Reference for the specific targeted assessment activity.</li> </ul>

## **Extending Grant Implementation Periods**

**Issued on:** 10 November 2014

**Purpose:** To operationalize the policy related to extending grant implementation periods as approved by the Global Fund Board (GF/B31/DP12 Extension Policy under the New Funding Model<sup>161</sup>)

### **OVERALL OBJECTIVES**

34. A grant implementation period is the timeframe in which program activities are scheduled to be implemented and completed. The duration of an implementation period is generally up to three years<sup>162</sup>, as reflected in the grant agreement.
35. An extension amends the end date of the relevant implementation period to allow continued grant implementation and avoid program disruptions while operational challenges are addressed.

### **POLICY AND PRINCIPLES**

#### **Triggers for Extensions**

36. Extension should be sought on the ground of strongly justified and/or exceptional circumstances, such as:
- to facilitate the submission of single concept notes for multiple disease components (e.g., joint HIV and TB concept notes for high co-infection countries);
  - to address challenges in timely submission of concept notes due to circumstances that are beyond the control of the applicants (e.g., force majeure events);
  - to compensate for delays in the review and processing by the Global Fund of relevant funding applications, such as unexpected delays caused by the Grant Approvals Committee (GAC) or Technical Review Panel (TRP) review of concept notes, or when the Global Fund Board objects to relevant funding recommendations from the Secretariat;
  - to compensate for delays in grant making and signing due to circumstances that are beyond the control of the applicants (e.g., force majeure, matters related to the work of the Office of the Inspector General, or changes to nominated Principal Recipients);
  - to compensate for delays in implementation due to circumstances that are beyond the control of the implementers (e.g., force majeure events);

<sup>161</sup> GF/B31/DP12 supersedes all prior policies and decisions concerning extensions whether in whole or with respect to relevant parts, including the following Board Decision Points: B24/EDP/5 (Procedure for Rolling Continuation Channel Mid-Term Performance Reviews and Extensions), GF/B20/DP31 (Architecture Review – Transition Provisions), GF/B16/DP7, GF/B14/DP27 and GF/B13/DP2 (concerning Phase 2 Decision-Making Policies and Procedures), and GF/B26/DP5 (Delegation of Authority to Secretariat for Grant Operations).

<sup>162</sup> Under GF/B28/DP4, standard grant implementation periods are three years but the Secretariat may present to the Board justifications for deviating from the standard implementation period. However, during the transition to the 2014 – 2016 allocation period, grant implementation periods may be up to four years as the total amount of funding allocated to Country Bands will typically cover a four year period commencing on 1 January 2014 (GF/B31/DP9).

- vi. to ensure continuation of essential services when the Global Fund is not in a position to commit sufficient resources through a new grant.

## Length and Scope of Extension

- 37. The grant end date may be extended by up to 12 months.<sup>163</sup> An extension beyond 12 months requires Global Fund Board approval.
- 38. The Country Team and the PR shall work to determine key programmatic activities and targets during the extension period. The targets for the extension period should be at a maximum the same or incrementally higher<sup>164</sup> than those specified in the last reporting period. Reprogramming may be undertaken as necessary to ensure Global Fund resources are strategically invested to achieve maximum impact during the extension period.<sup>165</sup> Any changes in programmatic activities must be done in accordance with the [OPN on Reprogramming](#). In setting activities and targets, it must be ensured that any strategic and cost implications beyond the extension period have been fully considered.
- 39. To avoid stock outs and interruption of program implementation and service delivery during the next implementation period, in some instances<sup>166</sup>, procurement orders may be financed during the extension period.

## Funding Extensions

- 40. To the extent possible, extensions should be financed with grant funds allocated for the current implementation period of an existing grant, as reflected in the relevant grant agreement.
- 41. Extensions can either be non-costed or costed:
  - i. **Non-costed extensions** do not require additional funding beyond the signed amount for the grant's current implementation period. This means that relevant program activities for the extension period will be financed from cash balances and/or undisbursed funds (committed or uncommitted) remaining with the existing grant.
  - ii. **Costed extensions** require additional funding beyond what was signed for the grant's current implementation period. Any additional funds made available for the extension period will be deducted from the country component's next allocation of grant funds for the next replenishment period. Accordingly, costed extensions can be granted only if the Global Fund has communicated the country's allocation for the next replenishment period (i.e., the Board has already approved the allocation of available resources to Country Bands for the relevant replenishment period).

<sup>163</sup> The maximum of a 12 month extension during the current implementation period of the grant is cumulative for all extensions approved under this policy. Previous extensions, with the exception of those granted under GF/B28/DP5 (Transition to the New Funding Model) allowing for flexibility during the transition to the new funding model, do not count towards the cumulative total.

<sup>164</sup> The scale of interventions may continue to increase at the same rate as during the expiring implementation period if deemed appropriate by the Country Team and relevant disease advisor.

<sup>165</sup> This is particularly important when it is known that specific activities are unlikely to continue in the next implementation period. In addition, over-allocated components may need to strategically refocus existing investments to align programmatic activities with available funding allocation during the extension period in order to maintain sustainable rates of investment until funding from the next replenishment period becomes available.

<sup>166</sup> The subsequent grant should be in advance stages of the grant making process (must have completed GAC 1 review or the procurement must have been included in the original proposal approved by the Board) with the commodities required clearly identified and agreed in the PSM plan/Detailed List of Products and PSM Costs in the Modular Tool.

42. Funding during the extension period is subject to the availability of funding and the [Comprehensive Funding Policy](#) as well as the rules governing annual funding decisions and disbursements (see [OPN on Annual Funding Decisions and Disbursements](#)).

### Approving and Reporting on Extensions

43. The approval process for extensions is differentiated based on the type of extension and the amount of additional funding being requested.
44. For grants requesting multiple extension requests for a given implementation period, the approval authority is determined based on the total length of extension requested<sup>167</sup>.

Approval Authority	Threshold
Grant Management Department Heads	- Non-costed extensions up to 6 months.
Grant Approvals Committee (GAC)	- Non-costed extensions over 6 months. - Costed extensions requiring additional funding for up to six months <sup>168</sup> but <u>not</u> exceeding USD10 million.
Board (with GAC recommendation)	- Costed extensions requiring additional funding for more than six months <u>or</u> an additional funding request exceeding USD10 million. - Any other extension request.

45. All extensions approved by the Secretariat will be notified to the Board through Grant Approvals Committee Reports. The notification will include the length of the extension, the amount of additional funding (if applicable), and the rationale for the extension.

### Extension Request and Timing

46. An extension may be initiated by the Principal Recipient or the Country Team and should ideally be approved at least three months prior to the grant end date. The CCM must be informed of all extensions and, as required in Paragraph 14 below, shall endorse requests for costed extensions as these will be financed from the country's allocation from the next replenishment period.
47. The Country Team will process the extension using the *Extension Request memo*. The following documents must accompany the request:
- an amended Performance Framework for the full implementation period (including extension period)
  - addendum to summary budget<sup>169</sup> for the extension period

<sup>167</sup> For example, if a grant is approved by a Department Head for a six month non-costed extension and then comes back for an additional three month non-costed extension, it must be approved by the GAC and not the Department head as it will cumulatively be a nine month non-costed extension.

<sup>168</sup> The GAC approves all costed extensions up to six months as long as the request does not exceed USD10 million. The GAC can also approve costed extensions longer than six months if part of the extension is non-costed (i.e. covered by remaining funds within the grant). For example, the GAC can approve an extension request of eight months in which only six of the eight months requires additional funding (i.e. there are remaining funds in the grant to cover two of the eight months). For extension requests longer than six months, the average monthly budget of the extension period (i.e. total extension budget divided by the number of months of the extension) should be the basis for determining the number of costed and non-costed months during the extension. The average monthly budget should generally be in line with the historical expenditure rate of the expiring implementation period.

<sup>169</sup> Based on a detailed budget reviewed and signed off by the Country Team.

- iii. the CCM Chair and Vice Chair endorsement of the extension request and the use of allocation for the extension (for costed extensions only)
- iv. the draft Implementation Letter (for non-costed extension only).

## Amending the Grant Agreement

48. On approval of the extension, the relevant grant agreement needs to be amended in accordance with [\*OPN on Signing and Amending Grant Agreements\*](#) and the *Signatory Authority Procedures*.

## RESPONSIBILITIES & PROCESSES

### Responsibilities

49. **Principal Recipient** initiates an extension (in coordination with the Secretariat) and proposes the amended grant documents including performance framework and detailed and summary budget to include the extension period.
50. **Country Coordinating Mechanism** endorses costed extension requests.
51. **Local Fund Agent**, if requested by the Country Team, reviews the performance framework and budget documents and makes recommendations to the Country Team.
52. **Secretariat** initiates extensions (in coordination with the PR), reviews extension requests submitted by PRs, facilitates the approval process of the extension request, notifies the Board, and amends relevant grant agreements.

### Processes

53. **Annex 1** provides detailed guidance on the process of extending the grant's implementation period.

## ANNEX 1: PROCESS FOR EXTENDING GRANT IMPLEMENTATION PERIODS

### Scenario 1: Non-Costed Extensions Up to Six Months

Seq. No	Responsible	Process Description	Output	Relevant Links
<b>PREPARE EXTENSION REQUEST</b>			Extension Request discussed and agreed	
1	PR and CT	<ul style="list-style-type: none"> <li>- Discuss and agree on the need for extension and the timelines for submission of documents to ideally have extension approved three months before the grant end date.</li> <li>- CCM informed.</li> </ul>		
2	PR	<ul style="list-style-type: none"> <li>- Prepares amended performance framework, detailed budget and addendum to summary budget for extension period.</li> <li>- Submits to (i) CCM for information and (ii) CT for review and processing.</li> </ul>		
<b>REVIEW OF PERFORMANCE FRAMEWORK AND BUDGET</b>			PF, detailed and summary budget	
1	LFA	If requested by the CT, reviews the amended PF and revised budget for appropriateness for the extension period.		
2	CT	Reviews amended PF and revised budget based on LFA recommendations as relevant.		
3	PR	Finalizes the amended PF and revised budget incorporating feedback from the CT.		
<b>APPROVE NON-COSTED EXTENSION</b>			Approved extension	
1	CT  <b>Control Point:</b> Individual CT members	<ul style="list-style-type: none"> <li>- Completes the extension memo template and attaches the amended PF, addendum to the summary budget for extension period, and draft Implementation Letter (IL)</li> <li>- Consults with GAC Secretariat (and other relevant teams as necessary) on draft memo before submitting for approval.</li> <li>- <b>M&amp;E Officer signs off on the amended PF</b></li> <li>- <b>FO signs off on the addendum to summary budget and the detailed budget it is based on (detailed budget not included in approval package)</b></li> <li>- <b>LO signs off on IL</b></li> <li>- <b>PSM Officer signs off on PSM plan (if required)</b></li> <li>- <b>FPM signs the memo for Country Team</b></li> </ul> <p>Note: Any disagreements between CT members that are not resolved should be raised to their respective managers before the memo is sent for approval.</p>		Extension Memo Template  IL Grant Extension Template
2	GMD, Department Heads  <b>Control Point:</b> GMD, Department Heads	<p><b>Reviews and approves the extension request.</b></p> <p><b>If extension is approved, two copies of the relevant IL are then signed according to the then-prevailing Signature Authority Procedure (SAP).</b></p>		
3	CT	Once the extension request has been approved by GMD Department Head, a copy of the memo is transmitted to Grant Finance for the extension of the implementation period		
3	Grant Finance Team	Updates the extension period in GFS and the appropriate and Finance issues an updated facesheet or grant confirmation for the extension of the period from GFS.		

3bis	CT	The signed ILs including the updated facesheet/grant confirmation is transmitted to PR for signature.		
4	PR	PR signs 2 original copies of the IL and returns both copies to the Global Fund for Regional Finance Manager signature.		
5	CT	Provides the ILs signed by PR to Regional Finance Manager for final signature.		
6	<b>Control Point: Regional Finance Manager</b>	<b>The ILs are then signed according to the then-prevailing Signature Authority Procedure (SAP).</b>		
7	CT	<ul style="list-style-type: none"> <li>- Sends the PR an original copy of the fully signed IL</li> <li>- Provides the GAC Secretariat with a copy of the signed memo.</li> <li>- Files a PDF copy of IL on the Country Sharepoint and hands one of the original signed versions to the Legal Officer of the CT for filing.</li> <li>- Scanned copy of the IL is provided to the FO</li> </ul>		
7 bis	FO	<ul style="list-style-type: none"> <li>- Uploads the signed IL in the GFS PO. No re-approval of PO is required for non-costed extensions</li> </ul>		
8	GAC Secretariat	<ul style="list-style-type: none"> <li>- Informs the GAC of the approved extension</li> <li>- Notifies the Board of the approved extension and justification in the next scheduled GAC Report.</li> </ul>		

## Scenario 2: Non-Costed Extensions Over Six Months and all Costed Extensions

Seq. No	Responsible	Process Description	Output	Relevant Links
<b>PREPARE EXTENSION REQUEST</b>			Extension Request discussed and agreed	
1	PR and CT	<ul style="list-style-type: none"> <li>- Discuss and agree on the need for extension and the timelines for submission of documents to have extension approved three months before the grant end date.</li> <li>- CCM shall be consulted in advance on costed extensions.</li> </ul>		
2	PR	<ul style="list-style-type: none"> <li>- Prepares amended performance framework, detailed budget and addendum to summary budget for extension period.</li> <li>- Submits the extension request to the CCM for endorsement.</li> </ul>		
3	CCM	Reviews and endorses costed extension request (Chair and Vice-Chair signatures required). Endorsement can be in a form acceptable to the CT and that can be documented for audit purposes.		
4	PR	Following CCM endorsement, submits to the CT for review and processing.		



REVIEW OF PERFORMANCE FRAMEWORK AND BUDGET			PF, detailed and summary budget	
1	LFA	If requested by CT, reviews the budget and PF for appropriateness for the extension period.		
2	CT	Reviews amended PF and revised budget based on LFA recommendations as relevant.		
3	PR	Finalizes the amended PF and revised budget incorporating feedback from the CT.		
APPROVE COSTED EXTENSION			Approved extension	
1	CT  Control Point: Individual CT Members	<ul style="list-style-type: none"> <li>- Completes the extension memo template and attaches the amended PF and revised budget, CCM endorsement.</li> <li>- Consults with GAC Secretariat (and other relevant teams as necessary) on draft memo before submitting for approval.</li> <li>- M&amp;E Officer signs off on the amended PF</li> <li>- FO signs off on the revised budget (summary and detailed)</li> <li>- PSM Officer signs off on PSM plan (if required)</li> <li>- FPM signs the memo for Country Team</li> </ul> <p>Note: Any disagreements between CT members that are not resolved should be raised to their respective managers (in accordance with the Country Team Approach Guidance) before the memo is sent for approval</p>		Extension Memo Template
2	GMD Department Head (through RM) Control Point: GMD Department Head	Reviews and approves the extension memo to be sent to GAC for review.		
3	CT	Provides the signed extension memo with required attachments to the GAC Secretariat.		
4	GAC Secretariat	<ul style="list-style-type: none"> <li>- Informs CT on timelines for GAC review and approval.</li> <li>- Schedules the extension request to be reviewed under AOB at the next scheduled GAC meeting.</li> <li>- If urgent, and within the GAC's approval threshold, the extension request may be submitted for GAC electronic approval (on an affirmative basis) instead of waiting for the next GAC meeting to take place. CT should discuss urgent cases with the GAC Secretariat as soon as possible.</li> </ul>		
5	Control Points: GAC  Board	<p><b>Option 1</b> - If the extension request is within the GAC's approval authority threshold, GAC approves the extension.</p> <p><b>Option 2</b> - If the extension request is above the GAC's approval authority threshold, GAC makes a recommendation to the Board. The Board approves the extension request through a no-objection vote.</p>		See Paragraph 12 in the main text of OPN for approval thresholds
6	GAC Secretariat	<p><b>Option 1</b></p> <ul style="list-style-type: none"> <li>- Provides email confirmation of the GACs decision to the CT.</li> <li>- Notifies the Board of the GAC's decision through the Grant Approvals Committee Report.</li> </ul>		GAC Report to the Board submitted monthly or bi-monthly



REVIEW OF PERFORMANCE FRAMEWORK AND BUDGET			PF, detailed and summary budget	
		<b>Option 2</b> - Provides email confirmation of the GACs recommendation to the CT. - Includes the GAC's recommendation in the Grant Approvals Committee Report for Board decision.		
7	Governance Team	- If Option 2 above, CT is informed of the Board's decision through the "Decisions Confirmed" email shared with all Board members and the Secretariat when the no-objection window has closed. - Board Constituencies may provide follow up comments for Country Teams to respond to, as part of DP Confirmation Email		
8	Grant Finance Team	Enters the Board or GAC approved amount and period for the extension in GFS to increase the total approved funding for the implementation period	GFS	
ISSUE IMPLEMENTATION LETTER			Amended Grant Agreement	
1	CT  <b>Control Point:</b> Finance Officer Legal Officer	- Once the extension request has been approved, prepares the IL for signature according to the then-prevailing SAP - <b>FO updates the Purchase order to increase the Grant Agreement amount</b> - Facesheet or Grant Confirmation is issued by Finance from GFS - <b>LO signs off on the IL</b>		IL Grant Extension Template
2	<b>Control Point:</b> Grant Management Department Head	<b>Signs two original copies of the IL in accordance with the then-prevailing SAP.</b>		
3	CT	Sends the ILs to PR for signature.		
4	PR	PR signs 2 original copies of the IL and returns both copies to the Global Fund for Regional Finance Manager signature.		
5	CT	Provides ILs signed by PR to Regional Finance Manager for final signature.		
6	<b>Control Point:</b> Regional Finance Manager	<b>The ILs are signed according to the then-prevailing Signature Authority Procedure (SAP).</b>		
7a	<b>Country Team</b>	- Program Officer/ FPA scans the signed IL, and sends it to the finance officer  - Finance Officer inputs the date of PR's and TGF signature into GFS (Purchase Order), and attaches the signed IL and other documents attached to the IL (plus the grant signing calculator) to the Purchase Order and releases it for approval		
7b	CT	- Sends the PR an original copy of the fully signed IL - Provides the GAC Secretariat with a copy of the signed memo. - Files a PDF copy of IL on the Country SharePoint and hands one of the original signed versions to the Legal Officer of the CT for filing.		

REVIEW OF PERFORMANCE FRAMEWORK AND BUDGET			PF, detailed and summary budget	
8	Regional Finance Manager	- Receives and online notification and validates the IL (PO) prior to Head of Program Finance & Controlling Approval.		
9	Head of Program Finance & Controlling	<ul style="list-style-type: none"> <li>- Online Approval of the IL (PO) in GFS for disbursement effectiveness</li> </ul> Control Point: <ul style="list-style-type: none"> <li>- Head of Program Finance &amp; Controlling Approval of IL in GFS (online approval)</li> </ul>		

## Pooled Procurement Mechanism

**Issued on:** 13 March 2015

**Purpose:** To describe and consolidate all policies and processes relating to the Pooled Procurement Mechanism (previously Voluntary Pool Procurement or VPP). It reflects the process improvements introduced in 2013 through the Procurement 4 Impact (P4i) initiative.

### OVERALL OBJECTIVES

1. The Pooled Procurement Mechanism (PPM) created in 2009, enables the Global Fund Secretariat to aggregate order volumes from participating PRs to leverage the Global Fund's market spend aiming to:
  - a. secure quality assured products,
  - b. obtain better Value-for-Money (VfM) through best pricing and delivery conditions,
  - c. reduce lead times for critical health products by engaging with manufacturers<sup>170</sup> using framework contracts, and
  - d. contribute to sustainable markets for core life-saving health products as defined in paragraph 3 (i) below.

### POLICY AND PRINCIPLES

2. The Global Fund facilitates the procurement of health products<sup>171</sup> for Principal Recipients (PRs) through PPM using the services of Procurement Services Agents (PSAs). PSAs are external service providers contracted by the Global Fund to perform procurement and delivery services for PPM participating PRs and are selected through a competitive tender process<sup>172</sup>. The PSAs undertake a broad range of procurement-related activities for the participating PRs, including order and logistics management, while ensuring quality assurance and timely deliveries.
3. Health products that may be procured by PRs through the PPM are categorized as PPM core or non-core products. Currently, the list is as follows:
  - (i) **Core products:** anti-retrovirals (ARVs); rapid diagnostic tests for HIV (HIV RDTs); CD4 and viral load tests; Artemisinin-based combination therapy (ACTs); long-lasting insecticide treated nets (LLINs); anti-malarial pharmaceutical products (other than ACTs); and rapid diagnostic tests for malaria (malaria RDTs).
  - (ii) **Non-core products:** drugs for opportunistic infections and sexually transmittable infections; other diagnostic products and laboratory supplies (post-exposure prophylaxis kits; condoms; re-treatment tablets for bednets; insecticides for indoor residual spraying (IRS) and related equipment/consumables; other products agreed with the Sourcing Team).
4. Participation in the PPM is in principle voluntary. The Country Team can, however, require a PR to use this mechanism as a risk-mitigating measure such as if the PR or the designated procurement entity has demonstrated inadequate capacity to procure health products effectively and efficiently. The PR may also wish to take advantage of the benefits and the negotiated PPM

<sup>170</sup> Including other suppliers that may hold a framework agreement with the Global Fund (e.g. freight forwarders etc.)

<sup>171</sup> The Global Fund negotiates internationally competitive prices with manufactures and supplier for PPM purposes.

<sup>172</sup> Currently, there are two contracted PSAs, aligned to different product categories: Partnership for Supply Chain Management (PFSCM) is the PSA responsible for the procurement of ARVs, ACTs, HIV RDTs, Malaria RDTs, Insecticides for indoor residual spraying (IRS) and related equipment/consumables; and IDA Foundation is the PSA responsible for the procurement of LLINs and other non-core products.

prices which may provide better Value-for-Money (VfM). The Global Fund at its own discretion, may limit the budget for commodities to the [negotiated PPM unit costs](#) to ensure that non-PPM procurement are equal or lower than PPM negotiated prices for similar commodities.

5. A PPM registration application may be submitted and processed at any time during grant making or implementation. As a general principle, PPM order confirmations will be based on the undisbursed balance of duly signed Grant Agreements (including Implementation and Notification Letters) between the PR and the Global Fund stipulating the implementation period.
6. Through the PPM Registration Letter with the attached standard schedule, the PR acknowledges and commits to its obligations under the PPM<sup>173</sup>. The registration process is complete once confirmed in writing by the Global Fund (Sourcing Team). Participation in PPM is, in principle, for the grant implementation period. The PR's participation into PPM may be ended by either parties through written notice only, at least ninety (90) calendar days prior to the desired end date.
7. In order to efficiently manage the overall PPM mechanism, the Global Fund will issue an annual Letter of Commitment to each PSA as a guarantee for grant related PPM procurement. The Letter of Commitment is based on the estimated consolidated forecast of Health Products to be procured through PPM.
8. The Letter of Commitment will take the form of an annual Purchase Order as created in the Grant Financial System (GFS) by the Sourcing Team in accordance with the Amended and Restated Signature Authority Procedure (SAP) of the Global Fund.
9. Payments to PSAs for the procurement and delivery of health products and their services under the PPM shall be made from available grant funds<sup>174</sup> of participating PRs and managed through the Pooled Disbursement Mechanism through working capital advances. The working capital advance should provide a sufficient cash flow needed by the PSA to make cash payments for PPM-related procurement transactions.
10. The PSAs will no longer be holding grant specific cash balances. The amounts charged to specific grants will be based on the shipments completed under PPM orders, as reported by PSAs. As a result, the approved PPM-related orders and payments upon shipment will reduce the open value of the Letter of Commitment.
11. A request for procurement should only be initiated by the PR and/or validated by the Sourcing Team if:
  - a. grant funds are available in accordance with the signed Grant Agreement<sup>175</sup> and the associated approved budget; and
  - b. all relevant grant conditions for the procurement have been fulfilled, or otherwise waived or postponed (in accordance with the [OPN on Conditions and Management Actions](#)).
12. In exceptional circumstances, the Global Fund at its own discretion may authorize to initiate the advance ordering of health products through PPM during grant making to facilitate timely delivery and mitigate risk of stock-out situations. Guidance on such exceptions is provided in Annex 3 of this OPN.

<sup>173</sup> A template registration letter for PPM is available from the Sourcing Team. Please note that the template may be amended from time-to-time.

<sup>174</sup> If a grant is suspended or terminated, no disbursements shall be made without due consideration and authorization by the Global Fund in accordance with policies and procedures relating to the suspension and termination of grants.

<sup>175</sup> In exceptional or emergency situations the grant details may not be available at the time of initiating the procurement process by the PSA (for example, during grant negotiation processes and/or other events envisaged in the RSM to mitigate treatment disruption and stock-out of essential drugs and commodities).

13. To achieve better Value-for-Money (VfM) and timely delivery of products under PPM, the PR should place orders taking into account a minimum procurement lead time of six (6) months. If the requested lead-time is below six (6) months, additional costs may be incurred by using air freight instead of the standard sea freight.
14. When the orders are placed less than 90 days (three months) from the expected delivery date, the Sourcing Team may recommend the use of the Rapid Supply Mechanism (RSM) with an additional premium for processing the order. At the sole discretion of the Global Fund and to avert imminent stock-out and disruption of services, non PPM registered countries may be authorized to place orders using the PPM exception process. Such orders may incur additional premium charges.
15. As a general principle, requests for procurement should only be for funding during the execution period<sup>176</sup> (plus the funding decision buffer period). For the PPM funding decision and reconciliation mechanism, please refer to Annex 1.
16. The final shipment under any request for procurement should take place no later than the implementation period end-date stipulated in the Grant Agreement.

## ROLES AND RESPONSIBILITIES AND PROCESS FOR EACH ACTOR

17. This section outlines a high level summary of the roles and responsibilities of the internal and external stakeholders of the PPM mechanism. The detailed “step-by-step” process is included in Annex 2 of this OPN.
18. The **Principal Recipient (PR)** decides on its participation to the Pooled Procurement Mechanism. Once registered, the PRs collaborate with the PSAs for health products procurement (procurement request submission, review of price quotations, etc.) through the Sourcing Team. The PRs ensure that conditions for products delivery and storage are in place (waivers, patents, warehouse, etc.) and confirm that products delivered are in line with procurement request and validated price quotation.
19. The **Country Team (CT)** supports the PR in adhering to the PPM, reviews the PR’s requests to ensure compliance with the Grant Agreement and any associated conditions/management actions. The Country Team is also involved in the financial aspects of PPM management (providing PPM annual order forecast, including PPM component in annual funding decision).
20. The **Procurement Services Agent (PSA)** is responsible for initiating the procurement of health products at the request of the PR with manufacturers and ensuring products meet the quality control standards of the Global Fund. The PSAs manage the logistics support for the delivery of procured products to the PR. The PSAs provide performance and financial reports to the Global Fund and the PR on their procurement activities (periodic reports including grant account statement).
21. The **Sourcing Team**, in close collaboration with the Country Teams, establishes the annual volume related to PPM procurement which is the basis for annual engagement with PSAs through a Letter of Commitment. Sourcing and Treasury Teams jointly approve the level of working capital advance to PSAs. The Sourcing Team also determines the grant funds to be committed for PPM based on approved price quotations. Based on the request from the Sourcing Team, payments done for PPM purposes are charged-back to the relevant grants as disbursements.

<sup>176</sup> The execution period is aligned to the approved budget and annual funding decision covering a period of up to a maximum of eighteen (18) months.

22. The **Treasury Team** reviews PSAs' cash forecasts based on the cash positions and jointly approves with the Sourcing Team the working capital advance for each PSA.
23. The **Financial Services Team** is responsible for processing payments linked to the working capital advances for PSAs. Financial Services Team also processes grant commitments based on approved funding decisions and charge back grant disbursements based on the shipments and approval by the Sourcing Team.
24. The **Accounting Team** reviews on a regular basis the reconciliation between the working capital advance, Internal Order Confirmation, approved quotations against the Contingent Liability and Funding decision balances in GFS.
25. The **Grant Finance Team** coordinates the PPM component of the corporate forecast for grant and provides to the Finance Officers the associated cash requirements based on the confirmed orders and PSA cash forecast.

#### CHANGE HISTORY:

No.	Issued/Changed By	Change Description	Date	Version No
1	Strategic Investment and Portfolio Optimization Team	N/A	10 October 2012	1.0
2	Sourcing Department and Financial Development Team	Key changes include earmarking PPM commitments through the AFD (based on updated Procurement Plans) without releasing payments to PSAs anymore.	11 June 2014	1.1
3	Sourcing and Financial Development Team	Introducing the IOCF, and the process for advance procurement.	13 March 2015	1.2

## ANNEX 1: FUNDING DECISION MECHANISM FOR PPM

### FUNDING DECISION MECHANISM FOR PPM

1. Based on the Internal Order Confirmation Form from the Sourcing Team, the Country Team shall include in annual or supplementary funding decisions the PPM-related funding and disbursements (i.e. amounts by PSA and associated disbursement schedule). PPM funds will be committed through the approval of the Country Team's annual or supplementary funding decisions following policies and processes detailed in the [OPN on Annual Funding Decision and Disbursements](#).
2. In the event the price quotation or its equivalent and the Internal Order Confirmation Form have not been issued by the Sourcing Team at the time of processing a scheduled ADMF, the Country Team **should not** include a PPM component in the funding decision. The Country Team should include a statement at the bottom of the funding decision rationale that there is a PPM component in progress and a separate supplementary funding decision will be processed subsequently with the estimated amount (if known). When the price quotation or its equivalent and the Internal Order Confirmation Form are issued, the Country Team should submit a supplementary ADMF for processing by the Financial Services Team attaching these documents and a copy of the original ADMF.
3. When processing supplementary funding decisions related to PPM (i.e. no modification to other non-PPM components), the following funding decision (ADMF) sign-offs apply:

Situation	Signatory Authority
1. Supplementary PPM funding decision submitted within three months from the approval of the original ADMF and the original ADMF includes a statement that a PPM component is in progress.	<b>Fund Portfolio Manager and Finance Officer</b> Along with the signed Internal Order Confirmation Form from the Sourcing Team
2. Supplementary PPM funding decision submitted more than three months from the approval of the original ADMF or the original ADMF does not include a statement indicating that a PPM component is in progress.	Standard signature process for supplementary funding decision will apply as per the <a href="#">OPN on Annual Funding Decision and Disbursements</a> .

4. The Annual Funding Decision and any supplementary decision for PPM will be the trigger point for grant liability recognition in the accounts of the Global Fund. Once committed, PPM funds will no longer be available for other purposes (disbursement to PR or third parties) until the order is finalized and all payments are made to the PSA. In certain instances, deliveries may be delayed and spanned between two execution periods. If this should occur, the PPM-related balances should be carried over in the next funding decision unless the Country Team has been notified in writing by the Sourcing Team that such balances are no longer required.

### REPORTING AND RECONCILIATION OF ADVANCES AND DISBURSEMENT

5. On a periodic basis and as agreed with the Global Fund, the PSA will submit the following financial reports for the advance payment and reconciliation purposes.
  - a. Statement of Pooled Account that accurately reconciles the working capital advance received from the Global Fund and the payments made to suppliers (e.g.



manufacturers, shipping agents, etc.) for PR procurement transactions. The rolling cash forecast of the expected payments to suppliers for open quotations and the available cash balance will be an integral part of this statement.

- b. Detailed Statement of Account by grant that indicates the cash payments and payable balances associated with the shipments that were completed as at the period-end.
6. For the purposes of procurement management, planning and performance, the PSA will send to the Global Fund on a quarterly basis a comprehensive report capturing full financial and operational details for each grant. The amounts in the comprehensive report will be split by the costs of the commodities, procurement agent fees, freight and insurance, quality assurance and any other procurement related costs.
7. The Sourcing Team will review and validate the Detailed Statement of Account and verify the availability of sufficient PPM commitment balances in GFS against the reported open price quotations or their equivalents.
8. In cases where there is no commitment balance in GFS for PPM purposes, the Sourcing Team will ensure that Country Teams urgently release the funding decision before submitting the Internal Disbursement Memo to the Financial Services Team. The Sourcing Team, at its own discretion, may request the PSA to put on hold any further shipments until the relevant funding decisions have been finalized in GFS<sup>177</sup>.
9. In some cases, the relevant funds for procurement may have been disbursed to the PR. In such instances, the PR would be required to either refund the funds directly to the Global Fund or make the payment directly to the PSA.
10. Upon finalization of orders, completion of shipment and payment of all invoices (including the final invoice), any grants payable for PPM orders will become available for new funding decisions (PPM or other PR activities).
11. On the basis of the final invoice and before reprogramming or de-committing any savings achieved through the PPM, the Country Team should confirm with the Sourcing Team that there is no objection to this (thus allowing the Sourcing Team to confirm that the savings are final and that these funds are not needed under confirmed orders).

---

<sup>177</sup> In the PSA Terms and Conditions attached to the existing GF Supplier Framework Agreements, the PSAs have a right to delay/postpone deliveries for a period of up to 30 days after the agreed delivery time, without the Supplier being entitled to claim any penalty or compensation for damages.



## ANNEX 2: PROCESS DESCRIPTION

The numerical steps in the process description are for the Pooled Procurement Mechanism (PPM) process and include the PRs, Country Teams, and PSAs as core actors. The steps indicated in roman numerals (I, II, III.....) are for the Pooled Disbursement Mechanism (PDM) and are centrally managed through the PSA, Sourcing and Finance Teams. The PDM processes are not relevant for the PRs or the Country Teams as these are not grant specific.

Seq	Actors	Process Description	Output	Relevant links						
0	Sourcing Team	Manages the selection of the PSA and contracted suppliers	Framework contracts signed with PSA and manufacturers according to SAP	Amended and Restated Signature Authority Procedure						
Pooled Procurement Mechanism Registration Process										
1	Country Team	Informs the Principal Recipient on the PPM mechanism, and advises about their participation based on the Health Product management capacity or risk assessment outcome against GF requirements.								
1 bis	Country Team Health Products Management Specialist	<div>Approves the List of Health Products, Quantities and Costs at the grant-making stage that shall be used as the basis for the PPM orders.</div> <div>Reconciliation, see with PDM steps I &amp; II</div> <table><tr><td>I</td><td>Country Team</td><td>Provides to the Sourcing Team the PPM annual order forecast to be captured in the Annual Grant Supply Plan as validated by the Health Products Management Specialists.</td></tr><tr><td>II</td><td>Sourcing Team</td><td>Establish the Annual Grant Supply Plan by country/grant, in conjunction with the Health Products Management Specialists of the Country Team, and liaise with the Country Team on the initiation and planning of the procurement process.</td></tr></table>	I	Country Team	Provides to the Sourcing Team the PPM annual order forecast to be captured in the Annual Grant Supply Plan as validated by the Health Products Management Specialists.	II	Sourcing Team	Establish the Annual Grant Supply Plan by country/grant, in conjunction with the Health Products Management Specialists of the Country Team, and liaise with the Country Team on the initiation and planning of the procurement process.	List of Health Products	
I	Country Team	Provides to the Sourcing Team the PPM annual order forecast to be captured in the Annual Grant Supply Plan as validated by the Health Products Management Specialists.								
II	Sourcing Team	Establish the Annual Grant Supply Plan by country/grant, in conjunction with the Health Products Management Specialists of the Country Team, and liaise with the Country Team on the initiation and planning of the procurement process.								
2	Principal Recipient	Decides on their participation to the PPM and submits a Registration Letter with the PPM standard terms.	The duly signed Registration Letter with standard terms	Standard PPM registration letter template						

Seq	Actors	Process Description	Output	Relevant links
2 bis	Principal Recipient	<p>Ensures appropriate waivers and local patents are obtained when required and facilitate the import process locally.</p> <p>Prepares the progress update and funding request documentation through a PU/DR, including an update of the Health Product lists and costs for the PU period (when applicable and required by the Country Team).</p> <p>Submits the list of products required for PPM order at least 6 (six) months to the expected delivery date.</p>		
3	Sourcing Team	Reviews and validates PR registration to PPM and notify the PR and the Country Team accordingly.		
<b>Pooled Disbursement Mechanism - Process for the Global Fund and Procurement Services Agent</b>				
I	Country Team	Provides to the Sourcing Team the PPM annual order forecast to be captured in the Annual Grant Supply Plan as validated by the Health Products Management Specialist.	Annual Grant Supply Plan	
II	Sourcing Team	Establishes the Annual Grant Supply Plan by country/grant, in conjunction with the Health Products Management Specialists of the Country Team, and liaises with the Country Team on the initiation and planning of the procurement process.	Consolidated Annual Grant Supply Plan	
III	Sourcing Team	In close collaboration with the Grant Finance Team, confirms the annual PPM commitment and disbursement forecast by grant (or country disease).		
III bis	Grant Finance Team	<p>Liaises with the Sourcing Team on finalization of the consolidated Annual Grant Supply Plan.</p> <p>Integrate PPM forecast in Hyperion Planning.</p>	Hyperion Planning Corporate Forecast	
IV	Sourcing Team	Creates a Purchase Order (PO) for each PSA based on the annual forecast. This will be updated when approved/anticipated orders and planned payment for each PSA exceed the initial PO amount.	PO created in GFS (unique number assigned in GFS)	
V	Authorized Signatories	Approval of PO in GFS and Letter of Commitment (as per signature authority procedures)	PO approval in GFS & duly signed Letter of Commitment	Amended and Restated Signature

Seq	Actors	Process Description	Output	Relevant links
				Authority Procedure
VI	Sourcing Team	Generates and transmits the duly signed Letters of Commitment to each of the PSAs. This will be updated in line with the update of the PO amount, as stated above.	Email notification to PSA	
VII	Procurement Services Agent	Requests working capital advances in line with the signed price quotations or their equivalent and planned shipments.		
VIII	Sourcing Team / Treasury	In close collaboration with the Treasury Team, validates the rolling cash forecast for each PSA based on confirmed orders in the pipeline. This forecast will be updated on a monthly or quarterly basis.  Takes a joint decision on the working capital advance payments to the PSAs.	Sign-off by Sourcing and Treasury Teams	
IX	Financial Services Team	Processes the working capital advance in GFS for payment to the PSAs.		
X	Treasury Team	Releases <sup>178</sup> first working capital advance to the PSAs.  Monitors the cash balance position of the PSAs and subsequent working capital advances.		
XI	Sourcing/ Treasury	Based on the PSA report in step 20 below, reviews and validates the Detailed Statement of Account for the reconciliation and validation of charge-back to grants based on the verification of PPM-related undisbursed balances in GFS.		
<b>Pooled Procurement Mechanism – Procurement Request to Shipment Process (including ADMF &amp; Disbursement)</b>				
4	Principal Recipient	Submits Procurement Requests to the PSAs in the appropriate format copying the Country Team, LFA and Sourcing Team.  <i>If expired or no Grant agreement, check with the Country Team if procurement can be initiated ( see OPN Annex 3 for pre-conditions and approval mechanism for exceptions)</i>	Procurement Request	PPM procurement request template for LLINs–AGENT ‘A’ ;  PPM procureme

<sup>178</sup> This may be an integral part of step IX and is performed by Financial Services Team when the payment instruction is to the World Bank.

Seq	Actors	Process Description	Output	Relevant links						
				nt request template for ARV, ACT and other health products–AGENT ‘B’						
5	Country Team	<p>Reviews the Principal Recipient’s request for procurement for its compliance with the approved List of Health Products, Quantities and Costs, Grant Agreement and related conditions and other mitigating measures.</p> <p>Ensures that the requests for procurement are submitted by the PR to PSAs copying the Local Fund Agent and the Sourcing Team in time.</p>	Procurement Request							
6	Procurement Services Agent	Issues a price quotation or its equivalent and other requested information for a specific Procurement Request to the PR.	Price Quotation							
7	Principal Recipient	<p>Reviews the price quotations or its equivalents, delivery schedules and products proposed as well as their consistency with the procurement requests, approved List of Health Product Quantities and costs, and programmatic needs.</p> <p>Returns a signed copy of the price quotation or its equivalent within the stipulated deadline to the PSA, copying the Country Team and the Sourcing Team.</p>								
8	Sourcing Team	<p>Verifies the availability of funding for the grant in GFS and/or exception approval for initiation of procurement.</p> <p>Confirms the quotations signed by the PRs to the PSA.</p> <p>Maintains an accurate and updated record of confirmed quotations, payments and final invoices.</p> <p><i>Reconciliation: See PDM steps IV - LOC value drawdown and 8bis in parallel</i></p> <table><tr><td>V</td><td>Link to SAP</td><td>Approval of PO in GFS and Letter of Commitment (as per signature authority procedures)</td></tr><tr><td>8bis</td><td>Procurement Services Agent</td><td>Confirms orders with suppliers (manufacturers and logistics agents) for the quotations duly signed by the PR and to which the Sourcing Team has no-objection. Place relevant orders in due time and organize supply logistics to ensure products arrive on time and according to agreed quantities and delivery schedule.</td></tr></table>	V	Link to SAP	Approval of PO in GFS and Letter of Commitment (as per signature authority procedures)	8bis	Procurement Services Agent	Confirms orders with suppliers (manufacturers and logistics agents) for the quotations duly signed by the PR and to which the Sourcing Team has no-objection. Place relevant orders in due time and organize supply logistics to ensure products arrive on time and according to agreed quantities and delivery schedule.		
V	Link to SAP	Approval of PO in GFS and Letter of Commitment (as per signature authority procedures)								
8bis	Procurement Services Agent	Confirms orders with suppliers (manufacturers and logistics agents) for the quotations duly signed by the PR and to which the Sourcing Team has no-objection. Place relevant orders in due time and organize supply logistics to ensure products arrive on time and according to agreed quantities and delivery schedule.								

Seq	Actors	Process Description	Output	Relevant links
8bis	Procurement Services Agent	<p>Confirms orders with suppliers (manufacturers and logistics agents) for the quotations duly signed by the PR and to which the Sourcing Team has no-objection.</p> <p>Place relevant orders in due time and organize supply logistics to ensure requested products arrive on time and according to agreed quantities, quality and delivery schedule.</p>	Products Ordered	
9	Sourcing Team	<p>Issues the Internal Order Confirmation Form for the Country Teams to integrate the PPM component in the annual or supplementary funding decisions.</p> <p>In collaboration with the Country Teams, monitors the availability of relevant ADMFs in GFS in accordance with the approved internal order confirmation form.</p>	Internal Order Confirmation Form	
10	Country Team	Incorporates the PPM commitment and disbursement schedule in the annual or supplementary funding decisions (see <a href="#">Annex 3</a> ) based on the <a href="#">Internal Order Confirmation Form</a> issued by the Sourcing Team.	Signed ADMF	
11	Funding Decision authorized signatories	Approves and signs funding decision as per OPN. The provisions in <a href="#">Annex 1</a> of the OPN may apply for PPM related supplementary funding decisions.	Signed ADMF	<a href="#">OPN on Annual Funding Decision and Disbursements</a>
12	Finance Officer	Submits online funding decision for approval and processing in GFS.	ADMF e-approval	
13	Financial Services Team	<p>Verifies that funding decisions approved are within the approved grant agreement (PO) amount in GFS.</p> <p>Creates an invoice to earmark the PPM amount for each PSA. This is held at the grant level and paid upon shipment confirmation as reported by PSAs.</p>	Automated interface & GFS approval	
14	Country Team	Notifies the PR on the funding decisions made by the Global Fund for their accounting records.	Funding decision notification letter	

Seq	Actors	Process Description	Output	Relevant links
15 <sup>179</sup>	Supplier	<p>The manufacturer accepts and processes purchase orders for production of commodities and delivery to logistics agent.</p> <p>Issues invoices to the PSAs when products are transferred for shipment to the PR.</p>		
16	Procurement Services Agent	<p>Organizes Quality Control testing in line with Global Fund Quality Assurance policies.</p> <p>Liaises with the logistics agent for the shipment of the products.</p> <p>Enters invoices in Price and Quality Reporting System on behalf of the PR.</p> <p>Liaises with PRs and the Sourcing Team on any delays on deliveries or changes in products supplied, or cost and other changes requiring approval and confirmation from the PR and the Global Fund, respectively.</p>	Products Delivered	
17	Procurement Services Agent	Ensures that all payments to Suppliers are based on signed price quotations or their equivalents as confirmed by the Sourcing Team in writing and shipments made to the PR.	Payment to supplier	
18	Principal Recipient	Reviews that the products delivered and associated costs are in line with the procurement request and price quotation or its equivalent.		
19	Principal Recipient	<p>Submits a written confirmation upon the receipt of the shipment.</p> <p>Ensures that warehouse and storage mechanisms are in place in accordance with the Global Fund required standards</p>		
20	Procurement Services Agent	Submits periodic performance and financial reports to the Global Fund and the PR on their procurement activities (periodic reports including grant account statement).	Periodic Reports	

<sup>179</sup> Process step 15 generally occur in parallel to steps 9-14.

Seq	Actors	Process Description	Output	Relevant links			
21	Sourcing Team	<p>Provides the Financial Services Team the duly signed Internal Disbursement Memo ensuring that all grants have sufficient PPM commitment balances in GFS for the charge-back as disbursements.</p> <p>Verifies that shipments reported are in line with the approved price quotation and grant implementation period.</p> <p><i>Sequentially completed after PDM Step <b>Error!</b></i> <b>Reference source not found.</b></p> <table><tr><td>XI</td><td>Sourcing team / Treasury</td><td>Reviews and validates the Detailed Statement of Account for the reconciliation and validation of charge-back to grants based on the verification of PPM-related undisbursed balances in GFS.</td></tr></table>	XI	Sourcing team / Treasury	Reviews and validates the Detailed Statement of Account for the reconciliation and validation of charge-back to grants based on the verification of PPM-related undisbursed balances in GFS.	Internal Disbursement Memo	
XI	Sourcing team / Treasury	Reviews and validates the Detailed Statement of Account for the reconciliation and validation of charge-back to grants based on the verification of PPM-related undisbursed balances in GFS.					
22	Financial Services	<p>Verifies the PPM-related undisbursed balances in GFS.</p> <p>Charges each grant based on the duly signed Internal Disbursement Memo from the Sourcing Team.</p> <p>Initiates the electronic message to the Sourcing Team for the generation of the PR disbursement notification letter directly from GFS for onward transmission to the PRs by the Country Teams.</p>	Disbursement Notification Letter				
23	Country Team	<p>Notifies the PR on the disbursements made by the Global Fund for their accounting records by transmitting the Disbursement Notification Letters to PRs.</p>					
24	Principal Recipient	<p>Records disbursement in their accounting books and reconciles with the shipment received against the orders.</p> <p>Reconciles shipment and associated invoices against the disbursement notification from the Global Fund.</p> <p><i>Proceeds to PPM, step 19 - Reconciliation of shipment and associated invoices against the disbursement notification from the Global Fund</i></p> <table><tr><td>19</td><td>Principal Recipient</td><td>Submit a written confirmation upon the receipt of the shipment. Ensure that warehouse and storage mechanism are in place in accordance with the Global Fund required standards</td></tr></table>	19	Principal Recipient	Submit a written confirmation upon the receipt of the shipment. Ensure that warehouse and storage mechanism are in place in accordance with the Global Fund required standards		
19	Principal Recipient	Submit a written confirmation upon the receipt of the shipment. Ensure that warehouse and storage mechanism are in place in accordance with the Global Fund required standards					

Seq	Actors	Process Description	Output	Relevant links
25	Sourcing Team	Reviews the PPM commitment and disbursement forecast variances and coordinates the provision of the relevant explanation with the Country Teams.		
26	Grant Finance Team	Provides the PPM grant commitment and disbursement data to Finance Officers for the corporate forecasts (MTP, Budget and reforecast).  Incorporates the PPM-related quarterly disbursement and commitments forecast.	Quarterly Grant re-forecast in Hyperion	



## **ANNEX 3: GUIDANCE ON EXCEPTIONS FOR INITIATING ADVANCE PROCUREMENT PRIOR TO GRANT SIGNING THROUGH THE POOLED PROCUREMENT MECHANISM (PPM)**

### **Background**

1. As the lead time to receive health products can be lengthy and the application and grant making processes are also based on a number of approval stages, initiation of advance ordering through PPM prior to grant signing may be allowed in exceptional cases to ensure the timely delivery of the health products to the country and sustain the gains achieved by Global Fund-supported programs.
2. Within the context of the PPM, this Annex highlights the process to initiate and manage the procurement of core health products while the grant making process is ongoing.
3. The implementation of this process will be only for core health products, i.e. ARVs, ACTs, RDTs and LLINs, and for countries where there is clear indication that there is misalignment of timing between the procurement and grant making process. This process will be available for PPM registered countries. For non-PPM countries, this would require signing up for the PPM.
4. The decisions made will be on a case by case basis for the relevant countries where the timelines for the grant making process (from approval of the Concept Note to signing of the NFM grant) indicate a gap that will consequently either lead to stock-outs of ARVs or ACTs or missing the timeframe for LLIN mass campaign, thus negatively impacting the program of the country and the gains already achieved. Key risks will be identified and mitigation measures highlighted to enable the Global Fund Secretariat to minimize risks and liabilities within this process.

### **Pre-conditions to the PPM advance procurement**

5. In exceptional circumstances, the Global Fund at its own discretion may authorize the initiation of the advance ordering of health products through the PPM during grant making to facilitate timely delivery and mitigate risk of stock-out situations. The PPM advance procurement process may be used when the following pre-conditions have been fulfilled:
  - (i) the Concept Note has been reviewed and approved by the TRP and GAC1;
  - (ii) nominated PR has been accepted by the Global Fund based on a capacity assessment;
  - (iii) PR registration to participate in PPM has been completed;
  - (iv) the List of Health Products, Quantity and Costs including the quantification and estimation of the initial order value has been approved by the Global Fund;
  - (v) the CT has put in place concrete risk mitigating measures and conditions to initiate the procurement based on the capacity assessment and country context.
6. At the point of order confirmation by the Sourcing Team, a grant financial liability is created and there is a need for the Country Team to closely monitor the grant making process and inform the Sourcing Team to enable effective risk mitigation taking into consideration the indicative procurement lead times. Consequently, shipment will not be authorized by the Sourcing team unless the associated grant agreement and funding decision has been duly approved in GFS.
7. As a general principle, a costed extension of an existing grant should be considered as the first option to initiate advance orders.

8. For grant programs with shortened durations,<sup>180</sup> the initiation of advance orders for periods beyond the end of the existing grant's implementation period shall be subject to the Board authorizing the Secretariat to execute portfolio optimization measures or other methods that make sources of funds available for such needs. Any request of this nature shall adhere to the form and process established by the Treasury Team and the Legal and Compliance Department taking into account the provisions of the Comprehensive Funding Policy.

## Process

9. Before initiating the process, it is critical that the Country Team discusses with the Sourcing Team the need for early procurement and possibilities and risks.
10. Once the Country Team and PPM Team have agreed to use the PPM track for early procurement, the following steps should be followed. While Steps i-iii of the process may be implemented without a signed grant agreement and without any commitment from the Global Fund, Steps iv-vii require the further assurances indicated therein to enable the Sourcing Team to proceed with the procurement process. These steps will require exceptional actions if the grant agreement has not been signed when these steps are due.
  - i. **Request to initiate procurement:** The Country Team will request the Sourcing Team to initiate the procurement process. As part of the request, the PR through the Country Team will submit the approved list of health products for early procurement with indicative desired delivery dates. The list of health products must be based on the final "List of Health Products, Quantities and Costs" agreed between the Country Team and the PR.
  - ii. **Development of supply plan:** The Sourcing Team will prepare a supply plan highlighting the indicative timelines for key activities within the process: 1) volume allocation to supplier by the Sourcing Team; 2) Price Quotation development by Procurement Service Agent (PSA); 3) Price Quotation signing by PR; 4) Order confirmation by Sourcing Team; 5) Delivery schedules and disbursement of funds.
  - iii. **Volume allocation and development of Price Quotation:** The Sourcing Team will work with the PSA to allocate volumes to suppliers and the PSA will develop the Price Quotation for signing by the PR.
  - iv. **Price Quotation signing:** The price quotation will be submitted to the PR for signing. The PR sign-off is needed to confirm the order with the PSA and the supplier. These exceptional price quotations to be signed would contain a clause that the PR will be liable for the amount of the resulting purchase order if the Grant Agreement is not signed.
  - v. **Exception review by the Sourcing Team and confirmation:** In order to authorize the PSA to proceed with the orders, the Sourcing Team will review the exception documentation to ensure that all relevant risk mitigating measures are captured. When initiating advance orders without signed Grant Agreement, the Sourcing Team will require a memo of guarantee duly approved by the relevant approver indicated in the approval matrix below.

---

<sup>180</sup> Grant programs with shortened durations are grants where the Secretariat has exercised operational flexibility pursuant to Board decision point GF/B31/DPO9 such that the implementation period covered by the total amount of allocated funds ends before the end of the typical period over which such funds were to be utilized (e.g., with respect to the 2014 allocation, grants ending prior to 31 December 2017).

Approval matrix for PPM exception memos <sup>181</sup> .		
Exception Memo for advance ordering	Memo transmitted through	Approver
1. Funding is available in the current allocation period and has been approved by the Board - delays in the signing of the grant agreement due to unforeseen circumstances.	The Country Team through the Head of Department, Regional Manager and Regional Finance Manager.	Head of Division Grant Management  Template_PPM Exemption Memo Board Approved Funding
2. Funding is available in the current allocation period, however, grant-making has not been finalized and GAC2 review and Board Approval is pending.	The Country Team through the Head of Department, Regional Manager and Regional Finance Manager.	Head of Division Grant Management and Chief Financial Officer  Template_PPM Exemption Memo Grant Making

- vi. **Order Placement with manufacturers:** Upon receiving confirmation to proceed, PSA will place the order with the supplier.
- vii. **Deliveries of health products and payments:** This will be subject to the approval of the grant agreement and corresponding funding decision as per the pre-conditions for PPM advance ordering.

<sup>181</sup> The exception should be approved with the understanding that a Grant Agreement or extension and the ADMF will be finalized no later than 30 days before the first shipment as per the price quotation. The exception memos required above should clearly indicate the Grant Name (e.g. *ZWE-M-MOHCC*) and Grant Agreement (PO) Number (619).

## **Implementing the Quality Assurance Policies for Pharmaceutical, Diagnostics and Other Health Products**

**Issued on:** 10 November 2014

**Purpose:** To define the monitoring process for compliance with requirements of the Quality Assurance Policies for Pharmaceutical, Diagnostics and other health products, including corrective measures to address non-compliance.

### **OVERALL OBJECTIVES**

1. The Global Fund's Quality Assurance (QA) Policy for Pharmaceutical Products and Quality Assurance Policy for Diagnostics Products defines the requirements which must be met for finished pharmaceutical products (FPP) and diagnostic products purchased with Global Fund resources. For other health products, the Global Fund has specified requirements for selection and procurement, as listed in the [Guide to Global Fund Policies on Procurement and Supply Management of Health Products, June 2012, part VII](#). The objectives of the QA policies and requirements are to ensure that grant recipients procure quality-assured health products and that value for money is achieved. The QA policies play a critical role in ensuring that risks related to poor quality, substandard products are mitigated for the benefit of those who need them. Ensuring compliance with the policies and requirements is an essential function of the Secretariat.

### **POLICY AND PRINCIPLES**

2. Global Fund quality assurance refers to the management activities required to ensure that the medicines and other health products are of the quality required for their intended use. There are four categories of products:
  - A. Pharmaceutical Products
  - B. Diagnostic Products
  - C. Pesticides
  - D. Condoms
3. The quality requirements for each of these categories is summarized below, with reference to the relevant Quality Assurance Policy when relevant and other important documents. For more information, please refer to the [Quality Assurance Information section](#) of the Global Fund website.

#### **A. Quality Assurance Policy for Pharmaceutical Products**

4. The Quality Assurance Policy for Pharmaceutical Products ("QA Pharmaceutical Policy")<sup>182</sup> aims to ensure the safety of pharmaceutical products procured with Global Fund resources.
5. The policy defines quality requirements for Finished Pharmaceutical Products (FPPs) that are antiretrovirals (ARVs), anti-malarial and anti-tuberculosis, and for all other FPPs. Currently, all other FPPs only need to comply with the relevant quality standards that are established by the

<sup>182</sup> GF/B22/11 Revision 1, Annex 1, amendments approved by the Board in December 2010 under GF/B22/DP9: [Global Fund Quality Assurance Policy for Pharmaceutical Products](#).

National Drug Regulatory Authority (NDRA) in the country of use. The quality requirements and corrective measures in case of non-compliance described in this OPN apply to all ARVs, antimalarial and anti-TB FPPs.

#### Quality Requirements for ARVs, Antimalarial and Anti-TB FPPs

##### Marketing authorization in country of use

6. All finished pharmaceutical products (FPPs), must comply with the relevant quality standards established by the National Drug Regulatory Authority (NDRA) in the country of use.

- For more detailed information, please refer to the [QA Pharmaceutical Policy](#), para. 19-21.

##### Criteria for the procurement of ARVs, anti-TB products and antimalarials

7. In addition to approval by the NDRA in the country of use, all ARV, anti-TB and anti-malaria pharmaceutical products should meet the following standards:

- i. Prequalified by the WHO Prequalification Programme (“A products”) or authorized for use by a Stringent Drug Regulatory Authority (SRA) (“B products”); or
- ii. Recommended for use by an Expert Review Panel (ERP).

- For more detailed information, including the processes, please refer to the [QA Pharmaceutical Policy](#), para. 7-16.

##### Before procuring ERP-reviewed products

8. Before procuring ERP-reviewed products, Principal Recipients (PRs) must inform their Fund Portfolio Manager (FPM) in writing by filling in the “Notification Form”. Procurement can only proceed once the PR receives a “no objection” letter from the Global Fund Secretariat for the requested selection.

- [Notification Form](#)
- [Notification of Additional Order Form](#)

##### Pre-shipment Quality Control (QC) testing and results

9. The Global Fund is responsible for QC of ERP-reviewed products for which a notification has been received (see above). Testing is performed on random samples by an independent laboratory contracted by the Global Fund. Upon successful QC results, the Secretariat will approve product shipment by issuing a final letter, including the test report, to the PR and concerned manufacturer.

- For more detailed information, please refer to the [QA Pharmaceutical Policy](#), para. 31.

## **B. Quality Assurance Policy for Diagnostic Products**

10. The Quality Assurance Policy for Diagnostic Products<sup>183</sup> (“QA Diagnostics Policy”) applies to all durable and non-durable in vitro diagnostics (IVDs), and imaging equipment and microscopes, used in Global Fund-financed programs for diagnosis, screening, surveillance or monitoring purposes. The PR must ensure that the procurement of Diagnostic Products with Grant Funds is undertaken in compliance with all applicable laws and regulations, as outlined in the QA Diagnostics Policy.

#### *Quality standards of manufacturing site*

11. The PR must ensure that the manufacturing site is compliant with the requirements of ISO 13485:2003; or ISO 9000 series as applicable; or an equivalent Quality Management System recognized by one of the Regulatory Authorities of the Founding Members of the Global Harmonization Task Force (GHTF), i.e. USA, Japan, EU, Canada, Australia.

- For more detailed information, please refer to the [QA Diagnostics Policy](#), para. 7.

#### *Quality standards of products*

12. The PR must ensure that HIV Immunoassays, HIV Virological and CD4 technologies, tuberculosis Diagnostic Products and Malaria Rapid Diagnostic Tests comply with the following requirements:
- i. recommended by WHO for use in HIV, tuberculosis and malaria programs, as applicable, based on a technical review of quality and performance indicators; or
  - ii. authorized for use by one of the Regulatory Authorities of the Founding Members of GHTF when stringently assessed (high risk classification). This option is only applicable to HIV Immunoassays Products and HIV Virological Technologies; or
  - iii. shall be acceptable for procurement using Grant Funds, as determined by the Global Fund, based on the advice of an Expert Review Panel for Diagnostics (ERPD).
- For more detailed information, please refer to the [QA Diagnostics Policy](#), paras. 8-9 and 17.

### **C. Quality Assurance requirements for public health pesticides**

13. Recipients are only authorized to procure long-lasting insecticidal mosquito nets with grant funds when the products are recommended for use by the WHO Pesticide Evaluation Scheme (WHOPES) and other pesticides are compliant with specifications indicated by WHOPES.<sup>184</sup> Below is a summary of the process to ensure that products comply with the quality assurance requirements:
- i. Products to be procured are approved by WHOPES (formulations/manufacturers)
  - ii. Random pre-shipment testing by an independent QC lab
  - iii. Sampling to be done by an **independent** sampling agent
  - iv. Testing by a QC testing **by ISO 17025 certified laboratory**, WHO Collaborating Centre for QC of Pesticides and according to **WHO Methods and Specifications**, (details are available on the following website:  
<http://www.who.int/whopes/quality/newspecif/en/>)

---

<sup>183</sup> GF/SIIC10/6 Revision 1, Annex 1, amendments approved by the SIIC in February 2014 under GF/SIIC10/DP2: [Global Fund Quality Assurance Policy for Diagnostic Products](#).

<sup>184</sup> The list of pesticide products recommended by WHOPES, including insecticides for indoor residual spraying, insecticides for treatment of nets, LNs and mosquito larvicides is available on the WHO site at <http://www.who.int/whopes/en>.

- For more information, please refer to the [WHO Guidelines for Procuring Public Health Pesticides](#).

#### **D. Quality assurance requirements for condoms**

14. Male latex condoms must be compliant with specifications indicated in [Specification, Prequalification and Guidelines for Procurement, 2010](#), published by WHO, UNFPA, and Family Health International.

It is highly recommended to all PRs to select condoms from the list of prequalified condoms published by United Nations Population Fund (UNFPA). If condoms selected are not on the UNFPA list, the PR must ensure that the following specifications are met:

- a. The condoms complied with national regulatory policies of the country of use before being imported into a country;
  - b. The manufacturing facility conforms to ISO 13485 latest specifications;
  - c. The condoms meet Directive 93/42/CEE or other requirements from a Stringent Regulatory Authority;
  - d. The pre-shipment QC testing was performed in ISO17025 accredited laboratory that has been accredited for testing condoms; and
  - e. The testing was done as per ISO4074 (latest edition) as recommended by WHO, and the test report reviewed by the PR for compliance with the above specification.
15. Female Condoms must be compliant with specifications indicated in [Generic Specification, Prequalification and Guidelines for Procurement, 2012](#), published by World Health Organization, UNFPA and FHI360.
- For more information, please refer to the [Prequalification Section](#) of the Reproductive Health Essential Medicines (RHEM) resource portal.

#### **E. Quality assurance requirements for other health products**

16. Health products, other than pharmaceutical products, diagnostic products, long-lasting insecticidal mosquito nets, other pesticides, and condoms, are selected from the applicable list of prequalified products, if any, and comply with the quality standards applicable in the country where such products will be used. This refers to health products for which the Global Fund has not developed a specific quality assurance policy, such as general laboratory items, syringes and therapeutic nutritional support.

#### Types of non-compliance with quality requirements

17. There are two possible ways in which a PR can breach the grant agreement by not complying with one of the QA Policies:
  - **Level 1 “No-notification”:** Product(s) comply with the relevant quality requirement, however:
    - i. the ERP(D)-recommended products have been procured without notification; or
    - ii. for pesticides, the WHOPES products have been procured without pre-shipment testing.

- **Level 2 “Non-compliant procurement”:** the product(s) procured do not comply with the relevant QA Policy, and the PR fails to send notification(s) required for the procurement of ERP(D)-recommended product(s).

Product Type	Non-Compliance Type	Classification of non-compliance
Pharmaceuticals: ARVs, Anti TB, Anti Malarials	Procurement of non A, B or ERP products	Level 2
	Procurement of ERP product without notification provided to the Global Fund	Level 1
Diagnostics	Procurement of HIV or malaria rapid diagnostic tests (RDTs) not compliant with Global Fund criteria (section 8 of the policy)	Level 2
	Procurement of reagents not produced in ISO certified site	Level 2
	Procurement of HIV, TB molecular equipment not assessed as per GF QA	Level 2
LLINS/ IRS	Non WHOPES products	Level 2
	Procurement of WHOPES product without random pre-shipment Quality Control	Level 1
Condoms	Non-WHO/UNFPA approved and not produced in an ISO manufacturing site	Level 2

#### Identifying non-compliance

18. Non-compliance is identified through either: (i) the review of data reported through the Price & Quality Reporting (PQR) tool on a quarterly basis; or (ii) reports from in-country sources, LFA, partners, etc.
19. When a case is reported, the Country Team evaluates the reasons for non-compliance and potential impact.

#### Deciding on and monitoring of corrective measures for non-compliance

20. Based on this analysis, the country team selects the most appropriate course or action. The decision is made at the discretion of the country team, with guidance from the HPM Hub.

#### Options of course of action:

- i. Issue a warning letter (first time cases/and non-compliance level 1)
- ii. Request for reimbursement for the products procured (non-compliance level 2/or new case of non-compliance after having received a warning letter)
- iii. Use a procurement agent for those products
- iv. Use a procurement agent for all products procured with grant funds



21. With regards to any corrective measures taken, the Global Fund will make every effort to avoid the interruption of life-saving treatment.
22. Corrective measures are communicated to the PR.<sup>185</sup>
23. The implementation of corrective measures will be monitored by the Country Teams in collaboration with the HPM Hub.

#### **Communication to PRs**

24. All PRs must be informed of the quality requirements of the QA Policies and corrective measures described in this OPN.

---

<sup>185</sup> All communications with PRs are routed through the country team with copy to the CCM, LFA and the HPM Hub. The HPM specialist and FPM will keep the HPM Hub informed on any decision made by the country team and any corrective measures taken.

## **Supplier Misconduct**

**Issued on:** 11 June 2014

**Purpose:** Guidance to the Secretariat in Responding to Supplier Misconduct

### **OVERALL OBJECTIVES**

1. The major area in which Global Fund grant resources are expended is procurement. Consequently, it is essential for the Global Fund to enforce the accountability of suppliers and grant recipients in maintaining the integrity of Global Fund-supported grant operations.
2. The Global Fund's Code of Conduct for Suppliers (the "Supplier Code of Conduct") describes supplier obligations in this regard and requires Suppliers to inform the Global Fund of any integrity concerns involving or affecting Global Fund resources of which they have knowledge. It also emphasizes the critical role of grant recipients in communicating and ensuring that all suppliers of goods and services to the Global Fund or to the activities it finances, including bidders, suppliers, agents, intermediaries, consultants and contractors and representatives of each of the above (each referred to herein as a "Supplier" and collectively as the "Suppliers")<sup>186</sup> comply with their obligations and in implementing immediate actions where there are cases of non-compliance. Principal Recipients must also inform the Global Fund about cases of procurement irregularities or other corruption in accordance with their grant agreements.
3. This Operational Policy Note guides the Secretariat in responding, in connection with grant implementation, to instances of non-compliance with the Supplier Code of Conduct and other events concerning suppliers that may place the resources and reputation of the Global Fund at risk. Through the application of a consistent set of procedures, the Global Fund can fairly, consistently and appropriately address any corrupt, fraudulent, collusive, anti-competitive or coercive practices involving Suppliers under Global Fund programs.

### **POLICY AND PRINCIPLES**

#### **Sanctionable Activities**

4. The Global Fund may sanction a Supplier or its successor in order to protect the interests, resources and reputation of the Global Fund, including in situations where the Global Fund determines that the Supplier has breached the Supplier Code of Conduct.
5. Activities which constitute supplier misconduct can take many different forms. Potential circumstances that may lead to the Global Fund initiating its sanctions process, which may then result in the imposition of sanctions upon a Supplier or its successor (each a "Sanctionable Activity" or "Sanctionable Event" and collectively referred to herein as "Sanctionable Activities"), include:
  - i. **Procurement Irregularities:** When the Inspector General has determined that there is credible and substantive evidence<sup>187</sup> that a Supplier may have directly or indirectly breached the Global Fund Supplier Code of Conduct, including by engaging in corrupt,

<sup>186</sup> Suppliers include suppliers of goods and services to Principal Recipients, Sub recipients, other recipients, Country Coordinating Mechanisms, procurement agents and first-line buyers. Supplier representatives include affiliates, employees, subcontractors, agents and intermediaries of Suppliers.

<sup>187</sup> This includes early notification of red flags although such evidence would only be expected to result in the imposition of operational remedial measures pending the finalization of the OIG's finding through a published report.

- fraudulent, collusive, anti-competitive or coercive practices in competing for, or performing under, a Global Fund-financed contract (“Procurement Irregularities”);
- ii. **Sanctions by a Partner or Grant Recipient:** When a Supplier has engaged in misconduct which results in a sanction being imposed on a Supplier (and/or its successors) by any Global Fund partner organization, any comparable institution or by a Global Fund grant recipient for conduct which would constitute a breach of the Global Fund Supplier Code of Conduct or any other unethical or unlawful behavior;
  - iii. **Sanctions by a National or an International Authority:** When a Supplier has engaged in misconduct which results in an investigation, proceeding or finding, either civil, criminal or administrative, or the imposition of sanctions, by another national or international authority for conduct which would constitute a breach of the Global Fund Supplier Code of Conduct;
  - iv. **Breach of Contract:** When there is a significant and material breach by a Supplier of a contract between the Global Fund and a Supplier or between a grant recipient and a Supplier that in the opinion of the Global Fund places Global Fund resources at risk; and
  - v. **Assets at Risk:** When credible and substantive information has been received by the Global Fund from any source, including local fund agents, partner organizations and comparable institutions, which indicates that Global Fund resources have been placed at risk by a Supplier’s conduct.

## Reporting and Responding to Sanctionable Activities

6. The Executive Director decides on the Global Fund’s response to a Sanctionable Activity based on the recommendations of the Executive Grant Management Committee (EGMC) and/or the Sanctions Panel.
7. Upon becoming aware of potential supplier misconduct in connection with Global Fund financed activities, the Country Team shall notify the Office of the Inspector General (OIG) through the relevant Grant Management Department Head.
8. If the OIG notifies the Secretariat of substantive and credible findings of supplier misconduct or in the event that another Sanctionable Activity (such as a supplier engaging in misconduct which results in a sanction being imposed on such Supplier by a partner organization or a comparable institution) has occurred, the EGMC shall be notified, through the appropriate Country Team. As part of the notification to the EGMC, the Legal and Compliance Department will confirm whether the relevant Supplier has breached the Supplier Code of Conduct or any other provision of a contract with the Global Fund or a Principal Recipient. The Country Team will also develop operational remedial measures to propose to the EGMC for approval to safeguard Global Fund resources.
9. In cases where there is an ongoing OIG investigation, operational remedial measures may be submitted to the relevant Grant Management Department Head for interim approval, as needed, or to the EGMC for approval prior to the issuance of a final OIG report.<sup>188</sup> Potential operational remedial measures will vary based on the nature of the irregularities and other contextual factors, but could include procurement through the Pooled Procurement Mechanism or the institution of a Procurement and/or Fiduciary Agent.

---

<sup>188</sup> In cases where the OIG has informed the Secretariat that it has identified credible and substantive evidence of fraud, abuse, misappropriation or corruption by a Principle Recipient or a Sub-Recipient, the Country Team shall also comply with the requirements contained in GF/B18/DP23 (Nov 2008) and GF/B19/DP25 (May 2009) regarding the restrictions to be promptly implemented to address the applicable risks to the Global Fund and its resources.

10. The EGMC will consider the OIG's conclusions and/or the nature of the Sanctionable Activity and, taking into account the criteria listed in paragraph 12 below for when the involvement of the Sanctions Panel is expected, determine whether to recommend to the Executive Director that the case be referred to the Sanctions Panel. The Executive Director will then decide whether to refer the matter to the Sanctions Panel.

### **Sanctions Panel**

11. The Sanctions Panel advises the Executive Director on remedies for Sanctionable Activities with respect to specific cases referred by the Executive Director to the Panel. The operation of the Sanctions Panel is described in the [\*Sanctions Panel Procedures Relating to the Code of Conduct for Suppliers\*](#) (the "Sanctions Panel Procedures"), as may be amended by Global Fund executive management from time to time.
12. Based upon a recommendation of the EGMC, the Executive Director may decide to refer a case to the Sanctions Panel in any circumstance where a Supplier has, directly or indirectly, engaged in Sanctionable Activities. In particular, involvement of the Sanctions Panel is expected in the following cases:
  - i. the egregious nature of the Sanctionable Activities placed a material amount of Global Fund resources at risk and/or created a significant reputational risk for the Global Fund;
  - ii. the concerned entity has engaged in Sanctionable Activities and is a Supplier to Global Fund grant programs in several countries;
  - iii. the Sanctionable Activities involve an entity which has previously been reviewed by the Sanctions Panel or which has previously been the subject of OIG findings of credible and substantive evidence of fraud or misconduct; and/or
  - iv. the concerned entity has violated a Global Fund-led or endorsed/supported integrity pact, such as the integrity pact for long-lasting insecticide treated net suppliers.

### **Types of Sanctions**

13. Sanctions are used for ensuring the accountability of Suppliers. Sanctions protect the integrity of the procurement process through (i) exclusion of specific actors from access to Global Fund financing (i.e., permanent or temporary/conditional debarment), and (ii) deterrence.
14. There are four principal types of sanctions available: (i) Reprimand, (ii) Conditional Continued Engagement, (iii) Debarment with Conditional Release, and (iv) Indefinite Debarment. The Executive Director will decide whether to impose a sanction on a Supplier after receiving a recommendation from the Sanctions Panel.
15. When considering the appropriate sanction to be applied, relevant considerations include: (i) the severity of the misconduct; (ii) harm caused by the misconduct; (iii) the Supplier's level of cooperation with the investigation and sanctions process; (iv) the Supplier's past history of misconduct; and (v) the risk of continued engagement with the Supplier. Annex 1 provides a list of factors for assessing these considerations.

#### *Reprimand*

16. A reprimand, in general, shall be used to sanction a Supplier guilty only of a relatively minor or isolated incident of insufficient oversight.

### *Conditional Continued Engagement*

17. This sanction is generally appropriate for:

- i. Individuals/entities that were not directly involved in the misconduct, but which bear some responsibility through, for example, a systemic lack of oversight; or
- ii. Individuals/entities that have demonstrated that they have taken comprehensive corrective measures and/or that there are other mitigating factors, as outlined below, so as to justify not debarring such individuals/entities.

18. The conditions imposed may be similar to those imposed under debarment with conditional release. The Executive Director may decide that if the Supplier fails to demonstrate compliance with the conditions within an established time period, an indefinite debarment or a debarment with conditional release would automatically become effective. The EGMC will verify whether the conditions to continued engagement have been met or if circumstances suggest that a revision to the original decision regarding the sanction may be warranted.

### *Debarment with Conditional Release*

19. Debarment with conditional release is targeted towards Suppliers, rather than individuals. The purpose of the conditional release is to mitigate further risk to Global Fund resources and eventually allow the Supplier to again have an opportunity to act as a Global Fund Supplier once appropriate remedial measures have been implemented. Accordingly, the Supplier will only be released from debarment after the Supplier has demonstrated that it has met the conditions set by the Executive Director.

20. Conditions for lifting the debarment may include, but are not limited to:

- i. implementation or improvement of a compliance and ethics program, anti-corruption training, and/or the engagement of an independent monitor;
- ii. remedial measures to address the misconduct for which the Supplier was sanctioned, including disciplinary action or termination of employee(s)/officer(s) responsible for the misconduct; and
- iii. payment of a monetary sanction commensurate with any financial harm caused by the misconduct.

21. The Executive Director decides on the conditions for release based on the recommendations from the Sanctions Panel. The EGMC will verify whether the conditions for lifting debarment have been met or if circumstances suggest that a revision to the original decision regarding the sanction may be warranted.

### *Indefinite Debarment*

22. Indefinite debarment is generally appropriate in cases of severe misconduct where it is believed that it is unreasonable to expect that the Supplier can use remedial measures to address the cause of the misconduct and to protect against future misconduct, or when the supplier has not meaningfully cooperated with the investigation or sanctioning process.

## **Communicating Sanctions**

23. If the Executive Director decides to impose sanctions, the decision will be communicated, with appropriate confidentiality measures, to the concerned Supplier and, if the sanctionable conduct affects a Global Fund grant program(s), to the Principal Recipient(s) of the concerned grant(s) and, where needed to give effect to the decision, to the Country Coordinating Mechanism and other Principal Recipients in the relevant market. If the decision is connected to an on-going investigation or audit by the OIG or public disclosure of the final OIG report is restricted in

accordance with the Policy for the Disclosure of Reports Issued by the Office of the Inspector General, the Inspector General shall be consulted on the decision being communicated and will retain sole discretion over any factual details which will be included in the communication with the Supplier.

24. For cases referred to the Sanctions Panel by the Executive Director, the Sanctions Panel may, in accordance with the Sanctions Panel Procedures, notify the concerned Supplier of the sanctions under considerations prior to making a recommendation to the Executive Director. Whether or not the Sanctions Panel has sent a previous communication to the concerned Supplier, the Supplier shall be notified of any decision to sanction such Supplier prior to the decision being communicated publicly by the Global Fund.
25. The confidentiality of sanctions decisions is important owing to the legal risks to the Global Fund associated with public disclosure of these decisions. Consequently, all communications on sanctions shall be undertaken in collaboration with the Legal and Compliance Department and, where relevant, the Inspector General.
26. The Global Fund may share the decision on sanctions imposed, as well as information and evidence underlying the decision, with national authorities, partners and other comparable institutions. In order to protect the confidentiality of sanctions decisions, these shall only be communicated to a third party after execution of a confidentiality agreement as required by the Inspector General or the Legal and Compliance Department.

### **Monitoring Sanctions**

27. Within the Secretariat, the Grant Management Division and the Legal and Compliance Department will monitor a Supplier's compliance with conditions related to sanctions imposed by the Global Fund.
28. The Executive Director, with guidance from the EGMC, will decide whether the applicable conditions have been met and whether the sanctioned Supplier can be reinstated. In some cases, the Executive Director may also determine that additional sanctions may be necessary.
29. Reinstatement of a sanctioned Supplier or the imposition of an additional sanction period, may be considered for the following reasons:
  - i. Payment of restitution in a manner determined by the Global Fund;
  - ii. Changes in management or ownership, including permanent severance of officers and employees responsible for the sanctionable misconduct;
  - iii. Installation, by the Supplier concerned, of effective, verifiable mechanisms to improve their business governance, ethics and oversight systems;
  - iv. Adoption of ethics and anti-corruption compliance and training programs, including installing an independent monitor;
  - v. Further cooperation with the OIG satisfactory to the OIG;
  - vi. Initiation of administrative, civil or criminal action by the sanctioned party against the individuals responsible for the sanctionable misconduct, which is commensurate with the severity of the sanctions imposed by the Global Fund; or
  - vii. Receipt by the Global Fund of any credible information that the sanctioned party engaged in further sanctionable misconduct after the imposition of sanctions by the Global Fund.

## PROCESS, RESPONSIBILITIES

### Process

30. Annex 2 defines the general process for identifying, reporting and reviewing supplier misconduct.

### Responsibilities

31. **Country Team** notifies the OIG and Senior Management of supplier misconduct in connection with Global Fund financed activities and other types of Sanctionable Activities and recommends remedial measures.
32. **Executive Grant Management Committee** determines, based on the OIG findings and/or the Sanctionable Activities, whether to recommend to the Executive Director that he/she refer the case to the Sanctions Panel and whether any operational remedial measure is advisable.
33. **Sanctions Panel** advises the Executive Director on referred sanctions cases concerning supplier misconduct pursuant to the Sanction Panel Procedures.
34. **Executive Director** refers cases to the Sanctions Panel and makes a final determination as to whether to impose a sanction on a Supplier. These decisions are informed by the recommendations of the EGMC and the Sanctions Panel.

## **Annex 1. List of Considerations for Determining Sanctions**

### ***Severity of Misconduct***

35. Severity may be measured through considerations including the following:

- i. Did the misconduct place a material amount of Global Fund resources at risk?
- ii. Is it a repeated pattern of conduct?
- iii. How sophisticated was the scheme? This includes the complexity of the misconduct (e.g., degree of planning, diversity of techniques applied, level of concealment); whether the scheme was developed or lasted over a long period of time; and if the misconduct spanned grant programs in more than one country.
- iv. Did management have a role in the misconduct? Have individuals within high-level personnel of the organization participated in, condoned, or willfully ignored the misconduct?
- v. Did the misconduct involve a Global Fund or government official?

### ***Harm Caused by the Misconduct***

36. Harm may be measured through considerations including the following:

- i. Did the misconduct create a danger to public health/welfare?
- ii. Did the misconduct result in the waste/inefficient use of grant funds?
- iii. Did the misconduct involve corruption?
- iv. Did the misconduct cause harm to any third parties?
- vi. Did the misconduct create a significant reputational risk for the Global Fund?

### ***Voluntary Corrective Actions***

37. In evaluating corrective actions, the timing of the action may indicate the degree to which it reflects genuine intention to reform, or a calculated step to reduce the severity of the sentence. Considerations may include:

- i. Did the Supplier voluntarily disclose the misconduct to the Global Fund?
- ii. Did the Supplier initiate any reforms voluntarily upon becoming aware of the misconduct?
- iii. Did the Supplier initiate an internal action against responsible individual(s)?
- iv. Did the Supplier voluntarily establish or improve a corporate compliance program?

### ***Cooperation with the Investigation***

38. Cooperation may be measured through considerations including the following:

- i. Has the OIG concluded that the Supplier provided substantial assistance in the investigation, including voluntary disclosure, truthfulness, completeness, reliability of any information or testimony, the nature and extent of the assistance, and the timeliness of assistance?
- ii. Did the Supplier's actions indicate intent to interfere with the investigation, including through destroying or concealing evidence; making false statements to investigators or reviewers; threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation; or attempting to corrupt individuals in exchange for non-cooperation with the investigation?

### ***Prior History of Misconduct***

39. Prior history can include debarments or other sanctions applied by the Global Fund and/or other development partners.



## Annex 2. Sanctions Process

### Scenario 1: Procurement Irregularities

Seq. No	Actors	Process Description	Output	Relevant Links
<b>Report on Procurement Irregularities/Supplier Misconduct</b>				
1	CT	<p>As soon as informed of potential misconduct involving a Supplier, the Country Team notifies the OIG and, if needed, recommends operational remedial measures to the relevant Grant Management Department Head or to the EGMC.</p> <p><b>Control Point:</b> Notification to OIG shall be through the relevant Department Head, Grant Management.</p>	Notification to OIG Recommendation for Operational Remedial Measures to the relevant Grant Management Department Head or the EGMC	
<b>Check on Reported Cases</b>				
2	OIG	Inspector General decides on actions to take on reported supplier misconduct and informs Country Team accordingly.		
3	OIG	If investigation is decided, OIG proceeds and informs the Country Team of results.		
<b>Report to EGMC</b>				
4	CT	<p>If the OIG notifies the Secretariat of substantive and credible findings of supplier misconduct, the issue shall be reported to the EGMC, through the Country Team. The Country Team shall also ensure that it complies with GF/B18/DP23 (Nov 2008) and GF/B19/DP 25 (May 2009) regarding placing restrictions on activities with PRs and SRs for which the OIG has identified credible and substantive evidence of fraud, abuse, misappropriation or corruption. In certain cases where implementation arrangements must be continued with the entity being investigated despite the OIG notification, compliance with these decision points includes seeking the approval of the Executive Director.</p> <p>The Country Team shall draft a memo, in consultation with the OIG, containing the following information:</p> <ul style="list-style-type: none"> <li>i. the Supplier and the nature of the misconduct;</li> <li>ii. the relevant supporting evidence and information, including any investigative findings and conclusions relating to the Supplier;</li> <li>iii. actual or potential damages or loss to the Global Fund or the Global Fund's grant recipients (whether financial or otherwise);</li> <li>iv. any aggravating or mitigating factors, including, for example, whether the Supplier has cooperated with the audit or investigation, or with any other matter under review by the Inspector General, and the extent to which the cooperation has been material and useful to the Inspector General;</li> </ul>	Memorandum to EGMC	

		v. any relevant information that would reasonably tend to mitigate the culpability of the Supplier; and vi. the Country Team's recommendation on the appropriate remedial measures, taking into consideration the factors described above.  <b>Control Point:</b> Memo shall be reviewed and approved by Grant Management Division Head (through channels).		
<b>EGMC and/or Sanctions Panel Review</b>				
5	EGMC	Review and discuss supplier misconduct and may decide to: i. impose operational remedial measures; and/or ii. recommend to the Executive Director that he/she refer the case to the Sanctions Panel.	Decision regarding operational remedial measures and Sanctions Panel Referral	
6	Executive Director	Based on the EGMC recommendation, may refer case to the Sanctions Panel.	Referral to Sanctions Panel	
7	Sanctions Panel	Based on request from the Executive Director, reviews the Sanctionable Activities case, including the report from the Executive Director, and formulates a recommendation to the Executive Director regarding possible sanctions.	Recommendation to the Executive Director	
8	Executive Director	Decides on the sanctions, if any, to be imposed on the Supplier.	Sanction Decisions	
<b>Communicate Sanctions</b>				
9	Sanctions Panel, Legal and Compliance Department, and Inspector General	Where appropriate, the Sanctions Panel, in consultation with the Legal and Compliance Department and, where relevant, the Inspector General, may notify the Supplier of the sanctions under consideration.	Notification to Supplier	
10	CT, Legal and Compliance Department, and Inspector General	Drafts communications to the Supplier and relevant PR (if a grant is affected).  The notice to the Supplier shall include: i. a description of the sanctions imposed; ii. the period of any applicable sanctions; and iii. a summary of the reasons for the decisions.  <b>Control Point:</b> Head, GMD and Head, Legal and Compliance Department and, where relevant, the Inspector General review and approve the communication.	Draft Notification to Supplier and, if applicable, the Principal Recipient for Executive Director Approval	
11	Executive Director	Signs the official communication to the Supplier and PR (if relevant)	Final Notification to Supplier and PR (if relevant)	
<b>Monitoring of Sanctions</b>				
12	CT and Legal and	The relevant internal departments will monitor the Supplier's compliance, in consultation with the Legal	Updates to Executive	

	Compliance Department	and Compliance Department, with conditions to continued engagement or conditions for lifting a debarment and periodically advise executive management on the Supplier's progress.	Management on Sanctions Monitoring	
13	EGMC	<p>EGMC will verify whether conditions to continued engagement or for lifting a debarment have been met by a Supplier.</p> <p>If sanctions have been imposed for a specific period of time, with no additional conditions, the sanctions shall be lifted automatically upon the expiry of such period.</p> <p>EGMC will also advise the Executive Director in circumstances where an additional sanction period or a change to a decision regarding sanctions may be warranted.</p>	Verification of Condition Completion or Recommendation of Additional or Revised Sanctions	
14	Executive Director	Once EGMC has verified that any applicable conditions have been met, the Executive Director will confirm to the Supplier, and if applicable, the relevant PR, that the Global Fund is satisfied that the conditions have been met.	Notification to Supplier and PR (if relevant)	

**Scenario 2: Other Sanctionable Activities (*Sanctions by Partners, International Organizations, National or International Authorities and Breach of Contract*)**

Seq. No	Actors	Process Description	Output	Relevant Links
<b>Country Team reports on Sanctionable Activity</b>				
1	CT	<p>As soon as informed of a potential Sanctionable Activity, the Country Team shall inform the Executive Grant Management Committee.</p> <p>The Country Team shall draft a memo containing the following information:</p> <ul style="list-style-type: none"> <li>i. the Supplier and the nature of the misconduct;</li> <li>ii. the relevant supporting evidence and information, including any known investigative findings and conclusions relating to the Supplier;</li> <li>iii. potential impact on the Global Fund or the Global Fund's grant recipients (whether financial or otherwise);</li> <li>iv. any aggravating or mitigating factors known;</li> <li>v. any relevant information that would reasonably tend to mitigate the culpability of the Supplier; and</li> <li>vi. the Country Team's recommendation on the appropriate remedial measures, if any, taking into consideration the factors described above.</li> </ul> <p><b>Control Point:</b> Memo shall be reviewed and approved by Grant Management Division Head (through channels).</p>	Memorandum to EGMC	
<b>EGMC and/or Sanctions Panel Review</b>				
The EGMC and/or Sanction Panel Review follows steps 5-8 under Scenario 1 above.				
<b>Communicate Sanctions</b>				
The process for communicating the decision regarding sanctions follows steps 9-11 under Scenario 1 above.				
<b>Monitoring of Sanctions</b>				
The process for monitoring the implementation of the sanction decision and where applicable, lifting the sanctions, follows steps 12-14 under Scenario 1 above.				

## **Risk Management across the Grant Lifecycle**

**Issued on:** 1 September 2016

**Issued by:** Risk Department

**Approved by:** Executive Grant Management Committee

**Purpose:** To define the Global Fund risk management requirements for ensuring effective identification, mitigation, assurance, monitoring and control of issues throughout the grant lifecycle that may negatively affect the achievement of grant objectives.

### **OVERALL OBJECTIVES**

21. The Global Fund recognizes that a preventive, focused risk management approach is critical to optimal achievement of the Global Fund's mission of saving lives. Robust risk management occurs where risks are explicitly considered in all activities and decisions are taken consistently per agreed-upon principles. At the same time, it is incumbent on the Global Fund to ensure that mission risk is balanced with fiduciary risk when determining the controls put in place to protect grant program resources.
22. Risk management is an integral part of the grant management, both at country and the Secretariat levels. While risk management initiatives by in-country stakeholders and implementers have significant impact on the grant outcomes, the OPN focuses on the risk management framework internal to the Global Fund Secretariat. The Country Teams engage implementers on an ongoing basis to facilitate that the outcomes from risk management activities by different stakeholders are aligned, prioritized and translated into mutually complementary actions.
23. Seamlessly embedding risk management into Global Fund culture, strategic planning, decision-making and resource allocation is critical for effective and efficient grant management and to the organization achieving operational and strategic objectives. Effectively embedded risk management throughout the full grant lifecycle will:
  - a. Promote an environment in which Country Teams are responsible and empowered to manage risk and have a consistent understanding of the principles by which the Global Fund differentiates its approach to risk management;
  - b. Enable Country Teams to be able to identify and prioritize risks;
  - c. Empower and encourage Country Teams to escalate these risks when necessary; and
  - d. Foster management support to debate and make critical risk-based decisions.
24. The purpose of this OPN is to define the risk management framework and to provide guidance on how to operationalize risk management across the grant lifecycle by Country Teams and how the Risk Department and Global Risk Owners provide risk oversight to help achieve optimal outcomes at the grant and portfolio level.

## PRINCIPLES AND POLICIES

25. The following principles underpin the embedding of risk management throughout the grant lifecycle. Country Teams must take into account these principles when managing grants and making decisions:

*Principle 1 – Prioritizing portfolio-level risks:* Prioritization of risks based on portfolio objectives and agreed level of risk acceptance is critical to ensure both the Country Team and implementers are focused on mission critical risks with appropriate and effective mitigating actions, and where assurance of the intended outcomes can be provided. Key risks within each grant will cascade upwards to form prioritized portfolio-level risks.

*Principle 2 – Risk mitigation and comprehensive assurance planning:* All prioritized risks must have mitigating actions to manage the risk to an acceptable level. The degree to which risks are mitigated should be proportional to the level of risk acceptance given the country context and in relation to the specific risk. Assurance activities will verify whether controls and mitigating actions<sup>189</sup> for key risks are being executed as planned and whether they are reducing risks to an acceptable level. Proper assurance will facilitate the identification of gaps in implementer controls and weaknesses in mitigant design and implementation.

*Principle 3: Accepting risk when necessary:* Defining the amount and type of risk the Global Fund is willing to accept to achieve its objectives is critical for effective risk management. The degree to which residual risk is deemed acceptable by the Operational Risk Committee for [High Impact and Risk countries](#)<sup>190</sup> will guide Country Teams in determining the extent of mitigating actions and assurance mechanisms to put in place against prioritized risks.<sup>191</sup>

*Principle 4 – Linking portfolio and strategic risks:* Strategic risks are cross cutting and can have significant influence on the achievement of grant objectives in certain countries. Country Teams, supported by other departments (particularly the Risk Department and Global Risk Owners), will improve connectivity between grant related risks and enterprise level strategic risks to ensure that stakeholders within and outside the organization prioritize such risks, develop a shared view of their importance, and jointly plan mitigating actions and assurance activities to address them.

*Principle 5 – Maintaining updated risk assessments:* Country Teams for High Impact and Core countries are responsible for updating risk assessments for their portfolios on an ongoing basis as information becomes available.<sup>192</sup> Teams managing Focused countries will review and update key risks on an annual basis as part of the Annual Funding Decision process.

---

<sup>189</sup> Controls are generally designed into grant programs (e.g., segregation of duties intended to prevent fraud and error), where mitigation actions reduce the level of identified risk (e.g., strengthening logistic management information systems).

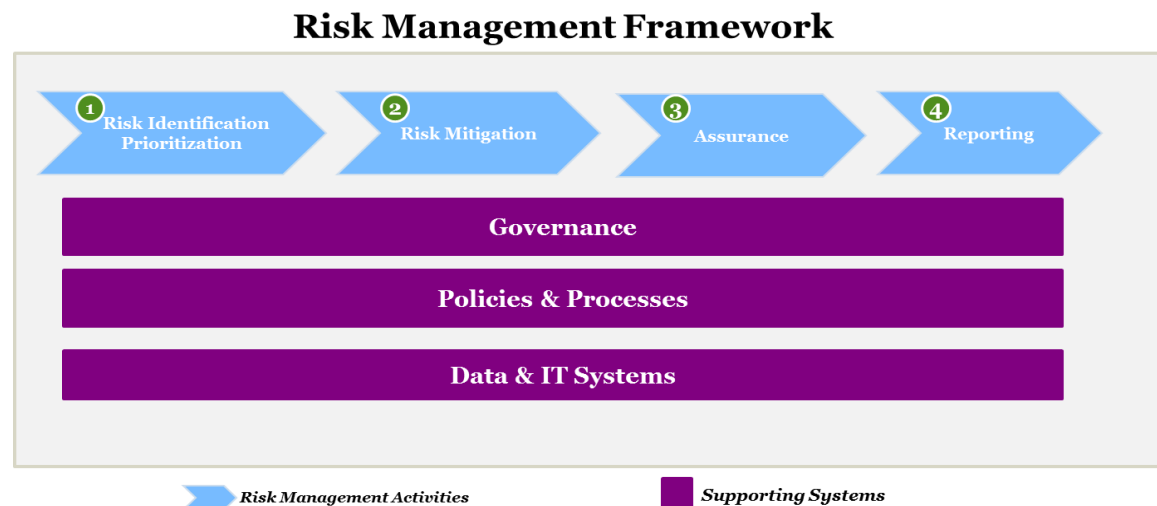
<sup>190</sup> A list of 30 High Impact and Risk countries have been prioritized based on analysis of disease burden/impact (using allocation as a proxy) and appropriately weighted External Risk Index (ERI) and Portfolio Risk Index (PRI) data. While the prioritization is based on objective factors, certain subjective factors will be used to create an override if necessary.

<sup>191</sup> Countries not included in the list of 30 High Impact and Risk countries can be brought to ORC if residual risks remain high and senior management input on the level of risk acceptance is required (see paragraphs 22, ORC and 24, Risk Acceptance in the Governance section for additional details).

<sup>192</sup> A new integrated risk management tool replacing CAT and QUART will be rolled out as part of Project AIM in Q1 of 2017. This new tool will facilitate Country Team's ability to keep risk assessments updated on an ongoing basis.

## The Risk Management Framework

26. Risk management is an ongoing process with built-in feedback loops to allow for timely adjustments to the level of risk and the corresponding mitigating actions. The framework below governs this process:



27. **Risk Identification.** Grant-specific risks, as well as corresponding controls and mitigating actions, are identified, prioritized, and monitored through the Capacity Assessment Tool (CAT) and Qualitative Risk Assessment, Action Planning & Tracking (QUART) during grant making and grant implementation respectively (see [CAT](#) and [QUART Guidelines](#) for detailed guidance on risk identification and roles and responsibilities of stakeholders involved in completing the assessments). Both assessments focus on four risk categories: monitoring and evaluation (M&E); finance; procurement and supply management (PSM); and governance and program management. A new integrated risk management tool<sup>193</sup> will combine these tools to help Country Teams facilitate risk management throughout the grant lifecycle on an ongoing basis. Until the new tool is rolled out, the CAT and QUART remain the Global Fund’s risk assessment tools.
28. The capacity of new Principal Recipients (PRs) chosen to implement a grant must be evaluated using the CAT as part of grant making and submitted as part of the GAC approval process. Existing PRs that have already undergone a CAT review are not required to undergo a full capacity assessment unless they will be undertaking new functions against which they were not previously assessed or in situations where its capacity has materially changed. In such cases, the CAT can be tailored to focus just on these areas (See [OPN on Access to Funding and Grant-Making and Approval](#) for additional details).
29. The QUART is a structured risk assessment tool that allows Country Teams to follow a standardized methodology to determine a grant’s overall risk rating by evaluating the likelihood and severity of 19 risks within the four risk categories described in paragraph 7. QUARTs are completed at a grant level and are required to be updated every 12 months following their Board approval anniversary date for High Impact and Core countries. Teams managing Focused

<sup>193</sup> The integrated risk tool is being developed as part of Project AIM and will be ready for CT use in Q1 2017.



countries are not required to complete a QUART. Compliance with this requirement is monitored and reported by the Risk Department and forms part of the Global Fund's Key Performance Indicators (KPIs).<sup>194</sup>

30. **Risk Prioritization.** Country Teams build on the CAT and QUART assessments at the grant/PR level to identify and prioritize risks at the portfolio-level, documenting them in a [Key Risk and Assurance Matrix](#) (KRM).<sup>195</sup> This is done by looking at key risks that are cross-cutting across grants within the portfolio (or critical grant specific risks) that may prevent the program from achieving key objectives. Prioritization ensures that both the Country Team and implementers are focused on mission critical risks. Risk prioritization also implies consciously de-prioritising risks that have been identified but not deemed critical, and documenting the rationale behind the decision.<sup>196</sup>
31. **Risk Mitigation.** All prioritized risks must have mitigating actions to manage the risk to an acceptable level. A mitigating action must be SMART; i) specific so it is clearly understood what must be implemented, ii) measurable so its status can be tracked, iii) attainable by the actor to which it is assigned to, iv) relevant to the identified risk, and v) time bound to ensure exposure to the risk is within agreed limits. In cases where mitigating actions have due dates longer than six months, sub-milestones shall be established as part of the mitigating action to ensure the mitigant is on track to being completed on time and to an acceptable level.
32. The degree to which risks are mitigated should be proportional to the level of risk acceptance given the specific risk, the country context and the appropriate balance with mission risk (see section below in Governance for additional details on risk acceptance). Country Teams for High Impact and Core countries are required to capture key portfolio-level risks and mitigating actions in the Key Risk and Assurance Matrix.
33. **Comprehensive Assurance Planning.** Robust risk management rests at the heart of assurance planning, providing the Global Fund, its donors, technical partners, and its beneficiaries with the confidence that investments are made strategically, efficiently and effectively. In the Global Fund risk management context, assurance is defined as holistic framework that gauges whether adequate controls and mitigating actions (or “mitigants”) are in place to manage key risks with the ultimate goal of achieving grant objectives. Assurance activities check whether adequate controls and mitigants are in place so that gaps/lapses can be identified in a timely manner and corrective action can be taken. Comprehensive portfolio-level assurance planning is required for High Impact and Core countries. Financial assurance planning is performed for individual grants in all portfolios, subject to exemptions defined in Annex 2 of the [Guidelines for Financial Assurance Planning on Global Fund Grants](#).<sup>197</sup>
34. The risk and assurance planning methodology builds upon the key portfolio-level risks and mitigating actions captured in the Country Team's Key Risk and Assurance Matrix.

---

<sup>194</sup> Exceptions to the annual update requirement shall require email approval as follows:

-Threshold 1 (delay of more than 30 days, but less than 90 days): Department Head/Regional Manager and the Risk Manager

-Threshold 2 (delay of more than 90 days/waiver): Head, GMD and the Chief Risk Officer

<sup>195</sup> The Key Risk and Assurance Matrix will be generated automatically as part of the Integrated Risk Tool to be released in Q1 of 2017. Until such time as it is automated it will be created in a Word template and will be used for various risk management deliverables such as assurance planning. Focused countries should prioritize risk but are not required to maintain a Key Risk and Assurance matrix.

<sup>196</sup> Deprioritizing a risk does not mean it will be ignored by the Country Team, only that they will not be prioritized for action at that time. Which risks are prioritized will change over time as additional information becomes available and as prioritized risks are successfully mitigated.

<sup>197</sup> Further details on financial assurance planning can be found in the referenced guidelines here: [Guidelines for financial assurance planning](#).

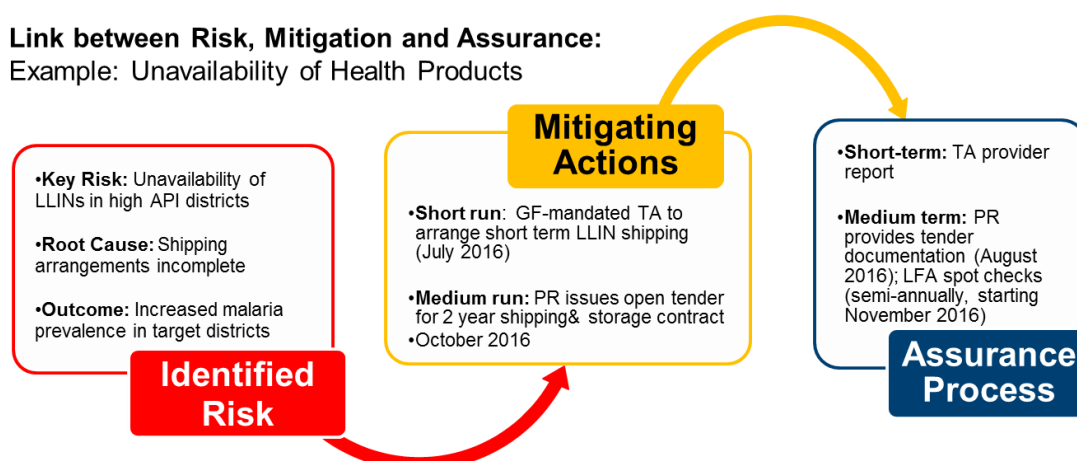


Comprehensive assurance planning identifies the assurance activities and providers for these key risks and mitigants. Country Teams should plan assurance activities by answering six questions:

- a. Who will perform the assurance activity?
- b. Where are assurance sites selected?
- c. What coverage (i.e., sample size) will be obtained relative to grant objectives and level of funding?
- d. What will be checked at any given location?
- e. How will the Global Fund receive the information?
- f. When will the information be available?

#### Link between Risk, Mitigation and Assurance:

Example: Unavailability of Health Products



35. To be both effective and efficient, assurance planning must be comprehensive and include all aspects of grant-related activities. This includes selection of the appropriate options to assure each of the four risk areas, including program and data quality, financial controls, health product management, and PR governance and program management (see [OPN on Program and Data Quality](#) and [Guidelines for Financial Assurance Planning on Global Fund Grants](#) for additional details).

36. **Evaluating Sources & Means of Assurance:** Once the appropriate assurance providers and approach have been identified through the comprehensive assurance planning process described above, the Country Team, Risk Department Focal Point, and Global Risk Owners (and other relevant stakeholders as required) vet potential non-contracted assurance sources<sup>198</sup> for their reliability and capacity. Assurance sources are assigned to mitigants requiring assurance based on a best-fit basis with focused attention on independence, quality and value-for-money. The County Team documents these sources and associated time-bound assurance activities next to the relevant key risks and mitigants in the Key Risk and Assurance Matrix.

37. **Validation and Approval of the Comprehensive Assurance Plan:** A thorough validation of the resulting assurance plan captured in the Key Risk and Assurance Matrix is undertaken jointly by the Country Team and Risk Department Focal Point with country-based implementers, partners, beneficiaries and other stakeholders, as required. This exercise is designed to (1) ensure country context is accounted for; (2) align partners and implementers around an agreed set of prioritized risks, mitigating actions and assurance activities; and (3) permit the Risk Department

<sup>198</sup> When selecting assurance providers, contracted assurance providers (such as entities pre-approved for HFA) are selected through an RFP processes and are assessed for their suitability and capacity at that time. In addition, LFAs are validated for their reliability and capacity on an annual or semi-annual basis as part of the PET process and any issues with the LFA should be dealt with as part of their contractual agreement.

to develop an Assurance Assessment<sup>199</sup> which serves as both a baseline for measurement and as a means of follow-up on assurance activities identified by the Country Team. The Risk Department manages and updates the Assurance Assessment for any given High Impact or Core portfolio.

38. The comprehensive assurance plan documented in the Key Risk and Assurance Matrix for High Impact and Core countries is approved by the Regional Manager/Department Head, Regional Finance Manager and Risk Department Focal Point as part of an annual review of the Key Risk and Assurance Matrix. Grant-specific financial assurance plans for High Impact, Core and Focused countries are approved in accordance to the [Guidelines for Financial Assurance Planning on Global Fund Grants](#).
39. **Assurance Budgeting Process.** Updates and approval of a country's comprehensive assurance plan must be completed prior to the annual LFA budgeting exercise<sup>200</sup> inasmuch as an LFA's scope of work will be directly informed by activities assigned to it within the assurance plan. Costed activities by other assurance providers will also be approved as part of the same process.
40. **Reporting.** Key reports on trends of country, disease, and PR type risk management are integrated in BART.<sup>201</sup> Such analyses are also incorporated in the Corporate Risk Register and escalated to the Enterprise Risk Committee (ERC), as needed. In addition to the KPI<sup>202</sup> analyses and reporting, the Risk Department publishes an annual risk report, which summarizes the key risk trends in the overall grant portfolio. The Risk Department's independent analyses that are derived on the basis of its risk oversight functions and contribute to the Chief Risk Officer's (CRO's) Annual Assurance Opinion to the Board and Committees. The next section provides further details on risk reporting within the organization (see also paragraph 42).

## Governance over Risk Management

41. **Enterprise Risk Committee.** The Risk Department leads enterprise level risk management and provides the governance and reporting functions over risk management. The Enterprise Risk Committee (ERC) is a forum for senior management to proactively identify emerging enterprise-wide risks, evaluate the adequacy of mitigants and ensure appropriate assurance is in place (see [ERC ToRs](#) for additional information). Key grant related trends from the Operational Risk Committee (ORC) are reported to the Enterprise Risk Committee, as needed.
42. **Operational Risk Committee.** The ORC reviews and endorses the risk management approach for grant portfolios (see [ORC ToRs](#) for additional information). The ORC and the ERC are intrinsically linked because common risks identified across grant portfolios should inform enterprise-wide risk discussions and necessary policy and mitigation actions. Similarly, decisions and mitigation actions taken by the ERC inform ORC discussions and risk management decisions at the grant portfolio level.
43. **High Impact and Risk countries** are subject to ORC review of their key risks and mitigating actions on an annual basis. The frequency of ORC reviews for specific portfolios may be greater, as determined by either the Head of Grant Management or Chief Risk Officer based on a number of factors. These include significant changes to the key risks in a country portfolio, changes in the external environment which can impede program delivery, material changes to the level of acceptable risk in a country, or escalation of material differences between the Risk Department/Global Risk Owners<sup>203</sup> and a Country Team. In addition, other countries not

<sup>199</sup> The "Assurance Assessment" is completed by the Risk Department Focal Point and complements the CT-authored Key Risk and Assurance Matrix as part of a comprehensive assurance plan. The Assurance Assessment summarizes the logic and conclusions of the risk and assurance process, documenting key aspects of a portfolio's risk profile, including key risk areas, approach to risk mitigation and assurance, assurance priorities, deprioritized risks, evaluation of assurance providers, and assurance activities going forward.

<sup>200</sup> Not applicable for the 2017 LFA budgeting exercise for countries that were not part of the Assurance Pilot or the roll-out of comprehensive assurance planning facilitated by the Risk Department.

<sup>201</sup> The current BART dashboard will be updated once the integrated risk tool is available in Q1 2017

<sup>202</sup> Corporate KPI 9, Portfolio Risk Index

<sup>203</sup> See section on *Role of Risk Department and Global Risk Owners* for additional details.

categorized as High Impact and Risk may also undergo ORC review at the request of the Grant Management Division, Risk Department or Global Risk Owner.

44. **Risk Acceptance.** Management’s “acceptance” of selected risks in portfolios is one of the key outcomes of an Operational Risk Committee (ORC) review. There are three scenarios where risk is accepted by management:
- Situations where it is difficult for the Global Fund to influence identified risks through effective short or long-term mitigating actions. Management accepts the risks giving due consideration to the organization's mission in these contexts (e.g., risk mitigations in countries with long-term conflicts);
  - While ideal mitigations are long-term, there are temporary short-term mitigations that can be instituted that reduce the near term risk to an acceptable level (e.g., use of fiscal agents when internal controls are weak while capacity building happens over the long-term);
  - Effective long-term mitigations exist; however, no suitable short-term mitigations are available. Therefore, management accepts the risks in the short-term, while the long-term mitigations are being implemented (e.g., data quality risks arising from inadequate general health systems capacity).

Overall, the acceptance of risk is contingent upon the implementation of agreed upon mitigation actions and/or controls.

45. Senior management approval of the list of Focused countries as part of the Differentiation for Impact (D4I) project is considered as their acceptance of the residual risks in those portfolios vis-à-vis internal processes and resourcing. High Impact and Core countries not included in the list of 30 High Impact and Risk countries may be requested to undergo ORC review if a portfolio has a high-level of residual risk that cannot be adequately mitigated and senior management review is necessary to determine if the residual risk is acceptable. Such a request can be triggered by the Country Team or Risk Focal Point.

## Differentiated Requirements

46. The approach and requirements for risk management are determined according to the D4I framework (see the [Overview of Grant Implementation](#) for details on how risks are considered in country categorization). A general framework has been developed (Table 1) to guide what the countries in each category shall undertake each year in terms of risk management processes (identify, mitigate, assure, monitor and report). The depth and frequency of updating a grant’s risk assessment can be refined further by Country Teams.

**Table 1: Differentiated risk management approaches and requirements<sup>204</sup>**

Country Category	Risk Management Approach	
	Risk identification, prioritization and mitigation	Assurance Planning
Focused Countries	Risk analysis at the risk category level during grant making and at the time of Annual Funding Decision in the ADMF	Completed annually by the FPMs and PST with the inputs from LFA for finance assurance plans only <sup>205</sup> , which feeds into the LFA budget

<sup>204</sup> The risk management approach for challenging operating environments will be defined in the OPN on Challenging Operating Environments.

<sup>205</sup> See the *Guidelines for Financial Assurance Planning on Global Fund Grants* for additional information and possible exemptions.

	during grant implementation.	exercise.
Core Countries	Risk analysis at individual risk level on an ongoing basis	Updated on an ongoing basis, approved annually by the Regional Manager, Regional Finance Manager, relevant Risk owners and Risk Focal Point, which feeds into the LFA budget exercise
High Impact Countries	Risk analysis at individual risk level on an ongoing basis	Updated on an ongoing basis, approved annually by the Department Head, Regional Finance Manager, relevant Risk Owners and Risk Focal Point, which feeds into the LFA budget exercise

Risk category level = Four functional areas (i.e. Programmatic & M&E, Financial & Fiduciary, Health Services & Products Risks, and Governance, Oversight & Management Risks)

Risk level = Individual risks within each of the four risk categories (i.e. Limited program relevance, Poor financial reporting, etc.)

## RISK MANAGEMENT ACROSS THE GRANT LIFECYCLE

47. This section outlines the critical milestones across the grant lifecycle where risk analysis feeds directly into grant decision-making processes. While these are standard milestones, there will be also ad hoc issues that arise in the course of the grant life-cycle that will require the use of risk analysis, thus underscoring the principle of updating the risk assessment and ensuring appropriate actions are taken in a timely manner on an ongoing basis.

### Access to Funding (A2F) and Grant Making<sup>206</sup>

48. **Funding request:** Country Teams for all countries are required to provide applicants with the Secretariat's view of key risks relevant to the disease to help facilitate the development of the Funding request. They should typically be shared with applicants at the beginning of the country dialogue process. The applicant will then be required to describe how it will directly address these risks when submitting its Funding request.

49. **Secretariat Briefing Note (SBN).** In line with A2F principles of differentiation, for a country undergoing a full or tailored review, once a funding request is received by the Secretariat, the Country Team provides its analysis to the TRP and, when applicable, the GAC in the SBN. An essential component of the SBN is the Country Team's analysis of the applicant's proposed actions to address the key risks relevant to the disease component identified during Country Dialogue. The Country Team's analysis shall also include any residual risks that remain unmitigated and their proposed actions for grant making.

50. **Grant making.** In line with the GAC Terms of Reference, on an as needed basis, the GAC will provide guidance on what risks or control issues must be addressed during grant-making, particularly those that may have budgetary implications. During grant making, Country Teams shall work with implementers to ensure the key risks to the program not achieving grant objectives are adequately addressed to the extent possible, and appropriate controls and mitigating actions are put in place for residual risks that cannot be addressed within the grant-making period.

<sup>206</sup> Fiduciary and programmatic risk is a consideration for application and review modalities of funding requests in line with Access to Funding Core Guiding Principles for Differentiation (GF/SC01/DP03). For more detailed guidance and context, please refer to the OPN on Access to Funding and Grant Making. Fiduciary and programmatic risk is a consideration for application and review of funding requests.

51. **After grant making:** At the end of grant-making, the residual risks and their mitigating actions (including assurance activities where known) shall be documented in the Grant-making Final Review and Sign-off Form and presented to GAC. In line with the GAC Terms of Reference (see the GAC ToRs) an element of the GAC review and approval of the grant is the acceptance of the residual risks and the mitigation strategy to be actioned during grant implementation.<sup>207</sup>
52. For High Impact and Core countries, the Risk Department Focal Point will continue to engage with the Country Teams on an ongoing basis and will review the risk section of the Grant-making Final Review and Sign-off Form and associated grant documentation on a “no objection” basis within 48 hours before it goes for formal sign-off to ensure that:
- a. all key risks related to grant objectives have been identified and appropriately prioritized;
  - b. mitigation measures are adequate to manage the risk at an acceptable level; and
  - c. appropriate assurance mechanisms are identified (to the extent possible based on known implementation arrangements at the time of GAC review).

If the Risk Department does not raise an objection within 48 hours, their agreement with the risk analysis is assumed. If an objection is raised, the issue is escalated to the next management level in accordance with the process outlined in the [Guidance on Country Team Approach](#).

## Grant Implementation

53. **Annual Funding Decisions (AFD).** Following GAC and Board approval of a grant, the most important grant decisions are made when determining the annual funding amounts and disbursement schedule. This is an opportunity to take stock of the status of prioritized risks and the effectiveness of mitigants put in place to address them based on the outcomes of assurance activities. This is the time to ensure that any new or amended mitigating actions as a result of changes to the risk management plan are fully funded to safeguard the financing being approved to disburse to the implementer or other third parties.
54. Country Teams shall include the risk rating for each of the four risk categories and the associated written summary of the prioritized key risks in the Annual Funding Decision-Making Form (ADMF). This information shall form a critical part of the final decision on the amount of funding to approve and if any additional actions are required to be put in place to safeguard it.

The Risk Department and Country Teams are expected to engage on an ongoing basis throughout the grant cycle, so that issues or differences of opinion are identified early in the processes and resolved. In preparing the annual funding decision, Country Teams for High Impact and Core portfolios should engage with the Risk Department in the review of management issues and risks. Before the ADMF is submitted for the formal signature process, the Risk Department Focal Point will review the risk analysis to ensure that:

- all risks related to key grant objectives have been identified and appropriately prioritized;
- a. mitigation measures are adequate to manage the risk at an acceptable level; and
- b. appropriate assurance mechanisms are identified<sup>208</sup>.

---

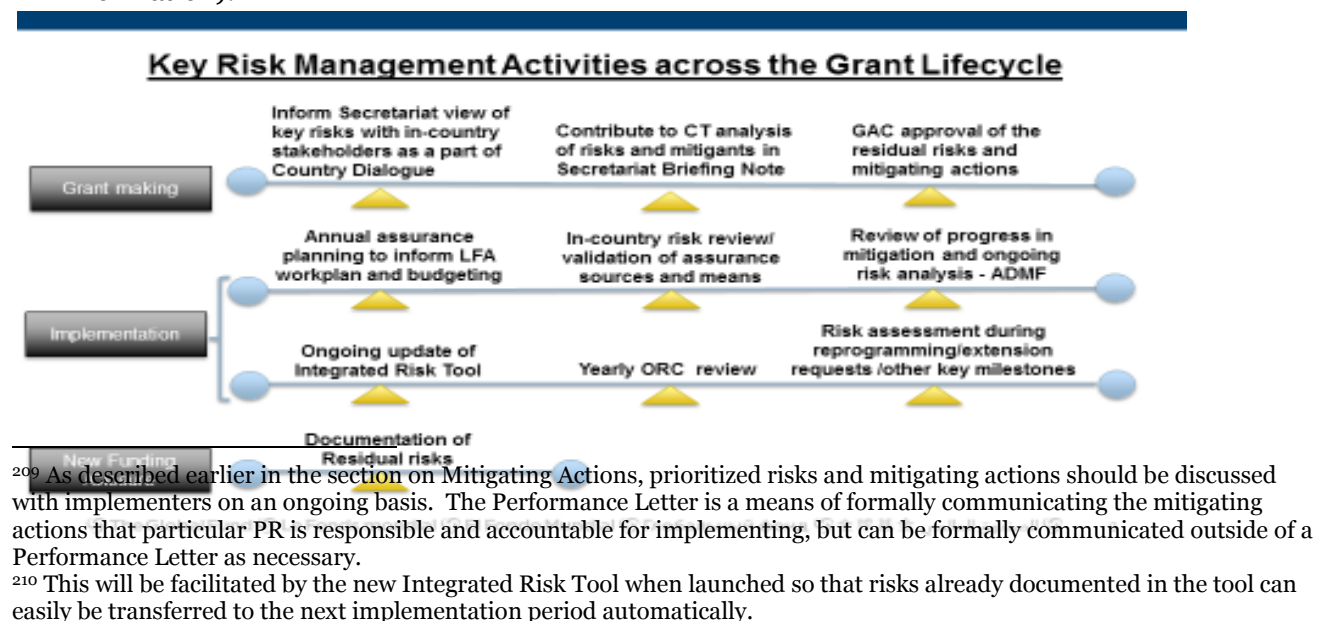
<sup>207</sup> GAC review and recommendation to the Board replaces the annual ORC review requirement for High Impact and Risk countries for that year.

<sup>208</sup> To the extent possible in 2016-17, depending on whether countries have completed assurance planning by the time of the annual funding decision is processed.



If the Risk Department does not raise an objection within 48 hours, their agreement with the risk analysis is assumed. If an objection is raised, the issue is escalated to the next management level in accordance with the process outlined in the [Guidance on Country Team Approach](#).

55. In addition, the Performance Letter sent to the implementer shall include (at a minimum) the list of prioritized key risks, mitigating actions and assurance activities relevant to the implementer.<sup>209</sup>
56. **Reprogramming Requests.** Reprogramming requests are opportunities to assess progress against key risks during grant implementation and determine if programmatic or budgetary adjustments are needed to address new or amended mitigating actions. Identification of a new risk may also be a trigger for reprogramming if grant resources need to be reallocated to a critical mitigating action.
57. For Material Reprogramming Requests in High Impact and Core countries, the Risk Department will provide its input on the grant's key risk and mitigating actions to the Country Team. In some cases, issues will be escalated to GAC for further guidance (see OPN on Reprogramming and GAC Terms of Reference for additional information).
58. **Extension Requests.** For costed grant extension requests in High Impact and Core countries, the Risk Department will provide input on the grant's key risk and mitigating actions to the country team prior to submission to GAC for approval (See OPN on Extensions for additional information).
59. **Grant Closure.** In majority of the cases where a grant continues with the same PR, it is critical that the residual risks that had not been mitigated during the previous implementation period are documented by Country Teams and carried forward into the new grant implementation arrangements.<sup>210</sup> In cases where the PR is being replaced, the residual risks unrelated to the PR (i.e. supply chain, data quality, or accessibility issues, etc.) shall also be documented by the Country Team and carried forward into the new grant arrangements.
60. In both cases (i.e., a continuing PR or a change of PR), as part of the routine Access to Funding process for High Impact and Core countries, the Risk Department will work with the Country Team to ensure that residual risks are captured as part of the GAC review and grant sign off mechanism (see [OPN on Access to Funding and Grant Making](#)). In cases where the PR is changed in the course of implementation in High Impact and Core countries, the Risk Department will provide its input directly to the Country Team (see [OPN on Grant Closures](#) for additional information).



**Table 2: Grant lifecycle milestones and use of risk analysis**

	<b>Assessment Milestone</b>	<b>Role of Country Team for All Countries <sup>211</sup></b>	<b>Role of Risk Department for HI and Core Countries<sup>212</sup></b>	<b>Role of Global Risk Owner</b>
<b>Access to funding</b>	Funding request development	Identifies and shares the disease-relevant key risks/issues with the applicant	Reviews and contributes to key risks shared with applicant, if applicable	Guides the Country Teams as needed
	Secretariat Briefing Note	Comments on adequacy of proposed actions to address key risks/issues	Reviews and contributes to analysis of the adequacy of the proposed actions to address key risks/issues	Guides the Country Teams as needed
	GAC Review: Grant-making Final Review and Sign-off Form	Proposes strategy to address residual key risks during grant making Escalates issues (as needed) and describes residual risk and actions included to mitigate the risks to an acceptable level, and what risks are accepted	Reviews risk section of the form and related grant documents on a “no objection” basis within 48 hours, prior to formal signature process	Guides the Country Teams and provides sign-off for high risk and complex cases as determined by Regional Manager / Department Head & Regional Finance Manager
<b>Grant Implementation</b>	Annual Funding Decisions	Includes rating and description of each risk category in the ADMF and demonstrates how residual risks are adequately mitigated to safeguard the funds being disbursed.	Reviews risk section of the ADMF on a “no objection” basis within 48 hours prior to formal signature process	Guides the Country Team as required, Regional Finance Manager sign-off
	Material Reprogramming	Includes risk analysis and description of each	Reviews and contributes to risk analysis included	Guides the Country Team as needed

<sup>211</sup> The access to funding application package may further differentiated based various review categories and these requirements may be changed accordingly

<sup>212</sup> The Risk Department does not review or provide input for Focused countries.

	and Extensions	risk category in approval documentation and demonstrates how residual risks are adequately mitigated for the extension period or reprogrammed activities.		
	Closure	Carry forward residual risks from the closing grant into the new grant arrangements for continuing PRs.	Reviews and contributes to risk analysis included	Guides the Country Team as needed

### Role of Risk Department and Global Risk Owners

61. In addition to providing support and oversight over the Country Team's execution of risk management at the grant level, the Risk Department leads enterprise level risk management through the ERC and ORC as described above, and provides the governance and reporting functions over risk management:

- a. **Risk management group:** The Risk Department will coordinate with Global Risk owners to identify points of collaboration and actions for strengthening efficiencies across Programmatic, Financial, PSM and Governance related risk and assurance activities. This will promote collective learning on risk management across the broader "second line of defence" functions.
- b. **Reporting.** The Risk Department's independent analysis that is derived based on various risk oversight functions will contribute to the Chief Risk Officer's Annual Assurance Opinion to the Board and Committees. In addition to the KPI analyses and reporting, the Risk Department publishes an annual risk report, which summarizes the key risks trends in the grant portfolio.
- c. **In-Country Risk Reviews.** An in-country risk review by the Risk Department provides the Secretariat with additional information to draw independent conclusions with respect to a portfolio based on interactions with key stakeholders and beneficiaries. The in-country risk review also develops the Risk Department's understanding of the risks and root causes facing portfolios, and facilitates evaluation of existing mitigating actions, including their adequacy, feasibility and likelihood of adequately mitigating specific risks.
- d. **Transfer of best practices across the portfolio.** Given its view of risk mitigation practices throughout the Global Fund's entire portfolio, the Risk Department takes stock of mitigants that have proven effective in specific contexts and help transfer that knowledge across Country Teams.

**62. Global Risk Owners.** There are Global Risk Owners for each of the four risk categories. These include the following: Head, Program Finance & Controlling Department for Finance and Fiduciary Risks; Head, Technical Advice and Partnerships for Programmatic and Monitoring and Evaluation Risks; Head, Supply Chain Strategy Department for Health Services and Products Risks; and Head, Grant Management Support Department for Governance, Oversight and Management Risks.



**63.** Global Risk Owners are responsible for providing technical guidance in their functional area regarding risk identification and prioritization, best practices for mitigants based on country context, and assurance planning options and follow-up actions. Further, as applicable, Program Finance has an additional management control function. The Legal and Compliance Department also advises Country Teams and Global Risk Owners on Governance, Oversight and Management Risks. Global Risk Owners are members of the Operational Risk Committee and are also responsible and accountable for the design and content questions included in the risk and capacity assessment tools, in conjunction with the Risk Department.

## Version control

Version	Change	Approval Date
1.0	Original version	1 September 2016

## Annexes

### Annex 1: Roles and Responsibilities

#### Annex 1: Roles and Responsibilities

Key actors	Roles
<b>GAC</b>	GAC provides clear guidance on what risks or control issues must be addressed during grant-making as required, particularly those that may have budgetary implications.  When making a funding recommendation to the Board, GAC accepts the residual risks within grants at the end of grant making and approves the mitigation strategy to be actioned during grant implementation.
<b>Enterprise Risk Committee</b>	The ERC is a forum for senior management to proactively identify emerging enterprise-wide risks, evaluate the adequacy of mitigants and ensure appropriate assurance is in place.
<b>Operational Risk Committee</b>	The ORC reviews and endorses the risk management approach for High Impact and Risk countries. Part of its endorsement includes accepting residual risks that remain in the portfolio.
<b>Global Risk Owners</b>	Global Risk Owners are responsible for providing technical guidance in their functional area regarding risk identification and prioritisation, best practices for mitigants based on country context, and assurance planning options and follow-up actions. Further, Program Finance has a management control function, as applicable. The Legal and Compliance Department also advises Country Teams and Global Risk Owners on Governance, Oversight and Management Risks. Global Risk Owners are members of the Operational Risk Committee and are also responsible for the contents of risk management tools.
<b>FPM</b>	As the manager of the Country Team, the FPM is primarily responsible for risk management by identifying, prioritizing, mitigating and assuring risks in the

Key actors	Roles
	grants that they manage.
<b>Technical Specialists</b>	As the members of the Country Team, technical specialists support the FPM in risk management by identifying, prioritizing, mitigating and assuring risks related to their functional area in the grants that they are responsible for.
<b>Risk Specialist (“Focal Point”)</b>	The Risk Focal Point provides risk oversight over risk management at the grant level on an ongoing basis, supports enterprise level risk management, facilitates governance and reporting related processes as it pertains to their assigned countries. Any in country engagement of the Risk focal point will be in consultation with the Country Team.

## SECTION 3: GRANT CLOSURE

The closure process for grant begins six months prior to the end of the implementation period with the submission of a close-out plan and budget. The grant's final funding decision is approved at the same time as the close-out plan. Following the last disbursement, the grant is placed in financial closure. Once all closure documentation has been submitted the grant is placed in final administrative closure and is de-activated from all Global Fund systems.

## Grant Closures

**Issued on:** 18 December 2014

**Purpose:** To provide guidance to Country Teams on closing a grant agreement signed with a Principal Recipient.

### OVERALL OBJECTIVES

79. When a grant reaches the end of an implementation period or ends following a decision by the Country Coordinating Mechanism (CCM) and/or the Global Fund Secretariat, the grant needs to be closed. The purpose of this OPN on Grant Closures is to describe the process through which grants are closed in an organized, efficient, and responsible manner.

### POLICY AND PRINCIPLES

80. Four “basic principles” govern the grant closure process. These principles are the minimum requirements for grant closure. Country Teams must ensure that the grant closure approach adheres to these four principles. Provided that they comply with these principles, Country Teams should differentiate the details of the closure process whenever appropriate based on the specific context of the grant or portfolio. Once compliance with these principles is ensured, the grant closure is finalized through a notification letter to the Principal Recipient.

Principle 1: *Grant funds should not be left earmarked in the Global Fund Finance systems and/or with implementers for longer than necessary for the implementation of program activities.* In the context of grant closure, this means that Country Teams should ascertain the outstanding grants payable, contingent liabilities are cleared and take necessary steps for the swift return to the Global Fund of any grant funds that have not been expended as of the grant expiry or termination date. Any ineligible expenditures should be pursued unless expressly authorized by Global Fund Senior Management.

Principle 2: *When they can no longer be used under the grant for which they have been purchased, grant assets should continue to be used exclusively for the purposes of the fight against the three diseases.* In the context of grant closure, this means Country Teams should work with the PR to ensure that all assets purchased with grant funds have been accounted for and appropriately transferred or disposed of.

Principle 3: *Country Teams should ascertain the extent to which grants have achieved their strategic objectives, and that there is sufficient assurance over the program to confirm any such achievement.* For closure, this means that Country Teams needs to ensure that the PR has submitted all relevant reports to ascertain programmatic and financial achievements of the grant during the last year of implementation and closure period.

Principle 4: *All activities conducted with grant funds should be discussed and agreed between the PR and the Global Fund, and are governed by the terms and conditions of the grant agreement.* For grant closures, this means that closure activities, associated costs and timelines should be agreed well ahead of the grant end date. Grant funds may be used to finance grant closure activities that are approved in the closure plan and budget. An amendment to the grant agreement via an implementation letter is required for authorization of closure activities beyond the end of the grant.

## DIFFERENTIATION

**If a Country Team has never completed a closure process before, it is advised that they familiarize themselves with the full closure approach before deciding on areas of differentiation.**

81. Country Teams can follow the *full* approach to closure, or a *differentiated* approach. Country Teams should differentiate in the following circumstances in particular:
- a. Where the overall materiality of grant closure does not merit or justify following all the elements of the full approach for grant closure, primarily due to cost in terms of level of effort envisaged compared to amount of refunds and related risk involved; or
  - b. When the documentation required for the full approach is unavailable, and where Country Team recommends to use other corroborative evidence on cash balances, grant assets, grant or grant closure expenditures, stocks/inventories financed from the grant to facilitate grant closure.
82. The following steps should be followed in deciding on the closure approach:
- a. Based on the circumstances of the grant and available information (e.g. recent cash balance reports, inventory-checks, audits, etc.), Country Teams determine whether incremental work needs to be undertaken prior to closing the grant;
  - b. By filling in the *Differentiated Grant-Closure Form*, Country Teams make clear what elements of the full/differentiated approach will be used;
  - c. If a Country Team opts to follow a differentiated closure process, they should discuss and agree on the approach with their Regional Manager or Department Head prior to following it and document it in the Differentiated Grant Closure Form. The Regional Manager or Department Head will involve other Functional Managers (Finance, MECA, HPM, and Legal Grant Management) when their inputs are needed for specific areas pertaining to closure. The form should be signed by the Regional Manager or Department Head;
83. The implementation of the differentiated closure approach will be monitored and reported on. For additional information please see the “Monitoring and Reporting” section below.

## Differentiated Grant-Closure Form (SAMPLE)

### Principle 1: Ascertain the outstanding in-country cash-balance<sup>213</sup>, after clearing commitments and liabilities

☐ **Option 1:** The Country Team believes that the circumstances of this grant do not warrant any / warrant limited additional steps towards addressing the outstanding in-country cash balance.

☐ **Option 2:** The Country Team believes the [full process for cash](#) should be followed.

*If Option 1: Brief description of these circumstances and suggested CT approach:*

☐ Based on the above, the CT recommends requesting the cash balance as already established on \_\_\_\_\_ [date] and closing on this basis.

Or:

☐ Based on the above, the CT recommends not pursuing the recovery of the in-country cash balance and moving towards closure without spending additional effort on recovering cash. The CT has liaised with the Recoveries Team and took this to the Recoveries Committee and ED for write-off (*see Recoveries Guidance for additional detail*).

### Principle 2: Ensure that all assets purchased with grant funds have been accounted for and transferred or disposed of

☐ **Option 1:** The Country Team believes that the circumstances of this grant do not warrant conducting a full inventory of assets or establishment of an “asset transfer plan” prior to grant-closure.

☐ **Option 2:** The Country Team believes the [full process for assets](#) should be followed.

*If Option 1: Brief description of the grant’s circumstances and of the Country Team’s approach:*

### Principle 3: Reporting requirements and timelines

☐ **Option 1:** The Country Team believes that through the reports mentioned below, they have sufficient assurances about the last year of the program and the closure period. They therefore recommend grant closure without the submission of additional reports.

☐ **Option 2:** The Country Team believes the [full process for reporting](#) should be followed for this principle.

---

<sup>213</sup> This is defined as outstanding cash balance as per GF calculations based on verified PUDRs/other financial reports (after clearing commitments and liabilities, including approved grant closure budget)

*If Option 1: Brief description of the reports and the situation:*

#### **Principle 4: Planning and financing grant closure**

☐ **Option 1:** The Country Team has already had the required planning discussions with the PR and CCM and therefore is able to immediately send the grant closure Implementation Letter with agreed high-level milestones rather than a full closure plan and budget.

☐ **Option 2:** The Country Team believes the full process for [planning and financing closure](#) should be followed for this principle.

*If Option 1: Brief description of the discussions surrounding milestones for closure:*

CT and Regional Manager sign off: \_\_\_\_\_

### **FULL CLOSURE APPROACH**

**84. Types of Grant Closure.** The closure approach differs depending on the type of closure involved. There are three types of closure:

- a. *Closure due to consolidation.* This involves the closure of an ongoing grant as a result of a consolidation either with a new grant resulting from a Concept Note or another ongoing grant implemented by the same PR. Under this scenario, following closure of the grant, Global Fund support to the disease/HSS program continues and the contractual relationship with the PR is maintained under a new grant agreement that consolidates activities from the newly closed grant with those under the new grant resulting from a Concept Note or other ongoing grant implemented by the same PR.
- b. *Closure due to a change in PR.* This occurs when the CCM and/or the Global Fund decide to transfer implementation responsibilities of an approved program from one entity to another<sup>214</sup>. Under this scenario, Global Fund support to the disease/HSS program continues but the contractual relationship with a PR is discontinued.
- c. *Closure due to “transition” from Global Fund financing. This occurs either when*
  - i. a country is not eligible for funding from the Global Fund for a disease component, transition funding is provided. Following completion of the transition funding period, the Global Fund support to the program and contractual relationships with the PR(s) are discontinued; or
  - ii. the Global Fund decides to no longer support a disease program or a component of a program.

<sup>214</sup> Includes, without limitations, situations where there has been a decision to terminate the contractual relationship with the PR because of credible and substantial findings of fraud; or when an international organization is handing over its role as PR to a local entity.

**85. Stages of grant closure.** Grants go through two primary stages of closure:

- a. *Financial Closure.* A grant enters financial closure on the day after the grant end date. Financial closure focuses on completing financial transactions under the grant such as clearing commitments and liabilities, establishing amounts to be returned to the Global Fund, collecting refunds from PR and other parties. After six months from the grant end date, the creation of new commitments, disbursements and liabilities under the grant will no longer be possible by both the Country Team and PR. The Accounting team in Finance will coordinate the automatic clearing of open grants payable (committed not disbursed) and contingent liabilities (signed not committed) within 30 days of the end of financial closure period (i.e. 7 months from the grant end-date) and no later than a maximum of nine month after grant end-date in exceptional circumstances. In exceptional cases, should a payment of commitments made under the grant term need to be paid beyond 6 months after the grant end date, a final payment letter needs to be undertaken. This letter will summarize the full extent of outstanding payments and will be the last financial interaction between the PR or third party entity and the Global Fund under the grant.
- b. In the event the Country Team anticipate delays in the establishment the disbursements required for program activities and payment to other third parties, Finance should be notified in writing on [grantPO@theglobalfund.org](mailto:grantPO@theglobalfund.org) to delay the automatic clearing of undisbursed balances in GFS.
- c. A grant is assigned a “*financially closed*” status when all refunds have been received. This status would end all normal financial obligations between the Global Fund and the Principal Recipient under the Grant agreement.
- d. *Administrative closure.* A grant is considered administratively closed when all liabilities and commitments have been fulfilled, cancelled or transferred, all cash and non-cash assets have been accounted for and appropriately transferred or returned and all reporting requirements have been met to the satisfaction of the Global Fund.
- e. The Country Team confirms both financial and administrative closure through a notification letter sent to the PR confirming that the cash balance has been received and all closure requirements have been satisfactorily met. The Country Team updates the grant management system when a grant is closed.

Type	Financially Closed	Administrative Closure
<b>Consolidation</b>	Immediately, with the signature of the new grant	6 months
<b>Change in PR</b>	Three months*	3 months following the submission of the Audit Report*
<b>“Transition”</b>	6 months	12 months*

\* these timeframes are indicative. Country Teams should strive to complete these phases as soon as possible.

**86. Closure Activities.** While guided by the “basic principles” above, grant closure should generally focus on the following activities. The detailed approach will depend on the type of closure and the specific circumstance of the grant being closed:



- a. *Clearing commitments under the closing grants.* Outstanding commitments should be cleared under the closing grants.
  - b. *Clearing recoverable amounts between the Global Fund and the PR* When applicable, amounts to be recovered from the PR due to ineligible expenditures and verified claims of the PR for reimbursements must be addressed in accordance with Global Fund policies for addressing recoveries and ineligible expenditures.
  - c. *Determining and transferring or returning cash balances and undisbursed funds.* Funds required for closure (i.e., clearing outstanding commitments and liabilities and other closure activities) must be determined. Remaining cash balance and undisbursed funds should be returned to the Global Fund.
  - d. *Accounting and transferring/disposing non-cash assets under a closing grant.* All remaining health products with valid shelf life (i.e., health products procured less than three years from grant end date) as well as equipment and infrastructure that are in working condition as of the grant end date must be accounted for by the PR and the transfer of assets agreed with the Global Fund to ensure that the assets are used to fight the three diseases.
  - e. *Completing reporting requirements.* PR must submit the programmatic report, annual financial report, and audit report for the last year of the grant and the grant closure period as applicable.
87. Service delivery or programmatic activities should typically stop by the grant end date. In limited cases, time-limited, programmatic activities after the grant end date may be allowed to facilitate the completion of discrete projects that have already been substantially started (for example, the distribution of bed nets already delivered, or delivery of drugs that have already been procured under the program term and that may have faced delays in arriving in country). This should be clearly documented in the closure plan and budget and should be approved by the Regional Manager or Department Head when signing the Implementation Letter approving the closure plan and budget.

## **Planning and Financing Grant Closure**

88. Grant closure should be planned well ahead of the grant end date. The Country Team and PR must agree on the approach and requirements for grant closure and establish deadlines for the completion of agreed closure activities. The approach and timelines including budget required should be documented through a closure plan and budget endorsed by the CCM and reviewed by the Country Team. Grant funds may be used to finance grant closure activities that are approved in the closure plan and budget. Once agreed, the closure plan and budget (link forthcoming) should be signed into the grant agreement through an Implementation Letter.
89. For Closures Due to Consolidation. Closure of existing grants should be planned as a part of grant making. No separate closure plan and budget is required.
90. For Closures Due to Change in PR. Existing arrangements that are essential for continuity of programmatic activities must be maintained or properly transferred. It is the responsibility of the PR<sup>215</sup> to take all appropriate and necessary actions to ensure that the PR and each SR cooperates fully with the Global Fund and/or the CCM to facilitate any necessary transfers. The closure plan should focus on how the program will transition from the outgoing entity to the incoming PR. In addition to the closure activities, the transition plan should include the following considerations if applicable:

---

<sup>215</sup> Article 10.1 of the Grant Regulations.

- a. *Contracts for Continuing Services:* The outgoing PR and the incoming PR should work together to determine if existing contracts for services should be assigned or if they should be terminated by the outgoing PR and re-negotiated by the new PR. Assignment of contracts may be appropriate if favorable terms have been negotiated under renewable or requirements contracts. Existing contract terms and contract termination provisions may be analyzed by the PR with the PR's counsel, as appropriate.<sup>216</sup>
  - b. *Contracts with Pending Delivery of Goods:* If an outgoing PR has contracts for procurement of goods, which have not yet been delivered, the Country Team should consider if it is more efficient for the outgoing PR to receive and transfer the goods. Factors which favor such arrangement are: (i) time delays resulting from the termination of the supplier contract, re-execution and re-order of the goods by the entering PR (particularly important for critical health products); and (ii) tax benefits that may be gained from PR's tax exempt status. If the outgoing PR continues to serve as PR for receiving an outstanding shipment, arrangements should be put in place with the entering PR to jointly address non-conforming goods and transfer arrangements.
  - c. *Sub-Recipient Agreements:* Outgoing and entering PRs should ensure that Sub-recipients that will continue under the program are maintained under contractual arrangements. This may be through an assignment from PR to the entering PR, or a simultaneous termination and execution of SR agreements on a set closing date. The transfer of sub-recipients must be coordinated to ensure that they remain under contract at all times. The particular terms of transfer will depend on the circumstances of each case. If relevant, cash balances at the SR level may also be documented in the transition plan.
  - d. *Inventory:* The PR should complete an inventory of non-cash assets under the closing grant that will be transferred to and managed under the grant signed with the incoming PR.
  - e. *Any pending activities:* In limited cases, time-limited, programmatic activities<sup>217</sup> that cannot be transferred to the incoming PR may be allowed to facilitate the completion of discrete projects that have already been substantially started (for example, the distribution of bed nets already delivered, or delivery of drugs that have already been procured under the program term and that may have faced delays in arriving in country).
91. **For Closures due to transition from Global Fund financing.** The closure plan should focus on how the program will be continued and sustained using country resources and the completion of the closure activities.
  92. **Sub-recipient closures.** The Global Fund has a direct contractual relationship with the PR. It is the sole responsibility of the PR to provide for closure of SR grant agreement. The PR must ensure that the SRs complete activities and submit information in a timely manner so that the PR is able to comply with the grant closure requirements by the Global Fund.
  93. **Escalating Issues:** Should Country Teams face significant challenges, which prevent them from progressing on the grant closure, they should escalate these issues to their Regional Managers (and subsequently to Senior Management, as necessary) as soon as possible to facilitate resolution of issues.

## **Determining and Recovering In-Cash Balances:**

---

<sup>216</sup> The Global Fund and the Global Fund's legal department do not represent the PR in legal matters. The PR should seek independent legal counsel for any contractual arrangements, as appropriate and to the extent necessary by the PR.

94. For Closures Due to Consolidation. When a grant is being consolidated with a new or ongoing grant, the Country Team should focus on rapidly determining in-country cash balances and undisbursed funds under the closing grant. These will be transferred to the new grant after setting aside funds required to settle outstanding commitments and liabilities under the closing grants. Once the new grant agreement is signed, the old grant is considered financially closed.
95. For closures due to PR change. When a grant is being closed due to a change in PR, the focus should be on rapidly determining in-country cash balances, including at SR level, and undisbursed funds under the closing grant. These will be transferred to the new grant after setting aside funds required to settle outstanding commitments and liabilities under the closing grants. Given the goal of facilitating a smooth change between PRs, all activities associated with the closure of the former PR's grant should be complete within 3 months of the grant end date.
96. For closures due to transition from Global Fund financing. During the 6 months following the grant end date, the PR and Country Team should ensure that all outstanding commitments that were made during the grant lifetime are paid. Grants will be considered financially closed 6 months following the grant end date following which time further disbursements cannot be made to the PR.
97. The Country Team cannot close a grant by waiving known ineligible expenditures, known unutilized or outstanding cash balances, or closure steps that will likely to lead to such ineligible expenditures or unutilized cash balances being identified (e.g., waiving audit while knowing that an audit would lead to identification of ineligible expenditures). Waivers or write-offs of ineligible expenditures/refunds/outstanding cash balances should be submitted and approved by the Recoveries Committee.

### **Transferring or disposing of assets**

98. For Closures Due to Consolidation. Where the grant is being closed but implementation continues with the same PR under a new grant number, the PR should focus on completing an inventory of non-cash assets under the closing grant that will be transferred into the new grant. In these instances, the PR shall maintain ownership over the assets, but in conducting the inventory, will have clear documentation of the assets to be managed under the new grant. The timing for completion of this activity should be discussed and agreed between the Country Team and the PR.
99. For closures due to PR change. When the implementation responsibilities are being transferred to another entity, the outgoing PR should complete an inventory of non-cash assets that will be transferred to the new PR. The outgoing PR must transfer all non-cash assets procured under the grant to the new PR using appropriate transfer or assignment agreements.
100. For closures due to transition from Global Fund financing. The country should undertake an inventory of non-cash assets procured under the grant (where relevant) and must seek approval of the Global Fund for the disposal or transfer of these non-cash assets to national entities to be used for the fight against the three diseases.

### **Fulfilling reporting Requirements**

101. In order for a grant to be considered administratively closed, all reporting requirements need to be met (in addition to all liabilities and commitments have been fulfilled, cancelled or transferred, all cash and non-cash assets have been accounted for and appropriately transferred or returned.) This section outlines the reporting requirements for each type of closure.

102. For Closures Due to Consolidation. Once the new grant agreement is signed, the PR should submit the following routine reports related to the old grant as per the outlined timelines<sup>218</sup>. The grant is administratively closed when the Global Fund has completed the review and approved the reports.
- a. *Programmatic Progress Report*: The PR should submit report(s) on the progress towards program objectives and targets covering from the last Progress Update date until the day before the new NFM grant start date for the constituent grant(s) no later than 60 days after the end of the reporting period agreed for the constituent grant(s).
  - b. *Annual Financial Report (AFR)*: The PR should submit AFR(s) for the constituent grant(s) covering the period from the last submitted AFR up to the last day before new grant start date, no later than 60 days after the end of the reporting period agreed for the constituent grant(s).
  - c. *Audit Report*: The PR should submit audit report(s) for the constituent grant(s) covering the audit of financial statement(s) up to the last day before new grant agreement start date, as per the timeline agreed up-on the original constituent grant agreement(s). However, if the financial statement of the constituent grant(s) to be audited covers less than six months, these periods can be audited with the first audit for the NFM grant.
  - d. *Inventory*: The PR should complete an inventory of non-cash assets under the closing grant that will be transferred to and managed under the new grant.
103. For closures due to PR change. As the new grant is negotiated and signed with the new PR, the outgoing PR should submit the following routine reporting documents. The grant is administratively closed when the Global Fund has completed the review and approved the reports.
- a. *Programmatic Progress Report*: The PR should submit programmatic progress report for the period from the last progress report to grant end date, no later than 60 days after the grant end date. .
  - b. *Annual Financial Report (AFR)*: The PR should submit AFR(s) covering the period from the last submitted AFR up to the grant end date, no later than 60 days after the grant end date.
  - c. *Audit Report*: The PR should submit audit report covering the audit of financial statement(s) up to the grant end date, as per the timeline agreed in the grant agreement.
  - d. *Financial Report for the Closure Period*: The PR should submit a financial report covering expenditures during the closure period.
104. For closures due to transition from Global Fund financing. During the 12 months following the grant end date, the PR should work to closing the grant including completing reporting requirements and returning all outstanding cash balances. The grant is administratively closed when the Global Fund has completed the review and approved the reports. The PR is required to submit the following routine reports:
- a. *Programmatic Progress Report*: The PR should submit programmatic progress report for the period from the last progress report to grant end date, no later than 60 days after the grant end date.
  - b. *Annual Financial Report (AFR)*<sup>219</sup>: The PR should submit AFR(s) covering the period from the last submitted AFR up to the grant end date, no later than 60 days after the grant end date.
  - c. *Audit Report*: The PR should submit audit report covering the audit of financial statement(s) up to the grant end date, as per the timeline agreed in the grant agreement.

<sup>218</sup> The relevant reports should be submitted as per the timeline agreed up on the original constituent grant agreement's and should not delay the first disbursement of NFM agreement.

<sup>219</sup> Enhanced Financial Report (EFR) for existing grant that have not transitioned to the new funding model.

- d. *Financial Report for the Closure Period:* The PR should submit a financial report covering expenditures during the closure period.

## **MONITORING AND REPORTING**

- 105. The use of the differentiated approach for closures will be monitored and reported to the EGMC by the Operational Support Team. Reports will be generated once a month for the first six months following the approval of this approach, and then on a quarterly basis thereafter.
- 106. The following information will be reported:
  - a. Number of grant closures completed;
  - b. Type of grant closure;
  - c. Approach used (differentiated or full);
  - d. Timeline from grant end date to date when grant is assigned “financially closed” and “administratively closed” status; and
  - e. Amount returned to the Global Fund at grant closure.

## Annex 2: Grant Closure Process:

### Closure due to consolidation with existing grant or through Concept Note:

Seq. No	Actors	Process Description	Output
<b>Closure</b>			
1.	<b>PR and CT</b>	New grant negotiated with PR	grant agreement for continuing NFM grant
2.	<b>CT</b>	Existing grants closed through signature of new grant	
3.	<b>PR</b>	Reporting requirements completed	
4.	<b>CT</b>	CT updated systems to reflect final results reported by the PR; GF systems updated to financial and administrative closure and fully closed grant	

### Closure due to change in PR

Seq. No	Actors	Process Description	Output
<b>Closure</b>			
1.	<b>CT</b>	CT provides PR with guidance on grant closure 6 months before grant end date [with differentiation if applicable]	Grant closure guidance document from CT
2.	<b>PR</b>	PR proposes grant closure/ transfer arrangements/budget	Transfer plan
3.	<b>CCM</b>	CCM endorses transfer plan and arrangements/budget	
4.	<b>LFA</b>	LFA reviews transfer plan, where relevant	
5.	<b>CT</b>	CT reviews and approves plan	
6.	<b>CT</b>	Prepares implementation letter signing the grant closure plan and budget into the grant agreement authorizing activities after the grant end date.	
7.	<b>PR</b>	PR implements transfer /closure plan	
8.	<b>PR</b>	Sends back refunds, Submits final reports	
9.	<b>CT</b>	CT sends final notification letter informing of closed grant	Notification letter

<b>Seq. No</b>	<b>Actors</b>	<b>Process Description</b>	<b>Output</b>
10.	<b>CT</b>	CT updated systems to reflect final results reported by the PR; GF systems updated to financial and administrative closure and fully closed grant	

#### **Closure due to Transition:**

<b>Seq. No</b>	<b>Actors</b>	<b>Process Description</b>	<b>Output</b>
<b>Closure</b>			
1.	<b>CT</b>	CT provides PR with guidance on grant closure 6 months before grant end date [with differentiation if applicable]	Grant closure guidance document from CT
2.	<b>PR</b>	PR proposes grant closure plan and arrangements/budget	Grant closure plan and budget
3.	<b>CCM</b>	CCM endorses closure plan and arrangements	
4.	<b>LFA</b>	LFA reviews closure plan, where necessary	
5.	<b>CT</b>	CT reviews and approves plan	
6.	<b>CT</b>	Prepares implementation letter signing the grant closure plan and budget into the grant agreement authorizing activities after the grant end date.	
7.	<b>PR</b>	PR implements closure plan	
8.	<b>PR</b>	Sends back refunds, Submits final reports	
9.	<b>CT</b>	CT sends notification letter informing of closed grant	
10.	<b>CT</b>	CT updated systems to reflect final results reported by the PR; GF systems updated to financial and administrative closure and fully closed grant	