Operational Policy Manual

22 November 2024

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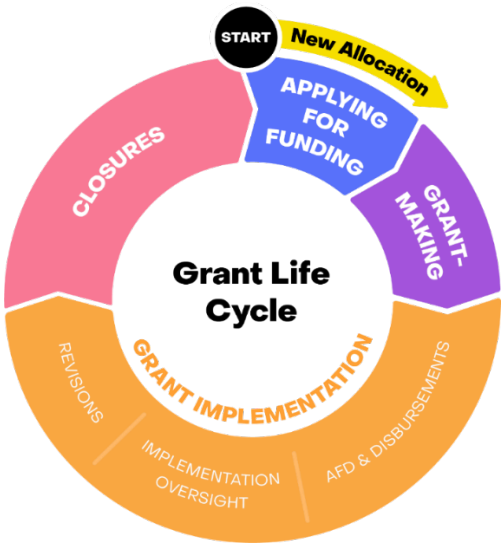
Introduction

This Operational Policy Manual (Manual) compiles the Global Fund operational policies that apply across the grant life cycle (GLC). The Operational Policy Notes (OPNs) contained in the Manual are based on policies approved by the Global Fund Board and GLC approaches developed by the Global Fund Secretariat. The OPNs define key principles, rules and requirements for managing grant life cycle processes and associated grant deliverables to comply with, and go through an internal review and approval process before they are issued and are updated regularly / as needed. The internally-focused Operational Procedures define standard procedures expected to be followed to implement and operationalize the rules and requirements. For more information, visit the Global Fund website.

The Global Fund reserves the right to interpret the OPNs set out in the Manual. Questions regarding their application to specific Global Fund-supported programs can be addressed to the relevant Global Fund Country Team. General / non-program specific questions can be addressed to: operationalefficiency@theglobalfund.org.

Grant Life Cycle

The Grant Life Cycle (GLC) starts when the Global Fund informs eligible countries of the amount of funding they can apply for per disease component through allocation letters, as part of the **Allocation and Funding Request** processes. Following country dialogue with key in-country stakeholders, applicants, who are mostly Country Coordinating Mechanisms (CCMs), develop funding requests, detailing how the allocated funds will contribute to national disease programs and strengthen systems for health. The funding request lays out the high-level programmatic targets and proposes a budget to guide grant-making.



The Technical Review Panel (TRP), an independent body, reviews the funding requests for strategic focus, technical soundness, and potential for impact. Once TRP-recommended, the funding request proceeds to grant-making. **Grant-making** is the process of translating the funding request into quality grants, with the Global Fund strategy embedded in the grant design.

Grants are negotiated between the Global Fund and the selected Principal Recipient (PR), in consultation with in-country stakeholders and communities. The programmatic targets and budget are agreed upon and documented in the Performance Framework and Detailed Budget, and form part of the Grant Confirmation. Quality grants are both disbursement- and implementation-ready when submitted to the Grant Approvals Committee (GAC) for review, so they are ready to start implementing grant activities on day one.

Once the grant is recommended for Board approval by the GAC and approved by the Board, the grant is signed by both the Global Fund and the PR and acknowledged by the CCM. The grants need to be fully signed at least one month, and ideally two months before the implementation period[1] (IP) start date to ensure implementation-readiness.

Implementation Oversight allows the Global Fund to maintain an overview of implementation progress and to jointly define solutions to address implementation bottlenecks. Once grant implementation has started, PRs regularly report to the Global Fund through Progress Updates

[1] The period during which a set of program activities are completed as part of a grant (typically 3 years).

(PUs), Pulse Checks and other reporting mechanisms. The programmatic results are reported against the targets set in the Performance Framework, and the financial expenditure is reported against the agreed Budget. Based on this and any risks or issues identified, the Global Fund undertakes a comprehensive performance assessment, and issues a Performance Letter to the PR, which communicates the Country Team findings, performance rating and required actions to address identified implementation challenges and additional risks. PRs include a disbursement request annually, through the Progress Update and Disbursement Request (PU/DR).

As part of the subsequent **Annual Funding Decisions & Disbursements (AFDD)** process, the Global Fund determines and commits the amount of funding that will be disbursed to the grant over following 12 months, considering implementation performance, issues, and risks. The First Annual Funding Decision (1st AFD) is based on the approved grant Budget for year 1. Funds committed through the AFD are disbursed to the PR or to a third party on behalf of the PR, for the payment of goods and/or services. Disbursements are released to implementers and third parties in a timely manner to ensure grant activities can continue.

During implementation, **Revisions** allow the PR to adjust investments according to the changing context and other needs and ensure that these investments are still aligned to national strategic plans and the Global Fund strategy. As part of revisions, changes can be made to programmatic targets in the Performance Framework and/or Budget, and/or additional funding can be added to the grant. Depending on the scope of the changes, an Implementation Letter (IL) is issued to amend the Grant Confirmation[2].

Finally, when a grant reaches the end of an IP, the **Closure** process is triggered. When a grant with the same PR continues from one IP to the next, the IPs are reconciled. If there is a change of PR, if the country is transitioning from Global Fund's financing, or if several grants managed by the same PR are consolidated into one, the grant needs to be closed. As part of the closure financial commitments and obligations are addressed, remaining grant funds or recoveries are returned, program assets are accounted for, and final reporting is submitted.

Throughout the above-described GLC, in-country stakeholders, CCMs, PRs and Local Fund Agents (LFA), play fundamental roles. To enable the efficient and effective delivery of all GLC processes, it is critical that the Global Fund has accurate and updated organization and contact information on CCMs, PRs and LFAs. This is known as **Grant Entity Data.** These in-country stakeholders are responsible for regularly reviewing and updating their own information.

Requirements, reviews and approvals of grants are differentiated based on portfolio categories: High Impact, Core and Focused, and other factors such as challenging operating environments (COE) and transitioning countries.

[2] A Grant Confirmation regulates the specific terms of the grant being signed, summarizes the grant objectives and formalizes the negotiated Performance Framework and Budget.

Approved Dec 2022, Updated Feb 2023

2023-2025 Portfolio Categorization: Country and Multicountry*

FOCUSED

1. Armenia
2. Azerbaijan
3. Belarus
4. Belize
5. Bhutan
6. Bolivia
7. Botswana
8. Cabo Verde
9. Colombia
10. Comoros
11. Costa Rica
12. Cuba
13. Djibouti
14. Dominican Republic
15. Ecuador
16. Egypt
17. El Salvador
18. Equatorial Guinea
19. Gabon
20. Georgia
21. Guyana
22. Honduras
23. Iran (Islamic Republic)
24. Jamaica
25. Kazakhstan
26. Kosovo
27. Kyrgyzstan
28. Lao PDR
29. Malaysia
30. Mauritania
31. Mauritius
32. Moldova
33. Mongolia
34. Montenegro
35. Morocco
36. Nicaragua
37. Paraguay
38. Peru
39. Russian Federation
40. Sao Tome and Principe
41. Serbia
42. Solomon Islands
43. Sri Lanka
44. Suriname
45. Tajikistan
46. Timor-Leste
47. Turkmenistan
48. Uzbekistan
49. Zanzibar

Multicountry Western Pacific | Multicountry Caribbean | Multicountry North Africa

CORE

1. Afghanistan
2. Angola
3. Benin
4. Burundi
5. Central African Republic
6. Chad
7. Congo (Brazzaville)
8. Eritrea
9. Eswatini
10. Gambia
11. Guatemala
12. Guinea
13. Guinea Bissau
14. Haiti
15. Korea (DPR)
16. Lesotho
17. Liberia
18. Madagascar
19. Namibia
20. Nepal
21. Niger
22. Papua New Guinea
23. Rwanda
24. Senegal
25. Sierra Leone
26. Somalia
27. South Sudan
28. Sudan
29. Togo
30. Ukraine
31. Venezuela

Middle East Response

HIGH IMPACT

1. Bangladesh
2. Burkina Faso
3. Cambodia
4. Cameroon
5. Congo DR
6. Côte d'Ivoire
7. Ethiopia
8. Ghana
9. India
10. Indonesia
11. Kenya
12. Malawi
13. Mali
14. Mozambique
15. Myanmar
16. Nigeria
17. Pakistan
18. Philippines
19. South Africa
20. Tanzania
21. Thailand
22. Uganda
23. Viet Nam
24. Zambia
25. Zimbabwe

Regional Artemisinin-resistance Initiative (RAI)

- Multicountry categorization only covers combined allocation multicountry programs. Regional grants funded from the Multicountry Strategic Initiative will be categorized following approval of allocation for each grant based on the categorization criteria for multi-country portfolios. Exceptions to the criteria to be approved by EGMC.
- Countries eligible but not receiving 2023-2025 allocation not categorized.
- Zanzibar categorized as Focused but managed by HI Africa 2 Department; Malawi and Cameroon categorized as High Impact but managed by AME Department

2023-2025 Allocation Period (GC7):

Portfolio Categorization and Challenging Operating Environment (COE) List

Approved 12 June 2023

1. Afghanistan	12. Iraq**	23. Palestine**
2. Burkina Faso	13. Korea (Democratic Peoples Republic)	24. Papua New Guinea
3. Burundi	14. Lebanon**	25. Sierra Leone
4. Central African Republic	15. Liberia	26. Somalia
5. Chad	16. Libya**	27. South Sudan
6. Congo (Democratic Republic)	17. Mali	28. Sudan
7. Ethiopia (Tigray)*	18. Myanmar	29. Syrian Arab Republic**
8. Eritrea	19. Nicaragua	30. Ukraine
9. Guinea	20. Niger	31. Venezuela
10. Guinea-Bissau	21. Nigeria	32. Yemen**
11. Haiti	22. Pakistan	

THE GLOBAL FUND

* For Ethiopia, only Tigray region is COE
** Managed as part of MER grant

Operational Policy Note

Design and Review Funding Requests

Issued on: 12 January 2023; Updated on: 15 November 2024
Approved by: Executive Grant Management Committee
Process Owner: Access to Funding Department
Associated Procedures: Operational Procedures on Design and Review Funding Requests

Process metrics for the OPN on design and review funding requests:

Agility: 80% of TRP forms cleared & accepted by Country Teams within 10 working days of final TRP plenary

Applicant satisfaction: 90% of applicants satisfied with the process

Funding Request quality: 90% of Funding Requests recommended for grant-making by the TRP

Clearance of TRP issues[3]: 80% of TRP issues cleared by the due date

Overall Objective

1. The objective of this Operational Policy Note (OPN) is to ensure funding requests are well designed and effectively reviewed, to support the Global Fund in achieving maximum impact, in line with the Global Fund's 2023-2028 Strategy (Fighting Pandemics and Building a Healthier and More Equitable World). The funding request design and review process is guided by the Global Fund Framework Document, the Global Fund Strategy, the Sustainability, Transition and Co-Financing Policy, and the Technical Review Panel (TRP)'s[4] Terms of Reference.

Operational Policy

2. As illustrated in figure 1 below, the Global Fund supports continuous dialogue and implementation of impactful programs throughout the grant lifecycle. This OPN focuses on the funding request design and review stages and defines the end-to-end process and associated requirements for accessing country allocations[5] for the 2023-2025 allocation period onwards. Figure 2 below shows the key steps of this process, which will be described in more detail in the following sections. For guidance on accessing other sources of funding, please refer to Annex 2.

[3] This includes TRP issues to be cleared by the Secretariat and the TRP.
[4] Unless defined in this Operational Policy Note or the context otherwise requires, all capitalized terms used in this Operational Policy Note shall have the same meaning set out in the Grant Regulations (2014).
[5] This includes multicountry applicants that will access funding through combined country allocations. It does not include, however, multicountry applicants that will access funding through catalytic funding.

Figure 1. The funding request design and review process in the context of the grant lifecycle.

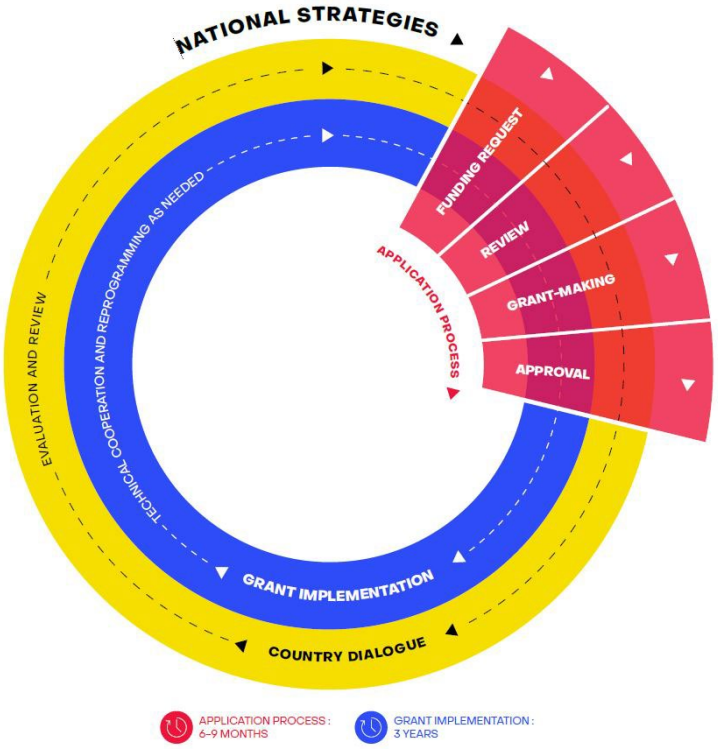
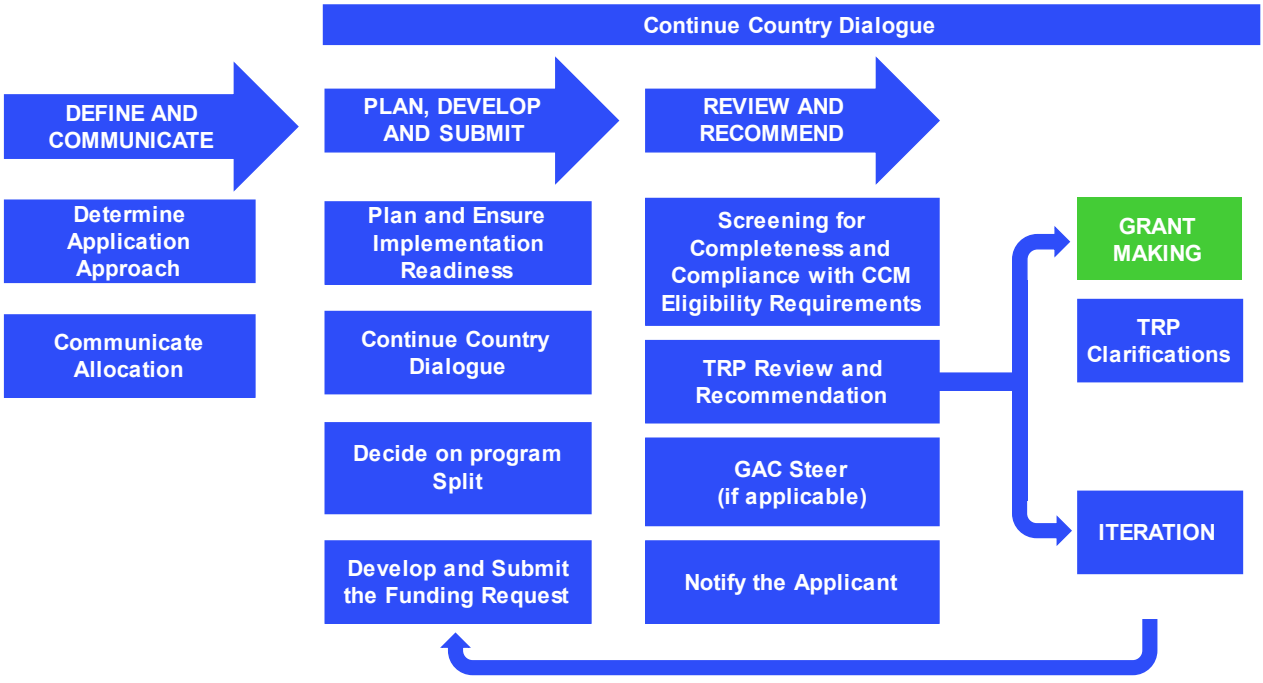


Figure 2. Key steps of the funding request process.



I. Define and Communicate

Determine Application Approach

3. **Differentiated Application and Review Approaches.** To accommodate the diverse portfolio needs and support the continuation of disease programs from one allocation period to the next, there are different types of funding request and review approaches. Based on the characteristics of each portfolio, the Grant Approvals Committee (GAC) determines the most suitable type of funding request and corresponding review approach for each country component.[6] This will be communicated to the applicant in the allocation letter. The types of application and review approaches are the following:

   i. **Program Continuation.** The program continuation approach focuses on continuing well-performing programs that do not need major changes to the program design or the implementation arrangements. Identified country components (based on criteria to be determined by the GAC) can access the allocation through a streamlined process, which significantly reduces the level of effort required by the applicant, the Global Fund Secretariat and the TRP during the funding request and review stages. This approach is available only to countries categorized as High-Impact or Core.[7]

   ii. **Tailored for National Strategic Plans (NSP).** Country components may be invited by the Global Fund to use the country's **National Health and/or Disease-Specific Strategic Plan(s)** to complete the funding request. The invitation to use this approach is based on defined criteria that include, but are not restricted to, risk levels, the applicant's willingness and preparedness to use their NSP as the main source of information for their application, grant and national program performance, support from multi-lateral and bilateral partners, etc. This approach is intended to significantly reduce the amount of information to be included in the funding request by referring to specific sections of the NSP and/or other relevant national documents.

   iii. **Full Review.** This type of application is aimed at a comprehensive overall review of a country's investment approach and strategic priorities and applies to High-Impact and Core country components[8] that are not invited to submit a program continuation or tailored for NSP application.

   iv. **Tailored for Transition:** This application is required for country components that: a) are receiving **transition funding;**[9] or b) are projected to move to high-income status[10]; or c) previously received transition funding and have become re-eligible and received an allocation; or d) are using a transition workplan as the basis of their funding request; or e) are requested by the Global Fund to submit a Tailored for Transition funding request because of contextual considerations.[11]

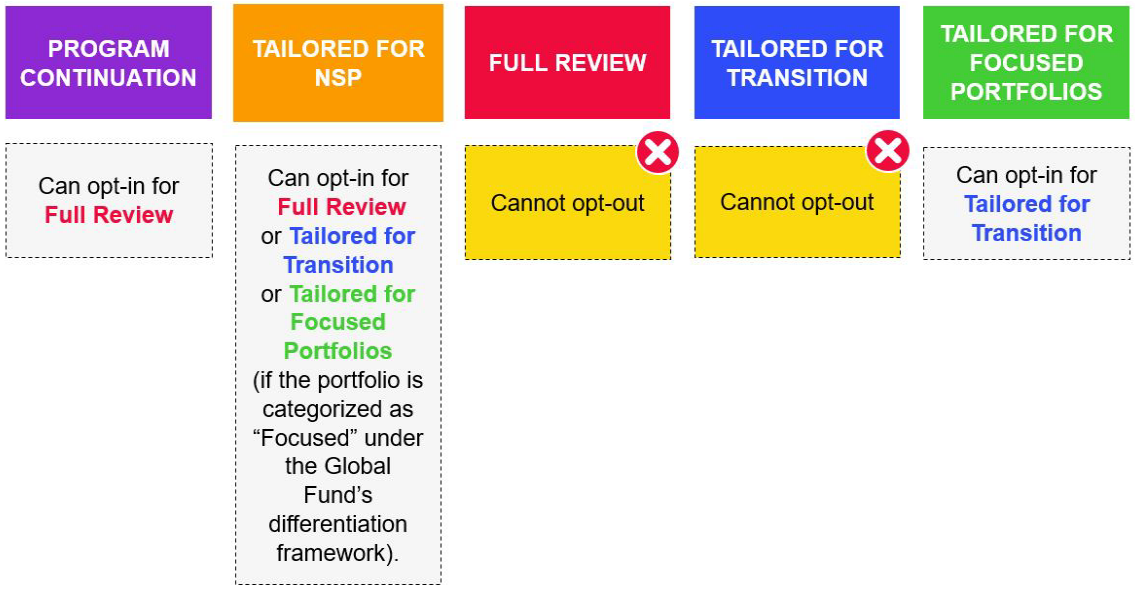
   v. **Tailored for Focused Portfolios.** Country components categorized as **Focused** that are not invited to use the Tailored for NSP or Tailored for Transition approaches, will use the Tailored for Focused Portfolios application approach. Given the characteristics of these portfolios (i.e., significantly smaller allocation compared to Core and High-Impact countries and, often, to the country national health budgets), this approach is aimed at streamlining the information requested, by focusing investments on a few areas to achieve the highest impact and minimize transaction costs. A subset of Focused countries invited by the Global Fund, may submit

[6] This refers to the eligible disease components, and RSSH where applicable.
[7] As of December 2022.
[8] As of December 2022.
[9] Countries or components funded under an existing grant that no longer meet eligibility criteria may receive funding for up to one additional allocation period following their change in eligibility status (Transition Funding), as detailed in the Eligibility Policy.
[10] Please refer to Projected Transitions from Global Fund Support by 2028.
[11] Instances where the Global Fund may make such decision are for 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).

innovative application requests, in consultation with the Global Fund Secretariat and the TRP, to explore further reduction in transaction costs and greater alignment with country processes.

4. The applicant may propose to change the application and review approach communicated in the allocation letter, based on the outcome of in-country discussions. If the applicant wants to change the application approach, this needs to be discussed and agreed with the Global Fund Secretariat[12] before submitting the Funding Request. Figure 3 below provides a graphic view of the rules for changing the application and review approach. All requirements set out in paragraph 3 above continue to apply.

Figure 3. Possible opt-ins and opt-outs displayed in this figure can be agreed between the applicant and the Country Team, with a notification to Access to Funding.



Communicate Allocation

5. The Global Fund Eligibility Policy sets forth eligibility criteria to determine which country components may qualify to receive an allocation from the Global Fund.[13]

6. **Country Allocation.** This is the initial upper ceiling of funding made available by the Global Fund for each eligible country across all eligible disease components for the applicable allocation period, in line with the Allocation Methodology. This funding may be supplemented by other sources of funds (please see Annex 2), or may be reduced, for example, due to outstanding recoveries or if co-financing requirements[14] from the previous allocation period have not been met. Unused funding from the previous allocation period[15] (e.g., undisbursed funds, in-country cash balances, cash balances at the procurement agent level), and any recovered funds relating to disbursements made with grant funds arising from the previous allocation period cannot increase a country allocation. Please see the Global Fund Guidelines for Grant Budgeting for further details.

[12] If the change is within the parameters authorized in Figure 3, then the change can be agreed between the applicant and the Country Team, with a notification to the Access to Funding Department. Opt-ins and Opt-outs outside the parameters authorized in Figure 3 must be escalated to GAC for approval.
[13] The 2023 Eligibility List determines which country components are eligible for an allocation for the 2023-2025 allocation period. Eligibility to receive an allocation does not guarantee allocation or funding.
[14] Please refer to the OPN on Co-Financing.
[15] For the purpose of this OPN, this only refers to unused allocation funds and excludes C19RM-related funds.

7. **Timeframe to use Allocation.** The Allocation Utilization Period (AUP) is the standard period of three years[16] during which the country allocation per component can be utilized to implement grants. For grants continuing to the next allocation period, the AUP starts the day after the Implementation Period end date. Any extension to grants from the previous cycle will consume funds and time from the new AUP and reduce the remaining duration and funding for the next grant. If the AUP is shorter than what is communicated in the allocation letter, the allocation funding available for the new grant(s) related to the same component is adjusted proportionately.

8. **Timeframe to Access Allocation.**[17] For each country, the available allocation for eligible components can be accessed, jointly with other components or separately by each component, once per allocation period. The associated grant must be approved by the Board prior to the end of the allocation period (i.e., by 31 December 2025 for the 2023-2025 allocation period). Applicants must consider the end date of their existing AUP and adequately plan for the submission of the funding request, registration for a TRP window, and subsequent grant-making timelines in order to complete the full process well ahead of the end of the existing AUP.

9. Applicants granted an allocation are notified through the allocation letter of the following information:

    - allocation amount for eligible disease component(s) and AUP start and end dates;
    - type of applicant;[18]
    - the application and review approach;
    - applicable catalytic funds[19] and related programmatic and access conditions;
    - guidance on co-financing requirements and commitments; and
    - other specific financial/technical conditions and/or guidance relevant to the country/component(s)[20] to enable the applicant to proceed with funding request development and submission.

II. Plan, Develop and Submit

10. Following the receipt of the allocation letter, applicants develop the funding request to access their allocation. The process entails the following steps:

    - Plan and ensure implementation readiness
    - Continue country dialogue
    - Decide on program split
    - Develop and submit funding request

Plan and Ensure Implementation Readiness

11. Applicants, together with implementers and Country Teams, plan the funding request and grant-making stages and deliverables in an integrated manner to ensure grants are signed at least one month before, and implementation-ready at, the implementation period start date. The Global Fund expects that all available opportunities to ensure implementation readiness are undertaken, including advancing grant-making priorities during the development of the funding request.

[16] Variations from the three-year standard period may be allowed for joint funding requests where start and end dates for the different grant components are misaligned, and in other circumstances on an exceptional basis. These will be communicated to concerned applicants through the allocation letter.
[17] Portions of the allocation may be used earlier than at the start of a new implementation period (for example through the extension of the previous implementation period or advance payments).
[18] The type of applicant refers to: CCM, Non-CCM, RCM or RO. Please refer to the Country Coordinating Mechanism Policy Including Principles and Requirements for more information.
[19] If designated for the country component in the 2023-2025 allocation cycle.
[20] Such as allocation-related decisions or outcomes that have intended implications around use of funds (e.g. funding for pandemic preparedness, recoveries, continuation of essential services, or if countries are expected to be on a continued trajectory for significant reductions in allocations, etc.), and any other relevant information.

12. Applicants (particularly those using the program continuation approach or those with continuing Principal Recipient(s)), are strongly encouraged to engage with the selected Principal Recipient(s) early in the country dialogue process to develop and submit the following key documents in the level of detail required for grant-making[21] in their submission to the Technical Review Panel (TRP):

    i. The Performance Framework;
    ii. The Detailed Budget; and
    iii. The Health Product Management Template (HPMT), if applicable.

13. Implementation readiness can be further accelerated by initiating the selection and contracting of human resources, Sub-recipients and procurement partners early (where possible).

14. The advancement of grant-making is not recommended in cases where the applicant has concerns about the Principal Recipient's performance and/or where the Principal Recipient is expected to change.

Continue Country Dialogue

15. An ongoing and inclusive country dialogue[22,23,24] is expected to take place during the funding request development stage and throughout the grant lifecycle. The country dialogue at the funding request stage is led by the CCM[25] and builds on National Strategic Plans and engagement with communities affected by the three diseases and in-country stakeholders.

16. Nominated Principal Recipients who have been selected following a transparent and documented process in accordance with the Country Coordinating Mechanism Policy are involved in the development of the funding request to improve the speed and quality of grant-making and grant implementation.

17. The Global Fund Secretariat participates in the country dialogue and clarifies relevant policies and processes. They also ensure important thematic areas are brought to the overall discussion, including:

    a. implementation issues that need to be addressed in the funding request;
    b. relevant regional and country analysis based on (wherever possible) disaggregated data;
    c. areas for focus and prioritization for the upcoming funding request, including pending issues from previous TRP and GAC reviews; and
    d. development of co-financing commitments to support programmatic objectives.

18. **Support to Country Dialogue:** Support to country dialogue in preparation for a funding request submission needs to be addressed at the country level by in-country technical partners and using existing CCM funding resources[26] (as described in the OPN on Country Coordinating Mechanism Funding). In some cases, when applicants identify the need for

[21] For further guidance, please refer to the OPN on Make, Approve and Sign Grants. For guidance specific to grants implementing the Payment for Results modality, please refer to the Payment for Results Information Note.
[22] For multicountry applicants, the dialogue must take place at the regional level and involve stakeholders from all countries included in the funding request.
[23] In countries faced by acute or protracted emergencies as well as refugee influx, relevant humanitarian partners are expected to contribute to the country dialogue and share humanitarian needs and perspectives.
[24] This refers to engaging a broad range of stakeholders, including members and non-members of the CCM, representatives of the civil society and communities affected by the three diseases, experts in health systems, and other relevant experts depending on country context.
[25] In instances where the applicant is not a CCM, the country dialogue process is led by stakeholders facilitating the development of the funding request.
[26] At least 15% of the CCM Funding Agreement amount has to be allocated to support constituency engagement for non-governmental sector activities, including civil society and key population groups and to promote and improve the quality of stakeholder participation.

additional technical support or advocacy during the country dialogue process, they can liaise with the Country Team to discuss possible options.

19. In qualifying cases (where additional funding is needed to support a meaningful country dialogue and an inclusive funding request development process), the applicant and the Country Team may explore the options below:

    a. Some strategic initiatives such as the Community Engagement Strategic Initiative[27] and others can provide technical assistance to support the engagement of civil society, key populations, etc., or to strengthen specific areas of the NSPs.

    b. Reinvestment of savings from existing grants can support country dialogue up to a maximum amount of US$150,000 per component (please refer to the OPN on Grant Revisions for further details on reinvesting savings). Global Fund grant funds, however, cannot be used to cover the costs for a consultant or technical assistance to draft or write a funding request.

Decide on Program Split

20. When applicable (and before the submission of the first funding request for any disease component for the relevant portfolio), the applicant must confirm or propose a revision to the program split communicated in the allocation letter. While doing so, the applicant must be mindful of the following:

    a. Applicants are advised to complete the programmatic gap tables and the resilient and sustainable systems for health (RSSH) gap analysis prior to discussing and deciding on the program split.

    b. Applicants must confirm or propose their revised program split no later than at the time of submitting their first funding request for any disease component for that portfolio, by completing the Program Split Confirmation Template (shared with the allocation letter). CCM endorsement is required for the Program Split Confirmation. The endorsement must be provided by: (i) the CCM Chair[28] and (ii) the civil society representative if the CCM Chair is the representative of the Government, or the representative of the Government if the CCM Chair is the representative of civil society.

    c. Applicants must indicate the intended investment amount for cross-cutting RSSH activities/interventions from within the allocation for the disease components.[29] This is required to identify synergies in system investments across the eligible diseases. Providing this information is not considered a program split change and does not require Global Fund Secretariat approval.

    d. If a standalone RSSH grant is anticipated, applicants must use the Program Split Confirmation Template to indicate a new program split, with RSSH as a separate component. This is a program split change.

    e. The applicant is only required to submit a justification for the proposed program split if the split is different from the one communicated by the Global Fund in the allocation letter. The decision-making process at the applicant level must be inclusive, justified and documented.

    f. The Global Fund Secretariat also communicates in the allocation letter where allocation-related decisions or outcomes have intended implications around the use

[27] Civil society and community organizations interested in applying for technical cooperation under the Community Engagement strategic initiative can contact CRGTA@theglobalfund.org for more information.
[28] In the absence of the CCM Chair, endorsement by the Vice Chair is acceptable if in line with the CCM's governing documents. For Non-CCM and RO applicants, only the endorsement of the applicant's legal representative is required.
[29] This is a new requirement for the 2023-2025 allocation period.

of funds, as identified through the qualitative adjustment process. Any changes to program split for those components is closely monitored.

g. The Country Team is required to be involved in the program split discussions to ensure a robust, inclusive process and a clear rationale underlying the CCM's proposed program split.

h. The Global Fund Secretariat's approval of the program split must be obtained before the TRP reviews the applicant's first funding request. The review and approval processes follow the rules below:

Program Split	Approval Authority
Change to component's allocation is > 15% and > US$5 million (or the equivalent in EUR-denominated grants).	**Elevated Review:** Grant Management Division (GMD) Head, based on Country Team's discussion with Grant Finance Manager (GFM), GMD Department Head (DH), Technical Advice and Partnership (TAP) Department and the Allocation Team.[30]
For a designated sub-set of countries identified at the time of qualitative adjustments, any change to program split triggers automatic elevated review.[31]	
Change moves component below the estimated cost of continuing essential services.[32]	
Change impacts a qualitative adjustment to a component's allocation that was intended for a specific use of funds.	
Any other change	FPM, based on Country Team's discussion with GFM and RM/DH.

21. Applicants can further revise the program split after the first funding request has been submitted and up to the point that all grants for the impacted component have been recommended for Board approval by the GAC. If a disease component still has unused allocation funding after the Board approval of its associated grant(s), the unused funds can be reallocated to a different component with grants that have not yet been recommended by the GAC.[33] All revisions to the program split must be communicated by the applicant through the Program Split Confirmation Template and are subject to the approval process set out in the table above.

Plan, Develop and Submit the Funding Request

22. When developing the funding request, applicants need to consider how their request contributes to advancing the fight against the epidemics and achieving the Global Fund Strategy 2023-2028. The TRP will use its Review Criteria to assess this. Specifically, funding requests need to fulfill the following (as applicable to the country context and as discussed with the Global Fund Secretariat):

[30] The Allocation Team provides support to assess whether the proposed change counters the intended direction of a component's allocation under the allocation methodology. The Allocation Team will engage the CRG department in the review of changes to the program split that fall under the CRG mandate.
[31] Countries requiring escalated review under these criteria will be identified by the Allocation Team and communicated to relevant Country Teams.
[32] The estimated cost of essential services as per the qualitative adjustment process shall be considered as the reference point.
[33] If the funding request has been through TRP review and recommendation, the use of the additional funds should be in line with the TRP recommendations.

a. **Align with National Strategies.** Funding requests are expected to contribute to the NSPs and the overall strategic direction for a country's health and disease-specific programs.

b. **Build Resilient and Sustainable Systems for Health.**[34] Applicants are required to discuss holistic RSSH, including community system needs, during the country dialogue, preferably at the start of the funding request country dialogue. Applicants may either present their RSSH request within a disease-specific funding request or as a standalone RSSH funding request. Splitting RSSH investments across different funding requests is discouraged as it can affect the comprehensive planning of RSSH investments as well as the assessment, coordination, implementation and performance monitoring of the health system. Therefore, applicants are encouraged to include their entire RSSH request with the first funding request submitted to the Global Fund, to allow for a holistic assessment of the cross-cutting health investments.

c. **Put Communities at the Center.** Evidence demonstrates that engagement with communities in the design of programs results in more effective programming and better health outcomes. Therefore, during funding request development, the Global Fund requests applicants to work together with people and communities living with and affected by the three diseases to jointly respond to their specific health needs in the design of the program.

d. **Advance Health Equity, Gender Equality and Human Rights.** In their requests, High Impact and Core applicants[35] are requested to analyze and outline interventions to address human rights and gender-related barriers in access to services and promote gender equality and health equity. Applicants are encouraged to use disaggregated data to identify inequalities and barriers related to human rights, gender equality, and health equity; analyze the social and structural drivers behind these barriers; and consider the impact they have on health outcomes. Based on these analyses, applicants should design evidence-based programming that maximizes health equity, gender equality and human rights in their context, including programing that is responsive to the needs of women, girls, adolescents and youth, gender-diverse communities, the poorest and most marginalized, and members of other key and vulnerable populations. Applicants are requested to plan for appropriate evidence-based implementation arrangements responsive to these needs.

e. **Prepare and Respond to Pandemics.** The COVID-19 pandemic has overloaded systems for health, reducing economic growth and constraining domestic resource mobilization. It is imperative that countries be equipped and better prepared for future pandemic threats to reduce the risk that subsequent pandemics further derail progress against HIV, TB and malaria and broader global health goals. Therefore, as part of the funding request, applicants are requested to consider investments in strengthening systems for health and community systems and supporting capacities that are critical to prevent, detect and respond to infectious disease outbreaks.

f. **Consider Lessons Learned, Evaluations and Results.** The applicant must 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.

g. **Progress on Issues Raised by TRP and GAC in the Previous Allocation Period.** The applicant is required to address key issues raised by the TRP and GAC during the previous allocation period, as applicable, before the submission of their funding request.

h. **Complete the Prioritized Above Allocation Request (PAAR).** The PAAR is a required document submitted and reviewed in conjunction with the funding request.

[34] System strengthening activities lead to permanent system improvements, beyond the life of the grant. While system support activities are meant to support the success of grant disease control activities.
[35] This is not relevant for Focused Portfolios.

Before completing the PAAR, applicants must ensure that the most critical modules and interventions for their program are prioritized and covered within the allocation amount. The TRP reviews the PAAR and determines which part of it constitutes Unfunded Quality Demand (UQD). These activities are included in a public UQD register for potential future funding, either from the Global Fund (e.g., using efficiencies from the grant, foreign exchange savings or Portfolio Optimization) or from external sources (e.g., private sector contributions, debt swap agreements and other Innovative (joint) Finance mechanisms with multilateral development banks). As needed, the PAAR and UQD register may be further updated during grant-making and implementation.

i. **Streamline Grant Portfolios and Operations.** Where possible, the Global Fund encourages applicants to streamline grant portfolios through joint funding requests, including two or more components with a single Principal Recipient.[36] This is particularly relevant in countries with smaller allocations, such as in Focused portfolios.

j. **Strengthen focus on value for money**. All applicants are expected to demonstrate efforts to improve value for money through the five dimensions of economy, effectiveness, efficiency, equity and sustainability. All five dimensions must be considered in their totality, given the country context, overall health strategies, epidemiological trends and gaps, health system capacity constraints, domestic budgets and other donor investments. Such efforts must contribute to maximize and sustain quality and equitable health outputs, outcomes and impact in a resource-constrained environment.

k. **Identify Suitable Implementers.** At the funding request stage, based on an open and transparent process, the applicant[37] must nominate the Principal Recipient(s) for the grant(s).[38] Upon nomination, the Country Team must initiate the required capacity assessment for the nominated Principal Recipient, if applicable.[39] The capacity assessment[40] must be completed prior to the receipt of TRP recommendations.[41] Based on the capacity assessment and the recommendation of the Country Team, the Regional Manager/Department Head,[42] will decide to accept or reject the nominated Principal Recipient prior to proceeding to grant-making. In the event that a nominated Principal Recipient is rejected, the applicant will be requested to nominate an alternative Principal Recipient and another capacity assessment will be conducted as required.[43] Implementation arrangements should include diverse implementers including community-led and -based organizations in order to achieve maximum effectiveness and impact. For more details on the categories of implementers, please refer to Annex 3.

l. **Address Risks.** As part of the early stages of the funding request development, Country Teams share and discuss with applicants, key risks and capacity issues identified during the previous implementation period that may impact the ability of

[36] In instances where there is a misalignment between grant start and end dates for two different components, specific guidance will be provided to the applicant in the allocation letter.
[37] Except in instances where a portfolio is managed under the Additional Safeguard Policy and the selection of the Principal Recipient is one of the safeguards invoked for the portfolio.
[38] The Global Fund recommends that the applicant implements dual track financing (DTF), i.e., nominate a Principal Recipient from both the government and non-government sectors for the implementation of the program. The documented transparent selection of implementers is the basis for the screening for compliance with eligibility requirement 2 set out in the Global Fund's Country Coordinating Mechanism Policy.
[39] A capacity assessment is required for: (i) all new Principal Recipients who have not previously implemented a grant for the disease component; and (ii) existing Principal Recipients who will be implementing new activities for which their capacity has not been previously assessed. Outside of these two required situations, a Country Team may also conduct a capacity assessment for an existing Principal Recipient or select Sub-Recipients if necessary to manage risks, as contemplated under the OPN on Risk Management and OPN on Additional Safeguards Policy.
[40] A thematic (tailored) capacity assessment may be considered where Payment for Results is used. This is to ensure the Global Fund Secretariat has sufficient assurance on the internal controls and their effectiveness.
[41] Please refer to the OPN on Risk Management.
[42] For High Impact Departments
[43] The Global Fund Secretariat reserves the right to approve the selected Principal Recipient, whether new or existing. This right extends in some cases to the selection of key Sub-recipients.

implementers to achieve expected program goals, key objectives and results. Drawing on these assessments, the applicant must ensure these key risks are mitigated to allow a smooth implementation of the grant (please refer to the OPN on Risk Management)

m. **Engage the Local Fund Agents (LFAs).** It is strongly encouraged to involve LFAs from the start of the funding request development stage, including in country dialogue to help address operational design issues before the funding request is reviewed by the TRP. For more information, please refer to the LFA Manual (section C). For portfolios which have a history of suboptimal delivery, LFAs assess the implementation arrangements likely to be used for the new grant(s). This assessment must be ideally conducted as early as possible to provide timely insights and allow sufficient time for other related LFA reviews during grant-making.

n. **Protect from Sexual Exploitation and Harassment.** Applicants are recommended to identify sexual exploitation, abuse and harassment (SEAH) related risks in Global Fund-financed programs and embed relevant mitigation measures in the proposed interventions. Please refer to the Global Fund Codes of Conduct for Recipients and Suppliers as well as the Guidance Note on PSEAH for further information.

o. **Enhance domestic financing and strengthen sustainability / transition preparedness, including complying with Sustainability, Transition and Co-Financing (STC) Policy requirements.**

- **Focus of Application:** All funding requests and resulting grants must comply with the focus of application requirements. These are the requirements that govern how Global Fund financing can be used and which interventions the applicant can request to be funded from the Global Fund. Application focus requirements are differentiated according to a country's income classification. Please refer to the STC Policy for further information.

- **Enhance domestic financing and co-financing***:* To support programmatic impact, funding requests should describe how applicants are working to enhance domestic financing of health and the national responses, including both raising additional resources and improving the efficiency of existing resources. All funding requests and resulting grants must comply with the co-financing requirements set forth in the STC Policy, including describing co-financing commitments and offering evidence of realization of previous commitments. For detailed guidance on the co-financing requirements, please refer to the STC Guidance Note, OPN on Co-Financing and the allocation letter.

- **Strengthening Sustainability:** The STC Policy emphasizes the importance of strengthening sustainability across the entire Global Fund portfolio. While specific activities and focus areas vary and depend heavily on country context, the Global Fund encourages all countries to gradually strengthen the sustainability of Global Fund-financed national responses and interventions. More details are available in the STC Guidance Note.

- **Transition Planning and Preparedness:** In line with the STC Policy, the Global Fund requires all upper-middle-income countries (regardless of disease burden) and upper lower-middle-income countries with components that have "not high" burden to proactively prepare for transition from Global Fund financing. This includes integrating transition considerations and strengthening transition preparedness through Global Fund funding requests, co-financing commitments, and national planning.

p. **Consider Results-Based Financing (RBF) Modalities.**[44] RBF is a form of financing in which payments are made purely on the basis of verified results instead of inputs. There are two RBF[45] modalities: 1) Payment for Results (PfR)[46]; and 2) Results-Based Contracts (RBC)[47]. At the funding request stage, applicants may consider implementing any of the RBF modalities following discussion and agreement with the Global Fund Secretariat. If agreed, the applicant will complete the RBF section of the Funding request and submit the funding request package for TRP review. The RBF elements are further finalized during grant-making, based on the TRP-reviewed and recommended funding request. In other cases, RBF may be introduced during implementation. For more details, please refer to the funding request instructions, the Technical Guidance on Payment for Results and the OPN on Make, Approve and Sign Grants. If used in combination with blended financing, please refer to the relevant sections in the OPN on Blended Finance and Joint Investments.

q. **Leverage Joint Investments.** The Global Fund encourages applicants to consider joint investments with development partners to address high-priority areas at the country or sub-regional levels. Such joint investments, where appropriate and relevant, may help align development finance and leverage additional investments for health systems or the national responses. They include blended finance/joint investments with development financing institutions or Multilateral Development Banks (MDBs) and Debt2Health transactions. Applicants should engage early with the Country Team if and when they are considering joint investments. Please refer to the OPN on Blended Finance.

r. **Adapt to Challenging Operating Environments.** The OPN on Challenging Operating Environments (COEs) provides the overall guidance on Global Fund adaptive engagement to ensure access to essential services and/or maximize coverage and impact in such contexts,[48] based on the principles of flexibility, partnerships and innovation.

23. **Funding Request Currency.** The funding request and the resulting grant can be denominated in either U.S. dollars or Euros and grant currency must be confirmed for the relevant grant implementation period. The currency is communicated in the allocation letter.

24. **Application Package.** Applicants are required to ensure submission of all required documents relevant for their application to be deemed complete and eligible for review by the TRP. The application package must be submitted within the deadline set for the applicable TRP review window (please refer to Annex 1 for further information).

III. Review and Recommend

Screen for Completeness and Compliance with the CCM Eligibility Requirements

25. After the submission of the funding request, the Global Fund Secretariat performs completeness and consistency checks. The Global Fund Secretariat will notify the applicant in case clarifications, additional information or documentation are needed. In such cases, the applicant has a limited window (up to 10 days) to provide the requested material.

[44] Guidance in this section supersedes guidance on Payment for Results (Results-based Financing and Activity-based Contracts) in the Guidelines on Grant Budgeting.
[45] This terminology is specific to the Global Fund. Other organizations may use different terms and modalities.
[46] **Payment for Results (PfR)** is a modality in which the Global Fund makes payments to the PR based on the verification of results against agreed performance indicators. The Global Fund can apply PfR with any type of PR if they have the requisite capacity to implement the PfR modality.
[47] **Results-Based Contract (RBC)** is a modality in which a PR or SR makes payments to an SR/SSR or Supplier based on verification of results against agreed performance indicators.
[48] GF/B35/DP09.

26. When the applicant is a CCM or an RCM, the Global Fund Secretariat evaluates the application to ensure compliance with the CCM Eligibility Requirements[49] that are assessed at the time of the funding request submission.

27. **Differentiated Screening of CCM Eligibility Requirements 1 and 2.** CCM eligibility requirements 1 and 2 are reviewed in a differentiated manner as determined by the Global Fund Compliance Review Panel. Country components considered to have a higher risk of non-compliance[50] require greater scrutiny and a more in-depth review.[51] Others undergo a "light" CCM eligibility screening.[52]

28. **Compliance with Eligibility Requirements 3 to 6.** When the applicant is a CCM or an RCM, the Global Fund Secretariat evaluates the mechanism's compliance with the CCM Eligibility Requirements 3, 4, 5 and 6, before the funding request submission.

29. **Non-CCM.**[53] Applications submitted by non-CCMs need to comply with the overall principle of inclusiveness, as appropriate, given the country context.

30. Following the eligibility assessment, applicants fall into one of four categories:

    a. **Compliant:** the applicant fully complies with the eligibility requirements and relevant indicators.

    b. **Compliant with Issues:** some criteria are not fully met, but the applicant demonstrates credible intent to comply.

    c. **Indeterminate Compliant:** further information is required to complete the assessment.

    d. **Non-Compliant:** most or all of the eligibility criteria are not met.

31. Instances where the applicant is deemed "Compliant with Issues", "Indeterminate Compliant" or "Non-Compliant" are escalated to the Compliance Review Panel that evaluates the findings and recommendations made by the Access to Funding department and makes a final decision as to whether the funding request is:

    a. shared with the TRP for review, with specific recommendations to be met by the CCM at the time of grant-making; or

    b. rejected and returned to the applicant with clear recommendations on how to comply with the eligibility requirements before resubmitting at a subsequent TRP window.

TRP Review and Recommendation

32. **TRP Review.** In line with the criteria and modalities specified in its Terms of Reference, the TRP reviews[54] the funding request and provides an independent assessment of the strategic focus, technical soundness and potential for impact and the extent to which grants are poised for sustainability.

33. Country Teams may provide additional contextual analysis or considerations to inform the TRP review. The Global Fund Secretariat analysis is captured in the Secretariat Briefing Note. This is the Global Fund Secretariat's objective analysis of the proposed investment

[49] Please refer to the Country Coordinating Mechanism Policy Including Principles and Requirements for more information.
[50] Higher risk of non-compliance may be linked to risk assessments and reports indicating potential issues with regards to meeting CCM eligibility requirements (e.g., inclusiveness, lack of transparency in the selection of the Principal Recipient, conflict of interest issues, etc.) and therefore an in-depth scrutiny is recommended at the moment of funding request submission.
[51] As part of the in-depth screening, the Global Fund will review the Country Dialogue Annex, the Statement of Compliance, the Endorsement Sheet as well as all supporting documents to ensure compliance with eligibility requirements 1 and 2.
[52] As part of the light screening for eligibility requirements 1 and 2, the Global Fund will only review Country Dialogue Annex, the Statement of Compliance and the Endorsement Sheet.
[53] In exceptional situations, the CCM in certain countries may not be in a position to carry out its core functions or to fulfill the eligibility requirements. In these cases, a non-CCM applicant submits the funding request. For further details on such situations, see the Country Coordinating Mechanism Policy Including Principles and Requirements. Non-CCM applications must be endorsed by the Legal representative of the applicant.
[54] In certain instances, the TRP may be engaged at an earlier stage of the process to help shape the funding request before the submission of the application. This refers to the "early engagement". This may be particularly relevant in instances where innovative financing elements are being explored or joint investments with other financing institutions are sought.

and an overview of contextual information, including critical elements that are not available in other documents of the funding request. It is not intended to influence the TRP's independent review of the application, but rather to complement the funding request by bringing the Global Fund Secretariat's perspective.

34. Following their review, the TRP recommendation results in one of two decisions:
    a. **Proceed to grant-making.** The TRP recommends to the Global Fund Secretariat and Board that the applicant can proceed to grant-making.
    b. **Further iteration required.**[55] The TRP recommends a further iteration, i.e. resubmission of a revised funding request for TRP review.

GAC Steer (if applicable)

35. GAC steer during the funding request stage is conducted on an **as-needed basis**, in line with the GAC review criteria and terms of reference.[56] The Country Team or the GAC Secretariat can request a GAC steer at any time before or after the TRP review. GAC steer does not prevent the start of grant-making. For some portfolios, a GAC discussion may be needed to provide strategic steer for critical management concerns for and during grant-making.[57]

Notify the Applicant

36. The outcome of the independent TRP review is captured in the TRP Review and Recommendation Form. The form also lists recommendations identified during the review of the funding request and provides corresponding actions to be addressed during grant-making and/or implementation. The form is shared with the applicant to inform them of the outcome of the TRP review.[58] Any messaging emanating from the GAC steer, if relevant, is also shared.

TRP Issues

37. The TRP may raise specific issues with strategic actions for the applicant to address, which are to be cleared by either the TRP or the Global Fund Secretariat during grant-making and/or during grant implementation. Funding requests that are 'recommended for grant-making with issues' to be cleared by the TRP, go through the **TRP clarifications** process.
38. The TRP clarifications process allows the TRP to ensure that important technical concerns identified during the review of the funding request are addressed in a timely manner either to the satisfaction of the TRP or to the satisfaction of the Global Fund Secretariat.[59] A regular report on the status of completion of TRP issues will be shared by the Access to Funding Department with GAC for information and steer, as needed.

[55] For the Program Continuation applications where the TRP review has identified major concerns, the TRP may recommend re-submission under a non-program continuation request approach.
[56] The GAC seeks to proactively support grant-making for a set of country disease programs by providing upfront strategic investment guidance to materially influence outcomes and set up identified portfolios for maximum impact in a given allocation period.
[57] Please refer to the OPN on Make, Approve and Sign Grants.
[58] The TRP Review and Recommendation Form is also shared with the Global Fund Secretariat and the Board.
[59] This refers to the Country Team, relevant technical teams and the Grant Approvals Committee as needed.

Annex 1. Document Requirements

Para No	Document	Requirement Level	
		High-Impact and Core	Focused
Documents Reviewed by the Technical Review Panel			
1	**Funding Request Form**	Required	Required
2	**Performance Framework**	Required	Required
3	**Budget**	Required	Required
4	**Programmatic Gap Table**	Required	Required
5	**Funding Landscape Table**[60]	Required	Required
6	**Prioritized Above Allocation Request**[61]	Required	Required
7	**Health Product Management Template**	Best Practice[62]	Not required
8	**Implementation Arrangements Map**[63]	Best Practice	Best Practice[64]
9	**RSSH Gaps and Priorities**	Required	Not required
10	**Assessment of Human Rights-Related Barriers**	Best Practice	Not required
11	**Gender Assessment**	Best Practice	Not required
12	**Essential Data Tables**	Required	Required
13	**National Strategic Plan**[65]	Best Practice	Best Practice
14	**Innovative Financing Documentation**[66]	Best Practice	Best Practice
15	**Supporting Documentation Related to Sustainability and Transition**	Best Practice	Best Practice
16	**List of Abbreviations and Annexes**	Required	Required
17	**Secretariat Briefing Note**	Best Practice	Not required[67]
Documents Assessed by the Global Fund Secretariat			
18	**CCM Statement of Compliance**[68]	Required	Required
19	**CCM Endorsement of Funding Request**[69]	Required	Required
20	**Funding Priorities from Civil Society and Communities Annex**	Required	Required
21	**Country Dialogue Narrative**	Required	Required
22	**Sexual Exploitation, Abuse and Harassment (SEAH) Risk Assessment**[70]	Best Practice	Not required
23	**Additional documentation related to co-financing**	Best Practice	Best Practice

[60] The Funding Landscape Table is not required for the Aligned model, piloted in Grant Cycle 7.
[61] PAARs are required with the funding request.
[62] Only for applicants who are requesting funding to cover Health Products and/or associated management costs.
[63] Updated Implementation Arrangements Maps are submitted at the funding request stage if the program is continuing with the same Principal Recipient to the next allocation period. Otherwise, the Implementation Arrangement Map can be submitted at the time of grant-making.
[64] Only for Light, Legacy, and input-based components of the funding request of Targeted models.
[65] Required for applicants submitting a Tailored for NSP funding request.
[66] Required for applicants who are using certain Innovative Financing mechanisms.
[67] Unless the funding request includes matching funds.
[68] Endorsement must be provided by: (i) the CCM Chair and (ii) the civil society representative if the CCM Chair is the representative of the Government, or the representative of the Government if the CCM Chair is the representative of the civil society. With respect to endorsement by the CCM Chair, in the absence of the CCM Chair, endorsement by the Vice Chair is acceptable if in line with the CCM's governing documents.
[69]Endorsement by each member of the CCM (or RCM for RCM applications) shall be provided. For RCM applications, endorsement must also be provided for each country represented in the program by: (i) CCM Chair and (ii) civil society representative if the CCM Chair is the representative of the Government, or the representative of the Government if the CCM Chair is the representative of the civil society.
[70] This document will be reviewed by the TRP for a subset of countries as part of a pilot review.

Annex 2. Sources of Funding

39. Subject to the eligibility criteria specific to each source of funding, applicants may receive funding from the following sources during the funding request design and submission:

    a. **Funding for Country Allocations:** These funds are apportioned to countries in line with the Board-approved Eligibility Policy and Allocation Methodology.

    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:[71]

        i. **Matching Funds**[72]. These funds are available to selected countries to incentivize the investment of a country allocation (and in some cases, domestic resourcing) in key strategic priorities. Matching Funds are communicated in the allocation letter and Matching Funds requests are reviewed along with the allocation funding request. For more details, refer to Instructions and Guidance for Matching Funds Applications.

        ii. **Multicountry Funding.** These funds are available to target a limited number of key strategic multicountry 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 multicountry 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 multicountry programs may also be fully comprised of the combined allocations of constituent country components[73]. Close coordination between national programs and the implementation of multicountry initiatives must be demonstrated each time. For more details, please refer to the Guidance on Multicountry Funding Applications (updated guidance for the 2023 – 2025 allocation cycle 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, which are critical to ensure country allocations deliver against the Global Fund Strategy.

    c. **Restricted Financial Contributions:** These include contributions by eligible Global Fund donors, including corporations, foundations, private donors and a limited number of authorized public mechanisms i.e., UNITAID and Debt2Health. This type of funding is restricted to investments listed in the UQD Register, effectively resulting in additional or complementary amounts of funding to Board-approved grants. Please refer to the Policy on Restricted Financial Contributions and the procedures that guide how to access these types of funds once they have been secured.

[71] GF/B47/04 – Revision 1 - Catalytic Investments for the 2023-2025 Allocation Period.
[72] Some grants may utilize a performance for results modality, requiring tailored, proactive planning to ensure confirmation and appropriate reporting against conditions. In such cases, the Country Team should work with the Principal Recipient, Legal and the Catalytic Investments Project Management Office to define evidence-based indicators that can confirm that Matching Funds (and matched allocation) remain invested in the relevant priority area.
[73] Ibid

Annex 3. Global Fund Implementers

This annex sets forth the working definitions[74] for the Global Fund implementer types for the purpose of the grant lifecycle operations and grant deliverables.

Types of Implementers

40. Global Fund implementers are entities entrusted by the Global Fund with the implementation of defined[75] grants or grant activities, using Grant Funds[76]. Global Fund implementers include the following:

    - **Principal Recipient** is the entity which ensures the implementation of activities funded with Grant Funds in accordance with the terms of the signed Grant Confirmation, Framework Agreement, and other documents[77] forming part of the Grant Agreement with the Global Fund.

      For most grants, the Principal Recipient is fully responsible for grant implementation.

    - **Lead Implementer**[78] is an entity that leads grant implementation in defined cases where a government implementer is not mandated to sign Grant Confirmations per national laws or for other legal reasons. In such cases, the mandated government entity signs the Grant Confirmation as Principal Recipient with the government implementer acting as Lead Implementer. This assignment does not change or waive the accountability and responsibilities of the Principal Recipient for implementation of the grant under the terms of the relevant Grant Agreement.

    - **Sub-recipient**[79] is the entity which receives Grant Funds directly or indirectly from the PR and implements defined grant activities under the oversight of the Principal Recipient. Sub-recipients are accountable to the Principal Recipient with respect to the use of Grant Funds and grant activities assigned to them and must comply with requirements that are generally equivalent to the obligations of the Principal Recipient under the Principal Recipient's own agreements with the Global Fund[80].

All recipients of Global Fund grant funds are required to comply with the Code of Conduct for Recipients of Global Fund Resources.

Suppliers[81] are not considered implementers. Suppliers means collectively, without limitation, all bidders, suppliers, agents, intermediaries, consultants and contractors, who are not the Principal Recipient(s) or Sub-recipients but provide goods and /or services to a Program.

Eligibility and selection of Global Fund Implementers

41. **Principal Recipients**: The Principal Recipient must be nominated by the CCM, RCM or Regional Organizations (RO), can be a new or existing implementer and is required to be a recognized national legal entity from the public or private sector or civil society. The CCM

[74] The definitions in the Global Fund Grants Regulations take precedence in case of conflict.
[75] Defined grants or grant activities as per the detailed budget, annexed to the Grant Confirmation.
[76] Refer to Oversee Implementation and Monitor Performance OPN on how the Global Fund monitors implementation and performance
[77] These include the Global Fund Grant Regulations (as amended from time to time), the Global Fund Guidelines for Grant Budgeting (as amended from time to time), and other documents incorporated by reference, including the Health Products Guide, the Code of Conduct for Recipients, the Code of Conduct for Suppliers, the Auditing Guidelines and other operational policies as communicated in writing to the Principal Recipients.
[78] As defined in the Grant Entity Data OPN.
[79] Please note that under the Global Fund Grant Regulations (as amended from time to time), the term "Sub-recipient" is defined to include recipients who receive grants funds "indirectly" from the Principal Recipients. Depending on the grant's implementation arrangements, implementers may therefore also include subsequent levels of Sub-recipients e.g. Sub-sub-recipients (SSRs) and Sub-sub-sub-recipients (SSSRs).
[80] Refer to Article 4(4.3) of the Global Fund Grant Regulations (2014).
[81] Referred to as Third-Party Organizations in some documents.

must follow a set of eligibility criteria[82] for such nomination. This also applies for RCMs requesting Global Fund funding. However, Non-CCMs and ROs do not have to apply eligibility criteria when selecting their Principal Recipients, although it is strongly recommended that they implement them to the extent possible. The Principal Recipients must be selected and nominated to the Global Fund early during the funding request stage. Prior to accepting a new[83] Principal Recipient nominated by an applicant, the Local Fund Agent[84] assesses whether the Principal Recipient's systems and capacities are adequate for the effective management of grant funds (see OPN on Risk Management). For countries managed under the Additional Safeguards Policy (ASP), the Global Fund Secretariat is more directly involved in the selection of implementers in order to mitigate risks and ensure accountable use of grant funds (see OPN on Additional Safeguard Policy).

42. In exceptional cases[85], if the CCM and/or the Global Fund Country Team conclude that no entity incorporated locally can be appointed as Principal Recipient to undertake grant implementation, the country office of a multilateral organization[86] (e.g., multilateral organizations such as UN entities, international NGOs) can be selected as Principal Recipient. In this case, firm evidence must be presented by the CCM that there are no national entities with the requisite capacity, and Country Teams must confirm their agreement. The Global Fund expects that engaging multilateral organizations or international NGOs to be Principal Recipient as temporary, and that one or several national entities may be phased-in as Principal Recipient(s) once their capacities have been strengthened. The Grant Agreement with a non-national entity Principal Recipient may include plans for developing the capacity of one or several national entities and a timeline for transferring Principal Recipient responsibility to them.[87]

43. In rare cases where no other options are considered as acceptable, bilateral organizations (including the consulting arm of bilateral organizations, even if these are private entities) can be considered as Principal Recipients. This would be the case where the country context proves to be challenging and where the CCM and the Global Fund Country Team conclude that no national or other international organizations can be appointed as Principal Recipient to undertake grant implementation. The use of a bilateral organization as a Principal Recipient or Sub-recipient of a Global Fund grant requires approval from Global Fund Senior Management[88].

44. As part of the Global Fund's commitment to strengthen the role of civil society and the private sector in the processes of the Global Fund, CCMs are encouraged to pursue a "dual-track financing" approach in nominating Principal Recipients at the time they submit their Funding Request to the Global Fund. Dual-track financing refers to channeling of funds through two "tracks": government and non-government sectors, if feasible within the prevailing context.

45. **Sub-recipients:** The Principal Recipient selects Sub-recipients in consultation with the CCM as early as possible during funding request stage, based on a transparent and well-

[82] As set out in the CCM Policy.
[83] Includes (i) all new Principal Recipients who have not previously implemented the disease component, and (ii) existing Principal Recipients who will be implementing new activities for which their capacity has not been previously assessed.

[84] An independent organization serving as the eyes and ears on the ground in the countries supported by the Global Fund and works closely with the Country Team at the Global Fund Secretariat to evaluate and monitor activities before, during and after the implementation of a grant.
[85] Other situations may include a) when the ASP applies; b) in countries in conflict; and c) when currency controls or currency risks jeopardize the ability to ensure sufficient resources are available for grant implementation
[86] However, WHO (multilateral organization) cannot serve as Principal Recipient for Global Fund grants as some Global Fund policies applicable to Principal Recipients may be perceived as in conflict with WHO rules and regulations, but they can assume the role of Sub-recipients in Global Fund grants.
[87] National capacities must be developed for more sustainable responses. Aside from the sustainability considerations, there are also cost considerations related to non-national entity implementers (see OPN on Support Costs and Indirect Cost Recovery (ICR) Policy for Non-Governmental Organizations).

[88] The Executive Grants Management Committee.

documented process, and oversees the implementation of activities undertaken by Sub-recipients. Sub-recipients are generally selected amongst national entities who typically are already involved in the response to HIV, TB and malaria. To maximize program effectiveness, particularly among most affected communities, Principal Recipients are encouraged to select community-led organizations (CLO) – including those led by key and vulnerable populations – and community-based organizations (CBO) as Sub-recipients, provided they have appropriate capacity.[89] In all cases, the Principal Recipient remains fully accountable for the performance of Sub-recipients. Principal Recipients are expected to restrict the number of Sub-recipients to that which is reasonable to achieve maximum impact of the program and prudent management of grant funds. The use of a restricted number of Sub-recipients avoids unnecessary transaction and management costs and provides stronger assurance and oversight.

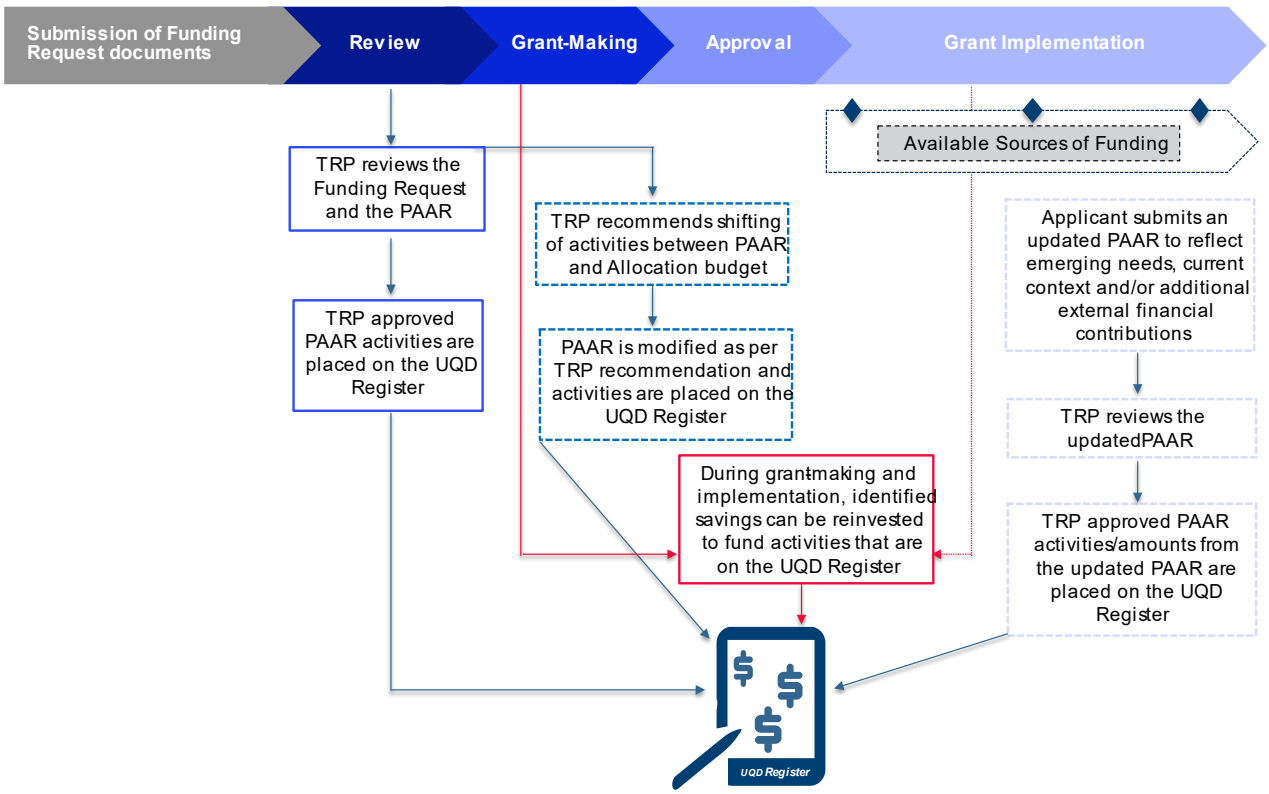
46. Capacity assessment and Integrity Due Diligence (IDD) for Principal Recipients and Sub-recipients are undertaken in accordance with the OPN on Risk Management, and where applicable, with the OPN on Additional Safeguard Policy.

[89] Principal Recipients are strongly encouraged to pursue result-based contracting arrangements with CLOs/CBOs for key programmatic areas including (but not limited to) HIV prevention for key and vulnerable populations; community-based treatment; community-based TB/DR-TB care; ITN distribution; community system strengthening (including community-led monitoring); and reducing human rights and gender-related barriers. Applicants are reminded that activities to strengthen CLO/CBO capacity may be included in Funding Requests through the RSSH: Community Systems Strengthening module in the Modular Framework Handbook.

Annex 4. Update the PAAR

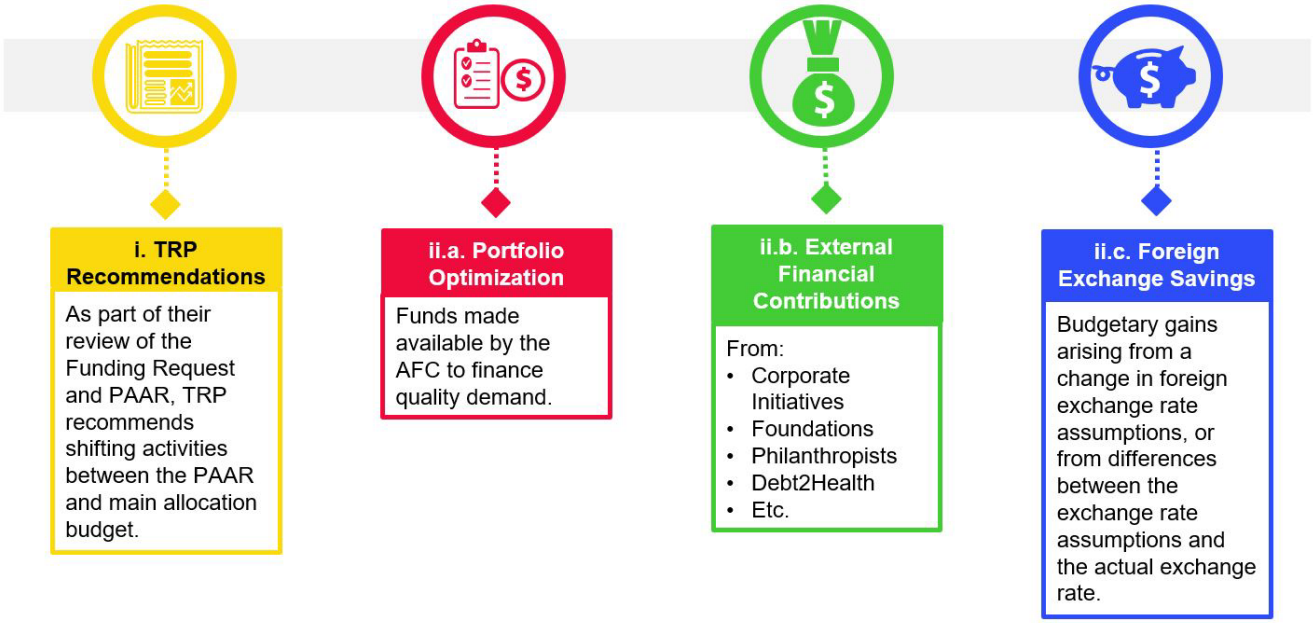
47. The PAAR is a required document submitted and reviewed in conjunction with the funding request[90]. Before completing the PAAR, applicants must ensure that the most critical modules and interventions for their program are covered within the allocation amount. The TRP reviews the PAAR and determines which part of it constitutes UQD. These activities are included in a public UQD register for potential future funding.

48. Throughout grant implementation, the Global Fund Secretariat may allow or request applicants to submit an updated PAAR. The graph below shows an overview of the PAAR process:



49. PAAR updates can be triggered by any of the following instances:
    i. PAAR update due to TRP recommendations
    ii. PAAR update due to sources of funding becoming available:
        a. Portfolio optimization[91]
        b. External financial contributions[92]
        c. Foreign exchange savings[93]

[90] In the case of a Funding Request that partially or fully incorporates Payment for Results, applicants are requested to still submit an input based PAAR. If interventions on the PAAR are able to be funded (through savings, portfolio optimization or external funding) these input based interventions can be converted with agreement of the Global Fund Secretariat to outputs through a PfR mechanism.
[91] For more information, please refer to the Guidance on Portfolio Optimization.
[92] For more information, please refer to the Framework on Private Sector Engagement and Policy on Restricted Financial Contributions (PRFC).
[93] For more information, please refer to the Guidelines for Grant Budgeting.



50. Updates to the PAAR[94] consist of i) activities shifted between the PAAR and the main allocation budget; ii) new activities that were not included in the initial PAAR request and consequently were not reviewed and approved by the TRP and added to the UQD register for the funding cycle or, ii) increases to the initial amount recommended for interventions/activities that are already on the UQD register.

51. PAAR updates require CCM endorsement. Endorsement must be provided by: (i) the CCM Chair and (ii) the civil society representative if the CCM Chair is the representative of the Government, or the representative of the Government if the CCM Chair is the representative of civil society. With respect to endorsement by the CCM Chair, in the absence of the CCM Chair, endorsement by the Vice Chair is acceptable if in line with the CCM's governing documents.

[94] UQD updates should not be confused with "PAAR iterations" i.e. PAARs that were not recommended by the TRP and where the applicant needs to submit a new revised PAAR for TRP review and recommendation for the activities to be approved and placed on the UQD.

Operational Policy Note

Make, Approve and Sign Grants

Approved on: 13 March 2023, updated 15 November 2024
Approved by: Executive Grant Management Committee
Process Owner: Grant Portfolio Solutions and Support Department

Process Metrics for Make, Approve and Sign Grants
Principal Recipients and Country Teams are expected to meet the following metrics:

- The Grant Confirmation is signed by the Global Fund at least one month before the (new) Implementation Period start date.

Overall Objective

1. The Make, Approve and Sign Grants (hereinafter referred to as grant-making) process translates the funding request, including any recommendations from the Technical Review Panel[95] (TRP) and the Grant Approvals Committee (GAC) into quality grants[96] that are (1) disbursement-ready for GAC recommendation and Board approval, and (2) implementation-ready at Implementation Period (IP) start date.

	Definition
Disbursement-ready	**Disbursement readiness is achieved when:** i. all grant documents[97] required for GAC recommendation are in their final form and agreed by the Country Team (CT) and the Principal Recipient (PR); ii. issues identified by the TRP that need to be addressed during the grant-making stage have been addressed to the satisfaction of the TRP and/or the Secretariat (where delegated); iii. issues identified by the CT that need to be addressed prior to the release of the first Annual Funding Decision (AFD) and disbursement are resolved; and iv. residual risks have been identified and prioritized, with actions and controls defined to mitigate each risk to an acceptable level.
Implementation-ready	**Implementation readiness is achieved when:** a disbursement-ready grant has been approved and signed at least one month, and ideally two months, before the IP start date, and the PR can begin implementing grant activities[98] immediately on the IP start date. This requires advance preparation, such as: i. early identification and contracting of PR human resources; ii. early identification and contracting of Sub-recipients (SR); iii. early identification and contracting of Suppliers of health products and critical services[99]; and iv. an agreed implementation work plan[100] for year one of the IP.

[95] Unless defined in this OPN or the context otherwise requires, all capitalized terms used in this OPN shall have the same meaning set out in the Global Fund Grant Regulations (as amended from time to time).
[96] A quality grant is defined as a grant positioned to effectively deliver its strategic objectives and achieve the targeted impact as reviewed by the TRP and as approved by the Global Fund Board.
[97] As defined in Annex 2.
[98] Excluding preparatory activities required to be undertaken prior to the Implementation Period start date.
[99] Such as warehousing or distribution services that need to be in place without a break in contract. Where required, CTs ensure the early identification and contracting of fiscal or fiduciary agents.
[100] The Global Fund does not have a prescribed template for the implementation work plan.

2. Disbursement readiness and implementation readiness facilitate (i) timely implementation of grant activities from the IP start date; and (ii) continuity of grant activities across IPs. Achieving disbursement readiness and implementation readiness requires that grant-making deliverables (see Annex 1) are initiated as early as possible at the funding request stage.
3. During grant-making, the PR and Country Team continue to ensure that the Global Fund Strategy is translated into the grant design. This includes incorporating the priorities for step change, key areas that would require increased focus in order to achieve global goals using the Global Fund Strategy as an enabler.

Figure 1 defines the grant-making process and sub-processes and critical timelines:

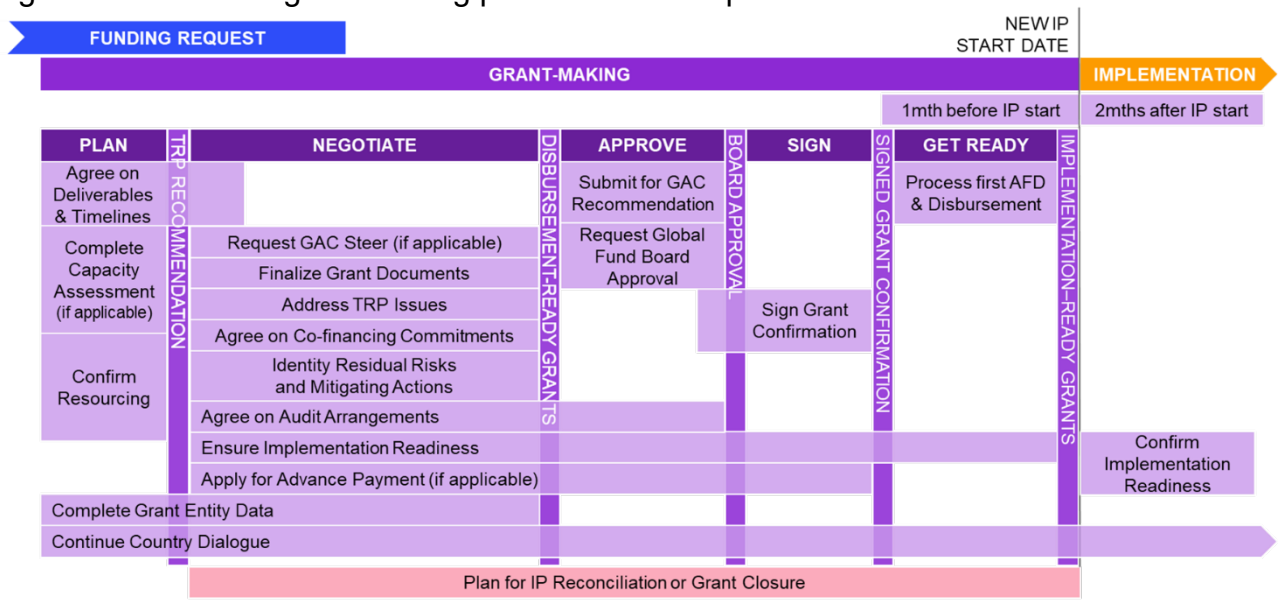


Figure 1: Grant-making Phases and Sub-processes

4. **Use of Global Fund Partner Portal.** Critical engagements[101] between the PRs and CTs during grant-making are facilitated through the Global Fund Partner Portal, an online platform that serves as a central point of information entry and document sharing. PRs nominate their contacts with grant deliverable access rights (editor or submitter) in the Global Fund Partner Portal following the process prescribed in the OPN on Grant Entity Data (see Section on Complete Grant Entity Data for further details).

Operational Policy

5. This Operational Policy Note (OPN) applies to grants financed under the 2023-2025 allocation period (Grant Cycle 7) and thereafter[102].
6. The OPN applies to country and multicountry portfolios and grants unless otherwise specified in the dedicated multicountry section (Special Considerations for Multicountry Portfolios). The OPN applies to results-based financing (RBF) modalities with differentiation described in the dedicated section (Special Considerations for Results-based Financing Modalities).[103]
7. While the principles and general requirements defined in this OPN apply across all portfolios, the specific grant-making deliverables do not apply to Focused portfolios, unless

[101] Such as notifications, document sharing and submission.
[102] The OPN on Make, Approve and Sign Grants issued on 14 March 2022 applies to grants financed under the 2020-2022 allocation period (Grant Cycle 6).
[103] Blended finance and other innovative finance investments are excluded from this OPN and are described in the Blended Finance OPN.

explicitly stated. Annex 1 provides a summary of the grant-making deliverables and how they apply to each portfolio category.

A. PLAN

8. Robust planning and preparation, incorporating lessons learned, are crucial to ensure timely grant-making, and implementation readiness at the IP start date.

Agree on Deliverables and Timelines

9. During the funding request stage, the Country Coordinating Mechanism (CCM)[104], nominated PR(s) and CT jointly plan the funding request and grant-making stages in an integrated manner. They develop an end-to-end overview of milestones and deliverables that ensures grant signing at least one month before, and implementation readiness at the IP start date (see OPN on Design and Review of Funding Requests).

10. At the start of grant-making, the CT, PR, CCM and Local Fund Agent (LFA) discuss and update timelines to complete grant-making deliverables based on the TRP-recommended funding request. As part of the planning, the close collaboration and relevant inputs from in-country stakeholders, LFA, and the Global Fund Secretariat teams (including the engagement of the Technical teams to support the inclusion of priorities for step change) throughout grant-making are defined.

11. The CT ensures the early engagement of the LFA in the review of the effectiveness of the proposed grant design and implementation arrangements, including how the Global Fund strategic priorities are incorporated. LFA services are tailored according to the assurance needs of the CT using relevant LFA tools and guidelines.

Complete Capacity Assessment (if applicable)

12. Capacity assessment of PRs (if applicable)[105] is initiated and completed at the funding request stage[106] so that the nominated PRs are confirmed and accepted by the Global Fund in time for grant-making. In exceptional cases, where a capacity assessment requires more time[107], this must be completed as soon as possible during grant-making.

Confirm Resourcing

13. For continuing grants, the CT and PR determine if additional PR human resources are needed to support grant-making, noting that grant-making activities overlap with the continuing implementation of activities and IP reconciliation of the existing grant(s). In cases where the PR requires additional human resources to support grant-making, funds from the existing grants may be used subject to Global Fund approval, and processed through a grant revision (see OPN on Grant Revisions). For new PRs or existing PRs implementing a grant in a different disease component, the CT and PR determine if resources are required for PR capacity building and start-up activities and apply for advance payment accordingly. (See section on Apply for Advance Payment of this OPN). For new PRs or existing PRs implementing a grant in a different disease component, the CT and PR determine if resources are required for PR capacity building and start-up

[104] Throughout this OPN, references to CCM include any Regional Coordinating Mechanism (RCM), Regional Organization (RO) or other applicant, as applicable.
[105] A capacity assessment is required for: (i) all new PRs who have not previously implemented a grant for the disease component; and (ii) existing PRs who will be implementing new activities for which their capacity has not been previously assessed. Outside of these two mandatory situations, a Country Team may also conduct a capacity assessment for an existing PR or select SRs if necessary to manage risks, such as in the case of first-time use of RBFs (see Section on Specific Considerations for Results-based Financing Modalities). The OPN on Risk Management provides the process for determining if a capacity assessment is required for a nominated PR or an SR and includes possible exceptions.
[106] See OPN on Design and Review Funding Requests and OPN on Risk Management
[107] Such as when the initial nominated PR was not accepted by the Global Fund and another PR capacity assessment needs to be initiated.

activities and apply for advance payment accordingly. (See section on Apply for Advance Payment of this OPN).

Complete Grant Entity Data

14. Grant Entity Data (GED) includes data and information required to successfully process grant documentation and disbursements. During funding request and grant-making, the CCM, PR(s)[108], LFA and third-party organizations[109] are responsible to ensure that accurate GED information is provided/updated for the Global Fund Secretariat's validation, as follows:
    i. **PR, CCM and LFA organization information** containing official name, organization type, and address of the organization.
    ii. **PR and/or third-party banking information** containing the bank account details, including name, address, account holder name and routing requirements.
    iii. **PR, CCM and LFA contact information**:
        a. PR authorized signatories for legally binding documents and/or disbursement requests;
        b. CCM acknowledgment signatories for legally binding documents between the PR and the Global Fund (Chair[110] and relevant CCM representative[111]);
        c. PR and LFA organization representative for notices; and
        d. PR and LFA contacts with grant deliverables access rights (editor or submitter) for the Global Fund Partner Portal.
15. GED change requests are processed following the OPN on Grant Entity Data and through the Global Fund Partner Portal.

Continue Country Dialogue

16. The country dialogue process[112] continues during grant-making and implementation, through the CCM with the continued involvement of community and civil society representatives[113]. Robust engagement of communities helps ensuring that investments are evidence- and rights-based, gender and age responsible, equitable and sustainable. In addition, the Funding Priorities of Civil Society and Communities Affected by the Three Diseases annex submitted with the Funding Request is also considered in the grant design.
17. As part of the effort to ensure community and civil society engagement:
    i. The CCM convenes at least two meetings for the PR to brief and receive feedback from the CCM, including the community and civil society representatives on:
        a. how the PR is designing key elements of the grant;
        b. insights on the funding priorities of civil society and communities; and
        c. opportunities for Community-Based and Community-Lead Organizations' (CBO/CLO) involvement in grant implementation.

[108] And Lead Implementer, if applicable.
[109] A Supplier of services or goods which is expected to receive direct disbursements of grant funds from the Global Fund. See OPN on Grant Entity Data.
[110] In the absence of the CCM Chair, endorsement by the Vice Chair is acceptable if in line with the CCM's governing documents.
[111] The civil society representative if the CCM Chair is the representative of the government, or the representative of the government if the CCM Chair is the representative of civil society.
[112] Country Dialogue process refers to engaging a broad range of stakeholders, including members and non-members of the CCM, representatives of the civil society and communities affected by the three diseases, experts in health systems, and other relevant experts depending on country context, to identify and contribute to addressing structural barriers to HIV, Tuberculosis and Malaria and to guide and implement health programs to effectively respond to their diverse needs.
[113] The OPN on Design and Review Funding Requests provides guidance on various mechanisms to support community and civil society representatives in the country dialogue process.

These two meetings are required for High Impact and Core and a best practice for Focused portfolios.

ii. Additionally, the CT convenes one dedicated meeting during grant-making to brief and receive feedback from community and civil society representatives, as a best practice. This meeting ideally takes place during the CT grant-making mission and is in addition to the meetings described above.

iii. Community and civil society representatives participate in grant-making negotiations as a best practice, with support from Secretariat teams, technical assistance providers, and/or in-country partners, as appropriate.

NEGOTIATE

18. During the negotiate phase, all grant-making deliverables required prior to GAC review (see Annex 1) are completed and TRP issues due at grant-making are addressed, resulting in a finalized disbursement-ready grant for submission to GAC. Simultaneously, the PR continues work to ensure implementation readiness by the IP start date.

Request GAC Steer or Decision (if applicable)

19. As indicated in the OPN on Design and Review Funding Request, CTs or GAC members[114] can request a GAC steer[115] at any time before or after the TRP review based on certain pre-identified triggers, including but not limited to, risk, introduction of RBFs, need for strategic or operational steer to address critical management concerns related to grant-making, size of investment or strategic priorities.

20. GAC steer following a TRP review does not prevent the start of grant-making unless the nature of the steer needed from GAC is integral to initiating such negotiations.

21. Separately, the CT can request for a GAC decision to determine matching funds awards based on TRP recommendations and prior to grant-making.

Finalize Grant Documents

22. The development of grant documents starts during the funding request stage and continues into grant-making. The final grant documents are developed and reviewed by the PR, CT and LFA so that documents are:

i. aligned with the funding request that has been reviewed and recommended by the TRP (including addressing TRP issues);

ii. aligned with the Global Fund Strategy by incorporating priorities for step change in the grant design;

iii. accurate and clear to ensure quality and timely implementation, monitoring and reporting;

iv. streamlined[116], in that they are not overly complex and difficult to report against;

v. consistent with one another (critical for key grant documents such as the Performance Framework, Detailed and Summary Budgets, Health Product Management Template (HPMT) and Grant Confirmation); and

vi. compliant with relevant Global Fund policies, guidelines, and template requirements.

[114] Including technical and donor partners that participate in the GAC.
[115] Refer to the GAC ToRs.
[116] CTs and PRs are expected to use flexibilities available to simplify grant documents such as budget and performance frameworks for Focused portfolios.

23. Efficiencies identified during grant-making, where applicable,[117] are reinvested to expand approved activities within the allocation and/or to fund the Prioritized Above Allocation Requests (PAAR) activities recommended by the TRP and placed on the Unfunded Quality Demand (UQD) register. Once efficiencies are identified, UQD activities of the equivalent budget amount can be included in the Detailed Budget (see Instruction for Completing the Detailed Budget Template). The UQD is updated by CTs to reflect the latest information for activities that have been partially or fully funded throughout the grant lifecycle. The inclusion of new activities that are not on the UQD register or the increase of budgeted amounts for interventions/activities that are already on the UQD register, require submission of a PAAR update for TRP review[118]. The reinvestment of foreign exchange savings during grant-making is subject to the Guidelines.

24. Throughout grant-making and implementation, the Global Fund Secretariat may allow or request CCMs to submit an updated PAAR[119]. PAAR updates can be triggered by any of the following instances:

    i. PAAR update due to TRP recommendations; and/or

    ii. PAAR update due to additional sources of funding becoming available:

        a. portfolio optimization;[120]

        b. external financial contributions;[121] and/or

        c. foreign exchange savings.[122]

Address TRP Issues

25. The CCM, PR and CT collaborate to ensure TRP issues and actions to be addressed during grant-making are completed and reflected in the final grant documents. The CT reports to the GAC on the status of completion (i.e., met or in progress) and requests GAC steer on exceptional cases where a TRP issue cannot be addressed within the designated timeline.[123]

Agree on Co-financing Commitments

26. To achieve lasting impact, increased domestic investments in National Health Systems and the three diseases is essential to meeting targets and goals included in national strategies. Global Fund co-financing requirements encourage progressive increases in overall health spending and gradual domestic uptake of key program costs, including those financed by the Global Fund. Based on a review and assessment of past co-financing commitments (if applicable), specific co-financing commitments that strengthen impact and help address sustainability and/or transition challenges need to be agreed between the Global Fund and the Host Country before the submission of grant documents to GAC. See the OPN on Co-Financing for more details on these requirements.

Identify Residual Risks and Mitigating Actions

27. The initial risk assessment performed during the funding request stage[124] is further developed during grant-making, based on a completed capacity assessment of the PR (if applicable) and known risks and gaps (if applicable), and review of grant documents. Key risks and capacity gaps need to be addressed as part of the design of the grant.

[117] Efficiencies are not relevant in a RBM context.
[118] For more information, please refer to the OPN on Design and Review of Funding Requests.
[119] ibid
[120] For more information, please refer to the Guidance on Portfolio Optimization
[121] For more information, please refer to the Framework on Private Sector Engagement and Policy on Restricted Financial Contributions (PRFC).
[122] For more information, please refer to the Guidelines for Grant Budgeting.
[123] A regular report on the status of completion of TRP issues will be shared by the Access to Funding Department with GAC for information and steer, as needed.
[124] See OPN on Design and Review of Funding Requests

Implementation arrangements must be captured in the Integrated Risk Management (IRM) module of the Grant Operating System (GOS) (if applicable) and reflected in the finalized grant documents.[125]

28. Key residual risks, capacity gaps and mitigating actions need to be reported to the GAC. Depending on criticality, the CT decides if mitigating actions are captured, as: (i) legally-binding grant requirements in the Grant Confirmation to address a critical risk or issue related to implementation, (ii) Key Mitigating Actions captured in the IRM, or (iii) management actions. Both (ii) and (iii) are communicated to the PR in a Performance Letter upon completion of grant-making and are monitored throughout implementation.
29. During grant-making, CTs consider the major challenges and risks to sustainability and work with the PR to incorporate mitigating actions in grant design. Specifically, for all Upper Middle-Income Countries (UMIC) and Lower Middle-Income Countries (LMIC) with 'Not High' disease burdens, CTs work with the PR to address sustainability and transition considerations. See the Sustainability, Transition & Co-Financing (STC) Policy and the STC Guidance Note.

Agree on Audit Arrangements

30. During grant-making and prior to signing the Grant Confirmation, the CT and PR agree on audit arrangements such as the type and scope of audit, and the overall approach to selection and approval of the auditor. The auditor is selected following timelines defined in the Guidelines for Annual Audit of Global Fund Grants.

Ensure Implementation Readiness

31. Implementation readiness supports the timely implementation and continuation of programmatic activities across IPs. In addition to approval and signature of a disbursement-ready grant, the four principal criteria of implementation readiness are set out in the paragraphs below. To ensure implementation readiness, PRs are expected to initiate these deliverables early (including during the funding request stage where possible) so that they are well underway by the time of GAC review and completed by the IP start date. Achieving implementation readiness by the IP start date is required for High Impact and Core portfolios and a best practice for Focused portfolios.
32. **Early selection and contracting of PR human resources.** The PR defines the staffing structure, prepares Terms of Reference (ToRs) and identifies/selects PR human resources against approved ToRs as early as possible during grant-making and signs contracts immediately upon Global Fund Board approval of the grant[126]. For PRs continuing to the next IP, this entails updating already existing ToRs and extending contracts of well-performing human resources[127] into the next IP.
33. **Early selection and contracting of SRs.** In line with the defined implementation arrangements, the PR prepares ToRs and selects the SRs as early as possible during grant-making and signs contracts immediately upon Global Fund Board approval of the grant[128]. The SR selection needs to be transparent and well-documented based, among other criteria, on approved ToRs, capacity assessment and integrity due diligence[129]. To maximize program effectiveness for communities most affected by HIV, TB, and malaria, including key and vulnerable populations, PRs are encouraged to select community-led organizations (CLO) and community-based organizations (CBO) with appropriate capacity and expertise, including through the use of e.g., results-based contracting

[125] See OPN on Risk Management for details regarding completing the risk assessment during grant making.
[126] Alternatively, the PR can assess if contracts could be signed earlier with adequate conditionality pending Global Fund Board approval of the grant and where this is consistent with local laws and the PR's own internal procedures.
[127] As determined by the PR.
[128] Alternatively, the PR can assess if contracts could be signed earlier with adequate conditionality pending Global Fund Board approval of the grant and where this is consistent with local laws and the PR's own internal procedures.
[129] Refer to the Global Fund Policies on Combat Fraud and Corruption and on Conflict of Interest.

arrangements[130]. See OPN on Design and Review Funding Requests Annex 3 on Global Fund Implementers.

34. **Early selection and contracting of suppliers for health products and critical services for year one[131].** Procurement of health products and critical services are done through Global Fund Pooled Procurement Mechanism (PPM) and/or PR own procurement processes.
    i. For procurement of health products or critical services through the PR's own processes, suppliers are selected with approved ToRs as early as possible during grant-making and contracted immediately upon Global Fund Board approval of the grant[132]. Where recurrent procurement activities are anticipated, it is recommended for contracts to cover the duration of the IP.
    ii. For procurement of health products through PPM, the OPN on Pooled Procurement Mechanism applies. The PPM purchase requisition is initiated by the PR immediately after grant signing and approved by the Global Fund by the IP start date.

35. **Agreed implementation work plan for IP year one**. The CT and PR develop an implementation work plan as early as possible during grant-making and finalize it prior to the IP start date. This includes fully defined implementation arrangements for the first year of implementation which details the planned activities, timelines and assigned responsibilities to deliver the agreed targets in the Performance Framework and in line with the Detailed Budget[133]. The Operational Procedures on Oversee Implementation and Monitor Performance provide best practice guidance on implementation work plans. An implementation work plan is not required for Focused portfolios.

36. The Global Fund does not necessarily require a competitive re-selection of well-performing human resources, SRs, and Suppliers (for PRs procuring through their own processes) for each IP. The re-selection of human resources, SRs and Suppliers must comply with the Global Fund Grant Regulations (as amended from time to time), the Global Fund Policies on Procurement and Supply Management of Health Products and other applicable laws and regulations. Contracts for PR human resources, SRs and Suppliers must be consistent with relevant terms and conditions of the Grant Agreement.

37. PRs take the necessary steps to ensure key elements such as tax exemptions, insurance and/or relevant registrations to implement activities in the country are completed prior to the IP start date.

38. PRs are primarily responsible for achieving implementation readiness at the IP start date. CTs have a crucial role in assisting PRs to achieve this objective. As appropriate, the CT works with the PR to identify support mechanisms depending on the PR type and its circumstances (see section on Apply for Advance Payment).

Apply for Advance Payment (if applicable)

39. To support PRs in completing grant-making with minimal delay and ensure implementation readiness, certain expenditures may be financed prior to the signing of the Grant Confirmation, subject to the conditions detailed in Annex 2 on Advance Payment Mechanism. Advance payments are limited to two types of activities with distinct eligibility requirements: (1) capacity building and start-up activities, and (2) health product procurement[134]. If these advance payments are not available (because the eligibility

[130] See Section on Specific Considerations for Results-based Financing Modalities
[131] Such as fiscal/fiduciary agents, and in cases where warehousing or distribution services need to be in place without a break in contract.
[132] Alternatively, the PR can assess if contracts could be signed earlier with adequate conditionality pending Global Fund Board approval of the grant and where this is consistent with local laws and the PR's own internal procedures.
[133] Implementation work plan also need to consider any insurance arrangements and arrangements relating to state approvals, consents and registrations that may impact year one activities.
[134] PRs registered with PPM shall be guided by the provisions of paragraph 34 of this OPN.

requirements are not fulfilled) limited activities may be financed by the PR based on exceptional Global Fund approval (see Annex 2 for more details).

Plan for Implementation Period Reconciliation or Grant Closure

40. In parallel with grant-making and at least six months in advance of the current IP end date, the CT, and the PR initiates the reconciliation of IP or closure process for expiring grants.
41. Budgeting for the next IP considers existing Program Assets that will be transferred from the current IP.
42. For IP reconciliation and grant consolidation cases, the PR submits the List of Program Assets to be transferred to the next IP at the same time as the budget for the next IP.
43. In case of a change of PR, the List of Program Assets and Transfer Plan under the current grant is submitted by the outgoing PR no later than 3 months prior to the IP end date (see Operational Procedures on Implementation Period Reconciliation and Grant Closure). During grant-making, the list is used by the incoming PR and the CT as input to the budget for the new grant.

    The final verification and transfer of Program Assets are undertaken as part of the IP reconciliation and closure process to be completed within six months from the end date of the closing IP (see Operational Procedures on Implementation Period Reconciliation and Grant Closure).

APPROVE

Submit for GAC Recommendation

44. The CT summarizes the outcomes of grant-making and documents progress and required actions towards implementation readiness in the Grant-Making Final Review Form. On behalf of the CT, the Fund Portfolio Manager (FPM)[135] submits that the final grant is disbursement-ready (as defined in the Overall Objective section of this OPN) and confirms that all CT members, and other relevant teams have reviewed and endorsed the grant documents based on their areas of responsibilities. Areas of disagreement among CT members and other teams are resolved through escalation to relevant managers. Any unresolved critical issues are captured in the Grant-Making Final Review Form.
45. Prior to submission to GAC, the authorities set out in the table below review the outcomes of grant-making and confirm the disbursement readiness of the grant including progress towards implementation readiness. The Grant Finance Manager confirms the financial management arrangements of the grants[136], grant financial data and pre-approves the first AFD for the grant provided this is processed within 30 days of the grant purchase order approval.

Portfolio Category	Authorities
Focused	Senior FPM, Cluster Lead (if applicable)[137], or Regional Manager/Department Head
Core and High Impact All portfolios managed by SFPM, Cluster Lead (if applicable)	Regional Manager/Department Head

[135] For portfolios with Disease Fund Managers (DFMs) the submission is done by the DFM and approved by the Senior FPM.
[136] Including (but not limited to) the budgeting, accounting, internal controls, funds flow arrangement, financial reporting, and the financial risk and assurance framework of the grant, except in the case of PfRs which inherently shifts the Global Fund's focus from financial inputs to programmatic results.
[137] Approval authority delegated to Senior FPM, Cluster Leads is with respect to Focused portfolios, including multicountry grants, in officially designated department clusters. Regional Managers retain approval authority for all portfolios directly managed by Senior FPM, Cluster Leads.

46. The GAC makes the final determination of disbursement readiness and progress made towards implementation readiness in line with its ToRs. These include the responsibility to review grant targets in terms of their contribution to the Global Fund Strategy targets and relevant co-financing commitments.

47. Based on its review, the GAC may (a) recommend the grant, if deemed disbursement-ready, for the Global Fund Board's approval; (b) refer the proposed grant to the CT for revision or adjustments in response to GAC comments; or (c) refer the proposed grant to the TRP if there are material[138] programmatic changes to the TRP-recommended funding request as a result of grant-making. The GAC may also recommend further actions for follow-up during grant implementation.

48. For grants recommended by GAC for Board approval, the GAC also decides if the grant signature process by the PR and CCM can be initiated contingent on Board approval (see section on Sign Grant Confirmation).

Request Global Fund Board Approval

49. Board approval of disbursement-ready grants is requested via an electronic report in which the Global Fund Secretariat summarizes the investment and salient points from the GAC discussion on the grant that is being recommended for approval. The Board approves the grants on a no-objection basis over a 10-working-day voting period.

50. For each grant, the Board approves funding for each country disease component, and its constituent grants.

SIGN

Sign Grant Confirmation

51. The signed Grant Confirmation[139] is the legal instrument that, together with the Framework Agreement (if applicable), forms the basis of the contractual obligations between the Global Fund and the PR (or Grantee). A Grant Confirmation is signed for each IP. This signature is completed as soon as possible and at least one month before the IP start date.[140]

52. If cleared by GAC, the PR (or Grantee) signature and CCM acknowledgement is initiated after GAC recommendation (contingent to Board approval). Otherwise, the signature process starts after Board approval.

53. The CCM acknowledgment must be provided by (i) the CCM Chair[141] and (ii) the relevant CCM representative[142]. The PR facilitates the signature process in-country so that it is completed in time for the Board approval of the grant.

54. After Board approval, upon receipt of the PR (or Grantee) signed and CCM-acknowledged Grant Confirmation, the Global Fund signs the Grant Confirmation per the Delegations of Signature Authority (as amended from time to time).

55. The Global Fund signature of the Grant Confirmation triggers the approval process of the grant purchase order.

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[138] Based on material programmatic changes defined in the OPN on Grant Revisions to be determined by CT and Technical Advisors.
[139] A standalone grant agreement(s) may be used in certain cases.
[140] Ideally, the Grant Confirmation is signed two months before the IP start date.
[141] In the absence of the CCM Chair, endorsement by the Vice Chair is acceptable if in line with the CCM's governing documents.
[142] The civil society representative if the CCM Chair is the representative of the government, or the representative of the government if the CCM Chair is the representative of civil society.

GET READY

56. Following signature of the Grant Confirmation, the PR and CT continue to collaborate to ensure implementation readiness of the grant and process the first AFD.

Process First Annual Funding Decision and Disbursement

57. Once the Grant Confirmation is signed and the grant purchase order is approved, the first AFD and disbursement is completed. AFDs processed within 30 days from the grant purchase order approval are pre-approved by the Grant Finance Manager as part of the submission to GAC (see the OPN on Annual Funding Decisions and Disbursements).
58. The first disbursement is based on cash requirements in line with the implementation work plan and the related approved budget.
59. Grant activities can be initiated once the Grant Confirmation is signed using either cash balance from a previous grant (if applicable) or the funds disbursed as per the first AFD. Activities to be implemented before the IP start date require written approval by the CT.

Confirm Implementation Readiness

60. CTs request LFAs to perform an Implementation Readiness Assessment[143] to confirm whether the PR has met the implementation readiness criteria at the IP start date. This assessment needs to be submitted by the LFA to the Global Fund within the first 1.5 months of implementation.
61. In the event that implementation readiness is not achieved, the CT and the PR define time-bound management actions for each grant to address the outstanding issues.

Specific Multicountry Considerations

62. Multicountry grants refer to:
    i. grants financed through pooled country allocations (e.g., Multicountry Western Pacific and Multicountry Caribbean);
    ii. regional grants financed solely through the Catalytic Investments – Multicountry Modality; and
    iii. regional grants financed through a combination of pooled country allocations and Catalytic Investments (e.g., the Regional Artemisinin-resistance Initiative (RAI)).
63. Multicountry grants generally follow the same requirements set out in this OPN, with the following specific considerations:
    i. For multicountry grants, reference to CCM includes engagement of the Regional Organization (RO) (if applicable), Regional Coordinating Mechanism (RCM) (if applicable) and CCM representatives of all countries included within the grant (if applicable).
    ii. The legal and political considerations and logistics of cross-border implementation are considered when tailoring LFA-services.
    iii. During planning, relevant stakeholder engagement includes all countries that form part of the grant application and also PRs of existing Global Fund grants in the countries.
    iv. For multicountry grants financed under the Multicountry Catalytic Investments, the updated Programmatic Gap Tables, the updated Funding Landscape Table and Monitoring and Evaluation (M&E) plan are not required as part of grant-making.

[143] See LFA Assessment on Implementation readiness.

v. Required co-financing commitments for multicountry grants are defined in the OPN on Co-Financing.

Specific Considerations for Results-based Financing Modalities[144]

64. **Results-based financing (RBF)** is a form of financing in which payments are made purely on the basis of verified results against agreed performance indicators instead of inputs. The Global Fund encourages PRs to consider RBF where this can result in increased program effectiveness and maximize impact of Global Fund investments toward health outcomes. There are two modalities of RBF:

    i. **Payment for Results (PfR)** is a modality in which the Global Fund makes payments to the PR based on the verification of results against agreed performance indicators. The Global Fund can apply PfR with any type of PR.[145]

    ii. **Results-Based Contract (RBC)** is a modality in which a PR or SR makes payments to an SR/SSR or supplier based on verification of results against agreed performance indicators.

    When the cumulative total contract amount of all RBCs for one grant is above US$ 1 million (Focused) or US$ 3 million (Core and High Impact), the PR is considered to have a **Material RBC**. When the total RBC amount for a grant is below the defined thresholds, the PR is considered to have a **Non-Material RBC.**

65. All RBF must have the following elements, which are further detailed in the Information Note on Payment for Results:

    i. Performance indicators that are linked to disbursements or payments (disbursement-linked indicators). These can be at the impact, outcome, coverage, output, activity or workplan-tracking measures level, whichever best incentivizes value-for-money achievement of results.
    ii. A clear and reasonable payment scheme for verified results against the disbursement-linked indicators; and
    iii. A clear and reasonable methodology to verify reported results against the disbursement-linked indicators.

66. During grant-making, the RBF elements are finalized, based on the TRP-reviewed and recommended funding request. In some cases, RBF is introduced during implementation. In those cases, the elements described below must also be met.

67. All grants applying RBF follow the grant-making process set out in this OPN, with adjustments to the grant-making deliverables as detailed in the table below. For grants that are not full RBF, these adjustments apply to the RBF component.

Grant-making Deliverable	Payment for Result	Results-Based Contract
Performance Framework	Captures disbursement-linked indicators.	To the extent possible, align PF indicators and RBC DLIs

[144] Guidance in this section supersedes guidance on Payment for Results (Results-based Financing and Activity-based Contracts) in the Guidelines on Grant Budgeting (2023).
[145] Blended finance and other innovative finance investments are excluded from this OPN and are described in the Blended Finance OPN.

Summary and Detailed Budget	Global Fund Budget categorizes grant funds managed under PfR in the appropriate cost category The budget for the PfR component is aligned with the defined payment terms and schedule	Global Fund Budget categorizes grant funds managed under RBC in the appropriate cost category. The budget for the RBC component is aligned with the defined payment terms and schedule.
RBF Documents	For all PfRs: • Payment Terms • Verification Approach The final version of these documents will be annexed to the Grant Confirmation (see Grant Confirmation section).	When a PR has a Material RBC, the PR submits documentation capturing the following information for each RBC: • DLIs • Payment Terms • Verification Approach
Updated/ New Implementation Arrangements Map	Identifies which entities are implementing through PfR, including the verifier of results.	Identifies which entities are implementing through RBC, including the verifier of results.
Global Fund Assessment of PR/country systems	Tailored assessments are required for PRs applying RBF for the first time (with some exceptions). The tailoring must consider already existing assessments and clearly define scope of any additional assessment.	
	Scope includes: • Reliability and timeliness of data management system for generating results against disbursement-linked indicators • Reliability of PR's financial management systems • Reliability of PR's integrity/ethical systems to prevent and address fraud, corruption, sexual exploitation, violations of human rights etc. Assessment not required when DLI is structured as a one-off payment to incentivize meeting a specific milestone (e.g., final payment if malaria elimination is achieved)	Material RBC: Tailored assessment required when a PR has a Material RBC. Scope includes PR capacity to: • Design an RBC, including verification approach, aligned with Global Fund technical guidance; • Select and evaluate capacity of RBC implementers; and • Oversee RBC implementation, verification and make timely payments. Non-Material RBC: Simple and differentiated assessment will be undertaken focusing on PR policies and procedures to oversee an RBC. In general, the PR undertakes the assessment of SR/SSR or supplier that will implement through RBC. The Global Fund reserves the right to undertake the assessment of SR/SSR or supplier in certain cases based on risk considerations.
Capacity assessment of the Verifier of Results	For all PfRs, the Global Fund undertakes the capacity assessment as part of the review of the verification methodology.	If the PR decides to use an external service provider for the verification of results, the PR assesses the capacity of the verifier prior to contracting.

(when the LFA is not the verifier)		The Global Fund may request the LFA to undertake spot checks of the RBC implementation.
Updated IRM (for Core and High Impact)	Reflects risk of adopting the RBF and potential mitigating actions, as appropriate (for PfR and Material RBC).	
Grant Confirmation	Includes: • RBF-related covenants, including waivers, reformulations or clarifications to relevant provisions of the Grant Regulations or Operational Policies; • Assurance-related covenants.	
	• Schedule with Payment Terms • Schedule with Verification Approach	
Grant-making Final Review Form	• Flags waivers to the Grant Regulations or Operational Policies needed to implement through RBF with relevant details contained in the Grant Confirmation, • Reflects how risks of adopting RBF are mitigated including through the RBF design	
Agreed Audit Arrangements	Audit arrangements over the implementation period tailored to consider RBF. Audit approach and selection of auditors follow the Global Fund Guidelines for Annual Audit of Global Fund Grants.	
First AFD & Disbursement	Based on budget which is aligned with the defined payment terms and schedule.	

68. The PR and Country Team finalize the RBF elements and grant-making requirements. The following departments focus their existing engagement during grant-making on the RBF elements:

Functional Teams	RBF-specific Roles during Grant-making[146]	Differentiation (Applies to which portfolio?)
MECA	- Advise on scope of additional assessment of PR/country M&E systems for RBF - Contribute to the review of the verification methodology and provide guidance on the assessment of verifier of results (if not LFA) - Contribute to the review if DLIs are supported by adequate M&E systems	Focused, Core and High Impact
Grant Finance Manager	- Review and approve payment structure - Advise on scope of additional assessment of PR/country financial management system for RBF - Approve the financial assurance plan including audit and other financial verifications necessary for RBF	Focused, Core and High Impact

[146] Responsibilities related to review of RBF elements captured in grant documents apply to all PfRs and Material RBCs only.

Country Risk Management	- Review risk assessment and proposed mitigating actions and assurance plan (same for standard grants)	Core and High Impact
TAP and CRG	At CT request, contribute to the review of DLIs to ensure: - alignment with program objects and DLIs are SMART - targets are ambitious and feasible	Core and High Impact
Health Finance Department	At CT request, provide support in the design of RBFs (including payment structure)	Focused, Core and High Impact

69. The GAC recommendation to the Board of a PfR or Material RBC grant signifies:

- the grant is disbursement ready as per definition in this OPN;
- the application of RBF is justified from a programmatic and value for money perspective;
- GAC approval of additional waivers/adjustments to relevant provisions of the Grant Regulations and Operational Policies that are required for RBF implementation; and
- the RBF is designed to adequately mitigate RBF-specific risks. The risk trade-off and any residual risks related to the proposed RBF are acceptable.

Annex 1. Requirement Levels by Portfolio Category

The table below defines the differentiated grant-making requirements for each portfolio category (High Impact, Core and Focused) and for Focused portfolio management models (Aligned, Targeted, Light, Legacy) for country and multicountry portfolios. The table also specifies which deliverables are required for submission to GAC.

Adjustments to these requirements for grants applying the RBF modalities (which include Focused Aligned and Targeted models) are captured in the OPN section on Specific Considerations for Results-based Financing Modalities (RBF). Additional flexibilities for multicountry portfolios financed under the Multicountry Catalytic Investments, COE portfolios are also captured in the footnotes. The CT must consider these differentiated requirements when providing guidance to PRs.

Grant-making Deliverables	Submission to GAC	Requirement by Portfolio Category				
		High Impact & Core[147]	Focused			
			Aligned[148]	Targeted[149]	Light	Legacy
Due Date for Finalization: Receipt of TRP Recommendations						
Updated Integrated Funding Request and Grant-making Project Plan		BP	BP			
Capacity Assessment (if applicable)		R	R			
Due Date for Finalization: Pre-GAC Review and Submission to GAC						
Performance Framework per grant	Y	R	R[o]	R[b]		
Summary and Detailed Budget per grant	Y	R	R[o]	R[c]		
Health Product Management template	Y	R	-			
List of Program Assets to be transferred from the current to the next IP[n]		R	-			R
Updated[l]/New Implementation Arrangements Map[d]	Y	R	-	R[e]		R
Updated[l] Programmatic Gap Table(s)[f]	Y	R	R[g]	R		
Updated[l] Funding Landscape Table[f]	Y	R	R			
Grant Entity Data		R	R			
Co-financing Commitment Letter[m]	Y	R	R			
Updated UQD Register (if applicable)	Y	R	R			
Grant Confirmation	Y	R	R			
TRP Review Form for TRP issues to be addressed during grant-making		R	R			
Updated[l] Risk Tracker		R	-			
Grant-making Final Review Form[h,l]	Y	R	R			
Grant Signing Calculator including Grant Exception and Escalation Form[h]	Y	R	R			
Grant purchase order created[h]		R	R			
Due Date for Finalization: Grant Confirmation Signing						
Monitoring & Evaluation Plan (if applicable)[j]		R	R			
Agreed Audit Arrangements		R	R			
Due Date for Finalization: IP Start Date						

[147] For grants with RBF component, please see RBF section of the OPN for additional guidance.
[148] Ibid
[149] Ibid

Approved Human Resources ToRs and contracting of Human Resources[k]		R[a]	-	BP[e]	BP
Approved ToRs and contracting of SRs[k]		R[a]	-	BP[e]	BP
Approved ToRs and contracts of Suppliers for health products and/or critical services for year one[k]		R[a]	-	BP[e]	BP
Approved PPM purchase requisition for health products for year one (if using PPM)		R[a]	-	BP[e]	BP
Agreed Implementation Work plan for Year one		BP[a]	-		
First AFD & Disbursement		R	R		
Due Date for Finalization: After the IP Start Date					
Performance Letter capturing residual risks related Key Mitigating Actions and management actions (if applicable)		R	-		
Implementation Readiness Assessment submitted by the LFA to the Global Fund		R	-		

Level of Requirements:

R	Required
BP	Best Practice
-	Not required
Y	Submission to GAC required

Notes:

[a] In the case of PfRs, the Global Fund will not review these deliverables.

[b] Focused Portfolio Management Models follow differentiated instructions (see Guidelines for Developing and Reviewing Performance Frameworks).

[c] Focused Portfolio Management Models follow differentiated instructions (see Guidelines for Grant Budgeting)

[d] if not already submitted during the funding request.

[e] Only for input-based components of the grant.

[f] For multicountry grants financed under the Catalytic Investments–- Multicountry modality, the Updated Programmatic Gap Table(s), the Updated Funding Landscape Table and M&E plan are not required.

[g] Only for areas in which the Global Fund is investing.

[h] These are documents prepared by the Global Fund Secretariat.

[i] Focused portfolios use a tailored list of questions for each model.

[j] For continuing PRs, if the M&E plan is not updated by grant signing, the CT ensures that the PR updates the plan within an agreed timeframe for submission before the end of the first year of the IP. For new PRs, if the M&E plan is not finalized by grant signing, an exception approval must be requested by the PR.

[k] except if applicable laws or regulations do not allow.

[l] Updated as needed from the versions submitted during the funding request stage.

[m] Multi country grants without co-financing requirements are not required to submit a Co-financing commitment letter. See OPN on Co-Financing.

[n] The List of Program Assets under the current IP are submitted as input to the budget for the next IP. The verification, finalization and transfer of Program Assets will be undertaken as part of the IP reconciliation and grant closure process to be completed within six months from IP end date.

[o] 1–2-line Performance Framework and Budget files to be submitted by the CT only to import in GOS objectives and annual disbursement amounts, but not as part of the signed Grant Confirmation.

Annex 2. Advance Payment Mechanism

1. Advance payment refers to the approval and funding of specific activities prior to signature of the Grant Confirmation. Approved advance payment activities are funded either through:
    i. advance by the PR or CCM. The PR or CCM uses its own resources (which cannot include CCM funding), which will be reimbursed from grant funds after the Grant Confirmation is signed; or
    ii. advance by the Global Fund. A transfer of funds by the Global Fund which will be deducted from grant funds after the Grant Confirmation is signed.
2. Advance payments are intended for use on an exceptional, last-resort basis only when the following criteria is met to the satisfaction of the relevant approval authority following review by the CT:
    i. the nominated PR meets the requirements for eligible Global Fund implementers and has been accepted by the Global Fund (based on capacity assessment, if applicable);
    ii. there is a high likelihood that the grant will be approved by the Global Fund Board, and the Grant Confirmation signed with the PR;
    iii. the request is for funding eligible activities (as described below);
    iv. if the advance payment request is rejected (a), in the case of eligible capacity-building and start-up activities, there is a high likelihood that there will be significant delays in completing grant-making and a risk of not achieving disbursement readiness and implementation readiness, and (b) in the case of eligible health product procurement, there is a risk of treatment disruption; and
    v. no other source of funding is available, including from partners, strategic initiatives or funding made available through grant revision[150] of existing grants (in-country cash balances are taken into consideration when assessing the availability of funding).
3. PR advance payment requests need to be made as early as possible once the TRP recommends proceeding to grant-making. PRs and CTs must plan in advance to ensure all advanced payment steps (including disbursement) are completed no later than the pre-GAC submission date. Approval and completion of advance payments after pre-GAC submission cannot be guaranteed. The PR is responsible for preparing and submitting the advance payment request and supporting documentation. No advance of funds by the Global Fund is permitted prior to approval of such request, nor will any expenditures incurred prior to such approval be reimbursed from grant funds.
4. Advance payments are limited to two types of activities with distinct eligibility requirements: (1) capacity building and start-up activities and (2) health product procurement:

Category	Eligible PRs	Eligible Activities	Maximum Amount	Approval Authority[151]
1. PR Capacity Building and Start-Up Activities; to expedite grant-	Local PRs (governmental and non-governmental entities) which are first time	Project management set-up, e.g., remuneration of essential core	US$ 500,000	Up to US$ 200,000, approval by: Regional Manager / Department Head, and Grant

[150] This refers to allowable use of savings from existing grants to support (i) country dialogue during funding request and grant-making, if applicable (see OPN on Design and Review of Funding Requests) and (ii) additional Human Resources to support grant-making for continuing PRs, if applicable (see Section on Confirm Resourcing).
[151] For signature authority, please refer to the Delegations of Signature Authority.

Category	Eligible PRs	Eligible Activities	Maximum Amount	Approval Authority[151]
making to facilitate the start of grant activities with minimal delay	implementers of a Global Fund grant for a particular disease component in a specific portfolio or are initiating Results Based Financing Modalities (RBMs) for the first time	human resources		Finance Manager / PST Manager Between US $200,000 and US $500,000, approval by: Head of GMD and Chief Financial Officer (CFO)
		PR training and technical support to address weaknesses and/or capacity gaps as identified during the capacity assessment or to design RBFs		
		Capacity Assessment of SRs		
2. Early Procurement of Health Products: to initiate procurement of health products to ensure timely delivery and avert stock-outs	- PRs that cannot register to PPM[152] due to national procurement restrictions. - In the event of treatment disruption risks, international organizations, whose regulations do not allow the advance of own funds for order placement.	Planned health product procurement for the first year based on approved HPMT	Equivalent to planned procurement order amount for the first year based on approved HPMT	Up to US$ 200,000, approval by: Regional Manager/Department Head, and Grant Finance Manager/PST Manager Between US $200,000 and US $1,000,000, approval by: Head of GMD and CFO Over US $1,000,000 approval by: Head of GMD and CFO, with notifications to GAC.

5. Following approval of the request for advance payment, the Global Fund issues an agreement to the PR in accordance with the Global Fund Delegations of Signature Authority.
6. The PR includes the approved grant-making activities in the final grant budget. If advance payment utilizes the PR's own resources, the funds are reimbursed from grant funds following grant signing. The relevant expenditures are reimbursed to the PR as part of the first AFD, see OPN on Annual Funding Decisions and Disbursements.
7. If the Global Fund determines that a grant agreement will not be signed with the PR, any funds advanced by the Global Fund will be deducted from the country's disease allocation.
8. If the above advance payment mechanisms are not available (e.g. because the PR does not qualify as an eligible PR and/or the activity is not eligible) and the PR is able to finance

[152] PRs that will undertake advance procurement through the PPM must follow the approval process defined in the OPN on Pooled Procurement Mechanism.

specific activities from its own funds prior to grant signature, then the Global Fund can issue a PR Financing Agreement to confirm its willingness to reimburse the PR from grant funds, as part of the first AFD, following signature of the grant. For use of this option, the following criteria must be met:

i. The PR is an eligible Global Fund implementer;
ii. Activities to be financed by the PR are limited and necessary to ensure continuity of a TRP-recommended funding request, and the CT is certain that the activities to be financed will be included in the final grant budget;
iii. The PR includes the activities in the final grant budget;
iv. There is a high likelihood of Board approval of the grant;
v. Approval by the Regional Manager/Department Head, Grant Finance Manager/PST Manager, and Deputy General Counsel, Grant Management; and
vi. The PR agrees that if the grant agreement is not signed, any funds advanced by the PR will not be reimbursed.

Operational Policy Note

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[153], 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.

[153] GF/B35/DP09.

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.*
   - ***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[154] 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

[154] 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).

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. The existing list of COEs is provided at the beginning of this OPM[155].

Portfolio Analysis and Operational Strategy

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[156] 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 Life Cycle

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:

[155] Annex 2 will be revised based on updates to the COE list.
[156] 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[157].

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.

[157] 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[158].

26. **Application Channel.** In accessing the allocation, COEs will be subject to any of the following application channels:

Program Continuation	Components with no material change needed[159] 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).
Tailored Review	Components involving material changes, in line with the OPN on Grant Revisions
Full Review	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.

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.

[158] This was the approach followed for the Middle East Regional Grant.
[159] In line with the OPN on Grant Revisions.

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 provides 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 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 Fun 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 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 for Grant Budgeting, 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).

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)[160] and TERG conclusions[161] 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 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.

[160] SIIC paper on COEs from June 2015.
[161] TERG Position Paper on fragile states presented to the SIIC in June 2014.

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:

COE Support Team	- Support Country Teams in accessing proposed flexibilities - Map relevant partners - Compile and share best practices and innovative solutions in implementing program activities in COEs
TAP (MECA and Disease and HSS Advisors)	- Provide guidance on focus of Global Fund investments in COEs - Gather and share evidence-based best practices in COEs - Provide guidance in tailoring M&E and information strengthening - Provide guidance on external service providers for verification tasks and technical assistance
Supply Chain Department	- Provide guidance on tailoring procurement and supply chain management - Gather and share best practices on supply chain management - Provide guidance on external service providers for commodity storage and distribution
Program Finance	- Provide guidance in tailoring budgets and financial management - Gather and share best practices on financial management, including the use of national v/s parallel systems
Risk Management	- Provide inputs and oversee risk management for core and high impact portfolios - Provide input in grant design, management and assurance, as relevant
Policy Hub	- Update COE policy as needed - Facilitate reporting to the Strategy Committee and Board on COEs as part of the Strategy Implementation.
Operational Policy Hub	- Coordinate and provide guidance in the management of COEs portfolios

	- Assist Country Teams in interpreting and applying policies relevant to COEs - Develop and update operational policies and guidelines related to COEs - Consolidate and document best practices and lessons learned on COEs - Facilitate EGMC review and approval of COE tailored portfolio strategies, including requested flexibilities
Legal and Compliance Department	- Ensure compliance with Board policies - Assist Country Teams in structuring, drafting and negotiating relevant contractual arrangements to support COEs

Annex 1. Characteristics of Acute Emergency and Chronic Instability Settings

Acute Emergency	• Ongoing humanitarian crises due to armed conflict, emerging disease threats or outbreaks or natural disasters. • Volatile security situation, with large numbers of internally displaced persons and/or refugees or other persons of concern • Health system significantly destroyed or overwhelmed by crisis • Major constraints to accessing certain areas and populations due to crisis • Rapidly evolving context, hence significant challenges with data representativeness, timeliness and availability • Disease strategic plans not available or are not a reliable reflection of the context and evolving epidemiology • CCM is not functional or is not well placed to coordinate country disease response in the crisis. • National entities may lack legitimacy, and capacity to implement including systems to ensure adequate fiduciary control and accountability
Chronic instability	• Precarious security situation relating to periodic political strife, governance change or weak leadership or localized conflicts • Accessibility challenges due to insecurity • Protracted economic crisis, low political will, and high levels of corruption • Health system weak and/or is in the process of rehabilitation • Service coverage levels are low • Data collection and analysis systems are weak or not established in certain cases • Disease strategic plans are not available or not robust • 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 • National entities have low capacity for implementation, with sustained weak performance

Annex 2. Tailoring LFA/Assurance Services in Challenging Operating Environments

The below guidance outlines some key principles and considerations for engaging assurance providers, and specifically LFAs, in COEs and for tailoring their assurance work.

Engaging assurance providers, including LFAs, in Challenging Operating Environments (COEs)

1. The volatile nature of many crises and the continuously changing context in which grants are being implemented in many COEs, but also the distinct architecture of these countries' grants and implementation arrangements require risk management and assurance responses that are flexible and tailor-made to each country specific situation.
2. The management of a COE portfolio does not necessarily require more assurance work but rather smart assurance approaches that are rigorous and yet adapted to the challenges presented in the given country and grant context.
3. Important considerations to take into account when defining the scope and nature of assurance, including the LFA role are:
   (i) the complexity of the grants/country environment;
   (ii) the volume of funding, scope and geographical coverage of program activities;
   (iii) the capacity and performance of the country systems and implementers;
   (iv) historical grant performance;
   (v) the risk levels and prioritized mitigation actions
   (vi) Global Fund Country Team resources and capacity;
   (vii) Availability and capacity of partners/assurance providers in country
   (viii) Reliance on partners' work;
   (ix) Effectiveness of implementers' controls and/or risk mitigating mechanisms
   (x) Existence of early warning systems
   (xi) LFAs having adequate access to PR/SR information and program locations;
   (xii) Security to operate in country.
4. As far as available and appropriate, the Country Team may need to use various assurance providers in country to allow for a timely and adequate response to the crisis. The LFA can be one such assurance provider and important source of information.
5. The LFA's ability to operate as much as possible in country is critical to managing the COE. This, however, may not always be feasible. The Country Team should assess and discuss with the LFA whether the latter is able to execute the Country Team's tailored assurance plan that guides the LFA work. In cases where the LFA cannot access certain areas of the country or restricts its staff from travelling to the country due to security concerns, the Country Team may need to consider using partner agencies or contracting other independent assurance providers that are well versed in operating in insecure/COE environments to undertake required verification tasks in country complementing LFA routine desk reviews. In addition to working with the LFA and other assurance providers, as relevant, the Country Team should coordinate closely with the PRs (particularly where these are international agencies such as MSF, Save the Children, IRC etc.) to devise an assurance plan that builds on the PRs' institutional experience in operating in COEs.

6. The nature of the crisis and associated risks/mitigations, which drive the assurance responses vary greatly from country to country. Hence, the management of risks in COEs is based on a flexible application of and differentiated country-specific approach to assurance requirements and controls, including LFA services.
7. This means that based on its risk analysis the Country Team has full flexibility to adapt the level of LFA verification and the scope of LFA service Terms of References to the needs of the COE portfolio. For some COEs this may result in a significant reduction of the LFA scope of work while in others a shift of focus of LFA work may be required, depending on the Country Team's consideration of the above listed factors (points 3 above).
8. For instance, settings with programs of very limited scope (e.g. only focus on treatment), a small number of implementation locations or beneficiaries and trusted implementers with a good track record may require only a limited involvement of an LFA, e.g. spot checks to address specific risks.
9. In other settings with weak implementation capacities and more complex programs, e.g. including large procurement and wide geographical coverage with limited or no access to sites, tighter fiduciary and programmatic controls are likely to be required. Here, the Country Team may decide to engage the LFA in more regular financial, programmatic and procurement checks, particular in countries where reliable information from partners/other assurance providers is not available.
10. Where feasible, the Country Team may also choose to use the LFA, or another country-based assurance provider in the absence of the LFA in country, as one of the resources for early warning as part of the ongoing monitoring of the situation and to act as the ear on the ground to be able to inform the Country Team as timely as possible of any issues/risks that require mitigation and management. Such information, for instance, can inform the reprogramming of grants as the implementation adapts to the evolving situation in country. In order for the LFA to provide up-to-date information to the Country Team it is critical that it engages regularly with relevant actors in country under the guidance of the Country Team.
11. As it determines the assurance strategy and plan for the grant portfolio, the Country Team should from the start seek the advice and closely consult with the Regional Manager/Department Head and the Regional Finance Manager for finance-related matters to ensure there is a shared understanding of the risks to adapt to and of the operational requirements to mitigate them. Further, the outcomes from the review of the portfolio by the Operational Risk Committee, and updated assurance plans are opportunities for making course corrections to the assurance activities based on the prioritized risks and mitigations.
12. The Country Team's close communication, timely information sharing, planning and coordination with all relevant assurance providers, including the LFA, are key to setting expectations and managing programs in COEs. This, for instance, can comprise regular joint briefings from risk monitoring and updates to action plans and risk maps.

Competencies of LFAs operating in COEs

13. While most of the below competencies are expected of LFAs in any setting, they are of particular importance for LFAs operating in COEs:
    - ✓ Experience in providing LFA services in COE countries;
    - ✓ Good understanding of the national health system, government processes and procedures; incl. Ministries of Finance and other aid / governing bodies;
    - ✓ Good intelligence insight with regards to the Ministry of Health and Government;

- ✓ Good intelligence on partner environment - organizations and entities involved in the fight against the three diseases in the country
- ✓ Previous experience in the country where services are proposed or at least three key staff (Team Leader, Finance and Programmatic/M&E Expert) have minimum one year experience in the country context and have been performing ground work;
- ✓ Ability to be flexible and adaptable upon requests from the Country Team, including making staff available as and when required, and able to adjust under changing workload;
- ✓ Able to move around the country according to security protocols; and open to building partnerships for areas which may not be accessible due to security protocols;
- ✓ Able to manage Country Team requests within the proposed timelines, able to provide high quality and practical reviews and propose solutions based on experience with the country context;
- ✓ LFAs have their own security protocols or base the security protocols on professional security organization.

Examples of tailoring LFA services in COEs

14. The following examples may serve as guidance to the Country Teams when determining the LFA scope of work for COEs (this list is not exhaustive):

    (i) In the case of COEs where LFAs are limited in the services they can provide due to their travel and security policies restricting their staff from travelling to and within certain COE countries, engaging vetted organizations could be considered to provide assurance services in country, as needed, to complement LFA routine desk work.

    (ii) The Country Team may consider to host workshops with the PR, CCM and LFA outside the country, e.g. at the GF in Geneva, to discuss roles and responsibilities, including how reporting and risk would be managed. This can help to set expectations and resolve blockages.

    (iii) Where the LFA has no access to a country, the Country Team may consider flying the PR to the neighbouring country for PU/DR reviews or other verification activities.

    (iv) Moreover, if the LFA is unable to operate in the country, the Country Team may consider financing a consultant (e.g. emergency health professionals) on the ground to monitor risks and follow grant implementation. This may be done through close cooperation and sharing of such resources with partner organisations, such as UNHCR or ICRC.

    (v) In some COEs, the Country Team may consider investing in alternative data collection methods that ensures the greatest reliable information, e.g. using cell phones.

    (vi) The Country Team may need to review the staffing of the LFA team and discuss the required competencies for the given COE context with the LFA to ensure competent and experienced experts are in place who are well versed in operating in challenging environments.

Important considerations for tailoring LFA services in COEs

15. When considering the level and scope of engagement of LFAs in COEs the following needs to be taken into account:

(i) The flexible tailor-made approach to defining the LFA role in a given COE requires close coordination and timely planning with the LFA and relevant actors internally to ensure that required LFA resources are available when needed.

(ii) Depending on the severity of the crisis, as a last resort the LFA may have to relocate some or all of its staff, either to other safer parts of the country or to a neighboring country. While an in-country presence of the LFA is preferable, the LFA's own risk management procedures to ensure the wellbeing of its staff need to be acknowledged and respected. While the LFA would not be able to perform certain tasks, such as spot checks, it may still be requested to perform other desk-based reviews and to keep itself abreast of the latest developments in country. At the same time, the Country Team needs to explore which, if any, other entities in country could assist with providing some assurance tasks, e.g. local NGOs.

(iii) In cases where unforeseen events in the country require significantly more LFA work than was originally included in the annual work plan/LFA budget the Country Team should consult the Regional Manager/Department Head, Regional Finance Manager and the LFA Coordination Team to decide on next steps.

(iv) In some security sensitive COEs the LFAs' costs for providing security to their staff in country can be substantial. Such costs are normally covered by the LFA budget under Other Direct Costs (ODC). However, before agreeing to include such costs in the LFA budget, the Country Team should request the LFA for a breakdown of security related costs and consult the Regional Manager/Department Head, Sourcing and the LFA Coordination Team.

Operational Policy Note

Additional Safeguard Policy

Approved on: 1 May 2019
Approved by: Executive Grant Management Committee
Process Owner: Grant Management Division

Overall Objectives

1. The Additional Safeguard Policy (the "ASP") is one of an array of Global Fund risk management tools. It was instituted by the Board at its Seventh Meeting[162].
2. ASP can be invoked in full or in part whenever "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" (see ASP Policy). The ASP is primarily focused on addressing material issues that arise when program implementers (e.g., Principal Recipients and Sub-Recipients) have demonstrated a lack of capacity or failure to effectively deploy, implement and/or safeguard Global Fund grant funding and assets as a result of factors within and beyond the control of existing implementers in a particular country (e.g., civil unrest, an influx of displaced persons, governmental instability, and inadequate national program capacity).
3. This OPN situates the ASP within the overall portfolio risk management framework of the Global Fund and provides the parameters for the application of the ASP within that risk framework. This OPN complements the existing policies on Challenging Operating Environments (COE) and Risk Management across the grant life cycle.

Operational Policy

Scope of ASP

4. The ASP may be invoked for an entire portfolio of Global Fund grants in a particular country or for a specific disease component.
5. The ASP may be invoked when there are significant portfolio or disease-specific risks that compel the Global Fund to take the primary role in prescribing and deciding the implementation arrangements for a particular portfolio or disease component.
6. **Triggers**. Applying the ASP may be prompted by the following:
    - Global Fund Secretariat assessments;
    - Findings of the Office of the Inspector General;
    - Reports from Local Fund Agents ("LFAs");
    - External auditor reports; and
    - Assessments from partners or other sources assessing risk factors in a particular portfolio.

[162] Report of the Governance and Partnership Committee GF/B7/7 - https://www.theglobalfund.org/board-decisions/b07-dp14/

7. Examples of these triggers include (but are not limited to):
    - Political instability or lack of a functioning government;
    - Poorly developed or lack of civil society participation;
    - Lack of a transparent process for identifying appropriate implementing partners;
    - Identified fraud or misuse of Global Fund financing and/or any other funds; and
    - Recent or ongoing conflict limiting capacity for the Country Coordinating Mechanism ("CCM") to conduct a transparent selection process for implementers.

8. **ASP safeguards**. In determining specific implementation arrangements under the ASP, the Global Fund may select the Principal Recipient(s) ("PR(s)"), and/or Sub-recipient(s) ("SR(s)") and other implementing entities.

    - **Selection of PRs.** The Global Fund may elect to lead the selection of implementers for the program. The nomination of the PR(s) may be made directly by the Global Fund, in consultation with the CCM and other development partners. Such PR(s) may include multilateral or bilateral organizations, NGOs or other suitable entities as determined by the Global Fund[163].

      When selecting a PR, the applicable Global Fund Country Team is expected to conduct a capacity assessment of potential organizations to transparently select the most suitable entity for the implementation of the grant(s). The capacity assessment will be tailored to identified risks specific to the portfolio or disease component and consider existing assessments.

    - **Selection of SRs and Other Implementing Partners.** The Global Fund may also select or make final decisions on the nominated SR(s) and implementing entities. The selection will be based on assessment of risks which may include review of existing financial management systems, institutional and programmatic structures, procurement systems, and where applicable, monitoring and evaluation structures.

9. **Additional Risk Mitigation Measures.** The ASP safeguards, whereby Global Fund selects the implementer(s), can complement or be complemented by risk mitigation measures such as the installation of fiscal/fiduciary agents, restricted cash policy, use of GF Pooled Procurement Mechanism and other measures as specified in the Risk Management OPN and the Global Fund Guidelines on Financial Risk Management. The proposed additional risk mitigation measures and the ASP safeguards form part of the overall risk management approach for a particular portfolio and/or disease component.

Invoking the ASP

10. The decision to invoke and subsequently revoke the ASP for a particular portfolio is taken by the Global Fund Executive Director based on recommendation from the Head, Grant Management Division in consultation with the Portfolio Performance Committee (PPC). In emergency and crisis situations, the Head, Grant Management Division can recommend invoking the ASP to the Executive Director in consultation with the Chief Risk Officer as PPC Co-Chairs. The decision to invoke the ASP by the Executive Director will be succeeded by a PPC Executive Session to further discuss the situation and review the overall risk mitigation measures applied to the country.

11. A decision to invoke the ASP can be taken prior to or during the submission of a funding request for a particular funding cycle, so that the decision to invoke ASP can inform the design of funding requests and resulting grants. However, in some cases, significant risks may arise during the implementation stage which would justify the subsequent invocation of ASP for a particular portfolio.

[163] 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.

12. A Country Team proposal to apply ASP for a portfolio should be supported by a comprehensive risk assessment. In proposing to invoke the ASP, the Country Team should clearly state:
    a. the rationale for proposed invocation of the ASP and clear identification of applicable risk factors;
    b. the proposed implementation arrangements that will be determined by the Global Fund
    c. any additional risk mitigation measures that are or will be applied to the portfolio proposed for ASP; and
    d. specific conditions to be met to revoke the ASP status.
13. Proposed conditions to revoke ASP status include clear, time-bound, strategic actions to be implemented by the CCM and/or the PR(s), for factors that are within their control, as a precondition to the revocation of ASP status.
14. Risk factors and Country Team recommendations to invoke the ASP should be discussed with the CCM including the implications of invoking ASP for the applicable country portfolio. The CCM should be notified about the final decision to invoke the ASP status.
15. ASP status is valid until the Global Fund has made a decision to revoke the ASP for a particular portfolio or disease component based on an analysis of risks, the effectiveness of implementation arrangements, the status of the additional risk mitigation measures and the extent to which the conditions to revoke ASP status have been met.

Monitoring and Revoking the ASP

16. As part of the routine operational risk management functions, the Country Team monitors risk factors, the implementation arrangements, the additional risk mitigation measures and the conditions related to ASP.
17. For High Impact and Core portfolios, the review of ASP-related risks will be conducted as part of the annual review of portfolio risks by Country Team and Risk Department as captured in the Key Risk Matrix (see *OPN on Risk Management*). For Focused portfolios, such review will be conducted annually as part of the Annual Funding Decision-making process. The review will focus on the current status of relevant risks and the effectiveness of the implementation arrangements, the existing risk mitigation measures and conditions previously identified to revoke the ASP status. When assessing the mitigation measures in place, such as a requirement to use an international organization as PR, the value for money of management costs are a factor to be considered but should not be the sole basis for a transition to a national PR and must always be part of a risk-based discussion with approvals at the appropriate level.
18. As part of the regular ASP monitoring process, the Country Team may propose the revocation of ASP status for a particular portfolio. The proposal to revoke ASP status will be presented to the PPC. This review may occur through scheduled country portfolio reviews as applicable or through a PPC Executive Session (as defined by the PPC TORs). In proposing to revoke ASP status, the Country Team should clearly indicate to the PPC:
    a. the rationale for the proposed revocation, providing an update on the status of risk mitigation measures and fulfilment of conditions to revoke the ASP for the applicable portfolio; and
    b. the continuing relevance of the implementation arrangements that were originally imposed on the portfolio.
19. The PPC will review the proposal and analysis conducted by the Country Team. The ASP may be revoked if:
    a. circumstances that gave rise to the original decision to invoke the ASP for the specific country portfolio have materially changed and/or the country or grant

implementers have put in place systems and safeguards to ensure accountable use of Global Fund financing; or

b. further grant implementation experience has demonstrated that the risks identified at the time the ASP was invoked have not materialized, such that the applicable ASP measures are no longer necessary.

20. In circumstances where the annual risk review reveals a negative upward risk trend and worsening situation of a specific country portfolio, the PPC will review the full scope of risk mitigation measures and flexibilities in place including the ASP.

Secretariat Tracking and Reporting of ASP

21. The Secretariat will report cases in which the ASP has been invoked or revoked to the Strategy Committee on a regular basis.

22. The Operational Efficiency Team, GPS Department will track the status of ASP countries and the Head, Grant Management Division will report newly added and removed ASP countries to the Strategy Committee.

Amendments to this Policy

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

Responsibilities and Procedures

Responsibilities

24. The **Country Team** is responsible for the monitoring of the ASP within the risk management of country portfolios and in proposing to the Portfolio Performance Committee whether:
    - Any country portfolio should be managed under the ASP;
    - The imposed implementation arrangements and additional risk mitigation measures imposed on the country portfolio managed under the ASP are effective or require revision; and
    - The ASP should be revoked for any country portfolio currently being managed under the ASP, based on the fulfilment of the special conditions to revoke the ASP status.

25. The **Risk Specialist** is responsible for reviewing the risk analysis undertaken by the CT, ahead of the PPC review for invoking, revoking or monitoring the progress of the ASP. The Risk Specialist conducts annual review with the Country Team of the portfolio risks as a part of the annual update of the Key Risk Matrix.

26. The **Operational Efficiency Team, GPS Department** is responsible for managing the list of ASP countries and updating the ASP portfolio categorization in the Global Fund Operating System (GOS).

27. The **Portfolio Performance Committee (PPC)** reviews the proposals to invoke or revoke the ASP for a particular portfolio. The PPC also reviews the progress on the additional risk mitigation measures and ASP conditions.

28. The **Head, Grant Management Division** is responsible for reporting to the Strategy Committee on country portfolios where ASP is invoked or revoked. The Head, Grant Management Division will recommend invoking or revoking the ASP status to the Executive Director for final decision.

29. The **Executive Director** considers the recommendation from the Head, Grant Management Division and makes final decision to invoke or revoke ASP in a particular portfolio.

30. The **Country Coordinating Mechanism** is informed of the Secretariat risk assessment and decision to invoke or revoke ASP. The CCM oversees the implementation of ASP conditions as part of its in-country oversight and holds the relevant stakeholders accountable.
31. The **Principal Recipient** is responsible for safeguarding the Global Fund investments and implementing the grant as agreed with the Global Fund. They are responsible for ensuring the implementation of the specific risk mitigation measures and reports to the CCM on the status of mitigation measures.
32. The **LFA** assists the Country Team, by assessing the risks of a particular country portfolio and recommending appropriate risk mitigation measures and/or conditions and, as requested, oversee ASP mitigation measures such as in-depth assessments of the PR and SRs and review progress on conditions to revoke the ASP status.

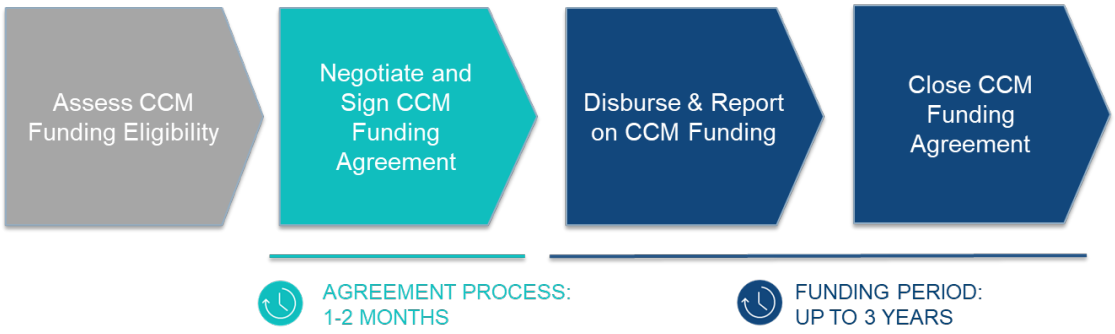
Operational Policy Note

Country Coordinating Mechanism Funding

Approved on: 25 September 2019
Approved by: Executive Grant Management Committee
Process Owner: Grant Portfolio Solutions & Support – CCM Hub
Sub-process Owner: Program Finance and Controlling Department

Overall Objectives

1. The Global Fund provides Country Coordinating Mechanism funding (CCM Funding) through performance-based agreements tied to achievement of performance objectives[164]. CCM Funding aims to support:
    a. CCM core functions as set forth in the CCM Policy Including Principles and Requirements;
    b. CCM performance and maturity in oversight, key populations engagement, linkages, and CCM functioning, as set forth in the CCM Policy Including Principles and Requirements.
2. The framework below provides an overview of the CCM Funding process:



Operational Policy

3. This Operational Policy Note (OPN)[165] describes the rules and requirements that Country Coordinating Mechanisms (CCMs)[166] must follow to receive CCM Funding.
4. Unless otherwise stated in this OPN or agreed in writing with the Global Fund, CCMs must comply with the Global Fund Guidelines for Grant Budgeting when using CCM Funding.

[164] As set forth in the CCM Policy Including Principles and Requirements.
[165] This document replaces previous CCM Funding OPN and CCM Funding Guidelines.
[166] For purposes of this document, the term "Country Coordinating Mechanism" or "CCM" includes all coordinating mechanisms fulfilling CCM functions as they are set forth in the CCM Policy Including Principles and Requirements.

5. The CCM Hub, within the Grant Management Division, centrally manages CCM Funding, including the CCM Funding Agreement negotiation and execution, disbursement, monitoring & reporting, and closure processes. This is done in close consultation with Country Teams.

Assess CCM Funding Eligibility

6. Eligibility for CCM Funding is determined by compliance with the six CCM Eligibility Requirements, as set forth in the CCM Policy Including Principles and Requirements, until the last Global Fund grant is closed. Eligibility for CCM Funding does not guarantee an allocation of funding for CCMs.
7. Compliance with CCM Eligibility Requirements 1 and 2 is assessed by the Global Fund's Access to Funding Department, at the time of submission of the national request for funding through the country's allocation, as set forth in the CCM Policy Including Principles and Requirements, and in the OPN on Design and Review of Funding Request.
8. Compliance with CCM Eligibility Requirements 3 to 6 is assessed at the time request for funding stage and on a yearly basis, as set forth in the CCM Policy Including Principles and Requirements. An Eligibility and Performance Assessment must be carried out as an evaluation tool to assess compliance with CCM Eligibility Requirements 3 to 6.

Negotiate and Sign CCM Funding Agreement

CCM Funding Period and Amount

9. CCM Funding is approved for a three-year funding period[167], and no overlap between funding periods is allowed: the earlier CCM Funding Agreement is automatically terminated when the new CCM Funding Agreement is signed.
10. A CCM Funding Performance Framework is determined at the beginning of each funding period. The Performance Framework must be consistent with the country-context and composed of a set of indicators targeting the performance objectives each CCM is required to report on annually[168]. Failure to meet the agreed objectives affects the disbursement decisions in subsequent years, in line with the principle of performance-based CCM Funding.
11. The Global Fund determines at the beginning of each funding period an annual funding envelope amount for each CCM ("Funding Envelope"), which is based on the achievements of the performance objectives set in the preceding funding period. The total CCM Funding Agreement amount corresponds to three Funding Envelopes, that are distributed and spent over the three-year funding period. This amount cannot be increased during the funding period.
12. For CCM Funding Agreement amounts higher than US$ 300,000, the CCMs must demonstrate mobilization of additional external funding, which must be at least 20 percent of the amount exceeding US$ 300,000. The CCMs must report annually on the use of such external funds.

Eligible Items for CCM Funding

[167] The three-year funding period is not necessarily aligned with the national grant allocation cycle.
[168] Indicators may be defined by CCM Hub in cooperation with CCMs, Global Fund Country Teams and other relevant teams within the Global Fund Secretariat.

13. The CCM Secretariat operational costs and CCM activities must be agreed and endorsed by all CCM members. They must be included in a Costed Work Plan by cost grouping, performance area, and respective budget cost. Costed Work Plans must be submitted to and approved by the Global Fund annually.

14. The following categories of operational costs and activities are eligible for CCM Funding[169]:

    a. Human Resources (CCM Secretariat staff[170])
    b. Travel Related Costs (includes meeting expenses)
    c. External Professional Services
    d. Non-health Equipment (office furniture and equipment)
    e. Communication Materials and Publications
    f. Indirect and Overhead Costs

15. The Human Resources budget is validated as a fixed cost and cannot increase during the three-year funding period. Any annual salary increases aligned with national or organizational policy of the hiring entity must be budgeted for within the agreement. The budget shall not exceed 2 full-time equivalent headcounts.

16. CCM Secretariat staff must (i) be accountable to the CCM as a whole, and not to any single constituency or member, (ii) have clear terms of reference, (iii) be recruited through a transparent and documented process based on capacity for the role and global good practices, and (iv) be rigorously evaluated on a regular basis, with participation of all CCM constituencies. Global Fund support to HR costs is dependent on the performance of the CCM Secretariat.

17. Activities linked to the CCM's role in strengthening sustainability and / or preparing for transition from Global Fund financing[171] can be financed via the CCM Funding Agreements. CCMs whose country is notified by the Global Fund that they have disease components that are a "transition preparedness" priority or that they are receiving transition funding[172] must use a portion of CCM Funding to implement activities that support the sustainability of the national responses to the three diseases[173]. Other activities included in this category are those related to the continuation of the role of the CCM or activities to ensure the continuation of the principles of Global Fund CCMs in other national governance mechanisms after full transition from Global Fund financing.

18. CCMs must allocate at least 15% of the CCM Funding Agreement amount to support constituency engagement for non-governmental sector activities, in order to facilitate non-governmental constituency consultations, including civil society and key population groups, and to promote and improve the quality of stakeholder participation. Failure to comply with

[169] Please refer to Instructions included in the Costed Work Plan template for more details on each category.
[170] Employees supporting CCM Secretariat's cleaning and other services not related to the CCMs' core functions must be included in the category Indirect Overhead Costs.
[171] This principle applies the approach set forth in the Sustainability, Transition and Co-financing Policy (GF/B35/04 – Revision 1 Board Decision).
[172] Under the Sustainability, Transition and Co-financing (STC) Policy, all Upper Middle Income (UMI) countries (regardless of disease burden) and Low Middle Income (LMI) countries with disease components that have a low burden are considered transition preparedness priorities. While this does not mean that all the disease components in this category are transitioning from Global Fund financing immediately, it does mean that these components should proactively prepare for transition from Global Fund financing and that transition considerations should be included in Funding Requests, grant design, program design, and co-financing commitments. For more information, please consult the STC Guidance Note.
[173] While these activities will depend heavily on country context, they may include activities such as strengthening oversight of sustainability or transition work-plans, oversight of compliance with co-financing commitments, support for implementation of recommendations from Transition Readiness assessments or other comparable analyses, etc. More information on the Global Fund's overall approach to sustainability and transition can be found in the Global Fund's STC Guidance Note.

this requirement may affect disbursement decisions in subsequent years and calculation of the Funding Envelope.

19. The use of CCM Funding has the following limitations:

    a. cannot be used to remunerate CCM members;
    b. cannot be used to finance Principal Recipient's activities;
    c. cannot be used for consultancy costs associated with writing national funding requests for Global Fund financing[174];
    d. cannot be used to finance international travels;
    e. cannot be used to purchase a vehicle, nor for long-term lease of a vehicle;
    f. cannot be used for CCM member per diems, except for CCM members representing Civil Society; and
    g. cannot be used to cover travel costs for CCM members, with the exception of Civil Society representatives.

20. The costs included in the Costed Work Plan are reviewed and validated by the Global Fund to determine their eligibility, reasonableness, and consistency with local prices, salaries, operating costs, and historical reports. The CCM Hub Manager approves the Costed Work Plan.

CCM Funding Agreement

21. CCM Funding Agreements are signed by the Global Fund, the CCM and, when applicable, a third entity acting as CCM Funding Recipient.

22. The CCM must nominate two signatory authorities for the signature of a CCM Funding Agreement: CCM Chair or CCM Vice-chair[175] and a Civil Society representative.

23. In cases where the CCM is not a legally incorporated body, a CCM Funding Recipient is designated by the CCM to be responsible for receiving and managing CCM Funding on behalf of the CCM. The Global Fund verifies the legal capacity of this entity to receive and manage funds with the support of the Local Fund Agent (LFA).

24. All CCM and CCM Funding Recipient signatory authorities are subject to the Global Fund's anti-terrorism screening.

25. The CCM Hub Manager is the Global Fund's signatory authority for CCM Funding Agreements, as well as related amendments and disbursement decisions[176].

26. A CCM Funding Agreement must incorporate:

    a. Agreement Face Sheet
    b. Costed Work Plan for Year 1[177]
    c. CCM Funding Performance Framework for Year 1[178]
    d. Standard Terms and Conditions.

[174] Country Dialogue consultations can however be supported through CCM Funding.
[175] A different CCM member, duly appointed and acting on behalf of the CCM Chair or CCM Vice Chair, could sign the agreement.
[176] The signature of CCM Funding Agreements, related disbursements and amendments is regulated by the Global Fund Signature Authority Procedure.
[177] Costed Work Plans for the succeeding funding years are approved annually. No Implementation Letters are required,
[178] CCM Funding Performance Frameworks for the succeeding funding years are approved annually. No Implementation Letters are required.

27. A CCM Funding Agreement enters into force once it has been signed by all the necessary signatory authorities, as detailed in the CCM Funding Agreement Face Sheet.

28. For transparency purposes, the Global Fund reserves the right to publish the CCM Funding Agreements, including the CCM Funding Performance Frameworks and the Costed Work Plans, on its website.

29. Amendments to CCM Funding Agreements must be done through Implementation Letters or Notifications Letters. They become effective after the signature and written acknowledgment of the modification by the signatory authorities, as detailed in the CCM Funding Agreement Face Sheet.

Disburse & Report on CCM Funding

Disbursement Decision

30. CCM Funding disbursement decisions are taken annually and approved by the CCM Hub Manager. The first disbursement is processed after the CCM Funding Agreement is signed. The subsequent disbursements are conditioned upon reporting on expenditure and achievement of the performance objectives set forth in the Performance Framework. Late reporting may result in a reduction in the subsequent disbursement decision, which the Global Fund reserves the right to apply.

31. The Global Fund deducts from the disbursement decisions the in-country cash balance, as determined by the Global Fund in its sole discretion, from the preceding CCM Funding Agreement.

32. Failure to meet the performance objectives reduces the subsequent disbursement decisions, with performance-based reductions up to 10% per indicator targeting CCM's performance, and up to 5% per indicator targeting CCM Secretariat's performance[179]. The Global Fund determines the rate to be applied based on the CCM's historic and overall performance, absorption rate and Funding Envelope.

Reporting Requirements

33. Notwithstanding the involvement of the CCM Secretariat, and the CCM Funding Recipient when applicable, CCMs are solely responsible and accountable for the implementation of their Costed Work Plans, and reporting obligations set forth in this OPN.

34. CCMs must document all activities and operational costs incurred during a funding period, in accordance with the Standard Terms and Conditions of the CCM Funding Agreements.

35. No later than one month after the completion of each funding year, CCMs must report to the Global Fund their expenditure and achievement of the performance objectives set forth in their Performance Framework, using Global Fund's templates.

36. The unspent funds at the end of a funding year may be reprogrammed and included in the Costed Work Plan for the succeeding funding year within the same funding period and for the implementation of CCM activities without seeking Global Fund's written approval. The in-country cash balance at the end of a three-year funding period is deducted from

[179] The base used to apply the performance-based reductions is the Funding Envelope.

disbursements for the next CCM Funding Agreement, or, in the absence of a new CCM Funding Agreement, returned to the Global Fund.

37. The Global Fund reserves the right to request at the end of each funding year, based on in-country risk level, financial review, audit, or any other action that it deems necessary to ensure CCM's accountability, as set forth in the Standard Terms and Conditions of the CCM Funding Agreement, through an external agent or LFA.

38. Expenses incurred must be verified at the end of each 3-year funding period by an external audit. The Global Fund reserves the right to request at any time a financial review, audit, or any other action that it deems necessary to ensure CCMs' accountability, as set forth in the Standard Terms and Conditions of the CCM Funding Agreement, through an external agent or LFA.

39. A recovery process (as defined in the Global Fund Budgeting Guidelines) is triggered when the Global Fund determines that expenditures incurred by the CCM, or when applicable by the CCM Funding Recipient, were not compliant with the relevant CCM Funding Agreement, this OPN or the Global Fund Budgeting Guidelines.

40. Cash refund of the full recoverable amount in the currency in which the funds were disbursed is the default mode of resolution for all recovery cases. Where the recovery and other possible leverages have failed to resolve a recovery matter, the Global Fund's Recoveries Committee may approve, without limitation, a reduction to a CCM's annual Funding Envelope by an amount equal to double the outstanding recoverable amount[180].

Close CCM Funding Agreement

Types of closure

41. There are three types of closure of CCM Funding Agreement with differentiated requirements.

42. *Closure due to end of CCM Funding*: CCM Funding stops being allocated to the CCM.

43. *Closure due to a change of the CCM Funding Recipient:* the CCM decides to transfer the CCM Funding Recipient role from one entity to another. CCM Funding is continued through a new CCM Funding Agreement signed with the newly appointed CCM Funding Recipient.

44. For the two above-mentioned cases, the CCM must complete the following requirements to close the CCM Funding Agreement:

    a. Report on the last year of expenditure[181] and achievement of performance targets;

    b. Transfer the in-country cash balance to the new Funding Recipient, or returning to the Global Fund[182];

    c. Clear outstanding commitments and refund to the Global Fund non-eligible expenses;

    d. Account for and transfer or dispose non-cash assets: the outgoing entity (CCM or CCM Funding Recipient) must complete an inventory of non-cash assets procured with CCM Funding. In accordance with the Standard Terms and Conditions of the CCM Funding Agreements, these assets must be transferred to the new CCM Funding Recipient or, in case of termination of CCM Funding, to national entities. The

[180] Refer to the Recovery Process set forth in the Global Fund Guidelines for Grant Budgeting.
[181] The report must be audited and, if applicable, subject to LFA verification, as described in Paragraph 38.
[182] The choice between the two options depends on CCM Funding Recipient's regulations, and timeline for the verification of closing cash balance.

transfer must follow the necessary legal processes of the country, be endorsed by CCM members and approved in writing by the Global Fund.

45. *Closure due to end of a three-year funding period:* CCM Funding is continued through a new CCM Funding Agreement signed by the same parties. CCMs must in this case:
    a. Report on last year expenditure and achievement of performance targets; and
    b. Clear[183] outstanding commitments and refund of non-eligible expenses.

Annex 1. Definition of Terms

1. **Country Coordinating Mechanisms (CCM):** mechanisms for public-private partnership in the coordination with disease programs at country and/or regional level, as set forth in Paragraphs 7 to 12 of the CCM Policy including Principles and Requirements.
2. **CCM Secretariat.** The CCM Secretariat performs day-to-day operations on behalf of the CCM, supports the implementation of the CCM's decisions, facilitates the participation of all CCM members in CCM meetings and decision-making processes and helps the CCM achieve its strategic mandate. The CCM Secretariat's duties include extensive coordination, meeting logistics and oversight visits, and communication between the Global Fund and in-country (or regional, as the case may be) stakeholders. To limit actual and potential conflicts of interest, the CCM Secretariat shall be independent from Principal Recipients (PRs), Sub-Recipient (SRs), and other implementing entities.
3. **CCM Funding Recipient:** The CCM Funding Recipient is a legally incorporated body with the authority to enter into legally binding agreements with third parties. When a CCM does not comply with these requirements, it designates a third entity responsible for receiving and managing funds on its behalf. As set forth in the Standard Terms and Conditions of CCM Funding Agreements, the CCM Funding Recipient shall ensure that all funds are prudently managed and shall ensure all the necessary actions to ensure that the funds are used solely to pay for activities in accordance with the agreed Costed Work Plan.

[183] The report must be audited and, if applicable, subject to LFA verification, as described in Paragraph 38.

Operational Policy Note

Co-Financing Interim Guidance

Approved on: 21 February 2024 by the Global Fund (GF) Executive Grant Management Committee

Explanatory Note: This co-financing interim guidance provides additional considerations for GC7 grant-making and is to be read alongside the Co-Financing OPN, for which a more comprehensive update is forthcoming.

Context and objectives

The Global Fund's approach to sustainability is set out in the Sustainability, Transition and Co-financing (STC) policy. This policy aims to strengthen the sustainability of national disease responses and health systems and support countries as they transition from external financing, with co-financing being a critical element.

For Grant Cycle 7 (GC7) implementation, Global Fund is enhancing its approach to co-financing. This includes, among others, increased country ownership and accountability for co-financing commitments, increased clarity on the types of financial and programmatic co-financing commitments made by countries in the context of Global Fund grants, improved routine monitoring and tracking, strengthened data quality, and improved documentation to support co-financing commitments and their realization. This interim guidance informs the GF Secretariat, PRs, partners and other stakeholders on the requirements, processes, and specific flexibilities related to co-financing for GC7 grant-making.

Summary of Co-Financing Guidance for GC7 grant-making:

I. Commitment letter requirements and best practices (NEW)

A commitment letter (CL) outlining financial and programmatic commitments is now mandatory for all countries and must be submitted prior to GAC approval the approval of the grants. While specific co-financing commitments are country-owned and vary heavily across portfolios, all CLs must include standard requirements.

Requirements: A CL submission must include the following:

1. GC7 commitment on overall health expenditure (with flexibility for UMIC countries, as described below);
2. GC7 commitments disaggregated by year and disease component (for all disease components for which the country is eligible);

3. Data source for monitoring and evaluation of GC7 commitments clearly indicated;
4. GC7 specific programmatic commitments;
5. GC6 budget execution and budget allocation data, supplemented with other sources where needed, disaggregated by year and disease component; and
6. Signed by the Ministry of Finance or budget authority (with flexibility for Focused countries, as described below).

Best practices:

- Commitments should be expressed in both local currency and allocation currency, with exchange rate described.
- Commitment letters should use the CL template, available on the Global Fund website, inserted into the government letterhead.

Approved flexibilities:

- Upper-middle income countries (UMICs) are exempted from making overall health spending commitments in their CL, hence the section on health expenditure in the CL template may not be included.
- For all countries, it is recommended for the CL to be signed by the Ministry of Finance or budget authority. However, for Focused countries, the signature of another relevant government authority (e.g., Ministry of Health) may be accepted.
- Where grants for a country are reviewed separately, commitments for the initially approved disease component can be provided through a draft CL, on the condition that the CL is finalized once the remaining disease components are reviewed by the GAC. In this case, a country is "conditionally compliant" at the time of the initial GAC recommendation.

II. Co-financing Compliance Assessment

Definition of GC6 backward-looking compliance (UPDATED)

The interim guidance clarifies the Secretariat approach to reviewing compliance with previous co-financing requirements for each disease component, as part of the grant approval process.

Compliance with core co-financing requirement 1 (*Progressive government expenditure on health*)

- Whether the country's **average government expenditure on health**, as a % of total government expenditure or in absolute terms, over the GC6 implementation period is greater than the GC5 implementation period.
- UMICs are exempted from the compliance assessment against Requirement 1.

Compliance with core co-financing requirement 2 (*Increasing co-financing of Global Fund-supported programs*)

- For each disease component (assessed separately), whether the country's **GC6 co-financing realizations** (supported by evidence) fulfil the **GC6 total minimum co-financing requirement** as described at the time of the relevant GC6 grants approval.
- UMICs must also submit evidence that key and vulnerable populations targeting requirements are fulfilled.

Data requirements for compliance with requirement 2 (UPDATED)

Backward-looking (i.e., reviewing compliance with previous co-financing requirements) co-financing compliance requires verified budget execution and budget allocation data to demonstrate GC6 co-financing realizations. This may be evidenced through;

- Country-submitted documentation / data with budget lines detailing spending / allocation against the three diseases and/or RSSH, including evidence of fulfillment of the programmatic commitments specified in the GC6 CL, and/or
- Expenditure assessments (e.g., National Health Accounts (NHAs), National AIDS Spending Assessment (NASA), Tuberculosis spending assessments) which are up to date, sufficiently granular and clearly linked to budgets. Such assessments can also be used to interpret or triangulate disease specific realization information or identify elements such as Human Resources for Health where the latter are integrated into budgets, and/or
- LFA- or Supreme Audit Institution- or other independently verified budget execution and budget allocation data.

Definition of GC7 forward-looking compliance (UPDATED)

Compliance with core co-financing requirement 1 (*Progressive government expenditure on health*)

- Whether the country has committed to increase their government expenditure on health in GC7 (% or absolute) from their GC6 "baseline" (per signed, final and compliant CL).
- UMICs are exempted from the compliance assessment against Requirement 1.

Compliance with core co-financing requirement 2 (*Increasing co-financing of Global Fund-supported programs*)

- For each disease component (assessed separately), whether the **GC7 commitment** (per signed, final and compliant CL) fulfils the **GC7 total minimum co-financing requirement**; The GC7 total minimum co-financing requirement is determined by taking the sum of verified GC6 realizations / budget allocation submitted by countries ("GC6 baseline") and the minimum additional co-financing requirement.

Options for compliance outcome recommendations at time of the Global Fund grant approval (UPDATED)

- **Requirements met**: If co-financing core requirements 1 & 2 are fulfilled based on the country-submitted evidence.
- **Requirements conditionally met / not met**: The final compliance decision is reserved until specific evidence or a signed / final CL is submitted by an agreed-upon due date.
- **Requirements not met with Justifiable Circumstances**: If requirements are not met, however, a waiver of requirements is approved.
- **Requirements not met**: If requirements are not met and non-compliance actions will be taken.

III. Approach and principles for RSSH commitments (UPDATED)

- **For backward-looking compliance for GC6:** RSSH realizations are assessed flexibly, considering the country submitted overall RSSH spending, provided it is highlighted / verified in the submitted budget documentation / data.
- **For forward-looking compliance:** RSSH commitments for GC7 must be aligned with Global Fund Modular Framework RSSH interventions. Certain other interventions outside the

Modular Framework may be accepted on a case-by-case basis, if discussed and agreed between the Secretariat and the country prior to grant approval.

Principles for backward-looking compliance assessment at the end of GC7 (NEW)

When assessing compliance with co-financing at the end of GC7, the Secretariat considers realization of the financial and specific programmatic commitments in a country's commitment letter, considering efficiencies (as needed). The Secretariat also considers realization against total minimum requirements, including when making decisions related to implications of non-compliance.

Annex: Key terms and definitions

Term	Definition
Co-financing incentive	The proportion of a country's allocation that is subject to co-financing. This is a minimum of 15% but may be adjusted higher by the Global Fund Secretariat or waived in exceptional circumstances
Backward-looking compliance	Compliance related to evidencing sufficient realizations to fulfil STC policy requirements for the previous allocation period / Grant Cycle
Forward-looking compliance	Compliance related to making sufficient commitments to fulfil STC policy requirements for the current allocation period / Grant Cycle
Minimum additional co-financing requirement	The minimum additional increase in domestic spend on HIV, TB, Malaria and / or RSSH (typically represented by a % of the country's allocation) required by the STC policy. Used to determine the total minimum co-financing requirement
Baseline	The amount of domestic spend on HIV, TB, Malaria and / or RSSH realized in the previous allocation period. Used to determine the total minimum co-financing requirement (forward-looking)
GC6 total minimum co-financing requirement	The minimum realizations in GC6 for HIV, TB, Malaria and / or RSSH which a country must evidence for backward-looking compliance
GC7 total minimum co-financing requirement	The minimum amount which a country must commit to in GC7 for HIV, TB, Malaria and / or RSSH for forward-looking compliance. This amount is calculated by the Secretariat as the GC6 baseline + GC7 minimum additional co-financing requirement.
Financial commitment	The specific USD or EUR or local currency[1] amounts which a country has committed to in their commitment letter to fulfil the STC policy requirements
Specific programmatic commitment	The specific, monetized goods & services which a country has committed to in their commitment letter

1. Where commitments are made in local currency with no foreign exchange (FX) rate to allocation currency specified, the GC7 grant-specific FX rate is used to describe the equivalent amount in allocation currency.

Operational Policy Note

Co-Financing

Issued on: 31 March 2017
Issued by: Strategic Information Department
Approved by: Executive Grant Management Committee
Purpose: To describe the operational policies and processes in the grant management lifecycle necessary to fulfill the Board's requirements for 'co-financing'.

Background and Objectives

1. The Global Fund's co-financing policy is set forth in the Global Fund's Sustainability, Transition and Co-financing (STC) Policy; which is aimed at[184]
    1. Enabling long term sustainability of Global Fund supported programs and successful transitions from Global Fund financing;[185] and
    2. Mobilizing additional resources to achieve the ambitious goals and targets of the Global Fund Strategy 2017-2022.[186]
2. This Operational Policy Note (OPN) describes the key grant management processes through which to implement the co-financing policy for grants arising from the 2017-2019 allocation period onwards[187]. The OPN also describes implications to grants in countries due to non-compliance with willingness to pay requirements under the 2014-2016 allocation period.

Key Principles

3. The STC policy aims to strengthen the sustainability and impact of Global Fund supported programs through measures that include stimulating increased co-financing for the health sector, health systems, and for the three disease programs.
4. Co-financing, in the context of the Global Fund, pertains to domestic public resources and domestic private contributions[188] that finance the health sector and the national response against HIV, tuberculosis and malaria. Domestic public resources include: government revenues, government borrowings[189], social health insurance, and debt relief proceeds (including Debt2Health arrangements with the Global Fund[190]). With the exception of loans

[184] The Global Fund Sustainability, Transition and Co-financing Policy, as set forth in Annex 1 to GF/B35/04 – Revision 1, and approved by the Board in April 2016 under decision point GF/B35/DP08: https://www.theglobalfund.org/media/4221/bm35_04-sustainabilitytransitionandcofinancing_policy_en.pdf
[185] The Global Fund Sustainability, Transition and Co-financing Policy, GF/B35/04 – Revision 1, April 2016.
[186] The Global Fund Strategy 2017 – 2022: Investing to End Epidemics, April 2016 https://www.theglobalfund.org/media/2531/core_globalfundstrategy2017-2022_strategy_en.pdf
[187] Co-financing requirements (previously called counterpart financing and willingness-to-pay requirements) for grants arising from the 2014-2016 allocation period is as set forth in the OPN on Counterpart Financing.
[188] Restricted to verifiable contributions from domestic corporations and philanthropies that finance National Strategic Plans (excludes direct out of pocket expenditures borne by households)
189 This pertains to expenditure from loan proceeds in a grant implementation period and excludes repayment and interest
190 Debt2Health contributions to the Global Fund are considered towards co-financing of disease programs subsequent to Board decision GF/BM32/DP13.

and debt relief, all other forms of international assistance, even when channeled through government budgets, are not considered as co-financing.

5. The operationalization of the co-financing policy and requirements is guided by the following principles:

   a. **Maximizing leveraging of domestic financing.** The overarching goal of country engagement on co-financing is to leverage additional domestic financing in line with overall health need, National Strategy Plan targets, and fiscal capacity of the country. While this OPN specifies minimum additional co-financing investments required to access the full Global Fund allocation across country income groups, the overall focus is to use provisions of the co-financing policy to maximize leveraging of domestic financing;

   b. **Systematic assessment of co-financing, and implementation of the policy.** It is important to more systematically enforce implications of non-compliance with co-financing requirements, while at the same time providing maximum flexibility for Country Teams and the Secretariat to enforce such implications in a manner that minimizes negative consequences on grant performance and overall impact. This includes flexibility to enforce implications either via current grants or future allocations, taking into account relevant contextual factors;

   c. **Tailoring requirements and differentiation.** Co-financing requirements are tailored along the development continuum according to income level, disease burden and other contextual factors to enable long-term sustainability and successful transitions of disease programs from Global Fund support. The Secretariat's approach to engaging with countries and monitoring co-financing commitments is also differentiated to focus efforts on mitigating sustainability and transition risks;

   d. **Alignment with existing in-country and Global Fund systems and processes.** Rather than establishing parallel processes, co-financing considerations should be aligned to country systems and processes, to the extent possible. For the Global Fund, the implementation of the co-financing policy is integrated with existing operational policies and processes throughout the grant lifecycle. Unless otherwise specified, the processes for implementing the co-financing policy shall follow the existing decision-making processes for access to funding and grant management;[191] and

   e. **Clear communication of co-financing requirements and implications of non-compliance to key country stakeholders**. All communication on co-financing requirements and implications of non-realization of commitments should be addressed to key stakeholders beyond the Principal Recipient and Country Coordination Mechanism, including Ministry of Finance, the Ministry of Planning and other authorities, as relevant. In general, Country Teams should seek to communicate the implications of non-realization of commitments to the highest authorities to which the Global Fund Secretariat has access and with whom the Global Fund has an established relationship.

Operational Policy

Scope and Applicability:

6. All countries receiving an allocation from the Global Fund for a particular disease component must comply with the co-financing requirements to access the allocation, irrespective of whether the Principal Recipient is a governmental or non-governmental (including the private sector) entity.

[191] OPNs on Access to Funding, Grant-making and Approval, Grant Revisions, Annual Funding Decisions and Disbursements and Signature Authority Procedure as of date

7. Multi-country priorities (comprised solely of catalytic funding), non-CCM applicants and countries included in multi-country grants that are no longer eligible for a standalone Global Fund grant for the same disease component are exempt from co-financing requirements. However, countries included in multi-country grants composed of individual allocations must show that they comply with co-financing requirements, on a country by country basis. Applicability of co-financing requirements for such countries is communicated through the Allocation Letter.
8. Co-financing requirements for accessing funds beyond country allocations[192], will be subject to the rules governing the use of such funding, if applicable.

Core Co-financing Requirements

9. The STC Policy outlines two **core Co-Financing Requirements** that are prerequisites for countries to access the full allocation. These requirements serve to strengthen the overall financing for the health sector and the sustainability of HIV/AIDS, TB and/or malaria programs. Countries must demonstrate during the implementation period of grants arising from the allocation, the following:
    a. *Requirement-1*: Progressive government expenditure on health to meet national universal health coverage (UHC) goals; and
    b. *Requirement-2*: Increasing co-financing of Global Fund supported programs, focused on progressively taking up key costs of national disease plans.

Requirement 1: Progressive government expenditure on health

10. Governments should increase their health expenditure in accordance with recognized international declarations[193] and national strategies. Specifically, applicants should demonstrate:
    a. For countries where government spending on health is less than 8%: this share will increase over the implementation period of grants arising from the allocation;
    b. For countries where government spending on health is equal to or greater than 8%: health expenditure will increase in line with government expenditure such that the current share is at least maintained, if not increased during the implementation period of grants arising from the allocation.
    c. For countries with high', 'severe' or 'extreme' disease burden[194] for two or more disease components who have a low prioritization of government spending on health and/or low capacity for domestic revenue capture[195]: development a robust health financing strategy and incorporation of its provisions in national development frameworks (such as medium term expenditure frameworks) before the end of 2020.

Requirement 2: Increasing co-financing of Global Fund supported programs

11. During the implementation period of grants arising from the allocation, applicants should demonstrate increasing co-financing to progressively absorb costs of key program components such as human resources, procurement of essential drugs and commodities, programs that address human rights and gender related barriers and programs for key and vulnerable populations[196].
12. In line with fiscal capacity and health system capabilities, countries should ensure co-financing for priority interventions of the National Strategic Plan to reduce over-dependence

[192] E.g. catalytic funds or additional funding through portfolio optimization as per terms of GAC approval
[193] Such as the Abuja Declaration of 2001
[194] As defined in Annex 1 of the Eligibility Policy
[195] Less than 8% of government expenditure on health and/or tax revenues are lower than 15% of the GDP.
[196] Indicative list of requirements for assessment and will be assessed on a case by case basis.

on external resources and pave the way for longer term sustainability of Global Fund supported programs.

Co-Financing Incentive

13. In order to encourage additional domestic investments, a co-financing incentive is included as part of the allocation for each country component. The 'co-financing incentive' is at least 15 percent of the Global Fund allocation (as specified in the Allocation Letter). In order to access the co-financing incentive, countries must: (1) provide commitments of additional domestic investments to the relevant disease programs and/or related Resilient and Sustainable Systems for Health (RSSH) over the implementation period of the grant arising from the allocation, as per the requirements in the STC policy; and (2) demonstrate realization of such commitments.
14. To access the co-financing incentive for each relevant disease component, the additional domestic investments must be:
    a. More than the domestic investments made in the corresponding implementation period of the grants arising from the prior allocation period,[197] by at least:
        i. 50 percent of the co-financing incentive *for low income countries*
        ii. 100 percent of the co-financing incentive *for 'middle income countries*[198]; and
    b. Invested in priority areas of national strategic plans, in line with the investment guidance developed with partners (including region specific guidance, as applicable); and
    c. Evidenced through allocations to specific budget lines, or other agreed assurance mechanisms.
15. The focus of additional domestic investments required to access the co-financing incentive must be agreed upon during country dialogue or grant making. As per the STC policy, the following requirements will apply for additional co-financing contributions to access the co-financing incentive:

Country Income Classification	Disease Burden	Additional Co-Financing Investments
Low Income	Any	Invested in either disease programs or RSSH. Flexibility to demonstrate 100% of their additional investments are towards RSSH
Lower-LMI	Any	At least 50 percent invested in priority areas within the disease program. Remainder can be in RSSH
Upper LMI	High, Severe, Extreme	At least 75 percent invested in priority areas within the disease program. Remainder can be in RSSH
Upper LMI	Low and Moderate	Focused on addressing systemic bottlenecks for transition and sustainability[199], with at least 75 percent in priority areas within the disease program.

[197] In assessing additional domestic investments to a disease program, one-off loan contributions or capital investments for infrastructure development in the prior period can be discounted. Where major efficiencies are targeted in disease program spending in line with technical partner guidance (example: shift from hospitalized TB care to ambulatory DOTS), re-investment of savings to priority areas can be considered as additional domestic investments

[198] According to the Global Fund Eligibility List, based on World Bank's income classification.

[199] Identified by the country either through a transition readiness assessment or transition work plan or through national strategic plans or other relevant assessments.

UMI	Any	Focused on disease components and RSSH activities to address roadblocks to transition[200], with a minimum of 50% invested in specific disease components targeting key and vulnerable populations[201]

16. By default, the co-financing incentive available for each component is the same percentage across the allocations for each component following the final program split. However, on an exceptional basis, based on country context and priorities[202], Country Teams may negotiate with country stakeholders and agree to a different distribution of the additional domestic investments to access the co-financing incentive among eligible components, provided that:
    a. The revised distribution that is agreed upon will determine (1) the co-financing incentive for each component and (2) the additional investments per component to access the co-financing incentive;
    b. The aggregate amount of the co-financing incentive across all disease components remains unchanged;
    c. Co-financing commitments for all components are available prior to the final Grant Approvals Committee (GAC) review of the first component;
    d. The deviation from the default level of additional co-financing for a component is approved by the GMD Department Head/Regional Manager and communicated to the GAC through the Grant-making Final Review and Sign-off Form.
    e. The additional investments per component to access the co-financing incentive and the co-financing incentive for each component will be communicated by the Country Team to the CCM and country stakeholders through a 'management letter'
17. **Extenuating Circumstances:** In exceptional circumstances, where the country is not in a position to meet the co-financing requirements, the Country Team may recommend a full or partial[203] exemption from the requirements. Any waiver of co-financing requirements will require strong justification, as well as a plan for addressing funding shortfalls, where applicable. Exemptions from co-financing requirements may be considered in limited cases of strongly justified and/or exceptional circumstances, such as:
    a. The country is a Challenging Operating Environment (COE), where in-country engagement on domestic financing is not feasible;[204]
    b. Severe economic/fiscal crisis impacting government revenues/expenditure, which results in lower health and disease spending;
    c. *Force majeure* events such as natural disasters, sudden outbreaks of disease, sudden or unforeseen outbreaks of war, civil or political unrest that result in severe disruption of program implementation or in the reallocation of government resources to address emergencies.
18. Partial or full exemptions must be approved by the Head, Grant Management Division through a memo (standardized memo template) and may be granted prior to communication of the allocation, during country dialogue, at the time of review of the funding request, at grant making and/or during grant implementation. The Head, Grant Management Division, may

[200] Ibid
[201] As defined in the Global Fund Key Populations Action Plan 2014 – 2017 https://www.theglobalfund.org/media/1270/publication_keypopulations_actionplan_en.pdf
[202] Among others, such priorities could include substantive scale up of domestic funding required for a component due to reductions in Global Fund allocation or other donor funding for such component; or where the focus is not to just increase domestic contribution to a disease component but rather to channel efficiencies to a component with already high levels of domestic funding to priority interventions by changing delivery models or provider payment systems (example: shift from hospitalized TB care to ambulatory DOTS)
[203] In instances, where country is in a position to make additional investments in the next phase but not sufficient to access the full co-financing incentive
[204] The classification of a country as a COE does not automatically guarantee the application of flexibilities.

seek guidance from the GAC on the request for exemption. Once approved, the exemption applies for the duration of the implementation period. If a full exemption is granted, the applicant has access to the total allocation, including the funding that would be provided as co-financing incentive. If a partial exemption is sought and granted, the country will be reviewed and monitored for the approved lower level of requirements, as outlined in the memo seeking the partial exemption. Exemptions will be communicated by the Country Team to the CCM and country stakeholders through a 'management letter'. All exemptions will be reported to the Board and captured in the relevant GAC Report to the Board (See Annex-2).

Determining and Communicating the Co-Financing Incentive

19. By default, 15% of a country component's allocation will be available as a co-financing incentive if the country makes additional domestic commitments to three diseases as well as RSSH, as per policy requirements.
20. The co-financing incentive may be set at greater than 15% based on the following factors: evidence of less than 8% of government spending on health; the need to proactively strengthen transition preparedness and plan for transition if the country is a UMI (regardless of disease burden) or LMI with low/moderate disease burden; and/or other country specific contextual factors. Such other country specific contextual factors include but are not limited to: how the country compares with peers of the same income classification and region, macro-economic and fiscal trends, programmatic performance and impact against the three diseases, the overall funding landscape for the three diseases, and previous co-financing commitments.
21. The key parameters, guidance, and background data to determine the share of co-financing incentive is developed by the Health Financing Team of the Strategic Information Department as part of the Access to Funding processes for finalizing the Allocation Letter.
22. The share of the co-financing incentive of each country component is determined by the Country Team taking into account contextual priorities and considerations, with support from the Health Financing team, where appropriate. Country Team's recommendations are endorsed by the Department Head/Regional Manager. The proposed co-financing incentive share of the allocations are then reviewed and validated by the Grant Approvals Committee (GAC).
23. Countries are informed of their total allocation across eligible disease components and the share of the allocation for each eligible component that is available as a co-financing incentive, through the Allocation Letter. The required level and focus of domestic investments to access the co-financing incentive is also communicated through the Allocation Letter.
24. The requirements that apply to access the co-financing incentive component of the allocation are based on 'country income classification' as per the latest Eligibility List published prior to communication of the allocation[205]. If there is a change to the income classification during an allocation period, requirements associated with the new income level will apply only to the subsequent allocation.

Country Dialogue and Development of Funding Request

25. Co-financing of Global Fund supported disease programs and RSSH, as applicable, will be agreed upon during the country dialogue and/or grant making. In addition to the minimum

[205] Country income classification used for the 2014-16 allocation period applies to previous 'Willingness to Pay' requirements.

additional investments to access the co-financing incentive, overall co-financing commitments should take into account funding need, existing commitments, fiscal space, sustainability and transition considerations; as applicable.

26. Country dialogue should include engagement on:
    a. The realization of co-financing commitments for the implementation period of the grants arising from the previous allocation period,[206] as applicable;
    b. Co-financing investments in the health sector and disease programs over the implementation period of the grant arising from the next allocation;
    c. Leveraging the co-financing incentive to increase strategic domestic investments for health, in line with country priorities and STC policy requirements;
    d. Ensuring that the funding request for UMICs irrespective of disease burden and LMICs with low and disease burden describes the major bottlenecks to financial sustainability and how these bottlenecks will be strategically addressed with additional domestic investments that comply with the co-financing requirements.
27. **Realization of co-financing commitments for the implementation period of the grants arising from the previous allocation period:** Evidence of realization of previous co-financing commitments is required to assess implications to grant funds tied to co-financing commitments and/or the subsequent allocation, as well as establish the baseline to determine additional investments for the next implementation period.
28. Evidence of realization of co-financing commitments and any justification for not meeting commitments (if applicable) must be formally submitted to the Global Fund prior or along with the submission of first funding request. Evidence of realization of co-financing commitments may be requested earlier, if the Country Team perceives a risk in materialization of commitments. If not at risk of realizing commitments, a country whose first funding request is through the 'program continuation' application modality can submit evidence on realization of co-financing commitments during grant making, as per the schedule agreed with the Country Team.
29. **Co-financing investments in the health sector and disease programs in the next implementation period:** Domestic financing of the broader health sector and of disease programs should be a focus of country dialogue, engaging key stakeholders including the Ministries of Finance and Health.
30. In high burden[207] countries with low government spending on health and/or low revenue capture[208] and countries where there is a declining trend in government health expenditure, country dialogue should explore government plans to develop and/or implement health financing strategies to increase domestic financing of health. With partners and through global platforms[209], Country Teams and CCMs are encouraged to discuss needs of additional support through grants to accelerate the implementation of health financing strategies, if relevant. Where there are no specific initiatives in place to develop or implement a health financing strategy, the Secretariat and CCMs may explore, in consultation with partners, support for developing health financing strategies through grants.
31. The development of the funding request should include a review of available resources and funding gaps for Global Fund supported programs, preferably based on costed National Strategic Plans. Through the CCM and key stakeholder engagement, country dialogue should discuss co-financing contributions over the next implementation period as well as longer-term strategies for sustaining programs with increased domestic investments.

[206] Was referred to as 'willingness to pay' in the 2014-16 allocation period.
[207] Countries with high', 'severe' or 'extreme' disease burden for two or more disease components, as defined by Eligibility Policy
[208] Defined as less than 8% of government expenditure on health and tax revenues are lower than 15% of the GDP
[209] Such as the Global Financing Facility.

32. **Leveraging the co-financing incentive for strategic domestic investments for health, in line with country priorities:** Country dialogue should aim to establish strategic actions and co-financing commitments to meet the co-financing requirements and access the total co-financing incentive.

33. The ongoing country dialogue process must ensure a clear understanding of:

    a. Mechanisms through which government will finance the disease program or RSSH (central/regional/local government revenues, loans, debt relief and/or social health insurance);

    b. Current and planned additional domestic financing of disease programs and RSSH in terms of the extent of funding and the interventions supported;

    c. Timing or annual cycle of co-financing investments; and

    d. The mechanism by which co-financing will be tracked and reported, including assurance provided by the country's public finance management systems and 'supreme audit institutions' for reliable monitoring of realization of co-financing commitments.

Funding Request Review and Assessing Compliance with Co-Financing Requirements

34. The Country Team (supported by inputs from the Strategic Information Department) will review and assess (a) compliance with core co-financing requirements (see paragraphs 9-12) based on qualitative assessment of co-financing trends, taking into account relevant contextual factors; (b) realization of co-financing commitments for the implementation period of the grant arising from the previous allocation period; and (c) co-financing commitments to access the co-financing incentive for the grant arising from the subsequent allocation period. The Country Team's assessment is captured in the Secretariat Briefing Note submitted to the TRP.[210] The Country Team's assessment of compliance will also be captured in the Grant-making Final Review and Sign-off Form, and reviewed by the GAC (see paragraph 50)

ASSESSING REALIZATION OF CO-FINANCING COMMITMENTS FOR THE PREVIOUS ALLOCATION PERIOD[211]:

35. Realization of a co-financing commitment is defined as reasonable assurance of either execution of funds for agreed upon activities or implementation of agreed upon activities.

36. In assessing co-financing in the implementation period of grant (s) arising from the previous allocation, it is expected that information on budget execution for completed fiscal years and the budget of the final implementation year will be reviewed. With respect to the execution/or budgeting of funds, countries will be considered as compliant with requirements to access the co-financing incentive of the previous allocation[212], if:

    a. Realization of co-financing commitment in completed fiscal years plus budget allocated for the final year in USD/EURO[213] is equal to or higher than the requirements to access the co-financing incentive (willingness to pay of the 2014-16 allocation), as per policy existing at time of the previous allocation;[214] OR

[210] For program continuation, the Country Team will present the assessment of compliance to the GAC
[211] Was referred to as 'willingness to pay' in the 2014-16 allocation period
[212] Was referred to as 'willingness to pay' in the 2014-16 allocation period
[213] Depending on which currency the country had used to provide commitments
[214] For the 2014-16 allocation; the minimum requirements of additional investments was 25% of the co-financing incentive (referred to earlier as 'willingness to pay') for low income countries, 50% for lower LMI, 100% of upper LMI, and 200% for UMI. For subsequent allocations, as per the STC Policy, outlined in paragraphs 14-15

b. Realization of co-financing commitment in completed fiscal years plus budget allocated for the final year in local currency, adjusted for inflation is equal to or higher than the requirements to access the co-financing incentive (willingness to pay of the 2014-16 allocation) as per policy existing at the time of the previous allocation

37. In High Impact and Core countries, the Finance Specialist, with support of Health Financing Team (if applicable) will be responsible for assessing evidence on execution of funds and allocation of budget funds committed towards meeting co-financing requirements and the extent to which the required co-financing commitments were realized. The Fund Portfolio Manager, taking into consideration the assessment of the Finance Officer and supplementary evidence on implementation of agreed upon activities, determines compliance with co-financing requirements in consultation with the Legal Officer and other Country Team members (as applicable). In Focused countries, the Fund Portfolio Manager will determine compliance with support from the Health Financing Team and/or STC Specialists (as applicable) and in consultation with the Legal Officer[215]

38. The possible outcomes of the compliance determination and their implications are summarized below:

    a. **Requirements Met:** Requirements are considered met if execution of funds or implementation of agreed activities in completed fiscal years (a) is greater than requirements to access the co-financing incentive OR (b) meets the requirements together with budget/approved implementation plan for the final year and there are no identified risks for execution of the allocated budget/ implementation plan **Implications:** There are no implications to existing grant(s) or the new allocation, if requirements are met

    b. **Requirements Conditionally Met:** Requirements are considered conditionally met, if execution of funds or implementation of agreed activities has been inconsistent with actual commitments, but allocated budget/approved implementation plan for the final year implies that the country will meet the requirements to access the co-financing incentive. **Implications:** If requirements are deemed conditionally met, the implications are the following:

        i. Country teams, with the support of the Health Financing Team, should monitor realization of commitments during the remainder of the implementation period;

        ii. Where feasible and appropriate[216], Country Teams should consider tying subsequent disbursements to realization of commitments;

        iii. Subsequent actions based on whether requirements were ultimately met or not met

    c. **Requirements Not Met with Justifiable Circumstances:** If country does not meet requirements to access the co-financing incentive, but has justifiable reasons for non-compliance (see paragraph 17). **Implications:** Exemption of requirements, approved by the Head, Grant Management Division through a memo based on a standardized memo template (see paragraph 18 and Annex 2).

    d. **Requirements Not Met:** If country does not meet requirements to access the co-financing incentive, and has no justifiable reasons (see paragraph 17) for non-compliance. **Implications:** The implications of not meeting requirements include the following:

        i. Withholding of disbursements or reduction of grant funds during the current grant implementation period, where feasible and appropriate; or

[215] The same process will be applicable for assessment of compliance during grant implementation
[216] Disbursement can be linked to specific co-financing milestones based on an assessment of potential impact of its withholding, should co-financing not materialize

ii. Downward adjustment of subsequent allocation, proportionate to the level of non-realization of commitments, where feasible and appropriate.

39. **Applying consequences of non-realization of co-financing on existing grants**: Disbursements may be withheld or the grant funds amount may be reduced, for the grant (s) arising from the prior allocation period, in the event of non-realization of commitments to access the co-financing incentive[217]. The proportion of realized co-financing commitments will be applied to the amount provided as co-financing incentive[218], and the residual amount either withheld as disbursement or reduced from the grant funds amount[219].

40. Disbursements may be withheld for non-realization of co-financing commitments at any point of time during the implementation period. The Principal Recipient will receive notification of the reduced disbursement through a Management Letter accompanying Disbursement Notification Letter (see Annex-2).

41. The grant funds amount may be reduced for non-realization of co-financing commitments, in the final year of implementation. Reduction of grant funds and the related program revisions (if applicable) should be processed following the OPN on Grant Revisions. After approval, reductions in grant funds amount due to non-compliance with co-financing requirements will be communicated to the country, through a management letter.

42. **Applying consequences of non-realization of co-financing on subsequent allocation:** Non-compliance with co-financing requirements will result in reduction of subsequent allocation, if the country is not exempted from requirements and did not have consequences of not meeting co-financing requirements[220] applied to existing grants. The amount to be deducted from the subsequent allocation will be calculated in the same manner as outlined in paragraph 39. However, given potential for significant reductions in subsequent allocations, any adjustments to future allocations because of non-realization of co-financing commitments will be proportional to any reductions in allocations[221]. The reduction will be prorated across the eligible components of the subsequent allocation. Any reductions to the allocation will have to be approved by the GAC. A GAC review can be requested by Country Teams, in consultation with A2F, for downward adjustments to the allocation due to non-realization of co-financing commitments (See OPN on Access to Funding, Grant-making and Approval). GAC review for downward adjustment of allocation should be scheduled sufficiently in advance of the final GAC review of the disbursement-ready grants to provide the necessary time to negotiate budgets for the revised upper-ceiling amount. After approval, reductions in allocation due to non-compliance with co-financing requirements will be communicated to the country, through a management letter.

ASSESSING CO-FINANCING COMMITMENTS TO ACCESS THE CO-FINANCING INCENTIVE FOR THE NEXT ALLOCATION:

43. The amount of the 'co-financing incentive' available to each component will be proportional to the level of additional co-financing commitments provided by the country, unless justified by extenuating circumstances (see paragraph 17)

44. For countries applying via program continuation' application modality, co-financing commitments should be provided during grant-making, prior to the final GAC approval of the grant. For full and tailored funding requests, it is expected that co-financing commitments to access the full co-financing incentive for a component is submitted along with the funding

[217] Was referred to as 'willingness to pay' in the 2014-16 allocation period
[218] Was referred to as 'willingness to pay' in the 2014-16 allocation period
[219] The reductions will be applied to individual grant components, proportionate to share of co-financing incentive applicable to each component. However, for grants under the 2014-16 allocation, reductions can apply to any grant component in any proportion as per strategic requirements of the portfolio since willingness to pay commitments were not tied to a specific component.
[220] Withholding of disbursements or reduction of grant funds
[221] Proportion will be capped at 100%, for countries receiving a higher level of funding in the current allocation

request. If additional time is required for country processes[222], the commitments can be formalized at grant-making or during grant implementation, provided indicative commitments are available prior to final GAC. If the time required for formal commitments extends into grant implementation period, grant agreements must have 'grant requirements' specifying the time-frame when the co-financing commitments will be provided and the expectations of realization of these commitments.

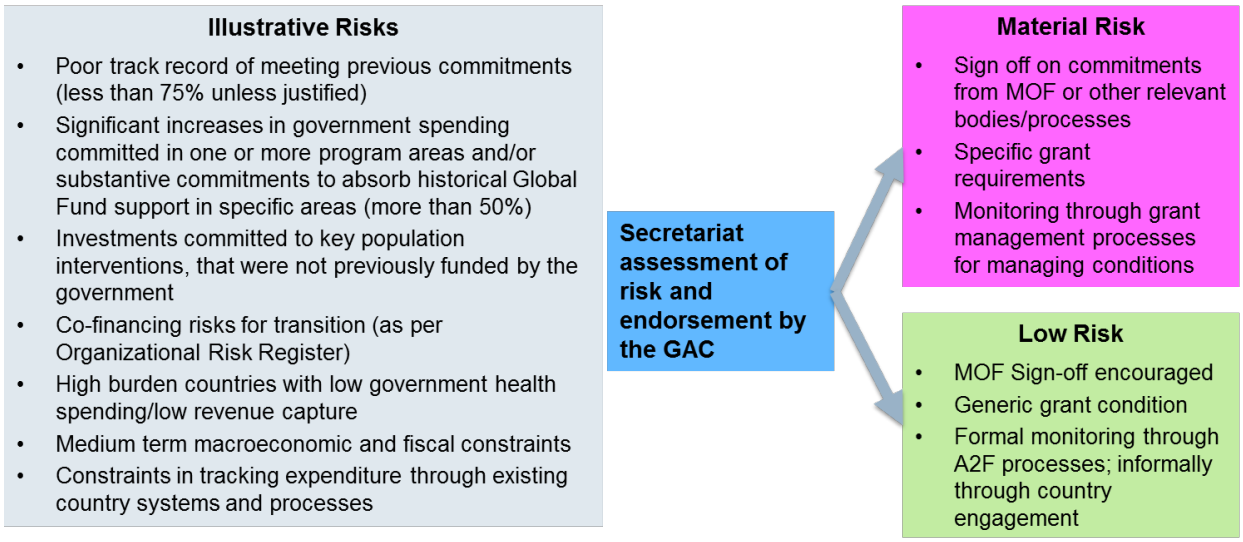
45. If during grant making sufficient commitments (either indicative or formal) to access the full co-financing incentive are not forthcoming, the allocation will be proportionally reduced based on available co-financing commitments, unless exempted. Any reductions to the allocation will have to be approved by the GAC. A GAC review can be requested by Country Teams, in consultation with A2F, for downward adjustments to the allocation (See OPN on Access to Funding, Grant-making and Approval).

46. After approval, reductions in allocation due to non-compliance with co-financing requirements will be communicated to the country, through a management letter.

Grant Approval

47. Co-financing considerations at grant approval as well as subsequent monitoring during grant implementation will be differentiated based on whether there is a material risk for realization of commitments. Figure-1 provides an illustrative list of key risks that should be considered by the Country Team.

Figure-1 Risk based approach for Approval and Monitoring of Co-Financing Commitments [223]



48. If the Country Team determines that there is a material risk of non-realization of co-financing commitments, appropriate mitigation measures such as endorsement of co-financing commitments by the Ministry of Finance/other relevant bodies specific to the country and/or specific grant requirements should be presented to the GAC for approval.

49. Country Teams should consult their Legal Officer to capture co-financing requirements in the grant agreement, which will depend on the Country Team's assessment of risk and endorsement by the GAC. Accordingly, two options are available:

[222] Ongoing processes for budget formulation, parliamentary approval, development of medium term expenditure frameworks, approval of national strategy plans, development of sustainability plans, resource tracking etc.
[223] As part of the ORR, a framework is currently being defined to measure and monitor key risks levels across the organization, including co-financing risks.

- No Material Risk: If it is determined that there is a low risk of non-realization of domestic commitments, a generic grant requirement must be included in the grant agreement that reserves the right of the Global Fund to withhold funding during the implementation period of the grant (through withholding of disbursements or reduction of the grant funds amount), or from the subsequent allocation proportionate to non-compliance with the additional domestic commitments
- Material Risk: If it is determined that there is a material risk of non-realization of domestic commitments, country-specific grant requirement(s) that will formalize the co-financing commitments for the implementation period must be included in the grant agreement. The grant requirement will specify annual co-financing investments or specific outputs related to co-financing commitments (as applicable), and the mechanisms and time-frame for reporting realization of co-financing commitments. If appropriate, the grant requirement should specify the disbursement amount per year that is tied to realization of co-financing commitments. The amount tied per year will generally be proportional to the amount of co-financing commitment per year as confirmed to the Global Fund. If appropriate, the Country Team may at its discretion tie specific components of the grant budget to realization of co-financing commitments.

50. The Country Team captures its assessment of risk of non-compliance with co-financing requirements and the outcome of the grant-making considerations on co-financing in the Grant-making Final Review and Sign-off Form. By recommending the proposed grant for Board approval, the GAC will also be endorsing the assessment of risk of non-compliance with co-financing requirements and the option recommended by the Country Team for the monitoring of realization of additional domestic commitments during the implementation period.

Monitoring Co-Financing Commitments during Grant Implementation

51. The monitoring of co-financing commitments and implications of non-compliance will be differentiated as presented in the table below:

Option	Grant Agreement	Approval of Approach	Monitoring	Implications for Non-Compliance	Approval of Implications
1	Generic grant requirement in grant agreement for countries with low risk of non-realization of co-financing commitments, that reserves the right of Global Fund to withhold funding proportionate to non-compliance	GAC	Periodically followed up through country engagement, budget execution reports, NHA, NASA, and partner data	If evidence of non-compliance, based on country context, strategic requirements and impact on the program; one or more of the following actions: (a) withholding of disbursement (b) reduction in grant funds amount	Withholding of disbursement as per OPN on Annual Funding Decisions and Disbursements Reduction of grant funds amount as per OPN on Grant Revisions
2	Country specific requirement in grant agreement for countries	GAC	Monitoring of specific commitments as per the terms of		Reduction of

Option	Grant Agreement	Approval of Approach	Monitoring	Implications for Non-Compliance	Approval of Implications
	where there is a material risk of non-realization of co-financing commitments		the grant requirement in the grant agreement (i.e. at the time of an Annual Funding Decision or other specified date).	(c) reduction of subsequent allocation	Allocation – GAC Approval

52. In exceptional cases, depending on the context, risk profile and country specific requirements, verification of realization of co-financing commitments may be included within the terms of reference of the external audit or LFA services.

53. If a country does not meet its additional co-financing commitments, it is mandatory to have a country-specific requirement in all subsequent grant agreements until a track record of compliance can be (re-) established.

Process and Responsibilities

RESPONSIBILITIES

54. **Country Team:** Strategic engagement and negotiation of co-financing to enhance sustainability of Global Fund supported programs, appropriate to the country context. Provide necessary guidance to country stakeholders on co-financing requirements and articulation of its compliance through relevant documentation and mechanisms at the time of accessing funding and grant implementation. With support from the health financing team, assess compliance, with co-financing requirements at the time of accessing funding and reflect the assessment in 'Secretariat Briefing Notes' and GAC documentation. Incorporate 'requirements' related to co-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).

High Impact and Core Countries

a. **Fund Portfolio Manager (FPM) supported by Program Officer(s)**: Lead Global Fund negotiations and decision making related to co-financing requirements in the grant lifecycle. Ensure timely communication of co-financing requirements and decisions related to co-financing to country stakeholders. Leverage Secretariat resources' and strategically engage with country stakeholders to advocate and support actions for improving co-financing and sustainability of Global Fund supported programs.

b. **Finance Specialists**: Finance Specialists advise and strengthen Country Team understanding of public financing mechanisms in the country; monitor grant conditions related to co-financing; responsible for assessing evidence on execution of funds committed towards meeting co-financing requirements, with support of the Health Financing Team, where applicable; incorporate verification of co-financing within the terms of reference of the external audit or LFA services, where appropriate; and provide internal clearance prior to approval of withholding of disbursements, reduction in grant funds and/or reduction of future allocation for non-realization of co-financing

commitments, as per normal processes for disbursements, modifications in grant agreements, and GAC approvals.

Focused Countries

c. **Fund Portfolio Manager (FPM):** Lead Global Fund negotiations and decision making related to co-financing requirements in the grant lifecycle. Leverage Secretariat resources' and strategically engage with country stakeholders to advocate and support actions for improving co-financing and sustainability of Global Fund supported programs. Responsible for assessing evidence on execution of funds committed towards meeting co-financing requirements, with support of the Health Financing Team and/or STC Specialists, where applicable

d. **Portfolio Support Team**: With support of the Health Financing Team and/or Sustainability and Transition Specialists, if applicable, the PST provides internal clearance prior to approval of withholding of disbursements, reduction in grant funds and/or reduction of future allocation for non-realization of co-financing commitments, as per normal processes for disbursements, modifications in grant agreements, and GAC approvals. Incorporates verification of co-financing within the terms of reference of the external audit or LFA services, where appropriate.

All Countries

e. **Legal Officer:** Incorporates co-financing requirements in grant agreements in a manner that is enforceable and consistent with Board and Secretariat policies; advises on determination and legal implications of non-compliance with co-financing requirements; and provides the internal clearance prior to approval of actions to enforce consequences of non-compliance.

f. **Public Health and Monitoring & Evaluation 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.

g. **Health Product Management Specialist:** 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 co-financing commitments related to procurement.

55. **Health Financing Team**: Based on requests from Country Teams, provides technical support and advice for co-financing negotiations, assessment of public financing mechanisms, macroeconomic and fiscal outlook, updated data and other information inputs on program and health sector financing; capacity building of Secretariat staff and sharing of best practice; supports assessment of compliance with requirements at the time of accessing funding and tracking materialization of co-financing commitments during grant implementation. Responsible for tracking and reporting of progress on co-financing at the portfolio level including KPI on domestic financing and actions taken for non-realization of commitments; and facilitating support of technical partners in expenditure tracking and development of sustainability plans.

56. **Sustainability and Transition Specialists:** Supports negotiation of increased domestic financing to enable the gradual absorption of Global Fund financed interventions into government-supported programs and to comply with the requirements of the co-financing policy; supports country engagement on transition plans and related co-financing; supports strategic initiatives to strengthen co-financing, sustainability, and transition preparedness, including (as appropriate and relevant) enhanced access of transition countries to favorable prices for health products, innovative financing schemes, etc.; supports monitoring and assessing compliance with co-financing requirements in applicable focused countries, within the context of ongoing country work on sustainability and transition.

57. **Sustainability, Transition and Co-Financing Coordination Mechanism (including STC Working Group and Steering Committee, as applicable):** Support integration and mainstreaming of co-financing considerations within grant management processes; identify needs and facilitate development of guidance, tools, training and skill-sets required to effectively operationalize co-financing policy requirements; coordinate internal and external communication on co-financing issues.
58. **External Relations Department:** Implement multi-sector advocacy strategy to promote increased domestic financing for health by reaching key decision-makers through country engagement, global and regional platforms; facilitate targeted country support for domestic resource mobilization for health; private sector engagement on domestic financing; support the development and implementation of innovative financing mechanisms such as Debt2Health, Social Impact Bonds, and Blended Finance, based on direction provided by the Audit and Finance Committee.
59. **Policy Hub:** Coordinate development of Global Fund strategies and Board policies on sustainability, transition and co-financing; incorporation of co-financing considerations in Strategy implementation Plan and its monitoring.
60. **Access to Funding Department**: Facilitate and support TRP/GAC review process and GAC reports to the Board; provide applicant support for submission of funding requests; and facilitate GAC reviews for con-compliance with co-financing requirements, where applicable. In addition, take an active role in advising country teams on the requirements of Global Fund co-financing policies, and develop best practices examples of how co-financing has strengthened sustainability and transition preparedness.
61. **Risk Department:** As part of the Risk Specialist's oversight role in the grant cycle, the c0-financing risks will be analyzed in selected High Impact and Core portfolios, especially during grant-making and disbursements[224]. As necessary, the Risk Specialist will also input in identifying options for applying consequences of non-compliance with co-financing requirements.
62. **Technical Review Panel**: Reviews Secretariat Briefing Notes and Funding Requests to assess implications of co-financing on program targets and sustainability of programs; and assess material program impact of reduction of grant funds amount due to non-compliance with co-financing requirements, as per OPN on Grant Revisions.
63. **Grant Approvals Committee**: Validates share of co-financing incentive for each disease allocation and exceptional revision in distribution of co-financing incentive among components; through normal GAC review process prior to making funding recommendation to the Global Fund Board, approves assessment of compliance with co-financing requirements, assessment of co-financing risks, grant requirements for co-financing, approach for monitoring co-financing; approves reduction of allocation due to non-compliance with co-financing requirements.
64. **External Auditor/Local Fund Agent**: Where relevant, external audit or LFA services to be used as a source of assurance for appropriate monitoring and verification of compliance with co-financing requirement.
65. **National Government:** (as represented by the ministries of health, finance and/or other relevant authorities) is expected to engage in negotiations 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 commitments and spending during grant implementation.
66. **CCM:** Responsible for facilitating engagement with country stakeholders and advocates for additional domestic investments in Global Fund supported programs with key country

[224] Refer to OPN on Risk Management Across the Grant Lifecycle

stakeholders, including appropriate government authorities as required. Ensures submission of co-financing commitments with the funding requests, and facilitates monitoring and reporting of materialized commitments during grant implementation.

Monitoring and Reporting

67. Progress on co-financing 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:

    e. **Corporate KPI on Domestic financing (KPI 11).** Annual reporting on progress with realization of co-financing commitments. Reporting to provide supplementary information on co-financing commitments to Global Fund supported programs and RSSH

    f. **GAC Report to the Board.** GAC recommendations to the Board for grant approval to include the amount of additional domestic commitments made by countries reviewed in each wave.

    g. **Strategy Implementation Plan:** Implementation KPIs and milestones under Strategic Objectives 1 and 4

Annex-1: Snapshot of Co-financing considerations in funding cycle

Considerations	Funding Cycle
Determination of Co-Financing Incentive for each Disease Allocation	Process for finalization of Allocation Letter
Communication of Co-financing Requirements	Allocation Letter
Country Engagement on Co-Financing	Country Dialogue and Grant-Making
Submission of evidence of realization of previous co-financing commitments	• Prior or along with first Full or Tailored Review • Program Continuation- Grant Making • High Risk Countries- Program Split or specified date
Assessment of compliance with co-financing requirements for past allocation	• Prior or along review of first Full or Tailored Review • Program Continuation- Grant Making
Consequence for Non-Compliance of previous co-financing commitments	• Proportionate withholding of disbursements (any time during the implementation period): Approval through disbursement decision process (OPN on Annual Funding Decisions and Disbursements) • Proportionate reduction of grant funds (in last year of implementation): Approval as per Grant Revisions process (OPN on Grant Revisions) • Reduction of subsequent allocation (during grant making of grants arising from next allocation): Approval through a GAC review scheduled sufficiently in advance of final GAC review of the disbursement-ready grants
Submission of evidence of co-financing commitments for next implementation period	• Program Continuation- Grant Making • Prior or along with funding request for Full/Tailored Review • Flexibility for submission of formal commitments during grant making or grant implementation to accommodate reasonable time for country processes
Implications for insufficient commitments to access full co-financing incentive	Proportionate reduction of allocation (during grant making): Approval through a GAC review scheduled sufficiently in advance of final GAC review of the disbursement-ready grants
Consolidation of commitments, revision in distribution of co-financing incentive among components, grant requirements and monitoring approach	Grant-making Final Review and Sign-off Form; GAC Endorsement
Grant requirements approved by GAC	Incorporated in the Grant Agreement
Monitoring during implementation period	As per monitoring approach endorsed by GAC and grant requirements in grant agreement

Annex-2: Decision Making Process for Co-Financing

Co-Financing Decisions	Recommend	Internal Clearance (as per existing processes)	Consulted/ Support	Process	Approving Authority	Inform/ Report
Determining Co-Financing Incentive of Allocation	FPM		CT, HFT, STC Specialists (in applicable regions)	Process for Allocation Letter	DH/RM, GMD Validated by GAC	Country Stakeholders through Allocation Letter
Exceptional revision in distribution of co-financing incentive among components	FPM		CT, HFT, STC Specialists (in applicable regions)	Grant-making Final Review and Sign-off Form	DH/RM, GMD and RFM Validated by GAC	Country Stakeholders through Management Letter
Final Co-financing commitments, assessment of Co-Financing risks, grant requirements, monitoring approach	FPM	Finance Specialist (in high impact and core), Legal Officer	HFT, STC Specialists (in applicable regions)	Grant-making Final Review and Sign-off Form (through DH/RM and RFM)	GAC	GAC Report to Board; Implementation KPI and milestone reporting to MEC
Exemption from Co-Financing Requirements	FPM	DH/RM, GMD	CT, HFT, STC Specialists (in applicable regions)	Standard Memo Template	Head GMD	Reported to GAC; GAC Report to Board; Management Letter to Country Stakeholders
Withholding of disbursements	FPM	Finance Specialist/PST , Legal Officer	HFT, STC Specialists (in applicable regions)	Disbursement Decision Process	As per OPN on Annual Funding Decisions and Disbursements	Management Letter accompanying Disbursement Notification Letter
Reduction of Grant Funds amount for non-compliance	FPM	Finance Specialist/PST , Legal Officer	HFT, STC Specialists (in applicable regions)	Grant Revisions	As per OPN on Grant Revisions	Implementation Letter; GAC Report to Board
Reduction of future allocation for non-compliance	FPM	Finance Specialist/PST , Legal Officer	A2F, HFT, STC Specialists (in applicable regions)	GAC Review	GAC	GAC Report to Board; Management Letter to Country Stakeholders

Acronyms: FPM-Fund Portfolio Manager; PST-Portfolio Services; DH- Department Head, GMD; RM-Regional Manager, GMD; RFM-Regional Finance Manager; GAC-Grant Approval Committee; A2F-Access to Funding; HFT-Health Financing Team, Strategic Information Department

Operational Policy Note

Blended Finance and Joint Investments

Approved on: 27 October 2023, updated 5 April 2024
Approved by: Executive Grant Management Committee
Process Owner: Health Finance Department

Process Metrics for Blended Finance and Joint Investments

Country Teams and other Secretariat teams are expected to meet the following key performance indicators:

- 100% of blended finance transactions that fall under the established blended finance modalities are reviewed by IFAC (unless differentiated from the IFAC processes per the OPN).
- Blended finance pipeline developed and reviewed by IFAC at least once every quarter as part of an ongoing review of potential funding opportunities and the movement of transactions through various stages.
- Following IFAC Full Screening review and recommendation, all blended finance transactions to move to GAC approval within 2.5 months.

Process Objective

1. Blended Finance and Joint Investments (herein referred to as "blended finance" and/or "transaction") refer to country-led efforts to combine Global Fund funding with non-Global Fund sources of funding, primarily investments from development finance institutions, including multi-lateral development banks (MDBs).

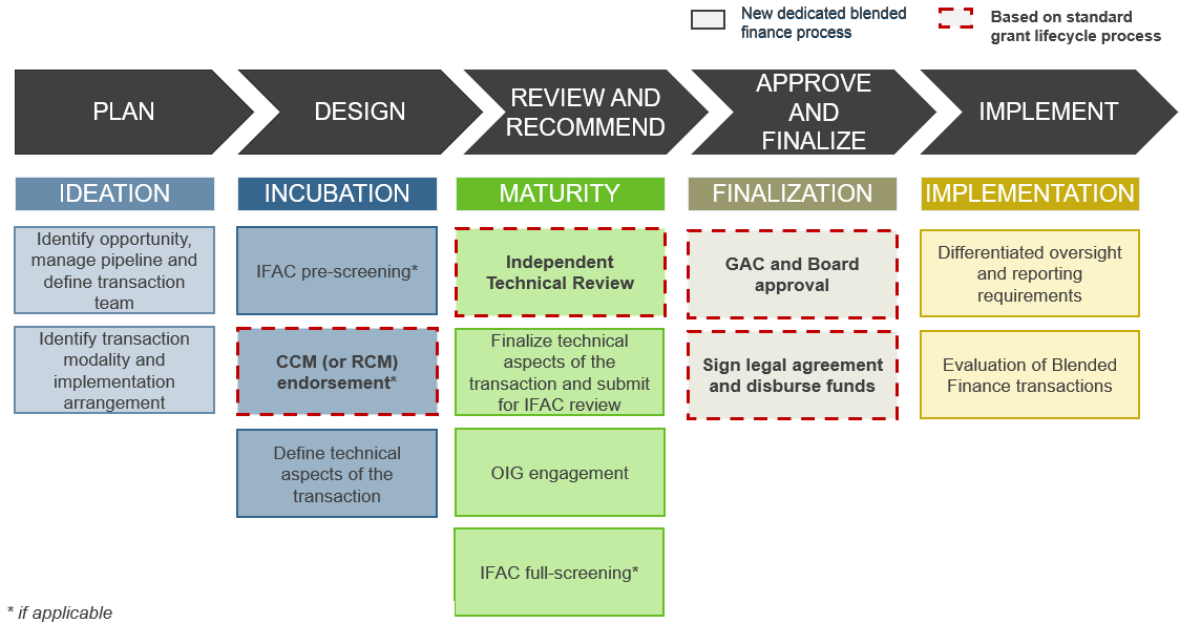
2. Blended finance[225] is a catalytic and useful mechanism for mobilizing and leveraging investments made by Global Fund partners to support aims consistent with and/or complementary to Global Fund core grants. As a complement (but not a replacement) to traditional Global Fund grants, blended finance is critical for enhancing national sustainable financing for health and the delivery of the Global Fund's Strategy objectives, mainly by: (a) catalyzing and mobilizing additional financing for health and the three diseases, and (b) influencing existing partner financing to support HIV, tuberculosis, malaria and resilient and sustainable systems for health (RSSH) objectives. As such, it contributes to sustainable financing, strengthening country ownership, domestic resource mobilization, achieving programmatic results in an efficient, non-duplicative manner, supporting critical health reforms at the country level, improving overall impact of Global Fund investments, and strengthening sustainability of health systems and national responses.

3. Figure 1 below describes the phases and sub-processes of blended finance transactions. Given the fundamentally different nature of blended finance in comparison to regular grants (which, depending on the modality, often involves the Global Fund making a joint investment with a development finance institution rather than contracting a Principal Recipient directly under a Grant Agreement), there are differences in how some standard grant life cycle processes are considered during the development, review, approval, and

[225] As cited in the current Global Fund Strategy and in prior reporting to the Global Fund Board (e.g., Structured Approach to Innovative Finance).

implementation of Blended Finance transactions, as highlighted below. In addition, different Global Fund sources of funds (e.g., allocation funding, Strategic Initiative Funding) may require specific sub-process steps and consideration, but each stage set out below is broadly applicable to all blended finance transactions.

Figure 1: Blended finance process diagram



4. **Key principles:** All blended finance investments must adhere to the following principles:
   a. Implement blended finance in an "**impact driven**" manner, where there is clear synergy and complementarity with the intended results of Global Fund grants.
   b. Follow the core Global Fund principle of **country ownership**, including meaningful engagement of all national stakeholders.
   c. **Strengthen alignment** with development partners, in line with aid effectiveness principles, country needs and requests for more aligned approaches to financing of shared priorities.
   d. Follow **strong due diligence** during transaction development, review and implementation including **independent technical reviews** to maximize the impact of Global Fund resources.
   e. Aim for **streamlined approaches** to reduce transaction costs for countries, partners, and the Global Fund Secretariat.
5. **Sources of funding:** There are different sources of Global Fund funding that can be used for blended finance transactions, including but not limited to[226]:
   a. *Allocation funding:* allocation funding may be used to fund blended finance transactions through the funding request submission; or through the reinvestment of savings to fund activities included in the Register of Unfunded Quality Demand (UQD)[227].

[226] Should other sources of funding be identified for blended finance efforts, use of those funds will follow the guidelines associated with the additional sources of funds.
[227] *Portfolio Optimization (PO):* blended finance transactions are eligible for Portfolio Optimization, where proposals will be reviewed in accordance with the *Global Fund's prioritization framework*. Under this framework they can be prioritized as a mechanism to strengthen the sustainability of Global Fund investments and national programs, where strategic investments could complement additional resources from domestic and other sources, such as blended finance and joint investments.

b. *Catalytic Investments, including Strategic Initiatives (SI):* catalytic investments may be leveraged to support blended finance. This includes, but is not limited to, Strategic Initiatives specifically focused on health financing and/or innovative finance.

6. Irrespective of the source of funds used, blended finance transactions can be identified and developed during funding request stage (included in the budget and/or in the PAAR submitted to the Global Fund) or during grant implementation (through the reinvestment of savings to fund activities included in the UQD register or through the updating of the PAAR and UQD register).

Operational Policy

7. This Operational Policy Note (OPN) provides guidance for all Global Fund stakeholders considering, designing, approving, and implementing Global Fund blended finance investments based on the general parameters described in the Board-endorsed *Global Fund Strategy*, the Audit and Finance Committee (AFC) endorsed *Structured Approach to Innovative Finance*, and the Global Fund's Framework for Joint Investments in Blended finance. It defines the key principles and requirements of blended finance transactions, and standardizes the processes for developing, reviewing, approving, and implementing blended finance investments.

8. This OPN is designed only for blended finance and does not cover the broader array of possible Innovative Finance transactions outlined in the Global Fund's *Structured Approach to Innovative Finance* (e.g., Debt2Health, outcome based financing, etc). The OPN includes principles that should be adhered to if Payment for Results (PfR) modalities are used in the context of blended finance investments. These PfR principles are materially consistent with other PfR-related operational policy[228], and should be the primary reference for reviewing PfR modalities when included in blended finance transactions, which often rely on the PfR approaches of partners organizations. When reviewing blended finance transactions that include PfR modalities, this OPN should be the primary source of reference for CTs.

IDEATION – Scoping and identification of blended finance transactions

Identify opportunity, manage pipeline and define transaction team

9. Blended finance transactions can be identified either by i) countries during country dialogue and/or Funding Request (FR) development processes, with support from partner organizations, and Global Fund Secretariat stakeholders (including Country Teams and Health Finance Specialists); or ii) throughout the grant lifecycle by countries and/or the Global Fund Secretariat via ongoing engagement with countries and development partners. In addition to this, the Secretariat may identify opportunities for blended finance during other ongoing planning processes for the investment of Global Fund financing, such as Strategy development or planning for future allocation cycles.

10. Once a potential blended finance opportunity has been identified, it is included in the pipeline of blended finance transactions, which is managed by the Health Finance Department (HFD) and periodically shared with the Innovative Finance Approval Committee (IFAC) and Technical Review Panel (TRP). The purpose of this information sharing is to keep the IFAC and the TRP members informed and updated about potential transactions that would come for their review at later stages. Maintaining a pipeline of potential transactions allows for increased visibility by the Secretariat and the TRP on the scale, scope, and focus of blended finance transactions across the Global Fund portfolio.

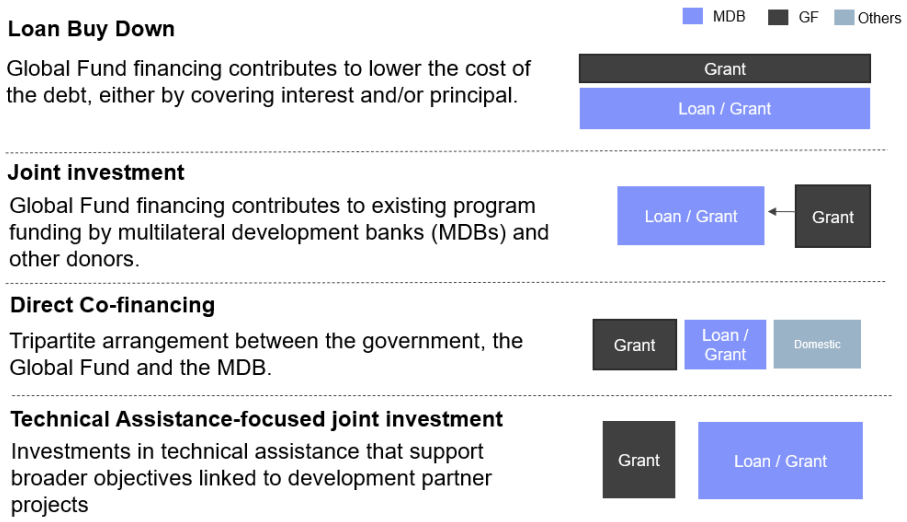
[228] Existing guidance on cost inputs and related finance requirements for Payment for Results are outlined in the Payment for Results section of the Guidelines for Grant Budgeting.

11. The Transaction Team[229] is set up by the Fund Portfolio Manager (FPM) as a cross-functional team that leads the development of deliverables necessary at ideation, incubation and maturity stages of the blended finance transaction, signing-off on final transaction specific documentation prior to IFAC reviews. Detailed responsibilities of the Transaction Team are defined in the *Operational Procedures*. The Transaction Team also engages with partners in-country (as needed) as indicated in Section A2.2 below.

Identify transaction modality and implementation arrangement

12. In relation to the transaction modality, The Global Fund's blended finance efforts primarily consist of four types of transactions as per Figure 2 below:

Figure 2: Modalities of blended finance transactions



13. In **loan buy-down transactions (LBD)**, the Global Fund finances repayment of a credit or a concessional loan from a partner organization to a Government, "buying down" the costs of that credit or loan. The "buy down" makes the cost of borrowing more attractive and affordable to the country, helping support additional, needed domestic investments and/or reforms in health systems and/or national responses. In this modality, the Global Fund signs a legal agreement with and disburses its investment to the partner organization providing the loan and relies on the partner organization to make disbursements to the recipient conditioned on results pre-defined in collaboration with the Global Fund.

14. In **joint investments**, the Global Fund contributes to existing program funding (loans or grants) by a partner organization and potentially other donors. The goal of joint investments is often to influence the scope of existing funding to better support the three disease and RSSH objectives. In this modality, the Global Fund signs a legal agreement with and disburses its investment to a partner organization providing existing funding and relies on the partner organization to make disbursements to the recipient conditioned on either agreed upon budgets and/or results pre-defined in collaboration with the Global Fund.

15. In **direct co-financing**[230], the Global Fund contributes funds to a project or program that is jointly funded and coordinated with a development finance institution and the country through a tripartite arrangement. There are three ways that the Global Fund does this:

[229] The Transaction Team is generally composed of the Fund Portfolio Manager (FPM) and Disease Fund Manager (DFM) if applicable, Health Finance Specialist (HFS), Legal Counsel, Finance Specialist, Health Financing and Risk Management Advisor (Blended Finance focal point), and Risk Management Specialist, and other Country Team members as per the FPM's discretion. Blended Finance focal points from Legal and Finance (who are familiar with the Global Fund's blended finance approaches) support the transaction team as needed.

[230] Please note that this terminology is reflected here because it is the terminology included in the Global Fund's Framework Agreement with the World Bank, which helps to support direct co-financing with the World Bank. Other partners may use different terms.

a. **Parallel co-financing:** when Global Fund and partner organization fund different / complementary components; the Global Fund signs its own Grant Agreement and disburses directly to a PR as per the Partners' Results Framework and the Global Fund's Performance Framework agreed with both the partner organization and the PR.

b. **Joint co-financing:** when Global Fund and partner organization pay for and/or procure the same activities in an agreed proportion; the Global Fund signs its own Grant Agreement and disburses directly to a PR as per the joint Results Framework agreed with both the MDB and the PR.

c. **Program co-financing:** The Global Fund signs a legal agreement with the PR. Funds are co-mingled with those of the partner organization and those of the recipient government; thus the funds are not expected to be traced to specific expenditures to the same extent as other direct co-financing modalities.

In all of these direct co-financing transactions funds from the Global Fund flow directly to the Principal Recipient (PR) / implementer, which is also the implementer of the project/program from the partner organization side.

16. In **technical assistance-focused joint investments**, the Global Fund finances the provision of technical assistance by a partner organization in a specific country directly in the context of supporting the development of a broader blended finance project or improving its effectiveness. This may include analytical work, sector dialogue, project design or implementation support to assist in either the scoping, development, evaluation, or broader effectiveness of partner loans. The materiality of these transactions and the level of risk are often less than in regular blended finance transactions. As a result, these transactions follow a differentiated IFAC review process as indicated in Section A.2.1.

17. Selecting the transaction modality for a blended finance investment influences considerations related to costs of transactions, assurance mechanisms, legal agreements, among others. Therefore, identification and selection of the transaction modality and how the Global Fund resources will be invested in the transaction is a primary technical discussion which should take place as early as possible, ideally before the incubation stage. If the Transaction Team has enough information to make a decision on the transaction modality prior to IFAC's pre-screening, it should be presented for validation or through a list of potential options for IFAC's steer.

18. Following the identification of a blended finance transaction, the FPM, with support from other members of the Transaction Team as needed, identifies what is the most appropriate implementation approach for the blended finance transaction, taking into consideration the transaction modality (more specifically, whether the Global Fund funding for the blended finance transaction would flow directly to the implementer/Principal Recipient or to the partner organization) and the source of funds.

19. The Country Team may decide to integrate the blended finance transaction into an existing grant or establish a new grant, depending on the transaction modality and the source of funds. For direct co-financing cases, there may be an existing Global Fund grant implemented by the PR that can be used to implement the transaction. In such cases, the blended finance transaction can be integrated into the existing grant during funding request or grant-making or grant-implementation depending on when the opportunity is identified.

INCUBATION – IFAC pre-screening and initial transaction development, including addressing key technical areas

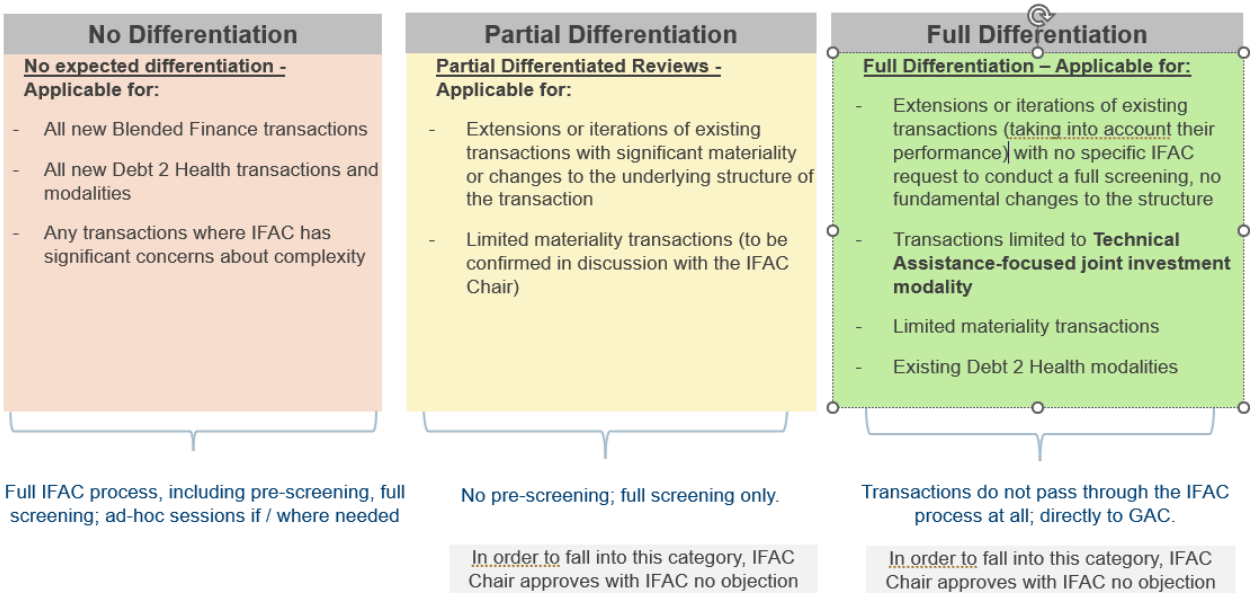
IFAC pre-screening (if applicable)

20. As the Transaction Team advances in discussions with partners on a blended finance transaction, they prepare the required documentation for conducting a preliminary consultation with IFAC. At this stage, a pre-screening memo is prepared outlining the main characteristics, initial transaction modality and structure, programmatic rationale, and the likelihood of success of the proposed blended finance transaction.

21. The IFAC pre-screening is designed to allow Senior Management at the Secretariat to provide steer at the early stages of transaction development. The pre-screening is an opportunity to outline to Senior Management the high-level details of the potential transaction, such as partners involved, sources of funding, programmatic rationale, non-standard exceptions envisioned, early understanding of risks and assurance considerations, and the internal consultations and stakeholder engagement to date. IFAC pre-screenings (including any steer and / or objections from IFAC) help focus the attention of the Secretariat (including CTs), country, and partner stakeholders on those transactions that are the most viable / feasible to develop, approve, and implement.

22. All blended finance transactions pass through this initial "pre-screening" phase, unless specifically exempted as per the differentiation process outlined in Figure 3. IFAC can perform a differentiated review based on a variety of factors, including novelty, materiality, considerations on the modality, complexity / risks, and performance of existing transactions. Figure 3 outlines this differentiated approach.

Figure 3: Overview of IFAC differentiated review:



23. For transactions that require IFAC pre-screening as per Figure 3, the pre-screening is conducted during the incubation stage once the Transaction Team has gathered enough information on key parameters of the transaction for IFAC to provide meaningful steer (e.g. partner investments, partner loan development timing, programmatic alignment, rationale, likelihood of achieving the expected results, implementation arrangements, etc.). While there is flexibility on the timing of the IFAC pre-screening, it should ideally take place prior to the independent technical review (Section A.3.1), where possible, to prevent transactions that are not operationally feasible from being formally submitted for independent technical review.

24. The possible outcomes following IFAC pre-screening are “recommended”, “recommended with comments” or “transaction not recommended for continuation”. If the transaction is “recommended with comments”, these should be addressed before the IFAC full screening[231] and the full screening should include how these have been addressed. If the transaction is “not recommended for continuation”, the Transaction Team discontinues the development of the blended finance transaction at least until there is a significant change in the context that might constitute an opportunity for reconsideration.

25. Following initial endorsement from the IFAC, the Transaction Team continues with the development of the transaction, incorporating any steer from IFAC received from the screening process, which is addressed in full by the time the Full Screening is conducted (see “Maturity” stage, Section A.3).

CCM[232] engagement and endorsement (if applicable)

26. Regardless of how opportunities are identified, all blended finance investments are reviewed by in-country stakeholders through multi-stakeholder inclusive consultations, including with CCMs. By default, loans (which are often included in blended finance transactions) have to be approved by Ministries of Finance, so there is strong country engagement and endorsement on blended finance transactions. This focus on in country consultation reflects the Global Fund’s core principle of country ownership.

27. During incubation, the Transaction Team is expected to engage in consultations with in-country stakeholders as per standard grant life cycle processes. The level of engagement and the stakeholders involved will depend on the transaction modality, the stage of development from the partner side and contextual factors. In the specific case of direct co-financing transactions (see paragraph 14), the Global Fund’s existing or nominated PR (as applicable) may be consulted during the development of the blended finance transaction if it is expected to play the role of the implementer. The Transaction Team is also expected to engage with technical partners to ensure alignment with country specific strategic priorities and to leverage their technical expertise, data and/or country/disease specific knowledge as a qualitative input, as needed.

28. When the development of the blended finance transaction takes place during Funding Request stage, CCM engagement follows the regular processes described in the OPN on Design and Review of Funding Requests. This includes CCM endorsement[233] of the transaction as part of the Funding Request submission process.

29. When the development of the blended finance transaction is done during grant implementation, CCM endorsement should follow processes described in the OPN on Design and Review of Funding Requests and in the OPN on Revise Grants, as applicable. This includes CCM endorsement[234] of the grant revision or updates to the PAAR, if such transaction has not been endorsed by the CCM earlier.

30. For transactions not financed by the Global Fund allocation, CCM engagement will vary. While dialogue with in-country stakeholders is essential overall, only transactions financed

[231] In exceptional circumstances, if the IFAC deems that there was not enough information to complete the pre-screening review, the transaction can return to the pre-screening based on IFAC recommendation.
[232] Throughout this OPN, references to CCM include any Regional Coordinating Mechanism (RCM), Regional Organization (RO) or other applicant, as applicable.
[233] Endorsement by each member of the CCM (or RCM for RCM applications) shall be provided. For RCM applications, endorsement must also be provided for each country represented in the program by: (i) CCM Chair and (ii) civil society representative if the CCM Chair is the representative of the Government, or the representative of the Government if the CCM Chair is the representative of the civil society.
[234] Endorsement must be provided by: (i) the CCM Chair and (ii) the civil society representative if the CCM Chair is the representative of the Government, or the representative of the Government if the CCM Chair is the representative of the civil society. With respect to endorsement by the CCM Chair, in the absence of the CCM Chair, endorsement by the Vice Chair is acceptable if in line with the CCM’s governing documents.

by the Global Fund allocation must be formally endorsed by the CCM during development[235].

Define technical aspects of the transaction, including: *PfR considerations; Partner and Global Fund joint timeline; Identification and implementation of Technical Assistance (TA)*

31. Following IFAC pre-screening, the Transaction Team should address the following technical focus areas before proceeding to maturity stage and completing the independent technical review:

Payment for Results considerations

32. Blended finance transactions may include PfR approaches by the partner organization (e.g., through the adoption of Disbursement Linked Indicators (DLIs), Performance-Based Conditions (PBCs), or other modalities used by partners to disburse against results). In these cases, the PfR aspects of the blended finance transaction should focus on the appropriate results; payment / disbursement decisions should be based on appropriate verification of those results; any risks related to the PfR elements of the transaction should be identified during review and approval processes; and due diligence reviews of the capacity of assurance providers should be a priority.

33. Design and review of the PfR aspects of the transaction should follow all of the following principles highlighted below. However, given the nature of blended finance transactions, the review of these principles will often rely in part or significantly on the systems and/or processes of the partner:

    a. *Programmatic Focus:* The PfR aspects of the transaction must seek to improve programmatic performance and be specifically focused on the programmatic objectives underpinning the rationale for the transaction and/or the part of the transaction specifically supported by the PfR mechanism. When the blended finance transaction retains Global Fund specific reporting (i.e., in the case of direct co-financing investments), the PfR targets should be aligned with the grant performance framework and the partner organizations' corresponding Results Frameworks.

    b. *Sustainability:* The PfR aspects of the transaction should leverage local systems, avoid fragmentation, and align to operational realities wherever possible.

    c. *Value for Money:* The PfR aspect of the transaction should be developed taking into account Value for Money considerations.

    d. *Due Diligence:* The PfR aspects of the transaction must be based on due diligence of the targets intended to be achieved, including the capacity of implementers and verification entities involved in verifying those results, where possible leveraging national entities and national reporting systems.

    e. *Assurance:* The PfR aspects of the transaction should be adequately assured to confirm that risks are being effectively mitigated and that Global Fund contributions are used for purposes intended, as defined by the terms of the contractual agreement with the partner organization.

Partner and Global Fund joint timeline

34. The maturity of a partner project, the stage of development and how quickly the transaction is expected to be approved will impact the Global Fund's approach to transaction development. Therefore, during the incubation stage the Transaction Team should align with the partner on the stage of development of the project, and the timeline for partner approval. This will impact the extent to which the Global Fund can influence the design and structure of the partner project, the type of independent technical review, and the timing of

[235] Noting that in case of a new separate grant agreement, the CCM would still endorse via signature / acknowledgement of the grant, in line with footnote 11 above.

internal review processes. Timelines can vary greatly depending on the specific project, and should be outlined very early in the development of the transaction.

Identification and implementation of technical assistance to support development of the transaction

35. Technical assistance may be required to support the development of a transaction, such as definition / scope of DLIs or other PfR mechanisms, assessment of specific technical areas that should be supported by the transaction, evaluations of existing technical areas or performance, etc. Therefore, identifying whether any technical assistance to support the development of the transaction and the Global Fund's contribution should be a focus of the incubation stage, including the identification of necessary financing (where required).

MATURITY - independent technical review and IFAC full screening

Independent Technical Review

36. All blended finance transactions include an independent technical review to ensure investments are well placed to strengthen impact and sustainability, in line with all Global Fund investments. Where possible, these are aligned with standard grant life cycle processes for independent technical review. Figure 4 below summarizes the approach to Independent Technical Reviews, which is based on: i) the stage of development of the partner project (i.e., early or late[236] - depending on how advanced and defined the partner project is and the extent to which the Global Fund can still influence the project structure and focus); and ii) the grant lifecycle stage (i.e., funding request or grant implementation). When the source of funding is the Global Fund allocation (including Portfolio Optimization funding)[237], the Technical Review Panel (TRP) plays a primary role in the technical review, either through a joint review with development partners or through a stand-alone TRP review. Where possible and where the partner organization is willing to, joint reviews with the TRP are encouraged to ensure aligned approaches to the financing of shared priorities, reduce duplication, and foster more streamlined transaction development.

37. Key principles that underpin the independent technical review include:

    a. maintaining a strong and independent focus while adjusting the approach to streamline and eliminate duplication;

    b. pursuing meaningful and where possible early engagement to ensure the review can substantively shape the investment; and

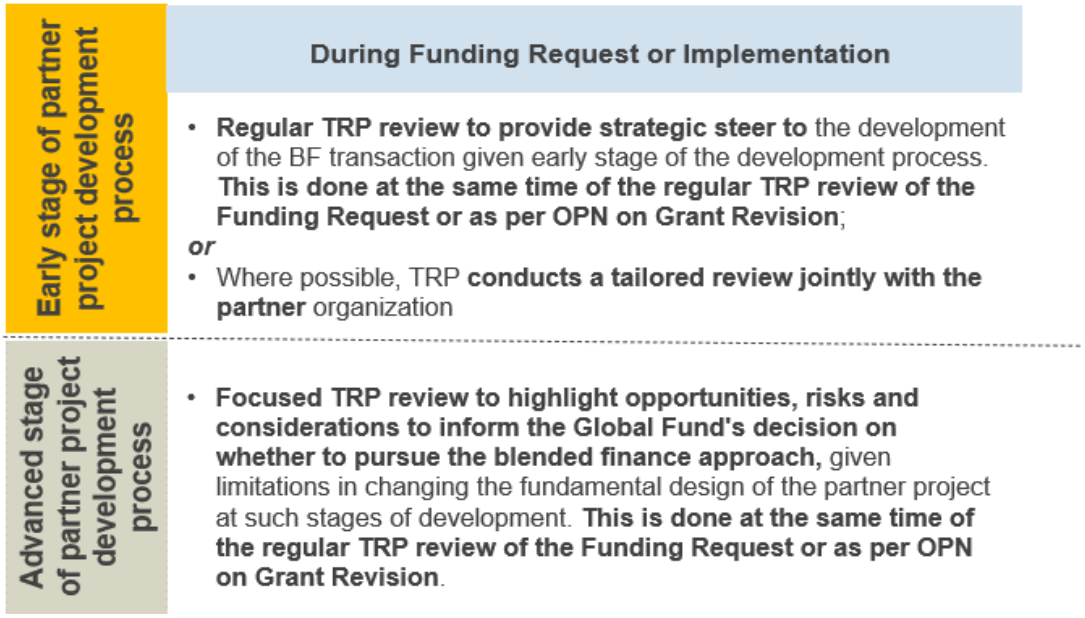
    c. identifying opportunities for learning to continue strengthening the quality and impact of blended finance transactions.

38. TRP review is based on both Global Fund specific documentation required for the Funding Request as well as information on the partner project. This includes: the FR narrative, budget and/or PAAR, partner specific documentation that describes the partner project, and any supporting information related to the national response or context. To reduce duplication, in some cases, the Global Fund Secretariat may agree with the TRP to submit only partner documentation (in lieu of the Funding Request), especially if a significant percentage of the allocation is being used for the BF transaction.

Figure 4: Overview of independent review approaches based on the stage of partner project development process:

[236] While the Global Fund prefers to engage on a blended finance transaction in the early stages of the development of the partner project where the design / development can be meaningfully influenced, there are situations where a late stage engagement can still strengthen impact, even without changing the fundamental design. For this reason, both options are available in blended finance transactions.

[237] If earmarked funds become available to support blended finance transactions in the future, the independent technical review of these transactions should follow the specific rules that would apply to those funds. In general, technical review of blended finance transactions should seek to minimize duplication of efforts. For transactions funded with existing or future catalytic funding, the independent technical review of the investments should follow the applicable rules for the use of those funds.



39. In the majority of blended finance transactions, Global Fund investments represent a small percentage of the overall transaction. When a greater percentage of the overall transaction is funded by the Global Fund, this may require more in-depth review by the Secretariat and TRP, but this will be determined on a case-by-case basis given the exceptional nature.

During Funding Request Submission

40. **Early stage of the partner project development process:** the TRP either (i) reviews the blended finance transaction at the same time of the regular TRP review of the Funding Request or (ii) the TRP conducts a tailored review of the blended finance transaction jointly with the partner organization, where possible. When it is done jointly with the partner organization, this tailored review would be done through the engagement of TRP reviewers in the review processes of partner organizations to provide their inputs and recommendations for consideration. TRP reviewers involved in this tailored review should represent a broad set of skills, including, but not limited to, health financing, health systems, relevant disease experts and equity, human rights and gender, reflecting the technical skill-sets critical to HIV, Tuberculosis, Malaria responses and RSSH. In general, a TRP RSSH expert should be systematically involved in the reviews.

41. **Advanced stage of the partner project development process:** If the partner project is in the advanced stages, it means it has already undergone an independent technical review by the partner and significant country level discussions, limiting the types of recommendations that are feasible to implement and limiting the extent to which the fundamental design and focus can be materially changed. As a result, in this case, the TRP review focuses on highlighting opportunities, risks and considerations to inform the Global Fund's decision on whether to pursue the blended finance transaction at the same time of the regular TRP review, given limitations in changing the fundamental design of the partner project at this development stage. This review focuses on ensuring that the proposal is technically sound and strategically focused to inform the Secretariat's decision-making rather than on detailed recommendations that may not be possible to implement.

During grant implementation:

42. **Early stage of the partner project development process:** the TRP conducts its regular review for programmatic revisions that require TRP input as per OPN on Revise Grants, or conducts a tailored review jointly with the partner organization (where possible).

43. **Advanced stage of the partner project development process:** Similar to the scenario described in Section A.3.1 above, in this case, the TRP review focuses on highlighting

opportunities, risks and considerations to inform the Global Fund's decision on whether to pursue the blended finance approach. This review focuses on ensuring that the proposal is technically sound and strategically focused to inform the Secretariat's decision-making rather than on detailed recommendations that may not be possible to implement. At both stages, the TRP may require additional time for UQD reviews of blended finance transactions, given the complexity.

Finalize technical aspects of the transaction and submit for IFAC review

Analysis and independent opinion of assurance providers and implementers proposed by partner organization:

44. Implementation of blended finance transactions relies heavily on programmatic, financial and other assurance provided by partner organizations and/or the country level entities used by those partners (which are often national institutions), including implementers used by the partner organization. As such, blended finance transactions require strong understanding and analysis of assurance providers and implementers to understand the key risks / risk-tradeoffs of undertaking the investment. A key part of the Maturity Stage is the analysis and development of an independent opinion from the Secretariat on the appropriateness of the proposed assurance providers and implementers used in the blended finance transaction. This analysis is based on the review of the assessment conducted by the partner organization (which is shared with the Global Fund)[238] as well as other required additional analysis, and any risks that may result from the use of these entities. While this varies depending on the transaction, it is likely to include an analysis of:
    a. the entities involved in the verification of programmatic results (particularly in the context of PfR investments),
    b. the entities providing financial and fiduciary assurance (including Supreme Audit Institutions) for the resources involved in the transaction,
    c. the entities involved in audits and investigations, and
    d. the implementers of key interventions / activities. This includes an understanding of the characteristics and capacities of these entities, as well as past performance (particularly when they have been used in previous projects by the partner or by the Global Fund, where relevant).
45. This assessment should be prepared by the Transaction Team and included in the Full Screening, reviewed and approved by IFAC. While partner documentation can, should, and often will be used to inform the assessment (particularly given that Global Fund partners may conduct thorough assessments on financial management / fiduciary considerations, environmental and social considerations, risks), the Secretariat's review is designed to provide an independent understanding of the assurance providers / implementers and any risks that could results from their use.

Finalization of the Partner Results Framework[239] and associated indicators, including verification protocols:

46. A key focus of the maturity stage is the review of the partner results framework and associated indicators (building on the independent technical review, which also includes a focus on these indicators) detailed in partner projects and negotiated with the partner and country, including the methods of verification that will be used to verify results.

[238] Transaction Teams can refer to examples of analyses done from past transactions to guide these assessments. Further guidance related to the review of implementers and assurance providers in the context of blended finance transactions is forthcoming.
[239] For specific transactions that retain Global Fund specific reporting (such as co-financing transactions through a Framework Agreement with the World Bank), customized templates from grant reporting (including Transaction Specific Performance Framework, and Detailed Budget) should be developed by the CT with the support from Health Finance Specialists ahead of IFAC full screening.

Development of differentiated grant reporting documentation including Performance Framework and Budget (where applicable)

47. For certain blended finance transactions that may retain Global Fund reporting (e.g., in the case of a direct co-financing modality pursued with allocation funding) transaction specific, differentiated versions of the Global Fund's Performance Framework and Detailed Budget should be prepared.

Development of risk trade-off analysis

48. Blended finance transactions must carefully balance risks involved in the transaction with rewards of the potential investment, particularly given that the Global Fund relies more heavily on partner organizations to manage many of the overall and implementation risks. As such, a key focus of the maturity stage is the development of a risk-trade-off analysis, highlighting the key risks associated with the transaction and how those compare to the expected benefits. This risk-trade off analysis should consider: a) the overall risks associated with the portfolio (building on country specific analysis included in the Global Fund's Integrated Risk Management Tool); b) the specific risks associated with the design of the transaction and modality (such as verification of results in PfR mechanisms; capacity of implementers and assurance providers; previous performance, etc.); c) risks related to the programmatic achievement of results; and d) any other risks. The risk trade-off analysis may build on the risk analysis conducted by partner organizations but must be an independent Secretariat assessment.

Identification of expected fees and administrative costs

49. The partner organization is expected to provide a certain set of services as part of the transaction, which often result in fees and operational costs. As part of the maturity stage, the Transaction Team discusses with the partner any potential costs associated with the investment, including related to: a) confirmation that fees are in line with standard fees associated with the partner organization and in line with previous precedents for other blended investments with that partner; b) clarity on how the overall costs link to the services provided by the partner (i.e., what the fees "pay for"); and c) how / if the Secretariat is confident that the overall costs represent value for money given the nature of the transaction and investment. Documentation on the expected costs should be included in the Full Screening memo.

Development of legal agreement with the partner organization

50. Legal agreements with partner organizations cover many of the most important details of the transaction, including the Global Fund's rights and obligations. This includes disbursements, financial and programmatic reporting, claw back clauses, etc. While some of the details of legal agreements with partner organizations are standard, modifications may be included based on the specific transaction. A draft, formal contractual agreement is prepared by the Transaction Team (led by the Legal focal point) and negotiated with the partner organization before proceeding to IFAC Full Assessment. Acceptable modifications to standard agreements will vary based on the partner organization and must be discussed with the legal focal point and CT legal counsel during the maturity stage. Following the IFAC full review, this contractual agreement should be aligned with the transaction details reviewed by IFAC, and any transaction specific recommendations made by IFAC. The final legal agreement with the partner must be negotiated prior to GAC approval.

51. All blended finance transactions must pass through a full screening assessment by the IFAC, prior to GAC approval (except when exempted as per the differentiation process described in Section A.2.1). A Full Screening memo is developed by the Transaction Team summarizing and discussing criteria relevant to IFAC review of the proposed transaction, building on any initial steer provided by the IFAC during the pre-screening process. This includes information on:

a. Final transaction structure and modality

b. Rationale for the investment and programmatic overview, including the results frameworks and programmatic indicators

c. Assurance considerations and analysis

d. Risk trade-off analysis, including analysis of key risks

e. Fees and costs associated with the transaction

f. Required deviations to Global Fund operational policies (to be approved by IFAC[240]) if not included in the standard flexibilities

g. Relevant Annexes – including relevant partner project documents and draft legal agreements

h. Standard grant documents (Performance Framework and Budget if and when applicable – i.e., when a blended finance transaction retains Global Fund reporting).

i. TRP review outcome (where and when applicable)

OIG engagement

52. During the development of the IFAC full-screening assessment, the Transaction Team engages the Office of the Inspector General (OIG) to provide their insights on the blended finance transaction. The OIG is an invited guest to full IFAC screenings and provides inputs into the development of blended finance transactions, particularly related to considerations around assurance and potential risks. In general, OIG engagement should begin at the time of the IFAC pre-screening and continue as part of the transaction development process during the maturity stage.

IFAC full-screening (if applicable)

53. The IFAC full-screening consists of a detailed review of the final transaction, including the elements outlined in point 46 above. Based on the review of the full screening documentation, the IFAC either recommends a transaction for GAC approval, with specific recommendations for GAC consideration, or requests additional iteration by the Transaction Team and further IFAC review. During IFAC meetings, IFAC member consensus is required for transaction recommendation to the GAC and any deviations to operational policies.

54. Blended finance transactions require standard flexibilities to Global Fund operational policies, which IFAC reviews[241] during the full screening and approves as part of the recommendation of the transaction for GAC approval. Deviations to operational policies are approved by IFAC and then reported by the IFAC to the Executive Grant Management Committee (EGMC), as per the delegated authority of IFAC.

TRANSACTION FINALIZATION – GAC and Board approval, agreement activation and disbursement of funds to partner organization

GAC and Board Approval

55. Following the IFAC full screening and recommendation to the GAC, the transaction is submitted to the GAC as per standard grant life cycle processes for GAC review and request for Board approval.

[240] The Executive Grant Management Committee (EGMC) has delegated authority to IFAC to approve operational policy deviations required for transactions recommended for approval by IFAC. IFAC-approved operational policy deviations shall be reported by the Health Financing Department to the EGMC, via email, for each IFAC recommended transaction. Reporting to the EGMC shall consist of brief citation to the recommended transaction and attachment of the applicable transaction Screening Assessment supporting IFAC approval.

[241] In line with the EGMC's delegation to the IFAC on 15 December 2022

56. To reduce duplication in review processes, a formal recommendation and report are prepared and submitted by the IFAC Secretariat to the GAC, indicating IFAC's conclusions and identifying any remaining areas of consideration for the GAC. GAC review should focus only on the issues not resolved by IFAC, including any specific items that are flagged by IFAC for GAC discussion and any issues which are within the mandate of the GAC, including but not limited to: a) engagement with GAC partners; b) addressing any pending actions at the time of IFAC review; c) formal reporting to the Board; d) TRP recommendations or necessary engagement with the TRP;

57. Pre-GAC is given visibility of every blended finance transaction submitted for GAC approval. Since significant due diligence is done prior to IFAC review, the pre-GAC review focuses primarily on areas identified by IFAC that need to be addressed by the GAC, including any unresolved issues as well as the appropriate framing and process for GAC approval. The IFAC Chair and/or Secretariat works with the GAC Secretariat to identify the appropriate process for GAC review, including whether the transaction should go to a Plenary GAC, Executive GAC, or should undergo electronic GAC review and approval.

58. Documentation required for GAC submission may vary based on the source of funding and type of agreement being signed with partner, but should include:

    a. IFAC full screening assessment and other documentation reviewed by IFAC

    b. Final legal agreements with partners (such as Administrative Agreements)

    c. Partner concept note / funding request or equivalent (such as World Bank PAD) and any other partner documentation that is materially relevant to the blended finance transaction

    d. Grant Making Final Review Form (if new grant) or Form B (if grant revision)

    e. TRP Review and Recommendation Form (when applicable)

    f. Global Fund grant documents (if applicable), such as Detailed Budget, Performance Framework, etc.

59. If the transaction is funded through the allocation or PO, the GAC submits its recommendation for Board approval as per standard processes. All blended finance transactions follow standard Board approval processes for Global Fund grants.

Sign legal agreement and disburse funds

60. Once a blended finance transaction is approved by GAC (if SI-funded) or the Board (if funded through allocation/PO), the legal agreement can be signed.

IMPLEMENTATION – Blended finance transaction differentiated implementation oversight, reporting and evaluation

Differentiated Oversight & Reporting Requirements

Programmatic and financial reporting

61. During implementation, it is expected that partners involved in the blended finance transaction will play a primary role in implementation oversight. The specific responsibility and focus of the CT's oversight role will be defined for each transaction, including as described in the contractual agreement with the partner organization and based on any recommendations by the IFAC, GAC, and/or TRP. Depending on the structure of the blended finance transaction, materiality, incremental risk and implementation arrangements, the CT's role may be adjusted and documented during the transaction review and approval stages. The contractual agreement should clearly state the extent of Global Fund access to programmatic, financial and other reports and data from partner organization.

62. Unless Global Fund reporting is retained (e.g., in the case of certain direct co-financing modalities pursued with allocation funding[242] where it should follow the OPN on Implementation Oversight), blended finance transactions are likely to require reporting consistent with partner policies, processes and platforms, which will be different from standard Global Fund grant-reporting (e.g., PU/DRs) and different from SI partner reporting (if the blended finance transaction is funded with SI funds). When blended finance legal agreements with partner organizations involve non-standard reporting, exception(s) to Global Fund standard reporting requirements are covered by the standard exceptions reviewed by IFAC.

63. Local Fund Agents (LFAs) are not expected to undertake the standard assurance role for blended finance transactions, unless specifically requested by the Country Team and/or recommended by IFAC / GAC during the approval process.

Annual Funding Decision and Disbursements

64. The approach for funding decisions and disbursements for blended finance transactions is described in the contractual agreements with the development partner (for example, the Administration Agreements with the World Bank). Once the contractual agreement is signed, the disbursement process will depend on the source of funds. Blended finance transactions will often require a bespoke funding decision and disbursement approach that deviates from standard Global Fund Annual Funding Decision and Disbursement (AFD) requirements, but also from the standard disbursement approach applied with partner organizations for SI investments (when SI funded). Bespoke funding decisions and disbursement approaches should be clarified during transaction structuring, including the necessary exceptions. In the case of direct co-financing modalities where the Global Fund disburses blended finance funds directly to the PR, standard Global Fund Annual Funding Decision and Disbursement (AFD)[243] requirements still apply.

65. If the AFD needs to be adjusted to align with the transaction reporting period and/or when transaction funding goes beyond standard AUP cut-off dates, flexibilities to the OPN on Annual Funding Decisions and Disbursements may be needed.

Country level engagement during implementation

66. Expectations for country level engagement by the Country Team are based on the approach agreed with the partner and could vary based on the transaction modality. This may include joint missions, public disclosure of progress reports and key findings, as well as involvement in recommending modifications during ongoing implementation.

Assurance report from partner organization

67. Legal agreements with partners may deviate from standard Global Fund grant Audit Rights and Access and will require standard flexibilities. For example, partner organizations might not provide for Global Fund access to books and records or incorporate Global Fund's Codes of Conduct, instead relying on their own policies and procedures. In any case, the legal agreement with the partner organization should require that the Global Fund is informed about the outcomes of any assurance review, audit or investigation it conducts within the scope of the blended finance transaction as per the terms of the contractual agreement.

Grant Revisions during implementation

68. Standard revision processes as per the OPN on Revise Grants still apply to blended finance transactions. In the case of parallel and joint co-financing, given that the Global Fund disburses against known expenditures or a share of the known expenditures agreed with the partner organization, grant revisions that affect the Global Fund portion of the blended

[242] In this case, reporting templates (e.g., PU/DR) should be aligned and consistent with blended finance transaction design.
[243] OPN Annual Funding Decision and Disbursement

finance transaction should be discussed and aligned with the partner organization before internal review of the proposed revision.

Closure of blended finance transactions

69. In the case of direct co-financing modalities, grant closure should follow regular processes and requirements as per the OPN on IP Reconciliation and Grant Closure. For blended finance modalities where a differentiated reporting is agreed with the partner organization (e.g., loan buy downs and joint investments), the only applicable closure requirement as per IP Reconciliation and Grant Closure is the Financial Closure Report (FCR), given that disbursements to Trust Funds are deemed as expenditures which allow to finalize the FCR.

Evaluation of blended finance transactions and ongoing learning

70. Ongoing evaluation and learning of blended finance transactions is critical to improving how blended finance transactions achieve Global Fund strategic objectives. As part of implementation of the blended finance transaction, Country Teams (with support of the Health Finance Department and other teams, where applicable) should work with partners to define opportunities for evaluation, including leveraging existing partner evaluation processes. This may include bespoke evaluations, mid-term evaluations, or other opportunities for understanding the impact of the blended finance transaction. In addition, the TRP plays an important role in ongoing learning on blended finance through their regular debriefs to countries, the Global Fund Secretariat, and partners following review windows and after each allocation cycle.

Specific Multi-Country Considerations

71. Multicountry grants refer to:

    a. grants financed through pooled country allocations (e.g., Multicountry Western Pacific and Multicountry Caribbean);

    b. regional grants financed solely through the Catalytic Investments – Multicountry Modality; and

    c. regional grants financed through a combination of pooled country allocations and Catalytic Investments (e.g., the Regional Artemisinin-resistance Initiative (RAI)).

72. Multicountry grants generally follow the same requirements set out in this OPN, with the following specific considerations:

    d. For multicountry grants, reference to CCM includes engagement of the RO (if applicable), RCM (if applicable) and CCM representatives of all countries included within the grant.

    e. The legal and political considerations and logistics of cross-border implementation are considered when tailoring LFA-services.

Annex 1. Requirement Levels by Portfolio Category

The table below defines the differentiated blended finance requirements for each portfolio category (High Impact, Core and Focused) and for Focused portfolio management models (Aligned, Targeted, Light, Legacy) for country and multi-country portfolios. While all deliverables linked to blended finance transactions are required across all portfolio categories, for Focused portfolios the role of stakeholders other than the CT (such as HF Specialists) in the development of these deliverables is expected to be higher to reduce workload on the CTs for these portfolios.

Blended finance Deliverables	**Requirement by Portfolio Category**				
		Focused			
	High Impact & Core	Aligned	Targeted	Light	Legacy
Identify opportunity, manage pipeline and define transaction team					
Blended finance opportunities included on the blended finance pipeline	R		R		
Transaction Team established	R		R		
Identify transaction modality and implementation arrangement					
Transaction modality identified (or options identified for IFAC's steer)	R		R		
Integration approach determined, based on source of funds, grant lifecycle and transactions modality	R		R		
IFAC pre-screening (if applicable)					
IFAC Pre-screening memo prepared where applicable (based on the differentiation criteria outlined in the OPN)	R[a]		R[a]		
Steer from IFAC for the development of the transaction, where applicable	R[a]		R[a]		
CCM (or RCM) endorsement (if applicable)					
Consultations conducted with relevant in-country stakeholders	R		R		
CCM (or RCM) endorsement for transactions using allocation funding	R		R		
Finalize technical aspects of the transaction and submit for IFAC review					
Partner and Global Fund joint timeline finalized	R		R		
Technical assistance to support development of the transaction (where applicable) identified and implemented	R		R		
Independent Technical Review					
Independent review conducted and outcomes shared with the Global Fund Secretariat (and with the partner organization, via the Global Fund Secretariat).	R		R		
Finalize technical aspects of the transaction and submit for IFAC review					
Analysis and independent opinion of Assurance Providers conducted	R		R		
Analysis and independent opinion of Implementers conducted	R		R		
Partner's Results Framework finalized	R		R		
Transaction specific Performance Framework and Detailed Budget developed	R		R		
Risk trade-off analysis developed	R		R		
Expected fees and administrative costs identified	R		R		
Legal agreement with partner organization(s) developed	R		R		

Full IFAC screening memo submitted (as applicable based on the differentiation criteria outlined in the OPN)	R[b]	R[b]
OIG engagement		
Inputs and decision on transaction, particularly in terms of assurance and risk	R[c]	R[c]
IFAC full-screening (if applicable)		
IFAC-recommended transaction	R	R
GAC and Board approval		
GAC-recommended for Board approval or GAC-approved transaction (as applicable based on the source of funding)	R	R
Board-approved transaction (as applicable based on the source of funding)	R	R
Sign legal agreement and disburse funds		
Signed legal agreement	R	R
Differentiated oversight and reporting requirements		
Differentiated oversight and reporting completed	R	R
Evaluation of Blended Finance transactions		
Ongoing evaluation and learning of blended finance transactions completed	R	R

Level of Requirements:
R= Required
BP = Best Practice
- = Not required

a: Pre-screening not required for transactions that qualify for partial or full IFAC differentiation (e.g., extension of existing transactions with material changes, TA-focused investments, etc.)

b: Full screening not required for transactions that qualify for full IFAC differentiation (e.g., extension of existing transactions without material changes, TA-focused investments, etc.)

Operational Policy Note

Grant Entity Data

Approved on: 11 November 2020, updated 16 March 2023
Approved by: Executive Grant Management Committee
Process Owner: Finance

Overall Objective

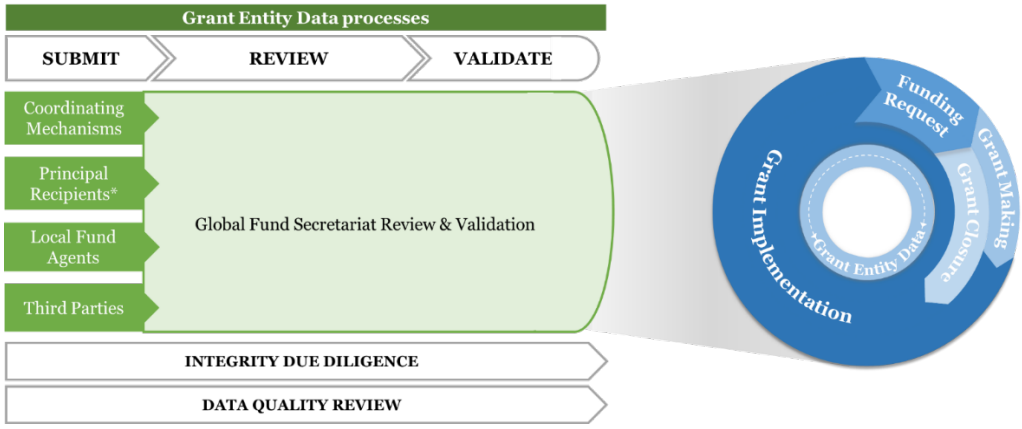
1. The grant entity data (GED) process[244] enables the efficient and effective delivery of all grant life cycle processes through use of accurate and updated information on Coordinating Mechanisms (CM)[245], Principal Recipients (PR)[246], Local Fund Agents (LFA) and third-party organizations (Third Party). These are Global Fund partners that are actively engaged in the grant life cycle and collectively referred to as "Grant Entities" in this OPN.
2. The GED process is facilitated through the Global Fund Partner Portal, an online platform that serves as a central point of information entry and document sharing.
3. GED refers to the 16 data sets presented in the diagram below. These data sets are critical to the execution of grant life cycle processes and may have legal and/or grant funding implications (i.e., used in the preparation of legal documents and/or release of Grant Funds)

[244] Formerly known as Master Data process.
[245] Throughout this OPN, references to CM include any Country Coordinating Mechanism (with or without CCM Funding Recipient), Regional Coordinating Mechanism (RCM), Regional Organization (RO) or other applicants, as applicable. In addition, unless defined in this OPN or the context otherwise requires, all capitalized terms used in this OPN shall have the same meaning set out in the Global Fund Grant Regulations (2014). For terms not defined in the Global Fund Grant Regulations, please refer to Annex 1.
[246] And Lead Implementer (LI), if applicable. LI arrangements are only applicable where a government implementer (such as the Ministry of Health) is not mandated to sign Grant Agreements per national laws or other reasons. In such cases, the mandated Government entity (such as the Ministry of Finance or Ministry of Foreign Affairs) signs the Grant Agreement as PR with the Government implementer (such as the Ministry of Health) acting as LI to lead grant implementation. LI arrangements do not change or waive the accountability and responsibilities of the PR for implementation of the grant under the terms of the relevant Grant Agreement. The LI role must be clarified in the Grant Agreement such as in the grant budget's Summary Budget. if an LI has been selected for expenditure tracking purposes. Please consult with the Country Team Legal Counsel for appropriate wording to be included as an attachment to the Summary Budget.

GRANT ENTITY DATA	PR*	CM	LFA	Third Party
Organization Information	✓	✓	✓	✓
Banking Information	✓			✓
Contacts with Signatory Rights	✓	✓	✓	
Contacts with Notice Rights	✓		✓	
Contacts with GED Access Rights	✓	✓	✓	
Contacts with Grant Deliverables Access Rights (Editor / Submitter)	✓		✓	

* And Lead Implementer if applicable (see footnote 3). The relevant GED for Lead Implementers are: Organization Information, Contacts with Notice Rights and Contacts with Access Rights. Lead Implementer GED are all non-Core GED.

4. The key steps for managing GED are presented in the following diagram:



* And Lead Implementers, if applicable.

B.Operational Policy

5. This Operational Policy Note (OPN) defines the principles, rules and requirements for the submission, review and validation, and data quality review of GED. It applies to country and multicountry portfolios and grants.

6. **Guiding Principles**

i. **GED Responsibility and Accountability**. Grant Entities are the source of their respective GED[247]. They are responsible and accountable for the integrity and quality of the data that they provide to the Global Fund, which includes ensuring its accuracy, completeness and overall compliance with the requirements of this operational policy. Grant Entities are responsible for defining and creating[248], updating and managing their own information. Global PRs[249] are also accountable for both their headquarters and country-level GED.

[247] Under the Data Governance Committee Terms of Reference and the Information Data Regulations, these entities are the "Data Owners".
[248] Except in cases defined in Submit GED section of this OPN.
[249] As defined in Annex 1.

ii. **GED Protection and Privacy**. GED containing personal data[250] which is submitted to the Global Fund is processed and stored in accordance with the Global Fund Privacy Statement and the Global Fund Personal Data Protection Regulations. These policies ensure the Global Fund abides by internationally recognized standards for protecting personal data. In turn, Grant Entities are responsible for processing personal data in compliance with the requirements on privacy and data protection contained in their contracts with the Global Fund.

iii. **GED Use**. Grant Entity Data is used, among other things, for the execution, monitoring and reporting of grant life cycle processes. The Global Fund Privacy Statement for Global Fund Grant Funding and Management Activities provides details on the various purposes for which GED may be used.

A. SUBMIT GED

7. The timely creation and updating of GED is crucial to support end-to-end grant life cycle processes, from funding request development to grant closure. This avoids unnecessary delays in preparing and signing grants, processing annual funding decisions and disbursements, among others. Grant Entities must take note of the milestones listed in the respective grant life cycle Operational Policy Notes and Procedures and plan their GED creation or updates accordingly.
8. **Applicable Rules and Requirements**. All Grant Entities must ensure the quality of their GED (i.e. that all required information is complete and accurate with accompanying supporting documents) and that they comply with the applicable rules and requirements for creating and updating GED.
9. **Creation and Update**. Each Grant Entity owns and is responsible for creating or updating their GED. However, the Global Fund Secretariat undertakes the creation of new organization information in all cases as new organizations do not yet have access to the Global Fund Partner Portal.
10. Depending on the type, GED is created and updated through the Grant Operating System (GOS) GED Module, the Global Fund Partner Portal (GED Module) and/or the Global Fund System (GFS). Grant Entity Contacts with Access Rights to the Global Fund Partner Portal are required to enter a verification code when logging into the Global Fund Partner Portal (Multi-Factor Authentication) and must agree to the Partner Portal Terms of Use.

B. REVIEW AND VALIDATED GED

11. **Review**. All GED submitted by Grant Entities undergoes a review process by the Global Fund Secretariat to ensure appropriate checks have been performed on information to be used in grant life cycle processes. The Country Team may also ask the LFA to perform in-country verification of GED of PRs and CCM.
12. The review process focuses on ensuring data quality, specifically:
    i. completeness of GED and supporting documents;
    ii. accuracy of information against submitted supporting documents;
    iii. and compliance with the GED requirements defined in this OPN.

[250] As defined in Annex 1.

13. **Validation**. Based on the review, GED will be validated by the following before being reflected in Global Fund systems:

Entity	Grant Entity Data	Validation
PR[251]	Organization Information	*Creation of new organization and update of official name*: Financial Services Team *Other organization updates*: ○ *Regular PR*: Country Team – Fund Portfolio Assistant or Analyst (FPA) or Program Officer (PO) ○ *Global PR*: PST Specialist or Associate Specialist
	Banking Information	*Creation*: Finance Specialist or PST Specialist or Associate Specialist (Focused Portfolios and Global PRs) *Update / deactivation*: Financial Services Team
	Contacts with Signatory Rights; Contacts with Notice Rights; and	Financial Services Team
	Contacts with GED Access Rights Contacts with Grant Deliverables Access Rights (Editor / Submitter)	*Regular PR*: Country Team – FPA or PO *Global PR*: PST Specialist or Associate Specialist
CM	Organization information	*Creation of a new CM organization and updates*: CCM Hub
	Contacts with Signatory Rights	*New Chair / Vice Chair / acknowledgment signatories and update of critical fields*[252] *for existing Chair / Vice Chair / acknowledgment signatories*: CCM Hub *Update of existing Chair / Vice Chair / acknowledgment signatories without critical fields edited*: Country Team – FPA or PO
	Contacts with GED Access Rights	CCM Hub
LFA	Organization information	LFA Coordination Team
	Contacts with Signatory and Notice Rights	
	Contacts with GED Access Rights Contacts with Grant Deliverables Access Rights (Editor / Submitter)	
Third Party	Organization information	Financial Services Team
	Banking information	
	Relationship between PR and Third Parties	

C. INTEGRITY DUE DILIGENCE

[251] And LI, if applicable. LI GED (Organization Information, Contacts with Notice Rights, Contacts with GED Access Rights and Contacts with Grant Deliverables Access Rights (Editors and Submitters) follows the validation process for Regular PRs.
[252] First Name, Last Name, Role, Recipient Status

14. In parallel with the review and validation process described above, the Global Fund Secretariat screens all Grant Entities against (a) international terrorism and (b) sanctions lists. The due diligence review is focused on screening of organization, banking information and contacts data against these lists. The Essential Due Diligence Procedure provides an overview of the process.

D. DATA QUALITY REVIEW

15. **Data Quality**. To ensure data quality, Grant Entities must undertake a regular (at least annual) comprehensive review and clean-up of their GED focusing on ensuring completeness, accuracy and compliance with GED requirements as well as removing duplicate records or outdated GED. In addition, the Global Fund will carry out a regular data check and cleansing exercise.
16. **Deactivate GED**. Where a GED record has expired or is no longer valid, it will be deactivated and archived by the Global Fund in accordance with the applicable Global Fund regulations on information and data (as amended from time to time) . Depending on the type of GED, the deactivation process can be initiated by Grant Entities.

C. Specific Multicountry Considerations

17. The standard approach defined above also applies to multicountry portfolios and grants. The Global Fund's Portfolio Services Team (PST) is responsible for the internal review of GED relating to Global PRs.

Annex 1. Definition of Terms

1. **Third Party Organization (Third Party):** A Supplier of services or goods who may receive direct disbursements of Grant Funds from the Global Fund. The Direct disbursements may either be requested by the PR or mandated by the Global Fund Secretariat in accordance with the OPN on Annual Funding Decisions and Disbursements[253].
2. **Global PRs:** refer to (i) all "United Nations" organizations, and (ii) "other Multilateral Organizations", "International Non-Government Organizations" and "International Faith-based Organizations" implementing in more than one country or multicountry.
3. **Organization information**: refers to information about the organization to be captured in the legally-binding documents for the successful execution of grant lifecycle processes (such as official name, address and legal / disbursement signatories).
4. **Banking Information**: provides details of the bank account that will be used to receive disbursements from the Global Fund (such as Bank Account Number, Account Holder Name, Legal Owner of the Bank account, SWIFT/ABA (where applicable) and IBAN (where applicable).
5. **Contacts with Signatory Rights**: refer to persons that are duly authorized by the organization to sign or acknowledge legally-binding documents and/or to sign disbursement requests.
6. **Contacts with Notice Rights**: refer to the persons that will serve as the contact point for Global Fund notices regarding contractual matters (as per the terms of the relevant Grant Agreement) and/or grant or portfolio-specific correspondences.
7. **Contact with GED Access Rights**: refers to the person that will have access to the Global Fund Partner Portal to manage GED.
8. **Contact with Grant Deliverables Access Rights – Editor**[254]**:** Contacts responsible for accessing, completing, and attaching grant deliverables (e.g., grant-making, pulse checks, PU/DRs) and any supporting documents through the Partner Portal. Editor rights are assigned per grant / portfolio[255], and one contact can be Editor for either one or multiple grants / portfolios.
9. **Contact with Grant Deliverables Access Rights – Submitter**[256]**:** Contacts responsible for submitting grant deliverables (e.g., grant-making, pulse checks, PU/DRs) to the Global Fund through the Partner Portal, in addition to having Editor rights (access, complete and attach).
10. **Personal Data**: means any information relating to a natural person who can be identified by such data, from such data and other information, or by means reasonably likely to be used related to such data. This can include biographical data, such as name, sex, marital status, date and place of birth, country of origin, country of asylum, individual registration number, identification number, occupation, religion, ethnicity, sexual orientation, biometric data such as a photograph, fingerprint, facial or iris image, location data, an online identifier, or information that is linked specifically to the physical, physiological, genetic, mental, economic, cultural or social identity of the person.

[253] See link to Operational Policy Manual: https://www.theglobalfund.org/media/3266/core_operationalpolicy_manual_en.pdf.
[254] Editors are expected to be PR staff and LFA members who work on Global Fund grant deliverables, such as PR specialists in public health, finance or procurement & supply chain management or disease managers responsible for overseeing specific grants, and LFA team members.
[255] PR roles are assigned per grant, LFA roles per portfolio.
[256] Submitters are expected to be those PR staff and LFA members with authority to submit final grant deliverables to the Global Fund, such as the PR program or grant manager, or LFA focal point.

Operational Policy Note

Strategic Initiatives
Design, Approval, Implementation and Closure

Approved on: February 1, 2023
Approved by: Executive Grant Management Committee
Process Owner: Strategic Investments and Impact Division

Overall Objective

1. Global Fund catalytic investments support programs, activities and initiatives that complement country allocations and are essential to achieve the aims of the Global Fund Strategy and global partner plans.
2. Catalytic investments are comprised of three investment approaches, referred to as modalities: matching funds, multicountry approaches and strategic initiatives (SIs).[257]
3. Strategic Initiatives provide limited funding for centrally managed approaches that cannot be adequately addressed through country allocations alone.[258] They are complementary to other Global Fund investments, levers and processes.
4. Strategic Initiatives are generally implemented over a three-year Implementation Period.[259] Given their aim to complement and support country allocations, this period is generally aligned with the Implementation Period for most Global Fund grants.[260]
5. Each SI has a defined budget, scope and set of programmatic objectives. They are managed by an SI focal point(s) and overseen by the SI Budget Holder.
    a) Strategic Initiative Budget Holders manage and oversee individual SIs across each phase. They approve SI commitments and expenditures, as well as any important decisions impacting the SI.
    b) Strategic Initiative Budget Holders are accountable for the SI's financial and programmatic performance, in coordination with the relevant MEC member.
6. The Board affirmed that the Global Fund Secretariat has flexibility to operationalize SIs, with the requirement to update the Strategy Committee (SC) and Board on such operationalization.[261]
7. The Catalytic Investment Program Management Office (CI PMO)[262] provides centralized management support and oversight for the portfolio of SIs by:

[257] Reference relevant Board Decision on Catalytic Investments, including for the2020-2022 Allocation Period and 2023-2025 Allocation Period. More information on matching funds and multicounty approaches are available on the Global Fund website.
[258] Reference relevant Board Decision on Catalytic Investments, including for the 2020-2022 Allocation Period and 2023-2025 Allocation Period.
[259] An implementation period is the period for a specific SI during which the relevant program activities are scheduled to be implemented and completed. SIs may access pre-financing to implement Secretariat-based preparatory activities ahead of the start of the implementation period, to ensure implementation readiness upon GAC approval. Some SIs may leverage additional private sector contributions; while this funding may be received at different points in the SI lifecycle, it is utilized in the defined SI implementation period.
[260] To the extent possible, SIs align to support the grant cycle.
[261] Reference relevant Board Decision on Catalytic Investments, including for the 2020-2022 Allocation Period and 2023-2025 Allocation Period.
[262] The CI PMO was established by the Global Fund Executive Director in 2020.

a) Providing oversight and guidance for business functions, including monitoring the adequacy of controls and performance.

b) Providing SI portfolio-level synergy and interdependency management, governance, and reporting.

c) Implementing corrective actions to achieve aims and shared KPIs.

d) Ensuring rigor and delegated accountability to recommend SIs to GAC for approval.

e) Coordinating with GMD, other Secretariat stakeholders for SIs, and with external partners.

f) Documenting lessons learned across the SI portfolio to inform improvements and refinements of business processes and operations.

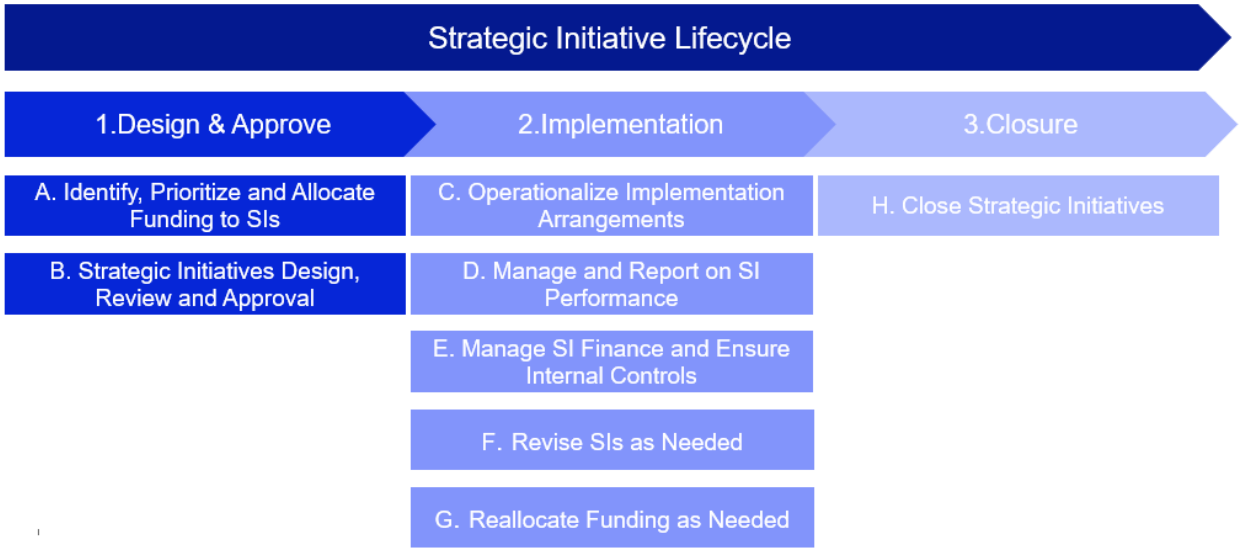
8. In partnership with the CI PMO, SI Business Partners provide guidance and oversight throughout the SI lifecycle. Focal points are assigned from functional teams (Finance, Legal, Sourcing, Risk and Strategy and Policy Hub) within the Secretariat act as SI Business Partners.

9. Strategic Initiatives design and approval, implementation and closure are organized around **key phases**:

a) **Design and approval** translate Board approved priorities into programmatic interventions with core documentation that demonstrates value for money, agility and maximizes catalytic potential. Each step leverages the partnership model, including co-creation through situation rooms and other fora; review (e.g., the Technical Review Panel); and approval through the Grants Approval Committee (GAC).

b) **Implementation** focuses on SIs delivering on catalytic potential, including the key shifts needed based on a changing context.

c) **Closure** ensures that agreed deliverables are accounted for, financial commitments and financial obligations are addressed, and withdrawal of SI funding is organized and well-planned.



10. The following **core principles** are considered in all phases of the SI lifecycle:

a. **Catalytic potential:** Strategic Initiatives are designed around a theory of change that outlines the expected catalytic effect and an efficient and feasible strategy to achieve it. Strategic Initiatives design and the underlying theory of change are based on evidence and lessons learned, as applicable. Strategic Initiatives implementation must remain aligned with Grant Approvals Committee (GAC) approval, ensuring that SIs are implemented within their

approved scopes and with attention to any other relevant requirements. Where course correction is needed, transparency with GAC is maintained.

b. **Country-focused:** Strategic Initiatives support country-level results, even when the SI is global or cross-cutting in focus. The design, review and implementation of SIs considers complementary investments in support of the achievement of country and grant results. Country Teams, the Grant Management Division, and partners in-country support this objective.

c. **Transparency and value for money**: the unique structure and partnership arrangements of SIs make transparency critical; transparency into both inputs and results allows for effective oversight and analysis of value for money. Value for money relies also on compliance with the Global Fund's fiduciary policies, procedures and practices. Investments are tied to quality outcomes, with the design and approval process structured to facilitate effective implementation and value for money.

d. **Accountability and rigor:** Strategic Initiative Budget Holders, the CI PMO, SI Business Partners and other Secretariat stakeholders fully own differentiated accountabilities across all stages of the SI cycle; as well as collective accountability for shared deliverables.[263]

e. **Data-driven adjustment and learning**: implementation and planning should adjust when needed to maximize efficiency and effectiveness; it is critical that such changes follow established processes and engage GAC where required. Adjustments should be driven by data and informed by ongoing learning. Learning should likewise inform strategic decisions on priorities and design for potential future SI cycles.

f. **Right-sized processes**: processes should be fit-for-purpose, balancing robust oversight with the need for SI agility. Rather than developing new processes, existing Secretariat processes should be leveraged and adapted as needed to support specific SI needs.

Operational Policy

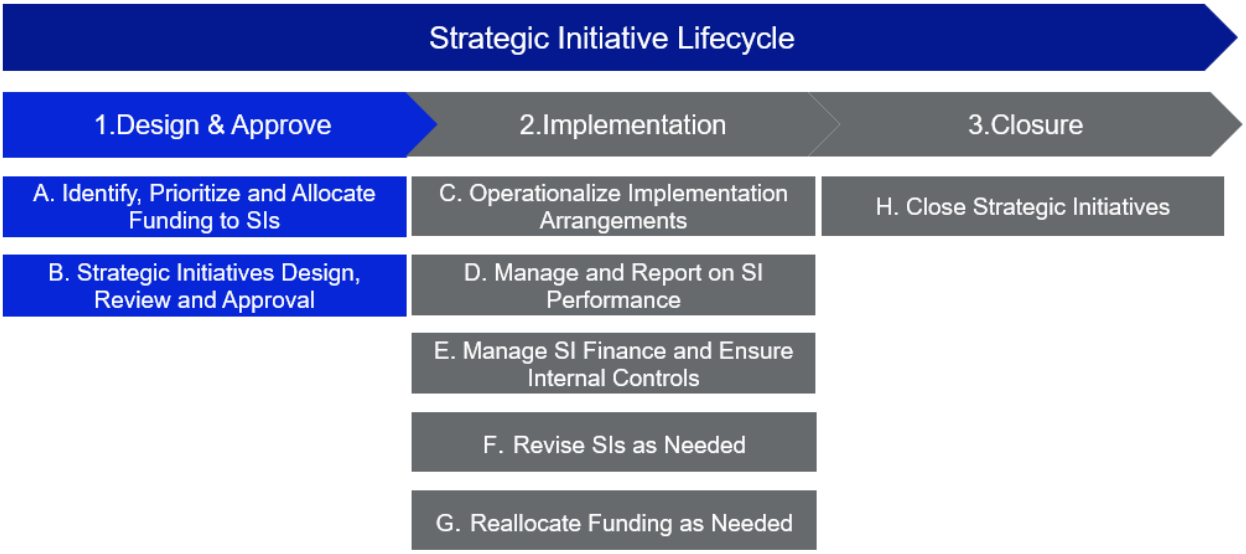
7. This Operational Policy Note defines key policies and requirements across the SI cycle.[264] It is intended for use both by Global Fund Secretariat teams directly involved in SI management and other teams that engage with SIs. It also provides further transparency for key external stakeholders as part of the SI partnership model.

8. This OPN is updated, as necessary, to reflect changes in SI management policies and approaches. The Global Fund reserves the right to interpret the OPN. Questions relating to the OPN's application to specific Global Fund-supported programs should be addressed to the CI PMO.

9. The Emergency Fund SI is managed in line with the Guidelines on the Emergency Fund Strategic Initiative. Likewise, the CI PMO is allocated SI funds but is managed separately, in line with the Memorandum on Strengthening the SI Program Management Office.

10. In addition to catalytic funding provided by the Global Fund, private donors may provide funding that contributes to catalytic investments, including those implemented through an SI modality. In such cases, the SI will leverage external resources in key technical areas and/or geographic regions, aligned with the Board approved catalytic priority, in accordance with the Board approved Policy on Restricted Financial Contributions. In general, funds contributed by the private sector are managed in line with the processes outlined in the OPN,[265] but with appropriate differentiation in certain areas based on the terms of the relevant private sector financing agreements.

[263] Reference Overall Objective section for overview of roles and responsibilities.
[264] The OPN references but does not attempt to restate relevant rules and regulations as outlined in other Global Fund materials.
[265] Detail relevant to private sector contributions to SIs to go into effect in the 2023-2025 Allocation Cycle.



A. Identify, Prioritize and Allocate Funding to Strategic Initiatives

15. Building from the objectives of the Global Fund Strategy, an initial set of priorities is identified and developed through a consultative process that engages multiple teams within the Secretariat, as well as technical partners, communities and other advisory groups. The Secretariat applies criteria to prioritize investment areas before submitting proposed catalytic investment priorities to the SC.[266] Criteria focus on strategic impact, including **potential for increased impact** and **operational considerations** focused on how effectively the investment can be operationalized.

16. These priorities (and proposed/illustrative modality) are recommended to SC by the Secretariat. Strategy Committee then recommends to the Board catalytic investment priorities with associated amounts under different potential funding scenarios, considering the trade-offs of amounts set aside for catalytic funding vs. funding available to scale up country allocations.

17. In addition to funding for catalytic investments available through the Global Fund, private sector donors may provide funds that contribute directly to Board approved catalytic priorities, serving to support investments in critical strategic areas, leveraging the processes and structures in place.

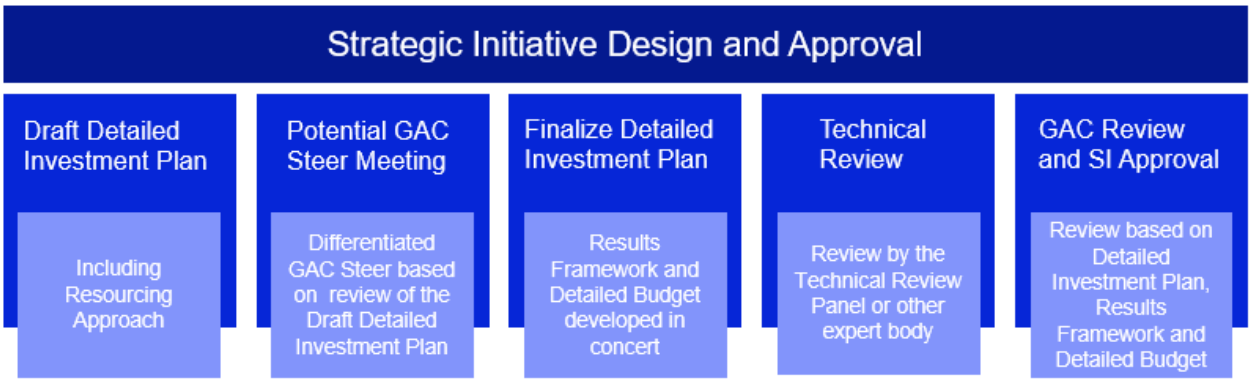
18. Following Board approval of catalytic investment priorities aligned with sources and uses of funds, GAC confirms how the catalytic investment priority will be operationalized (as an SI, multi-country approach or matching funds). If there is a change in the illustrative modality approved by SC for a specific priority, GAC also determines the distribution of catalytic funding.

B. SI Design and Approval

19. **GAC** is the core body charged with approving the overall SI intervention package ahead of implementation. This is in line with Board approval of catalytic investments,[267] requesting the Secretariat to implement a rigorous approval process with oversight by a review body with clear and transparent management of conflicts of interest; and the capacity to execute a credible, robust technical review process on the activities, mechanisms, and the requested amounts.[268] Strategic Initiatives must be approved by GAC *before* the start of implementation.[269] [270]

[266] Criteria listed is relevant to 2023-2025 Allocation Cycle and may be updated for future cycles.
[267] Reference relevant Board Decision on Catalytic Investments, including for the 2020-2022 Allocation Period and 2023-2025 Allocation Period.
[268] Where known, private sector contributions to Board-approved SIs are considered as part of the overall approval package and requested amount reviewed by GAC. If private sector contributions are provided following SI GAC approval, the Revision process outlined in Section F of the OPN governs this addition of funding to the SI. To go into effect in the 2023-2025 Allocation Period.
[269] Excluding approved planning costs. Note that some SIs may be approved in separate phases; implementation will only commence following approval of the relevant phase.
[270] The process described includes approval of Private Sector SIs.

20. The SI design and approval process occurs in five key stages. The process is differentiated where appropriate and ensures implementation readiness of the SI upon the implementation period start date.



Develop Draft of Detailed Investment Plan

21. The first draft of the Detailed Investment Plan is developed for all approved catalytic investment priorities to be implemented as an SI. The draft plan provides a high-level overview of the objectives, anticipated impact, and planned approach of the SI. Strategic Initiative Budget Holders develop the draft plan in consultation with the CI PMO and other relevant stakeholders, including Country Teams/GMD[271] and Technical Partners. [272]

22. The theory of change is a key element of the draft Detailed Investment Plan. It outlines how the SI's planned activities and inputs will produce the intended catalytic effect.

23. The draft Detailed Investment Plan includes a Summary Budget for the SI, with a high-level breakdown of the investment in terms of key deliverables/components, supporting rationale and, where possible, allocation by implementer and year. Strategic Initiative Budget Holders are responsible for developing the Summary Budget (and Detailed Budget later in the SI development process)[273] and ensuring that they are consistent with expected budget attributes to maximize impact.

24. The proposed SI budget may be less than the total amount approved by the Board for the relevant catalytic investment priority. This may be the case if the total amount approved for the catalytic investment priority exceeds the actual, anticipated amount that will be needed to implement the SI; or if the SI will be implemented in distinct phases and the SI budget captures only the first phase. In some cases, a single approved catalytic investment priority may also be split into multiple sub-components, each of which is implemented functionally as a distinct SI. Such approaches are discussed with the CI PMO and SI Business Partners and reflected in the draft Detailed Investment Plan.

Determine Resourcing Approach

25. Strategic Initiative Human Resource (HR) planning is conducted ahead of the start of each cycle, based on the catalytic investment proposals (including indicative modalities) submitted to the Board. Strategic Initiative specific planning is carried out in line with the Integrated Organizational Planning for the organization.

26. Following an iterative process, assigned SI Budget Holders submit a resourcing plan based on the anticipated implementation model of the SI, level of planned activities and other relevant considerations. The CI PMO and Business Partners review these requests, and they form part

[271] This includes documented Country Team concurrence should the SI plan to implement in that country.
[272] The CI PMO will provide a Detailed Investment Plan template for the relevant three-year implementation period.
[273] The CI PMO leverages dedicated financial expertise and coordinates contributions from the external Finance team. The CI PMO provides relevant templates, instructions, support and oversight in the budget development process, accessible through SharePoint. A standard template is used for all SI budget submissions, though the level of budget details may vary depending on the stage of review. SI Teams are required to complete both the Internal and External Budget sections.

of the FTE allocation approved by the Executive Director and approved by MEC, per Integrated Organizational Planning processes. Strategic Initiative resourcing plans are also approved by GAC.[274]

27. Strategic Initiative HR costs are funded by the individual SI budgets; the number of FTEs per SI is expected to remain within this pre-defined number approved by MEC.[275] FTEs are fully reflected in the budget for review and approval by GAC, whether engaged as a staff member or consultant.[276]

28. HR plans are based on planned SI activities and outcomes. Required expertise to achieve outcomes are articulated during SI design, with terms of reference developed and graded in line with HR policies. Strategic Initiative resourcing plans will appropriately balance the need for technical expertise, program management and internal oversight, and the total funding available to the SI. The plan leverages opportunities to streamline and create efficiencies including through centralized SI administration and synergies.

29. FTE terms of reference are developed by the SI Budget Holder and reviewed by HR to confirm that SI positions are reflective of strategic and surge needs; aligned with pre-approved FTE plans; and confirmed that positions funded by SI resources are tied to SI-focused activities and outcomes.

30. To support SI design and expedite program delivery, funds for certain eligible planning costs, including but not limited to FTEs, may be approved by GAC. These costs are funded from the relevant, indicative SI envelope, as approved by the Board.[277]

    a) Eligible planning costs are limited to costs for Secretariat-level activities necessary for finalization of the Detailed Investment Plan (see section on Detailed Investment Plan).[278] Expenditures that are part of program implementation and/or service delivery are not permitted.

    b) The maximum amount allowed for planning costs for a specific SI is either 10% of the SI total approved envelope or US$ 500,000, whichever is smaller; higher amounts require approval by the Chief Financial Officer.[279]

31. In some cases, SIs may recognize the need for pre-financed FTEs early in the SI design process (ahead of development of the draft Detailed Investment Plan). When this is the case, the CI PMO will aggregate justified requests for pre-financed FTEs and submit these to GAC for approval. FTE needs recognized later in the SI design process will be requested by the SI Team.

32. In determining the resourcing approach, SI Budget Holders consider that 1% of the SI budget is allocated to CI PMO operational costs[280] including centralized administrative support and assurance activities.

GAC Steer

33. The GAC Steer meeting represents an opportunity for SI Budget Holders to seek and receive early feedback and strategic direction from Executive GAC and Partners during the development of the SI. GAC Steer follows a differentiated approach, based on the attributes and needs of the specific SI. The draft Detailed Investment Plan serves as the core document for GAC Steer.

[274] Where known, FTEs funded specifically by private sector contributions will be included in submissions to MEC and GAC for transparency and a comprehensive view of resource planning. If not known at the time of the FTE request, Section F on Revision applies. To go into effect in 2023-2025 SI cycle.
[275] Changes to FTE levels are governed by Section F on Revision.
[276] The costs of FTE resources focused on management of the SIs are reflected in the Internal Budget. FTEs, including consultants engaged on a continuous basis, for prolonged periods, without a specific deliverable, and receive monthly pay, are classified under the Human Resource cost grouping of the Internal Budget.
[277] Board Decision Point with SI envelopes/values updated for each funding cycle.
[278] Eligible activities include recruitment and salary costs for unique expertise essential for development of the Detailed Investment Plan.
[279] In such cases, the CI PMO will submit a formal memo to the CFO following GAC Steer requesting an exception to this limit.
[280] This percentage was affirmed by the Global Fund Executive Director in establishing the CI PMO, though the Secretariat retains flexibility in the application of this percentage across SIs and budget components.

34. Strategic Initiatives that request pre-financed FTEs will proceed to GAC Steer, unless this request is known early and requested on behalf of the SI by the CI PMO. SIs with pre-financing requests beyond FTEs are required to engage in GAC Steer. In all other cases, the need for GAC Steer will be determined by SI Business Partners based on review the draft Detailed Investment Plan, using consistent criteria. In addition, SIs may choose to engage in GAC Steer.

35. For SIs that engage in GAC Steer, GAC will either recommend that the SI proceed with finalization of a Detailed Investment Plan or iterate. As described above, if GAC recommends proceeding, the SI may access pre-financing from the Board-approved envelope to ensure implementation readiness[281] (see 32. for eligible costs).

36. If GAC recommends iteration, details on the specific issues that require attention and actions to be taken in response will be shared. A second GAC Steer meeting will be held following iteration.

Finalize Detailed Investment Plan

37. The Detailed Investment Plan is finalized following review of the draft Detailed Investment Plan by SI Business Partners and/or GAC Steer. It expands on the initial draft, providing a comprehensive overview the planned SI strategy, implementation arrangements, activities/objectives, target countries and exit strategy/succession planning. It is also tailored to new and continuing SIs.

38. In finalizing the Detailed Investment Plan, SI Budget Holders ensure engagement with key stakeholders, including GMD/Country Teams, with particular attention to country selection. Agreement relevant to country selection is documented by Budget Holders.

39. The Detailed Investment Plan includes discussion of the Results Framework and Detailed Budget, both of which are developed alongside the Detailed Investment Plan.

Results Framework and Evaluation Approach

40. The performance indicators in the Results Framework are based on the theory of change and may include metrics on output, outcome and impact indicators, with semesterly and/or annual targets.[282] The Results Framework also includes Workplan Tracking Measures for process indicators with semesterly milestones.

41. A proportion of indicators must include semesterly targets to allow for semesterly reporting and regular follow up on SI performance.

42. The theory of change includes intended outcomes of the investment. These may be further reflected in the Results Framework as outcome and impact indicators. These indicators are verifiable and measurable, allowing for assessment at the end of the SI cycle to understand the extent to which SIs have delivered intended outcomes. Key SI activities/investments should have corresponding indicators in the Results Framework.[283]

43. In some cases, SIs may be able to assess catalytic effect at the end of SI implementation; however, this requires the existence of a verifiable baseline to allow evaluation of the change introduced by the SI. The theory of change and associated activities of some SIs do not lend themselves to this kind of baseline, preventing effective measurement of catalytic effect. When this is the case, it is highlighted during the design phase and noted to GAC; when catalytic effect cannot be measured, outcomes and evaluations will be leveraged to understand overall results achieved by the SI.

Detailed Budget

[281] Please see paragraph 30 for eligible costs.
[282] Where appropriate, activities funded by private sector contributions will be developed, though with potential differentiation in terms of format and indicator type.
[283] In the 2023-2025 SI cycle, this includes any activities funded by private sector contributions.

44. The Detailed Budget captures how SI resources will be used to deliver activities and outcomes over the life of the SI. It is aligned with the SI strategy, considers lessons learned from previous cycles (where relevant), and is complementary with other sources of funding.

45. The Detailed Budget reflects value for money considerations and a realistic rate of utilization of funds across the implementation period.

46. The SI Budget Holder is responsible for ensuring that the Detailed Budget is compliant with required attributes with ongoing support and input from the CI PMO.

47. The Detailed Budget consists of two core sections: the Internal and External Budget.

    a) The **Internal Budget** is limited to SI management costs and is inclusive of Full Time Equivalent (FTE) and program management costs. The Internal Budget is not shared externally.

    b) The **External Budget** represents the investment to be implemented through external parties, including Technical Partners and suppliers.

48. The Detailed Budget provides a comprehensive view of internal and external management costs. It reflects the implementation modalities, consistent with the level of service expected and aligned with what the investment is "buying". While some variation is expected given the diversity of SIs, an acceptable level of management costs is expected to support value for money.

49. To the extent possible, private sector contributions are reflected in the standard Global Fund budget format; however, such contributions may at times leverage different formats to accommodate the relevant donor agreement. When private sector contributions are known at the time of budget development, these funds are part of the budget package submitted for review.[284]

50. Given the partnership-focused, innovative work of SIs, the Global Fund may at times contribute to pooled funding arrangements via the SIs.[285] It is acknowledged that some arrangements/SIs may require flexibility. To the extent possible, Detailed Budgets support traceability of Global Fund funding and provide insight into cost assumptions specific to Global Fund contributions, linkage to deliverables and eligibility of costs to be charged to the Global Fund.[286] Measures to maintain appropriate access and audit rights are managed as outlined in the Global Fund Delegations of Signature Authority.

Technical Review

51. The technical review assesses that the SI demonstrates potential to catalyze impact in support of the Global Fund Strategy and global partner plans. The review is tailored to the objectives of the SI and provides technical recommendations on activities, implementation modalities and requested amounts.

52. Technical review is primarily carried out by the Technical Review Panel (TRP) to leverage knowledge and harmonize with grant approaches. However, SI Budget Holders may request a differentiated pathway for technical review through GAC.

53. The technical review body summarizes the outcomes of their review as a) No issues; b) Minor issues; or c) Major concerns and outlines strategic actions and recommendations to be addressed to refine and finalize the Detailed Investment Plan or during implementation. The review summary informs the level of scrutiny and specific areas of focus for the GAC Approval

[284] In cases where private sector contributions are added later in the implementation cycle, the Revision process outlined in Section F applies. To go into effect in the 2023-2025 Allocation Period.
[285] Please see Section E on "Manage SI Finance and Ensure Internal Controls" for additional details on reporting relevant to Pooled Funding.
[286] In cases where private sector contributions are leveraged, inclusion of these funds in pooled funding arrangements is aligned with terms of the relevant private sector contribution agreement.

meeting.[287] When major concerns are noted, it is expected that the Budget Holder will address these to the extent possible before proceeding to GAC for approval.

GAC Review and Approval

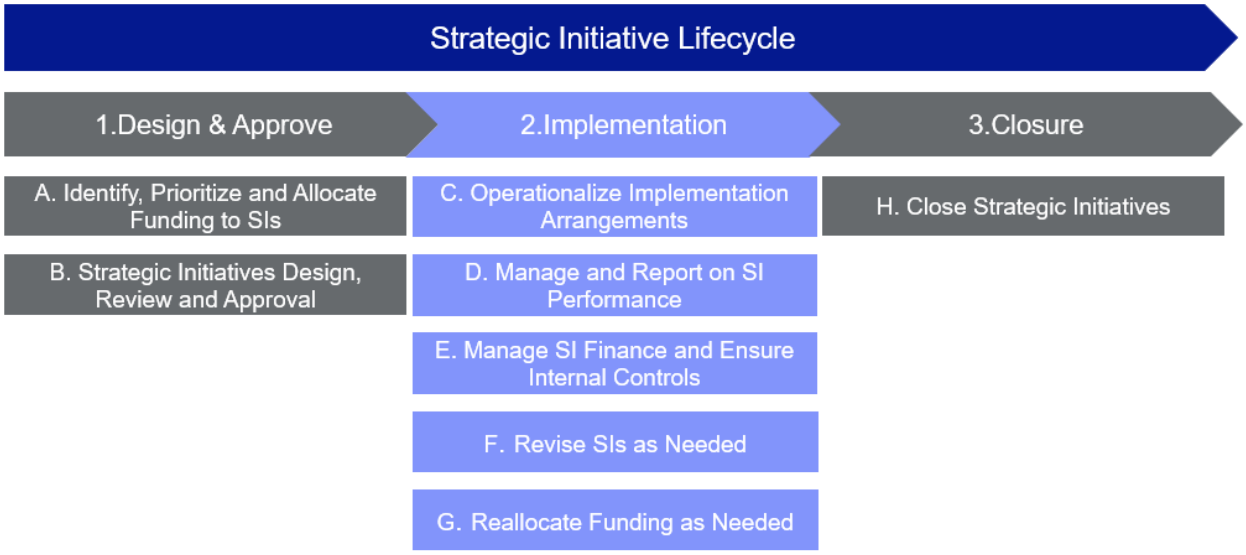
54. Following refinement based on technical review recommendations, the SI proceeds to GAC for approval with a set of final documents.[288] Ahead of the GAC meeting, an initial review is provided by pre-GAC to pre-identify, resolve or highlight issues for GAC consideration.

55. The CI PMO supports SI Budget Holders in coordinating submission to GAC and reviews early drafts to ensure issues are flagged and resolved. The CI PMO must confirm SI readiness[289] to proceed to GAC and is responsible for submitting final SI documents for GAC review.

56. Based on its review, GAC will approve the SI as designed; approve with Strategic Actions to be addressed; or request iteration if significant work is required before final GAC approval.

57. Strategic Actions are actions necessary for successful SI implementation. This may refer to finalization/refinement of core documents or actions to address specific, critical issues noted in GAC review. If approved with Strategic Actions, GAC will communicate details of the Strategic Actions expected and timelines for completion to the SI Team accountable for completing them.[290]

58. Executive GAC provides final approval of SIs to be implemented over within a three-year defined allocation utilization period (AUP).[291]



C. Operationalize Implementation Arrangements

Establish Implementation Agreements

59. Strategic Initiatives are centrally managed investments, with Secretariat based SI Teams managing and overseeing implementation. Actual implementation is carried out by external parties (implementers). An SI may leverage various implementers and types of contractual arrangements. Establishing agreements to implement SIs follow Sourcing and Legal procedures.

[287] In cases of Major Concerns, the SI Budget Holder develops an *ad hoc* presentation for discussion with the Secretariat and GAC Technical Partners before GAC Approval to explain how the highlighted concerns have been addressed.
[288] The core documents reviewed by GAC are: GAC Steer Form, Detailed Investment Plan, Results Framework, Detailed Budget and TRP Recommendation Form.
[289] The CI PMO confirms that documents are complete and developed with sufficient rigor ahead of submission to GAC. However, this confirmation does not necessarily imply that CI PMO endorses all aspects of the SI; concerns will be included in the Secretariat Briefing Note submitted by the CI PMO to GAC.
[290] GAC may request SIs to return to GAC during implementation for certain decision authorizations.
[291] A cut-off principle applies to SIs, precluding costs beyond this period..

60. The mode of engagement with implementers is known as the implementation modality. Implementation modalities are reflected in the Detailed SI Budget and approved by GAC.

61. Three of the most common types of agreements used by SIs are outlined in the table below; however, in coordination with Sourcing, Legal and other Business Partners, SI Teams may also enter into other types of agreements as outlined in the Procurement Procedures.

Modality	SI-Specific Considerations	Review and Approval
Framework Agreements with Technical Partners, referred to as Umbrella Agreements.[292]	Appropriate modality to structure SI activities performed by Technical Partners[293] such as multilateral agencies. UAs are not competitively sourced and entail a comprehensive, differentiated negotiation process.	Umbrella Agreement review and clearance by CI PMO, Legal, Procurement and Finance Business partners. May include Procurement Review Committee Review depending on the contract amount. Approval per Delegations of Signature Authority.
Purchase Order (PO) agreements with individual consultants.	Consultants may support SIs through offsite or Secretariat based assignments. Consultants based in the Secretariat constitute part of the overall Human Resources for the SI;[294] HR levels and the associated budget require oversight to ensure alignment with the GAC-approved HR strategy for the SI and value for money.	POs that engage individuals to provide Secretariat based services should be communicated to the CI PMO ahead of development. CI PMO confirms the requested consultancy is reflected in the GAC approved Detailed Budget and Detailed Investment Plan. Overall process governed by Procurement Procedures and approval per Delegations of Signature Authority.
Purchase Order (PO) agreements with supplier organizations.[295]	Some agreements with supplier organizations > US$1 million may require reporting against a detailed deliverable workplan.[296]	Agreements > US$1 million with supplier organizations require review by the CI PMO during development to assess if the provider should report against a detailed deliverable workplan. [297] Such reporting is submitted by the provider, validated by the SI Budget Holder, and reviewed by the CI PMO. This additional reporting provides added quality assurance over a more detailed set of activities/deliverables for high value POs and mirrors the approach used for Umbrella Agreements.

[292] Note that a PO will be raised for all executed Umbrella/Framework agreements.
[293] Technical Partners refer to multilateral agencies that offer disease-specific expertise or are involved in country coordination and stakeholder engagement in implementation of activities, with a specific and unique expertise.
[294] Refer to Guidelines for Grant Budgeting for additional detail on appropriate cost grouping guidance.
[295] This does not refer to Technical Partner organizations.
[296] Approach to go into effect as of OPN approval date.
[297] The need to report against such a workplan will be determined by the CI PMO based on the activities/scope of work. There are some activities (such as a single evaluation) for which this kind of reporting against a detailed workplan would not add value or additional assurance.

		Overall process governed by Procurement Procedures and approval per Delegations of Signature Authority.

62. All agreements must include a delivery schedule aligned with the statement of work.[298] This serves to clearly outline the deliverables expected from implementers and the associated timeframe.

63. Framework Agreements, often referred to as Umbrella Agreements**,** represent financing and/or cooperation agreements with Technical Partners. They support collaboration with partners on disease and resilient, and sustainable systems for health (RSSH) strategies. Umbrella Agreements are not competitively sourced and are subject to heightened attention as a result, including by GAC.

64. Strategic Initiative Budget Holders identify the need to enter into an Umbrella Agreement with a Technical Partner; contract negotiation is led by the Legal Business Partner and CI PMO.

65. Umbrella Agreements are signed with individual Technical Partners and set out general principles that apply to all specific projects implemented by the relevant Technical Partner. These agreements act as an "umbrella" for individual Project Annexes[299] that describe SI projects. A single Umbrella Agreement may encompass multiple Project Annexes for one or more SIs.

66. Each Project Annex is associated with a detailed workplan and deliverable based budget that provides a clear understanding of activities and cost inputs.

67. Given the focus on catalytic impact and innovative, it may be necessary for some SIs to enter into unique implementation arrangements, including those that support innovative financial transactions. In such cases, specific review bodies[300] may be established by the Global Fund to ensure the appropriate level of tailored due diligence when entering into such agreements.

Disburse Funds

68. Regardless of the amount, modality or contract type, disbursements/payments are linked to the payment schedule and timing of deliverables described therein. For POs with supplier organizations, the SI Budget Holder approves invoices for payment after validating/reviewing evidence of deliverables and/or suppliers' performance.[301]

69. When reporting against a deliverable workplan is required for POs with supplier organizations with a value > US$1 million, payment for deliverables rendered will be processed following validation of this reporting by SI Budget Holders; SI Budget Holders will share this reporting with the CI PMO.

70. Technical Partners submit required programmatic and financial reporting each semester. Financial reporting by Technical Partners includes details of expenditure incurred, cash status reporting and disbursement requests for the subsequent period of implementation. SI Budget Holders are accountable for validating Technical Partner reporting as complete and technically sound.[302] The CI PMO further reviews reporting in order to identify potential risks or inconsistencies prior to disbursement.

D. Manage and Report on SI Performance

[298] The Global Fund Terms and Conditions of Purchase of Service apply to each procurement of services through a Purchase Order.
[299] For each Project Annex, a PO is issued to the Technical Partner.
[300] Including the Innovative Finance Approval Committee (IFAC). IFAC TORs.
[301] This is required per the Global Fund Procurement Regulations. Note that in some cases, suppliers may receive an advance payment upon signing of the contract.
[302] The first disbursement is not based on deliverables; it is generally processed following signature of the agreement.

71. There are consistent expectations for performance management of individual SIs, regardless of the implementation modalities leveraged. Performance management of individual implementers is governed by the terms of the relevant agreement.

72. Strategic Initiative performance management supports the effectiveness and efficiency of investments. It informs planning and course correction through the following activities:

    a) Monitoring SI performance against targets.

    b) Identifying, consolidating, and sharing lessons learned.

    c) Confirming the outcomes of SI investments and, where possible, that SIs produced the intended catalytic effect.

73. Strategic Initiative Budget Holders hold primary accountability for SI performance management. They engage proactively with implementers and other stakeholders to anticipate, identify, and address performance issues. Strategic Initiative Budget Holders escalate significant or cross-cutting issues to the CI PMO and within their respective teams, including those that may necessitate revision, pose a major risk to achievement of SI targets, or entail implications for relationships with stakeholders such as Technical Partners or Country Teams.

74. The CI PMO provides structures and tools for SI Budget Holders to carry out performance management; and provides oversight to flag critical issues, ensure processes are working and coordinate action when they are not.

75. Transparent reporting on SI performance helps drive results and inform future investment. The Secretariat, countries and partners rely on consistent and verifiable data on SI programmatic and financial performance and outcomes to inform investment and learning.

76. Strategic Initiative performance data is shared with internal stakeholders including the Management Executive Committee (MEC) and GMD, as well as externally, via reporting to the Strategy Committee (SC) and periodically to GAC. The CI PMO consolidates reporting to report upward on behalf of the overall SI portfolio. The CI PMO engages with SI Budget Holders around the key data and messages within this reporting. This reporting includes:

    a) Performance and Accountability (P&A) metrics, for which CI PMO and SI Budget Holders are jointly accountable, against which the CI PMO reports quarterly.

    b) Performance analysis, including programmatic and financial results; these are reported to MEC each semester.

    c) The CI PMO reports to SC semesterly to fulfil the Board requirement to update SC on SI operationalization.[303] Reporting to SC focuses on performance analysis, results and potential areas for steer or course correction.

Monitor SI Performance Against Targets

77. Standard reporting and analysis are carried out each semester to provide the data necessary for performance management. This data is at the level of the overall SI.

    a) **Results Framework:** each semester, SI Teams report results against results framework targets.

    b) **Financial Data**: SI-level financial data captures expenditure to date[304] and allows comparison this with the GAC-approved budget to determine fund utilization.

78. Results Framework reporting and financial data are used to assess SI performance against consistent metrics and inform SI management. It also serves to identify potential areas of savings that the SI Team will consider redistributing within the SI budget (see section on Revision).

[303] Reference relevant Board Decision on Catalytic Investments, including for the2020-2022 Allocation Period and 2023-2025 Allocation Period.

[304] SI-level reporting depends in part on reporting submitted by implementers per the terms of the relevant agreement.

79. Two standard metrics are assessed at the SI level, with data analysis conducted by the CI PMO. These metrics are reported as part of the Performance and Accountability (P&A) metrics and used to inform internal management.

    a) **Effectiveness**: extent to which agreed-upon targets in the RF have been achieved (% achievement against RF targets).[305]

    b) **Fund Utilization**: utilization of resources in line with SI budget (% expenditure against budget).[306]

80. Strategic Initiative Budget Holders are accountable for SI performance in terms of Effectiveness and Fund Utilization. However, the CI PMO shares accountability with SI Budget Holders for aggregate performance against these indicators at the portfolio level.

Assess SI Support to Country-Level Results

81. Strategic Initiatives reinforce country allocations, providing complementary support essential to ensure country allocations can deliver against the Global Fund Strategy. Performance management seeks to validate that SIs are contributing to country level results and to adjust where this link could be strengthened.

82. While all SIs aim to support country allocations, they differ in the level of linkage to grants. To help deliver on this objective, SIs are categorized into three differentiated levels of linkage to in-country results.

    a) **Direct linkage: SIs** include a Results Framework (RF) indicator to measure country-level results.[307]

    b) **Indirect linkage: SIs** do not have RF indicators focused explicitly on country-level results. However, there is a high level of alignment and clear relationship between SI objectives and indicators in the grant-level performance framework.

    c) **Enabling investment SIs:** provide key contributions to end the diseases. They seek to support systems and tools that have a clear, though less direct role in supporting grants to achieve their objectives. It is generally not possible to directly associate SI contributions with specific grant level indicators or results.

83. Strategic Initiatives Teams use semesterly SI performance data to identify the need for potential adjustments to strengthen SI contribution to country-level results, particularly for direct linkage SIs. To this end, they will engage proactively with relevant CTs and other involved stakeholders on an ongoing basis.

84. As the SI nears the end of the implementation cycle, SI Teams should ensure that the outcome data and/or evaluation strategy is progressing appropriately to assess overall outcomes and/or catalytic effect.

E. Manage SI Finance and Ensure Internal Controls

85. Strong financial management and effective internal controls are key elements in delivering value through the SIs. The underlying processes engage SI Budget Holders, the CI PMO, Finance and other Secretariat business functions.

    a) **SI Budget Holders** are accountable for financial management of the SI they oversee. They ensure SI expenditures and activities are compliant with the Global Fund's fiduciary policies, procedures and practices. At all stages, the SI Budget Holder ensures that expenditures are linked to deliverables and performance.

[305] Metric is calculated on a semesterly basis, in line with RF reporting timeline outlined above.
[306] Metric is calculated on a semesterly basis, in line with the Financial Forecast timeline outlined above.
[307] These can be categorized in two types: as percentage improvement in certain country-level indicators, or indicators directly from the country grant Performance Framework. The first type of linked indicators could allow to estimate the SI contribution to the country results, though it does not necessarily imply a causal relationship.

b) **CI PMO** provides an oversight function, establishing effective processes and controls to support SI compliance with fiduciary policies, procedures and practices. The CI PMO supports implementation by providing financial guidance to SI Budget Holders.

86. Strategic Initiative internal controls seek to ensure compliance with key requirements, including that:

a) Engagement of suppliers and Technical Partners is in line with the GAC approved budget and Global Fund regulations.

b) Expenditures are incurred in line with a compliant underlying procurement process and approved budget. Costs incurred are reasonable, verifiable and associated with the right deliverable.

c) Commitments are reflected in the GAC-approved budget and sufficient funding is available to support them.

87. For SIs, compliant expenditures are those that have been incurred following the terms of the relevant agreement;[308] are in line with the Detailed Investment Plan; are approved by GAC; are within the budget and implementation period; and are supported by sufficient and appropriate evidence/reporting, per the terms of the relevant agreement.

a) Compliant expenditures must furthermore **not** be compromised by prohibited practices; nor relate to other types of non-compliance or mismanagement of SI funds (or goods or services purchased with SI funds).

b) The Global Fund, at its discretion, may request external providers or Technical Partners to fully or partially reimburse any expenditures classified as non-compliant, in alignment with the relevant agreement.

88. Processes are embedded throughout SI implementation to support these controls. These are carried out at the level of the overall SI:

a) **Quarterly Accruals Monitoring**: The SI Budget Holder is accountable for submission of accruals related to the SI, to be incorporated into the Global Fund financial report. The accruals represent the value of goods and services that have been rendered by contracted suppliers but not invoiced.

b) **Forecasting:** In line with Global Fund financial practices, the Budget Holder is accountable for submission of forecasts for their SIs; this provides insight into cash needs for the remaining part of the cycle. Three forecasts are carried out per year;[309] SI forecasts are incorporated into overall Global Fund reporting to the Audit and Finance Committee (AFC) and MEC. Forecasting provides an opportunity for SI Teams to review and confirm actual expenditure recognized at the corporate level.[310] The process allows the SI Budget Holders, CI PMO and Finance to proactively identify gaps between the approved budget and anticipated costs.

89. In cases where SI funding is pooled with other donors, donors will jointly agree to reporting and disbursement timelines. While reporting relevant to pooled funding should follow standard SI reporting formats/requirements, when this is not feasible/appropriate the Global Fund may at its own discretion accept alternative, suitable, and appropriate financial and programmatic reporting for the purposes of assessing progress. Such alternative reports must be agreed up front with the Global Fund and accepted as viable to assess progress.

F. Revise Strategic Initiatives as Needed

[308] Expenditures that utilize private sector contributions must be in line with the relevant contribution agreement.
[309] These forecasts are: Forecast 1 (3+9) with actuals up to March and forecast for the remaining 9 months of year; Forecast 2(6+6) with actuals up to June and forecast for the remaining 6 months of the year; Forecast 3 (9+3) - Actuals up to September, forecast for the remaining 3 months of the year.
[310] Per the data extracted from *Hyperion.*

90. During SI implementation[311] adjustments may be necessary to ensure the continued effective and efficient use of resources to maximize results in the context of new circumstances or opportunities.

91. Revision refers both to adjustments *within* the overall approved funding envelope associated with a specific SI after GAC approval;[312] and the inclusion of additional funding through private sector contributions for a specific SI following GAC approval.[313]

92. Such adjustments are categorized as a budget or programmatic revision:

    a) **Strategic Initiative budget revision:** movement of funds between cost groupings *within* the approved SI budget, with no change to the total approved funding amount; or inclusion of additional funding provided by private sector contributions[314], increasing cost groupings.

    b) **Strategic Initiative program revision:** changes to the scope or scale of programmatic activities, including as a result of inclusion of additional funds as a result of private sector contributions.[315]

93. Strategic Initiative revisions are classified as material or non-material based on the extent of changes introduced. Materiality is determined at the level of the SI budget, workplan and/or results framework approved by GAC, not at the level of individual contracts within a single SI.

94. Differentiated approval requirements exist based on the materiality of the proposed revision, with GAC approval required for the most extensive changes.

Type of Revision	Materiality Thresholds	Revision Approvals Required		
		GAC	SI Budget Holder	CI PMO[316]
Non-Material Budget Revision	Change to any non-HR cost grouping < 10%[317]		x	
	Change in the HR cost grouping of <5%		x	
	Shifting < 10% of the budget between implementers (see additional notes below)		x	
	Shifting <5% of any cost grouping from the Internal Budget to the External Budget		x	
Material SI Budget Revision	Adjustment of any non-HR cost grouping by 30% or more	x		
	Adjustment of any HR cost grouping by 15% or more	x		
	Shifting 10% or more of the budget between implementers[318]	x		
	Shifting funding from the External Budget to the Internal Budget, regardless of the amount	x		
	Shifting more than 5% of a cost grouping within the Internal Budget to the External Budget	x		

[311] For purposes of this guidance, implementation is defined as post-GAC approval with a Detailed Budget and Results Framework for the SI.
[312] Starting in the 2023-2025 SI cycle, this includes SI funding contributed by the private sector
[313] To go into effect in the 2023-2025 SI cycle
[314] Starting in the 2023-2025 SI cycle, this includes SI funding contributed by the private sector
[315] Starting in the 2023-2025 SI cycle, this includes SI funding contributed by the private sector
[316] CI PMO will approve only after review and concurrence by Finance, Legal where required and the SI Budget Holder
[317] Change to either "losing" or "receiving" cost grouping cannot exceed 10%. 10% threshold refers to cumulative change of original cost grouping(s) during the implementation period – i.e., a cost grouping cannot be adjusted by 10% in one instance and then 5% later without approval as this would result in a cumulative change of 15%
[318] For the purposes of this guidance, "implementer" is defined as a legal entity, rather than an individual consultant. Please see additional notes on shifts in implementation arrangements in in the Standard Operating Procedure on Revision and Reallocation

	Adjustment of any non-HR cost grouping between 10% and 30%			x
	Adjustment of any HR cost grouping between 5% and 15%			x
	Inclusion of additional funding as a result of private sector contribution[319]	x		
Non-Material SI Program Revision	Decrease in any RF target by < 30%, or any increase in RF targets		x	
Material SI Program Revision[320]	Decrease in any Results Framework (RF) target by 30% or more (or removing an indicator)	x		
	Change of scope of the SI (adding new key components and/or adding/removing key objectives)	x		
	Adding indicators in the Results Framework			x
	Decrease in any Results Framework (RF) target by 30% or less			x
	Change in total deliverable targets by 50% or more over the life of the SI			x

95. Further details regarding materiality of specific HR arrangement and implementer arrangement changes are outlined in the Standard Operating Procedure on Revision and Reallocation.

96. Revision should be data-driven, considering the performance metrics outlined above, namely fund utilization and effectiveness.

G. Reallocate Funding across Strategic Initiatives as Needed

97. Reallocation refers to moving funding among Board approved catalytic investment priorities, including between separate SI budgets.[321] As noted in Section B, SI budget amounts may not align with the amount approved by the Board for the relevant catalytic investment priority.

98. Reallocation results in adjustments to the total approved funding for the relevant SI budget within the implementation period. This entails reducing the budget of one or more SIs and increasing the budgets of others. This process is facilitated by the CI PMO and informed by financial and programmatic results to maximize utilization and performance of SI resources.

99. Reallocation is important in situations where performance is inadequate and/or funding cannot be adequately absorbed under one or more SI's, and could contribute to accelerated progress under a separate priority implemented as an SI. Options to address performance and absorption issues, including through revision should be assessed ahead of reallocation.

100. Proposed reallocations and subsequent approvals require full transparency for internal and external stakeholders in alignment with the relevant Board decision[322]. These include:

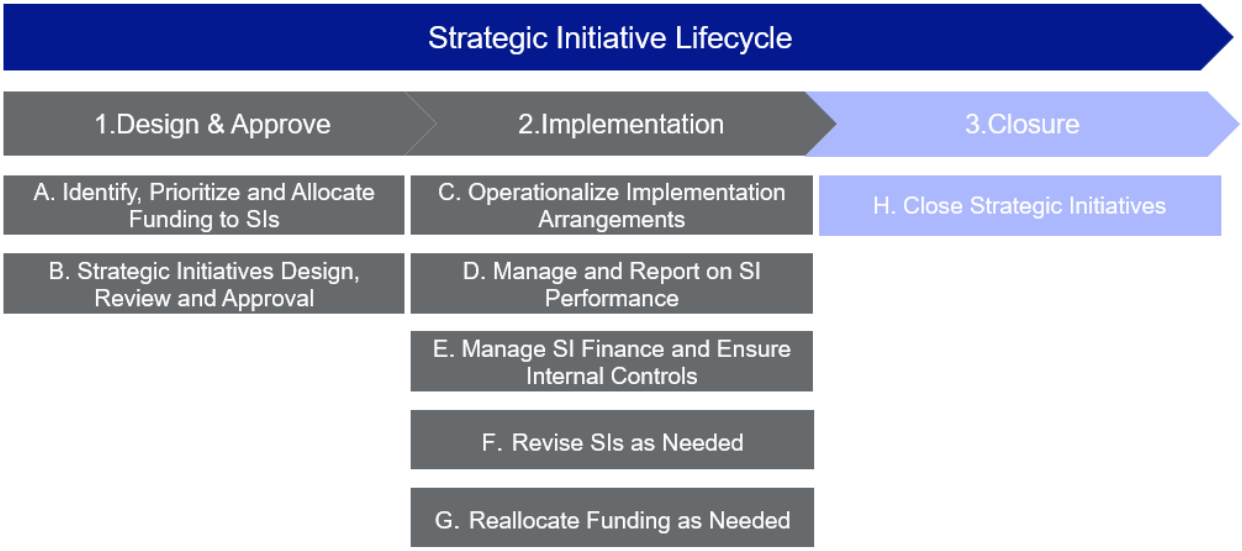
[319] To go into effect in the 2023-2025 Allocation Period.
[320] Including as a result of private sector funding contributed to the SI following GAC approval. To go into effect in the 2023-2025 SI cycle.
[321] Reallocation procedures are not applicable to private sector contributions; any change to the level of private sector contribution to an SI will be determined in line with the terms of the relevant private sector contribution agreement.
[322] Reference relevant Board Decision on Catalytic Investments, including for the 2020-2022 Allocation Period and 2023-2025 Allocation Period.

a) The Secretariat may reallocate funds among the Board-approved catalytic investment priorities within a defined percentage[323] of the approved amount of associated costs for a specific priority[324] [325]. These reallocations are approved by the Executive GAC.

b) Shifts above this the defined threshold[326] are approved by the Strategy Committee, following endorsement by Executive GAC.

c) All reallocations, regardless of magnitude, are reported to the SC.

101. If Strategic Initiative funding is formally reallocated to a different modality (i.e., grant, multicountry approach or matching funds), this OPN will cease to apply to that funding.



H. Close Strategic Initiatives

102. At the end of the relevant AUP, the SI Budget Holders, CI PMO and implementers must carry out a process to close the SI and all associated commitments, including agreements with Technical Partners and suppliers. The closure process ensures that:

a) Agreed closure activities are planned and implemented.

b) Remaining financial commitments and financial obligations are addressed.

c) Remaining SI funds or recoveries are returned to the Global Fund.

d) Any assets financed with SI funds are dealt with in line with the relevant agreement.

e) Programmatic and financial reports are submitted to the Global Fund.

103. The final closure process must be completed within nine months of the end of the SI implementation period end date, unless otherwise agreed with implementers as part of

[323] In the 2020-2022 Allocation Period, the Secretariat has flexibility to reallocate associated costs among the approved priorities under any applicable scenario, within 10% of the approved amount of associated costs for a specific priority; and present any reallocations of associated costs exceeding 10% for a specific priority for the SC's approval. In the 2023-2025 Allocation Period.
, the Secretariat has flexibility, within the total amount of funding for Catalytic Investments, to increase or decrease the amount for any approved priority up to 15% and report to the Strategy Committee on any such changes; and present any increase or decrease of an amount for any approved priority above 15% to the Strategy Committee for approval. The Secretariat also has delegated authority to increase the amount of funding available for the Emergency Fund, by up to 50% of the amount approved for this priority, using funding approved as available by the Audit and Finance Committee for portfolio optimization, and that paragraph 6.iv above will not apply to increases to the Emergency Fund. Any increase above 50% will be presented to the Board for its urgent, no-objection approval.
[324] The list of definitive, Board approved priorities forms the basis for any reallocation calculations, available in the relevant Board Decision. Reallocation calculations are based on Board-approved priority funding amounts. Reallocation between sub-components should still reference the associated costs of the overall priority in calculating the 10% or 15% threshold.
[325] Because SIs have different total budgets, a shift in funding may represent 10% or 15% of total costs of one SI but less than 10% or 15% for another SI. The threshold should be calculated based on the total amount of the SI with a lower associated cost.
[326] See footnote 66

contractual arrangements. Approved activities must be completed and paid for during the closure period.

104. Strategic Initiative funded contracts that support implementation are closed at the end of the SI Implementation Period unless the Global Fund, at its discretion, extends agreements beyond the SI Implementation Period end date; such extensions will follow the appropriate processes as outlined in the Procurement Policy.

105. If investment in a Strategic Initiative will continue in the next allocation period, contracts with SI funded staff may remain open, contingent upon prior GAC approval of the new SI budget and resourcing plan and all required HR approvals.

106. Strategic Initiative closure is aligned with the exit strategy defined in the GAC-approved Detailed Investment Plan and planned at least six months in advance of the SI implementation period end date.[327]

107. Closure planning is carried out by the SI Team and includes attention to the below elements:

    a) Open agreements and any potential concerns regarding completion of final deliverables under those agreements.

    b) Assets procured with SI funds.

    c) Any anticipated cash balances with implementers.

    d) Programmatic activities, handover plans or reporting to facilitate the GAC-approved SI “exit strategy” (only where relevant).

108. The Strategic Initiative Budget Holder will confirm all outstanding financial commitments and obligations at the end of the implementation period. Even if SI investment will continue in the next allocation cycle, financial commitments and obligations are financed and completed under the expiring cycle. All financial commitments incurred during the implementation period must be addressed within six months following the SI implementation period end date.

109. Non-compliant expenditures and refunds are addressed in accordance with Global Fund procedures and the terms and conditions of the relevant implementer agreement.

110. In some cases, SIs may fund limited procurement of assets. Assets procured with SI funds must be appropriately addressed in line with the terms of the relevant agreement.

111. Standard closure processes are also applied by SIs that leverage private sector contributions. However, the relevant private sector funding agreement may include specific clauses on the use of unspent funds.

112. The Strategic Initiative is considered closed when financial closure has been completed. Financial closure entails closure of all SI funded agreements, receipt of any outstanding cash balances (or its transfer to a project as determined by the Global Fund) and payment of all outstanding financial commitments by the Global Fund.

[327] To go into effect in the 2023-2025 Allocation Period. Note that prior to the end of the SI implementation period, the Board will decide if funding for an SI investment will continue in the next allocation period or come to an end, informing exit strategy planning.

Annex 1: Detailed Investment Plan: Key Elements and Description

Detailed Investment Plan: Key Elements and Description

Item	Description	Draft Plan	Final Plan
Overview	Narrative of expected catalytic impact, SI components and objectives associated with each component	Yes	Updated as needed
Link to Global Fund Strategy and KPIs, Expected Catalytic Impact	Description of how the proposal supports the Global Fund strategy and KPIs for the relevant allocation period. Explanation of why planned activities must be funded through the SI rather than grant budgets.	No	Yes
Target countries	List of countries that will be supported by the SI, disaggregated by component where applicable.	Yes	Updated as needed
Theory of Change	Logic model leading from inputs/process to outcomes/results. The theory of change aims to highlight where and how the intended catalytic effect(s) will occur (i.e., the points of 'catalysis'). Outline of how the catalytic effect will translate in grant/country level improvements.	Yes	Updated as needed
Exit Strategy	Concise "exit strategy" describing how SI support will evolve/be phased out following desired change.	Yes	Updated as needed
Lessons Learned *(Continuing SIs only)*	Concise overview of the main lessons learned, evaluation results, and/or performance assessments from previous SI cycles that have informed design for this cycle. Rational for continuation in 2023-2025 cycle (why does the investment remain necessary, why couldn't it be integrated into country grants?)	Yes	Updated as needed
Recommendations	Description of how recommendations from BP review/GAC Steer/Technical Review have been addressed as part of SI design (if applicable).	No	Yes
Risks and Mitigations	Description of key, anticipated risks that that could negatively impact delivery of the SI and mitigation measures to address these risks and stakeholder(s) responsible	No	Yes
Synergies with other CIs and/or Country Grants	Explanation of the link with other SIs, Matching Funds and/or Country Grants (where applicable) in the previous and/or current allocation period	No	Yes
Plans for complementary funding from other internal/external sources	Brief overview of any expected complementary funding, if applicable	No	Yes
Main Expected Outcomes	List of high-level outcome metrics and targets for the SI, using the guidance provided on the Results Framework. Indicators should be linked to SI objectives and ToC	Yes	Used to develop full RF later
Summary of Finalized Result Framework	Summary of the RF with output/outcome indicators linked to the ToC and with finalized targets per semester	No	Yes
Summary Budget	High-level breakdown of the investment by component, implementer (where known) and year.	Yes	Used to develop full budget later
Summary of Final Detailed Budget	Summary, high-level breakdown of the final detailed budget	No	Yes

Anticipated Implementation Arrangements	Concise summary of implementation arrangements and rationale that includes considerations of efficiency.	Yes	Used to finalize arrangements later
Finalized Implementation Arrangements	Detailed implementation arrangement including implementers, timeline and final draft of Sourcing documents for key implementers	No	Yes
Resourcing funded through Strategic Initiative	Description of the Secretariat-level resources required to manage the SI; the resourcing levels should be reflective of the overall level of SI funding	Yes	Used to finalize resourcing plan later
Finalized Resourcing plan	Final HR plan if there have been changes from the draft plan	No	Yes

Annex 2: Detailed Budget: Key Attributes and Requirements

Attributes	Requirements
Value for money	All costs documented in US$
Consistent with activities and timelines described in the Detailed Investment Plan	Submitted in the Strategic Initiative/Global Fund Detailed Budget template
Consistent with the strategic direction	Inclusive of costs for program activities approved for the SI
Realistic rate of utilization of funds across implementation period	Within the available funding approved by the Board
Consistent with Detailed Investment Plan and lessons learned from the previous SI cycle, where relevant	Based on verifiable sources of data
Inclusive of any requirements mandated by the Global Fund Board	Inclusive of assumptions used to determine the unit costs and allocation across the implementation period
Reflective of any Technical Review Panel (TRP) and GAC-required adjustments	
Complementarity with other sources of funding	

Operational Policy Note

Oversee Implementation and Monitor Performance

Approved on: 28 April 2022; Updated 7 May 2024
Approved by: Executive Grant Management Committee
Process Owner: Grant Portfolio Solutions and Support Department

Metrics for Oversee Implementation and Monitor Performance

Principal Recipients[328] (PR), Local Fund Agents[329] (LFAs) and Country Teams (CTs) are expected to meet the following deadlines (if applicable):

- PR submits Pulse Check (PC) within 35 days, Progress Update (PU) within 45 days[330] and Progress Update and Disbursement Request (PUDR) within 60 days from last reporting period end-date.
- LFA submits findings and recommendation(s) 20 days from the receipt of the PU and PUDR
- CT issues the Performance Letter and Performance Rating within 110 days from the PUDR reporting period end-date.

Overall Objective

9. Implementation of a Global Fund grant is led and owned by the recipient country. The Global Fund oversees implementation and monitors grant and Principal Recipient (PR) performance to drive maximum impact against the three diseases.

10. At the country level, the PR is responsible and accountable to the Country Coordinating Mechanism (CCM)[331] and the Global Fund for quality and timely grant delivery, including efficient and effective PR operations in line with its obligations under the Grant Agreement. While the PR may contract Sub-recipients (SRs) and other service providers to undertake defined services, the PR remains accountable for the performance of SRs and its contractors[332].

    i. 'Grant delivery' refers to the quality and timely execution of grant activities so agreed results are achieved;

    ii. 'PR operations' refers to the PR's effective planning of implementation and the execution of management functions to enable grant delivery. Management functions include monitoring & evaluation, finance, procurement and supply chain, and risk management.

11. The CCM creates an environment that supports PRs in implementing grant activities and oversees implementation focusing on key programmatic, financial and management aspects of grants and their contribution to the national health response. The CCM implementation oversight function corresponds to *CCM Eligibility Requirement 3: Oversee program implementation and implement an oversight plan.* Regular engagement between the CCM and the CT strengthens oversight through

[328] Unless defined in this Operational Policy Note or the context otherwise requires, all capitalized terms used in this Operational Policy Note shall have the same meaning set out in the Global Fund Grant Regulations.
[329] Throughout this document, references to LFAs also include other assurance providers.
[330] In this OPN, 'days' refers to calendar days, unless otherwise stated.
[331] Reference to CCMs includes Regional Coordinating Mechanisms (RCMs) unless otherwise stated.
[332] Contracting an SR or a service provider does not release the PR from its obligations under the Grant Agreement.

sharing of existing and potential challenges and solutions. The CCM Oversight Guidance Note and its annexes provide detailed guidance on CCM oversight functions.

12. The Global Fund, oversees implementation via:

    i. The CT, with support from the LFA (if applicable) and supervision and oversight by GMD Senior Management, is primarily responsible for day-to-day implementation oversight;

    ii. The Risk Department and other second line oversight functions, [333] together with Global Fund Senior Management, provide guidance, advice, independent oversight and monitoring over CT risk management activities; and

    iii. The Office of the Inspector General (OIG) and external auditors, provide independent assurance regarding the management of risks and controls by the CT and Business Risk Owners and efficient use of Global Fund resources.

Operational Policy

13. This Operational Policy Note (OPN) defines the guiding principles and requirements on how the Global Fund Secretariat (in particular, the CT, second line oversight functions and Senior Management) oversees implementation and monitors performance. Specific best practice guidance is also captured in the document.

14. The OPN applies to country and multicountry portfolios and grants unless otherwise specified in the dedicated multicountry section.

15. While the principles and general requirements defined in this OPN apply across all portfolios, the specific grant deliverables do not apply to Focused portfolios, unless explicitly stated. Annex 1 provides a summary of the requirements and best practices and how they apply to each portfolio category.

Guiding Principles on Implementation Oversight by the Global Fund

16. The Global Fund oversees implementation focusing on grant delivery and PR operations. This requires regular engagement with the PR, CCM and in-country stakeholders to monitor implementation progress, to jointly define solutions to address implementation bottlenecks and to achieve agreed targets. In overseeing implementation, the Global Fund also identifies common issues, lessons and best practices across portfolios to define organization-wide solutions and learning. The Global Fund oversees implementation using a combination of the most appropriate information sources[334].

17. The Global Fund supports national disease programs and health systems. Grant Funds are additional resources to domestic and other donors' resources to achieve national disease priorities and targets and to strengthen health systems. Implementation oversight covers both implementation of grants as well as the overall implementation of the national disease programs where relevant. This requires engagement beyond the PR, implementers and CCM to include national disease coordination bodies, donors and technical partners supporting the programs.

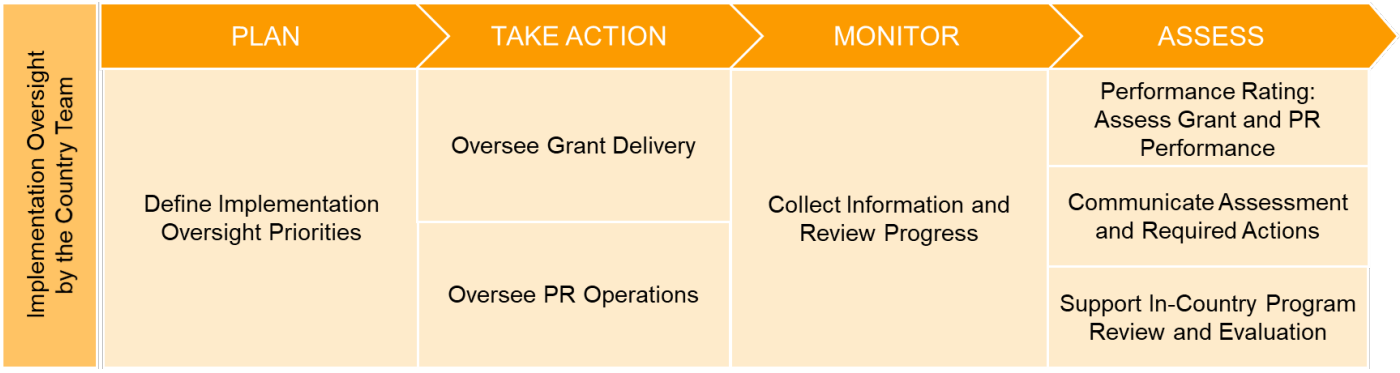
18. Oversight activities must be planned in advance and adjusted throughout the process to ensure continued alignment with changes in grant and portfolio priorities and contexts.

[333] Refer to section C below.
[334] Refer to Annex 2.

19. A critical part of overseeing implementation is identifying and prioritizing grant and portfolio-level risks, defining together with the PR and CCM actions to mitigate these risks, and planning and monitoring assurance activities to ensure defined mitigating actions are implemented[335].

20. The approach for overseeing implementation must be tailored considering the portfolio category, grant and portfolio risk profile and defined priorities, among others. The areas of focus are communicated to the PR with the understanding that these may change to adapt to evolving risks and contexts.

Implementation Oversight by the Country Team



PLAN

Define Implementation Oversight Priorities

21. CTs prioritize implementation oversight and assurance activities on an ongoing basis. As a best practice for High Impact and Core portfolios, these activities are captured into existing CT work plans. The strategic deliverables from these work plans flow into CT annual performance objectives.

22. **Implementation Oversight Priorities.** The CT prioritizes the portfolio and grant-level activities based on organizational and national priorities, key grant and portfolio risks, changes in country context, among others.

23. **Assurance Activities.** The CT leverages LFA services, external auditors, other assurance providers and fiscal/fiduciary agents, as needed, for insights and to provide the necessary assurance on whether identified risks are properly mitigated. Assurance planning is initiated during grant-making and continued during implementation. The OPN on Country Risk Management provides guidance on assurance planning[336]. Assurance plans inform the annual LFA work plan and budgeting exercise. The CT defines the scope, timing of assurance activities and associated resources, and ensures the required services are implemented.

24. **Engagement with Countries.** As a best practice, CTs regularly engage, through virtual and in-person communication platforms, with PR, CCM, LFA, partners and other key stakeholders to gain insights, discuss progress and address implementation issues. CTs plan these regular engagements with country stakeholders.

TAKE ACTION

Oversee Grant Delivery

25. The CT undertakes planned oversight activities through formal or informal channels and ensures planned assurance activities are implemented. This allows the CT to have an overview of

[335] see OPN on Risk Management .

implementation progress and existing and potential bottlenecks and risks to proactively discuss with the PR and CCM on solutions.

26. Examples of CT actions include but are not limited to:

i. **Make disbursements.** Process disbursements in line with the disbursement schedule established as part of the Annual Funding Decision and the terms of the Grant Agreement to ensure funds are disbursed to the PR and/or third parties in a timely manner for the continuation of grant activities[337].

ii. **Create synergies and avoid duplication.** Engage with partners supporting national disease programs to ensure synergies and collaboration and avoid duplication of support[338].

iii. **Facilitate technical and implementation support.** Facilitate technical assistance (TA) and capacity building support to ensure effective delivery of the grant and overall national strategies and programs.

iv. **Revise grants.** Discuss and work with the PR to drive implementation and adapt to changes in context, including through timely revisions[339].

v. **Request additional funds through portfolio optimization.** If the grant is positioned to accelerate implementation, request additional funding through the portfolio optimization process[340] to maximize impact by financing items on the register of Unfunded Quality Demand[341].

vi. **Monitor Co-Financing:** Monitor implementation of co-financing commitments, engaging with the PR, CCM, and relevant national stakeholders as required.

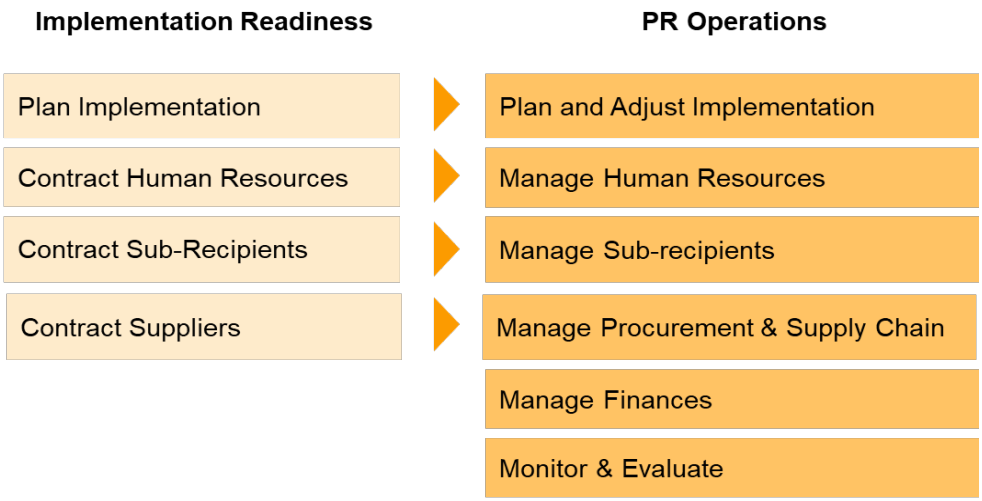
27. The CT also monitors the progress of grant requirements, implementation and mitigating actions[342] When these are not fulfilled within the agreed timelines, the CT determines required follow-up. To address critical risks that may arise during implementation the CT (with FPM[343] approval) can also define new grant requirements[344], implementation and mitigating actions for the PR to undertake. CTs in High Impact and Core portfolios update IRM focusing on Key Mitigating Actions (KMAs) as information becomes available to CTs throughout the grant lifecycle.[345]

28. In addition, the CT also monitors progress and follow-up of Technical Review Panel (TRP) issues that are due during grant implementation. When these are not fulfilled within the agreed timelines, the CT, with support from Access to Funding, will raise TRP issues to the Grant Approvals Committee (GAC) for steer.

Oversee PR Operations

29. PR Operations refers to the PR's execution of key management functions to enable grant delivery and is linked to the four elements that underpin implementation readiness as part of grant-making as shown in the figure below.

[337] For more information, refer to the OPN and Operational Procedures on Annual Funding Decisions and Disbursements.
[338] In acute and protracted emergencies, the CT also reaches out to relevant humanitarian partners and coordination mechanisms to ensure complementarity and integration of humanitarian and development efforts.
[339] For more information, please refer to the OPN on Grant Revisions and the Grant Budgeting Guidelines.
[340] See *Prioritization Framework for funds that become available for Portfolio Optimization and Financing Unfunded Quality Demand* and Operational Procedures on Portfolio Optimization.
[341] For more information, please visit the Global Fund page on Unfunded Quality Demand.
[342] In this document, mitigating actions is a general term used to refer to risk mitigating actions (KMAs), other prioritized mitigating actions. See Guidance on Mitigating Actions.
[343] For High Impact portfolios with Disease Fund Managers (DFM), the Senior FPM approves based on the recommendations of the DFM.
[344] Additional Grant requirements are set by amendment to the Grant Confirmation through an Implementation Letter (see OPN on Grant Revisions).
[345] See OPN on Country Risk Management



30. The CT, with LFA support as necessary, monitors the efficiency and effectiveness of PRs in executing these management functions. Prior to the start of a specified 12-month period (execution period), the PR in High Impact and Core portfolios develops the annual Implementation Work Plan and discusses this with the CCM and CT. The Implementation Work Plan is updated as needed to reflect implementation realities.

31. The CT ensures planned assurance activities[346] are undertaken to confirm adequacy of PR capacities and systems and the implementation arrangements. Based on the outcomes of these assessments, capacity strengthening measures or changes to implementation arrangements can be discussed and agreed with the PR and/or CCM.

32. Measures are differentiated depending on the type of PR (i.e., local or international organizations) with examples described in the following paragraphs. In exceptional cases, when international organizations are approved as PRs, they are expected to have the capacities and systems to manage the grant and deliver results.

33. **Strengthen PR and implementers capacities.** The CT facilitates technical and implementation support to strengthen national PR, SR and implementer capacities and systems. For PRs who are part of international organization, the CT, in collaboration with teams across the Secretariat, notifies the PR's headquarters of the PR's performance issues and any capacity gaps, and agree on expected performance improvements with clear milestones and outcomes, as well as a follow-up plan to assess improvements.

34. **Adjust Implementation Arrangements.** The CT discusses with the PR and/or CCM to introduce required changes to implementation arrangements. Examples include:

    - **Outsourcing part of the PR's responsibilities[347].** When critical management weaknesses are identified related to local PRs and/or SRs, an assurance service provider (e.g., fiduciary agent, fiscal agent, procurement agent) can be contracted as a temporary measure. The assurance service provider is financed from Grant Funds. For health products for which the Global Fund determines that the PR's procurement and supply management capacity is insufficient, the Global Fund can require a PR to use the Pooled Procurement Mechanism[348] or other established procurement and supply management agents or services acceptable to the Global Fund.[349].
    - **Change PR/SR.** As a last resort, a PR and/or one or more SRs may be replaced or added during implementation when the PR or a given SR is not able to perform its role and carry out its responsibilities under the grant, in accordance with the terms of the Grant Agreement. The process to replace or add a PR is planned well in advance, when possible, to facilitate the transfer of responsibilities and avoid interruption of service delivery. A change in PR requires a grant

[346] A description of assurance activities is given in the Assurance Activity Guidance.
[347] For detailed guidance, refer to the Global Fund Guidelines on Financial Risk Management.
[348] Refer to the OPN and Operational Procedures on the Pooled Procurement Mechanism.
[349] Refer to the Guide to Global Fund Policies on Procurement and Supply Management of Health Products.

closure[350] for the outgoing PR, and negotiation and signature[351] of a new grant for the incoming PR. Changes to the implementation arrangements are captured in the Implementation Arrangements Map[352].

- **Additional Safeguard Policy.** When implementers consistently demonstrate a lack of capacity or failure to effectively safeguard Global Fund investments, the CT may recommend invoking the Additional Safeguard Policy (ASP)[353]. The ASP allows the Global Fund to lead the selection of implementers for the grant and/or replace an existing PR when significant risks arise during implementation. The details of the responsibilities and procedures for invoking/revoking the ASP are defined in the OPN on ASP.

35. **Manage Recoveries.** In overseeing implementation, the CT also follows-up with the PR on potential or confirmed recoverable amounts following guidance defined in the Guidelines for Grant Budgeting and the OPN on Recovery of Grant Funds.

MONITOR

Collect Information and Review Progress

36. The CT uses informal and formal sources[354] to gain insights on progress of grant delivery and PR operations. The LFA provides critical support to the CT in gathering country-level information and providing analysis and recommendations. The reporting period is ideally aligned with the national reporting cycle.

37. **PR Reporting Requirements.** The PR reports information collected on grant delivery and PR operations to the Global Fund Secretariat and CCM to enable assessment of progress and drive decision-making. The PR reporting requirements apply per grant and per implementation period (i.e., PR reports for multiple grants or multiple implementation periods cannot be combined). The quality and timeliness of PR reporting is a critical part of evaluating PR performance.

38. Table 1 and Figure 1 present the standard reporting requirements. . The Global Fund may change the content and scope of PR reporting requirements and related assurance to meet organizational needs, in accordance with the Grant Agreement. Portfolios categorized as Challenging Operating Environments[355] can request for flexibilities in PU/DR[356] submission timelines.

[350] When there is a decision to replace a PR, the Grant Agreement with the outgoing PR must be closed out following the OPN on Implementation Period Reconciliation and Grant Closure and a new agreement is signed with the new PR.
[351] Per guidance defined in the OPN and Operational Procedures on Make, Approve and Sign Grants.
[352] See Annex 1 of the OPN on Make, Approve and Sign Grants for the Implementation Arrangements Map requirements levels by portfolio category.
[353] See OPN on Additional Safeguards Policy.
[354] See Annex 2 for a non-exhaustive list of sources and examples of information that can be used for oversight.
[355] For more information, please refer to the OPN on Challenging Operating Environments and the Global Fund Guidelines on Financial Risk Management.
[356] PU/DR refers to both Progress Updates (PU) and Progress Updates and Disbursement Requests (PUDR).

Figure 1. Reporting requirements frequency and deadline for submission

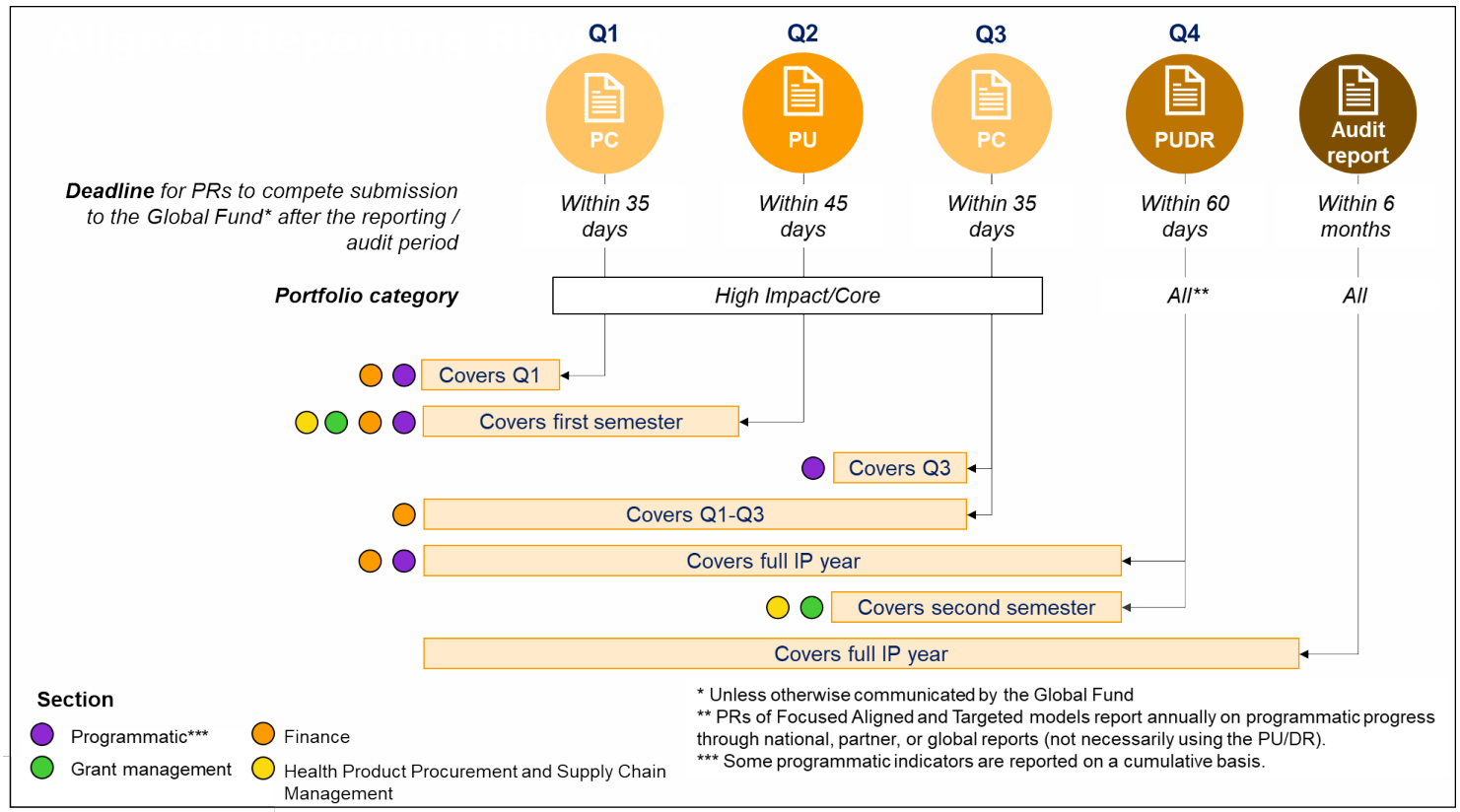


Table 1. Reporting frequency and deadlines for submission.

Type of report	Reporting / audit Period Covered	Deadline for PRs to complete submission to the Global Fund[357] after the reporting / audit period	Portfolio category		
			High Impact	Core	Focused
Pulse Checks (PC)	First and third quarters of each IP year.	Within 35 days	✓	✓	
PU	First semester of each IP year	Within 45 days	✓	✓	
PUDR	Each IP year	Within 60 days	✓	✓	✓[358]
Audit Report	Each IP year	Within 6 months	✓	✓	✓

i. **Pulse Check:** The Pulse Check collects information twice a year, which enable swift and fact-based decision-making and action as needed, increasing the agility of implementation.[359]

[357] Unless otherwise communicated by the Global Fund.
[358] PRs of Focused Aligned and Targeted models report annually on programmatic progress through national, partner, or global reports (not necessarily using the PU/DR).
[359] Refer to the Guide for PRs on Completing and Submitting Pulse Checks for more information.

ii. **Progress Update/Disbursement Request (PU/DR)**: The PU and PUDR (collectively referred to as PU/DR) are comprehensive reports on implementation progress, including programmatic, financial, health product procurement and supply chain management, risk, governance as well as management issues[360]. The PUDR also include a forecast of cash needs for the next IP year and buffer period.

iii. **Audit Report:** Audits provide the Global Fund with assurance that (i) disbursed funds were used for the intended purposes in accordance with the relevant Grant Agreement, including the approved budget and the Performance Framework, and (ii) the financial statements fairly represent the financial transactions and balances of the grant[361].

39. There may be cases where the Global Fund Secretariat gains insights into concerns or allegations of actual or attempted misconduct. In such cases, the CT members are guided by the Code of Conduct for Global Fund Employees and must proactively report these issues to the OIG or to the Ethics Office to ensure they are appropriately addressed early on.

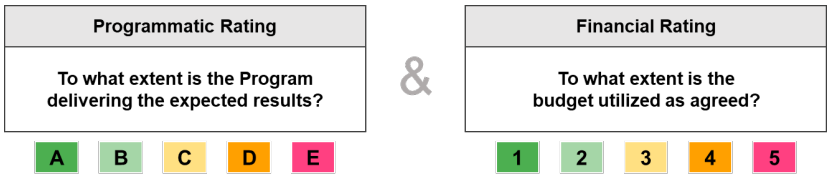
ASSESS

Performance Rating: Assess Grant and PR Performance

40. Information formally reported through the annual PUDR allows the Global Fund Secretariat to undertake a comprehensive assessment of performance resulting in a Performance Rating[362], which comprises Grant Performance and an assessment of PR Performance.

iv. **Grant Performance** measures progress against the expected results (programmatic rating) and budget utilization and in-country absorption (financial rating), as shown in the figure below. [363]

v. **Frequency.** Grants are rated annually. Focused Aligned and Targeted model grants are rated as defined in the Grant Agreement.



Programmatic Rating Level Ranges

A	Excellent	≥ 100%
B	Good	90% - 99%
C	Moderate	60%-89%
D	Poor	30%-59%
E	Very Poor	< 30 %

Financial Rating Level Ranges

1	Excellent	≥ 95%
2	Good	85% - 94%
3	Moderate	75% - 84%
4	Poor	65% - 74%
5	Very Poor	< 65 %

vi. **PR Performance (forthcoming[364])** reviews how well the PR has managed the grant over the course of the previous reporting period. The Global Fund looks specifically at: (i) implementer capacity, in areas such as monitoring and evaluation, financial management, procurement and supply chain management and governance and implementation management; and (ii) the quality, timeliness and compliance with Global Fund requirements as they pertain to PR operations.

vii. The PR rating is determined on an annual basis for High Impact and Core portfolios.

[360] Refer to PU/DR Form Instructions.
[361] Refer to the Guidelines for Annual Audit of Global Fund Grants for more information.
[362] Refer to Annex 2 of the Operational Procedures for the Performance Rating Methodology.
[363] The performance rating approach for Payment for Results grants and other grants with non-standard reporting requirements is forthcoming.
[364] The PR rating approach is not yet implemented by the Global Fund. PRs and CTs will be notified in advance when this will take effect.

Communicate Assessment and Required Actions

41. Based on its analysis of results and performance, the CT defines specific and actionable recommendations to improve the programmatic and financial results and PR operations. A Performance Letter is issued to the PR within defined timelines[365]. This letter includes:
    a. CT findings,
    b. Performance Rating (which comprises the programmatic and financial ratings and a qualitative assessment of PR performance[366] where applicable),
    c. prioritized risks and required implementation and mitigating actions as well as relevant timelines to address identified implementation challenges. The CT monitors the progress of these actions (see Section B.2 Take Action).
42. A Performance Letter is required for all portfolio categories following the PUDR. The CT can decide to issue additional Performance Letters at any point in time throughout implementation.

Support In-Country Program Review and Evaluation

43. In-country program reviews and evaluations constitute periodic reviews of program design, implementation and achievements against national strategic objectives and targets. They play an important role in learning from past implementation, facilitating timely course correction and ensuring investments are based on evidence-informed program design to maximize impact, efficiency and equity[367].
44. These in-country program review and evaluations cover the national disease programs including the Global Fund contribution through its grants. Where relevant, the CT is expected to engage in these in-country reviews and engage with the PRs and CCM so that results of such reviews are used to ensure that the Global Fund continues to fund the most important interventions to achieve national strategic objectives and targets and introduce improvements to the way the grant is implemented. As applicable, required actions from the PR resulting from these in-country program review and evaluations are communicated to the PR through the Performance Letter.
45. These in-country program review and evaluations are tracked through the country M&E Profile updated by the CT for High Impact and Core portfolios. Annex 3 provides further details.

Table 2. In-country Program Reviews and Evaluations

Program Reviews	• Systematic review of program design, inputs, implementation and results against national strategic objectives and targets, as well as regional/global benchmarks. • Required for High Impact and Core portfolios[368], and a best practice for Focused portfolios, particularly those with Tailored for National Strategic Plan (NSP) funding applications. Reviews conducted every three years. • Managed by the Ministry of Health or its national disease programs and carried out by a joint national and international team of experts at mid-point and end of the NSP. • Budgeted and supported through Grant Funds, if needed.
Periodic Performance Reviews	• National or sub-national review of program implementation and results. • Required for High Impact and Core portfolios, conducted at regular intervals between program reviews, at a minimum:

[365] Within 110 days from the PUDR reporting period end-date.
[366] Until the PR rating is rolled-out and implemented.
[367] Within the Secretariat, the process of In-Country Program Reviews & Evaluations is coordinated by MECA under the strategic guidance of the Secretariat M&E Working Group.
[368] Not required when a program evaluation was conducted within the last three years and can serve the purpose of assessing the design and implementation of the NSP.

	- annually at national level[369]; and - semi-annually at sub-national level[370]. • Led by respective disease programs at national and intermediate sub-national levels. The CT engages with national stakeholders to strengthen the approach, especially in cases where no plans and/or guidance exist for such reviews; technical support may be facilitated through the MECA M&E TA Pool. • Budgeted and supported through Grant Funds, if needed.
Enhanced Portfolio Review	• In-depth assessment of the entire grant portfolio or specific areas of a national disease program, against a predefined program design and defined, verifiable results. • Best practice for Focused portfolios, once per 3-year grant cycle, particularly when a program review has occurred and the quality is deemed inadequate[371] or when no program review has occurred. It can also be triggered by a specific programmatic need. • Commissioned by the Global Fund Secretariat. • Budgeted and supported through Grant Funds.
Program Evaluation	• Rigorous assessment of the entire program or specific areas of a national disease program, against a predefined program design (or theory of change) and defined, verifiable results. • Best practice for High Impact and Core portfolios when the quality of a program review is deemed inadequate[372] or when no review has occurred. It can also be triggered by a specific programmatic need. • Usually commissioned by the Ministry of Health and/or other in-country partners and may be supported or independently commissioned by the Global Fund Secretariat.

Global Portfolio[373] Oversight by Second Line Functions and Senior Management

46. The Global Fund Secretariat has dedicated mechanisms to provide strategic guidance and support to CTs in overseeing implementation and monitoring grant and PR performance. Through these mechanisms the Global Fund Secretariat maintains a global view on performance and risks for all portfolios and can identify common issues and challenges which require organizational-level solutions and facilitate organizational learning.

47. **Second Line Oversight Functions**. Second line oversight is led and coordinated by the Risk Department which works in close collaboration with other second line functions to provide guidance, advice, independent oversight and monitoring over CT risk management activities. Second line oversight functions are also responsible for providing policy and technical guidance to CTs in their functional areas regarding risk identification and prioritization, and best practices for mitigating

[369] Not required when a program review was conducted in the same fiscal year.
[370] Sub-national reviews occur at the provincial/regional and district levels. The frequency of periodic reviews at sub-national levels are planned and budgeted for during grant-making and set as targets in the Performance Framework.
[371] Refer to the high-level criteria on program review quality.
[372] Refer to the high-level criteria on program review quality.
[373] Global portfolio refers to all country and multicountry portfolios supported by the Global Fund.

actions and assurance activities based on country context. The list of second line oversight functions is captured in the OPN on Country Risk Management.

Global Fund Senior Management

48. **Grant Management Division (GMD) Management** includes the Regional Managers, Regional Department Heads, and the Division Head, who supervise CTs on the management of country/multicountry portfolios. They are the first point of escalation for CTs on grant and portfolio implementation issues requiring management guidance and decision. GMD Management also oversees portfolio performance through regular monitoring and assessment of regional and global portfolio performance against key organizational metrics and providing strategic guidance to CTs on required actions. GMD Management also participate in the PPC.

49. The **PPC**, a Global Fund Senior Management body oversees implementation of the global portfolio and hosts the Country Portfolio Review, PPC Executive Session, PPC Thematic Executive Session, and Enterprise Performance Review, see OPN on Country Risk Management. The PPC provides strategic steer and identifies areas where additional support, flexibilities and adaptations may be needed to maximise impact[374].

50. Further information on the PPC can be found in the PPC ToRs and the OPN on Country Risk Management.

51. The **Grant Approvals Committee[375] (GAC)** includes executive management members who provide oversight and governance mechanisms on investment proposals and recommends grants for Board approval. The GAC also oversees portfolio-wide implementation of TRP issues.

Specific Multicountry Considerations

52. Multicountry grants generally follow the same requirements set out in this OPN, with the following specific considerations:

viii. For multicountry grants, reference to CCM includes engagement of the Regional Organization (as applicable), Regional Coordinating Mechanism (RCM) and CCM representatives of all countries included within the grant (as applicable).

ix. The legal and political considerations and logistics of cross-border implementation are considered when tailoring LFA-services.

[374] See PPC ToRs available here.
[375] GAC ToRs are available here.

Annex 1. Overview of Requirements and Best Practices

	Approach & Grant Deliverables	Required (R)/ Best Practice (BP)				
		High Impact & Core	Focused			
			Aligned	Targeted	Light	Legacy
Implementation Oversight by the Country Team						
PLAN	**Define Implementation Oversight Priorities**					
	• Oversight and assurance activities identified	R	R[376]			
	• Regular engagements with country planned	BP	BP			
	• Oversight and country engagements captured in existing CT work plans	BP	-			
TAKE ACTION	**Oversee Grant Delivery**					
	• Oversight and assurance activities implemented and adjusted (as applicable)	R	R			
	• Required CT actions to address implementation challenges identified and delivered (as applicable)	R	-		R	
	• Status of Grant Requirements and Key Mitigating Actions tracked as part of Integrated Risk Management module	R	-			
	• TRP issues due during grant implementation and delegated to the Secretariat addressed and tracked	R	R			
	Oversee PR Operations					
	• PR Annual Implementation Work Plan	BP	-			
	• CT Inputs to PR implementation work plan	BP	-			
	• Oversight and assurance activities implemented and adjusted (as applicable)	R	R			
	• Required capacity strengthening measures identified and agreed with PR and/or CCM (as applicable)	R	-		R	
	• Recoveries managed (as applicable)	R	R			
MONITOR	**Collect Information and Review Progress**					
	• Pulse Check submitted and reviewed	R	-			
	• PU submitted and reviewed	R	-			
	• PUDR submitted and reviewed	R	R[377]		R	
	• Audit Report submitted and reviewed	R	R			

[376] LFA work planning and budgeting only
[377] PRs to report annually on programmatic progress through national, partner, or global reports. CT directly captures results in GOS (equally for financial reporting) and submits assessment and rating once per grant cycle (for Aligned models) and according to the frequency defined in the grant agreement (for Targeted models).

	Approach & Grant Deliverables	Required (R)/ Best Practice (BP)				
		High Impact & Core	Focused			
			Aligned	Targeted	Light	Legacy
ASSESS	**Performance Rating: Assess Grant and PR Performance**					
	• Grant Performance rated (programmatic and financial ratings)[378]	R	R			
	• PR Performance qualitative assessment done	R	-			
	• Assessment and required actions communicated through Performance Letter	R	R			
	Support In-country Program Review and Evaluation (as applicable)					
	• Support in-country program review	R	BP			
	• Support periodic performance reviews	R	-			
	• Commissioned enhanced portfolio review (as applicable)	-	BP			
	• Support program evaluation	BP	-			
Global Portfolio Oversight by Second line oversight functions **and Senior Management**						
	• Second line oversight functions**:** Policy and technical guidance to CTs in respective functional areas	Refer to OPN on Country Risk Management				
	• **GMD Management:** Supervision and strategic guidance to CTs and regular monitoring of regional and global portfolio	R	R			
	• **PPC:** Undertake CPR, PPC Executive Session, PPC thematic session, and/or EPR	As per selection criteria				
	• **GAC:** Oversight of portfolio-wide implementation of TRP issues.	R	R			

R = Required

BP = Best Practice

- = Not Required

[378] The performance rating approach for Payment for Results grants and other grants with non-standard reporting requirements is forthcoming.

Annex 2. Collection of Information for Oversight

Below is a non-exhaustive list of sources and examples of information that can be used to provide effective oversight of grant delivery and PR operations.

Source of information	Examples of information[379]
PU/DRs and Pulse Checks[380]	• Programmatic and financial progress, as well as operational elements of the grant. • Important source for tracking Key Mitigating Actions for major risks, including co-financing commitments, and identify any new issues.
Audit Report	• PR compliance of the use of Grant Funds and the adequacy of internal controls[381].
IRM module	• Important source for tracking mitigating actions for identified risks, key mitigating actions and assurance activities.
Follow up on the implementation of TRP issues	• Subject to the specific TRP issue.
National annual expenditure on health and the three diseases	• Important source for tracking co-financing commitments.
Available dashboards and/or oversight tools and reports	• Period-specific financial, programmatic and procurement information.
Performance Letters and other assessment communication from the Global Fund	• Highlights grant and PR performance with specific areas for action.
National disease program epidemiologic reports/databases	• The evolution of the epidemic in the country, which can help identify vulnerable populations at increased risk.
Site visits	• Additional information on specific issues that may have emerged from Global Fund assessments, and/or verify information reported by the PR.
Feedback from people living with diseases or community-based monitoring initiatives present in-country	• Insight into the effectiveness of grant activities among the communities affected and identify bottlenecks to service delivery.
Spot Checks	• Periodic Program and/or data quality. • Health Facility Assessments • Supply Chain spot checks
Health Management Information System (HMIS), (e.g., DHIS2[382])	• System whereby health program data are recorded, analyzed, and used for program planning and patient care.
Logistic Management Information system (LMIS)	• Essential information on quantification processes and for planning distribution along the supply chain, avoiding overstocks and stock-outs.

[379] Information will vary by grant and country.
[380] As the principal sources of information, the PU/DR and Pulse Checks are always shared with the CCM.
[381] Refer to the Guidelines for Annual Audit of Global Fund Grants for more information.
[382] An open source, web-based platform most commonly used as a health management information system (HMIS).

Annex 3. In-Country Program Reviews and Evaluations

1. In-country program reviews and evaluations are part of the Global Fund Monitoring and Evaluation Framework[383] and are made up of program reviews, periodic performance/routine data reviews, enhanced portfolio reviews and country-led program evaluations.
2. In the current global context where resources are very limited as compared with the overall need, well-designed in-country program reviews and evaluations guide programs to the most optimal path to achieve sustainable impact, system resilience, equity and efficiency.
3. This annex provides guidance to CTs and other supporting structures[384] within the Secretariat for planning, coordination, implementation and quality assurance of in-country program reviews and evaluations, as well as the use of their findings. It also ensures the consistency and quality of the process and products of in-country program reviews and evaluations. The planning and implementation status of the reviews and evaluations is tracked through country M&E Profiles for High Impact and Core portfolios and using work plan tracking measures in the performance frameworks.

Principles

4. The Secretariat takes the following principles into account in all stages of in-country program reviews and evaluations process:
    - **Alignment:** In-country program reviews are aligned with country systems, processes, and program cycle.
    - **Ownership and Inclusiveness**: In-country program reviews are owned and managed by the country, usually by the Ministry of Health and/or its national disease programs, technically supported by WHO, with participation of relevant global and national stakeholders.
    - **Quality**: In-country program reviews and evaluations are of quality necessary to inform program design and implementation.
    - **Tailored**: The design and implementation of program reviews are tailored to the epidemiological and financial contexts, portfolio category and level of investment in country[385]. Generic Terms of References (ToRs) can be adapted to each country[386].
    - **Learning**: The use of the findings is the primary purpose of in-country program reviews and evaluations[387]. Final reports are made available within three months after completion of program review field work to ensure findings can be used in a timely manner. Findings are used for learning and to inform program design implementation and revisions, and not to penalize grants or programs.
    - **Accountability**: All national disease programs are subject to demonstrating their results against the targets defined in NSPs or in grant agreements with donors. In-country program reviews and evaluations are among the primary means to ensure the national disease programs' accountability to the governments, donors, civil societies, and program beneficiaries.
    - **Transparency**: All final reports from in-country program reviews and evaluations are accessible to all stakeholders. This permits the tracking of progress over time and ensures mutual accountability.

[383] Refer to the Global Fund Strategic Framework for Data Use for Action and Improvement at Country Level.
[384] Within the Secretariat, the process of In-Country Program Reviews & Evaluations is coordinated by MECA under the strategic guidance of the Secretariat M&E Working Group.
[385] For example, reviews in COE and Focused portfolios may have a more targeted scope than reviews in High Impact and Core portfolios.
[386] Generic terms of references for reviews and evaluations
[387] Learning refers to a process of translating findings and recommendations from a program review or evaluation into programmatic actions as well as informing program design and implementation.

Objectives

5. This Annex provides guidance to help CTs, PRs and lead implementers to:

   - **Institutionalize** in-country program reviews, evaluations and enhanced portfolio reviews including the frequency and timing of program reviews and criteria for program evaluations/ enhanced portfolio reviews by ; a) ensuring that program reviews are planned, budgeted and conducted at least once in a 3-year grant implementation cycle, which are required in High Impact and Core countries, and best practice for Focused countries, particularly those countries submitting Tailored for NSP funding applications; b) ensuring program reviews are supported in Focused countries as deemed appropriate through a prioritization process against a set of defined criteria; c) defining criteria for when evaluations or enhanced portfolio reviews shall be conducted in addition to and/or in lieu of program reviews.
   - **Operationalize** in-country program reviews, evaluations, and enhanced portfolio reviews through, a) defining the roles and responsibilities of different teams at the Global Fund Secretariat, as well as in-country and global partners in the planning, design, and implementation of in-country program reviews, evaluations, and enhanced portfolio reviews, and in subsequent use of the results; b) outlining processes to ensure program reviews are planned well in advance, including scope, timeline, budget and technical assistance (TA) needed—ideally considering the timelines for funding request and grant-making.
   - **Ensure the quality** of in-country program reviews, evaluations, and enhanced portfolio reviews, by institutionalizing quality assurance at planning, implementation, and report preparation stages, as well as a quality assessment of the process and reports. This also includes provision of updated guidance, tools, and generic ToRs jointly developed with WHO and partners, as well as facilitation of technical support tailored to country-specific needs.
   - **Ensure the dissemination and learning** of findings from in-country program reviews, evaluations, and enhanced portfolio reviews - that the findings and recommendations are appropriately referred to and used at various stages of program management cycle, i.e., during NSP revision, while preparing funding requests, during the grant making or reprogramming processes, and when deciding on the annual disbursements. This also includes biannual synthesis reports of key findings, recurring themes, and recommendations, to be shared with the Senior management and various teams within the Secretariat, relevant board committees and partners.

Program Reviews

6. A program review is a systematic review of program design, inputs, implementation and results against national strategic objectives and targets as well as regional and global benchmarks. National program reviews are conducted every two to three years following the national strategic planning cycle. It is owned and managed by the Ministry of Health or its national disease programs and usually carried out by a joint national and international team of experts. Program reviews are required in High Impact and Core portfolios, and a best practice for Focused portfolios, especially those with Tailored for NSP funding applications. CTs negotiate a budget and an appropriate timeline for program reviews with national programs that serve both the national need and grant-specific aspects. The main objectives of program reviews are to:

   i. examine progress and impact of national disease programs, including all contributions (government, civil society, private sector) towards the objectives and targets of the National Strategic Plan (NSP) and regional/global coverage, outcomes, and impact targets;

   ii. examine progress in strengthening key programmatic/thematic health system areas, including cross-cutting aspects such as human rights, equity, human resources, laboratory, supply chain management, information systems, domestic financing and domestic resource mobilization, etc.;

iii. review the structure, organization, financing, and management of the program, partnerships and funding landscape, including engagement of civil society and private sector, where relevant; and

iv. inform a revision of NSP, the Global Fund Funding Request and/or grant implementation[388].

7. During funding applications, CTs/PHME Specialists ensure that program reviews are planned and budgeted for in the respective disease program funding request, specifying all funding sources that may contribute to the review. During implementation, PHME Specialists engage with national disease programs to ensure that: a) the planned timelines are respected and TORs are shared for secretariat review and input; b) funding and technical support for the review has been fully mobilized; c) the program reviews are accompanied by an appropriate epidemiological and impact analysis; d) additional technical support is accessed through the MECA M&E TA pool (if required); e) draft program views reports are reviewed by the CTs/PHME Specialists and relevant technical teams, as appropriate, before final versions are validated by the countries; and f) final reports are shared with MECA for synthesis, quality review and feedback. MECA tracks required program review planning and supports CTs through facilitation of technical support and access to generic TORs, which countries can adapt to their respective local contexts.

Periodic Performance Reviews

8. Periodic performance reviews, also called "routine data reviews" in some settings, refer to national or sub-national review of program implementation and results, conducted at regular intervals (quarterly, semi-annually, annually). They are informed by the analysis of routine programmatic data and serve as a platform for programmatic and operational discussions and decisions, based on progress against annual and semi-annual targets. Such platforms are led by respective disease programs and used to assess achievements in program implementation, gaps, challenges, and opportunities for course correction, as needed. Sub-national health authorities (provincial/regional and district levels) usually organize monthly, quarterly, or semi-annual performance reviews, whereas those at national level typically hold semi-annual or annual reviews.

9. Periodic performance reviews are required in High Impact and Core countries. During funding applications and grant-making, the PHME Specialist ensures that CCMs have included plans and budget for periodic performance reviews. The PHME Specialist explores with the MOH and disease programs if sound guidance and tools for such reviews exist. Standard WHO health facility data analysis packages for national and subnational levels are available[389]. When no quality guidance exists or it has been applied insufficiently, the PHME Specialist engages with national stakeholders to strengthen the approach using grant funds, as required. Technical support to strengthen this component can be accessed through the MECA M&E TA pool. MECA will track routine review planning where required and discuss M&E investments to ensure data analysis and use are integrated in routine review methodology at all levels.

Enhanced Portfolio Reviews

10. An enhanced portfolio review refers to an in-depth assessment of the entire grant portfolio or specific program areas of a national disease program, against a predefined program design and defined, verifiable results, commissioned by the Global Fund Secretariat and implemented by an external provider or jointly with partners. Enhanced portfolio reviews are particularly suited for Focused portfolios, and are planned, budgeted for, and implemented once per 3-year grant cycle as a best practice. The results can serve as an important assurance mechanism regarding whether Global Fund investments in the portfolio represented a good value for money. The

[388] Emergency program review maybe triggered by country crises or emergency, to inform grant revision to this effect.
[389] For DHIS2 data standards and analysis packages: https://www.who.int/data/data-collection-tools/health-service-data/toolkit-for-routine-health-information-system-data/modules; additional information is also available under: https://docs.dhis2.org/en/topics/metadata/dhis2-who-digital-health-data-toolkit/about-the-who-digital-health-data-toolkit.html.

evidence generated through enhanced portfolio reviews guide decisions on what is to continue and what is to change.

11. The need for an enhanced portfolio review is determined by the CT, in consultation with MECA and other technical teams. If the need is jointly determined, the cost of the review including TA costs, is budgeted using grant funds. Depending on the scope of the review, technical support could be accessed through the MECA M&E TA Pool. MECA is consulted during the development of TORs and review of reports before they are validated by countries. Please refer to para. 14 below which outlines other scenarios when the Secretariat may consider commissioning such a review.

Program Evaluations

12. A program evaluation is a rigorous assessment of the entire program or specific areas of a national disease control program against a predefined program design (or theory of change) and defined, verifiable results, implemented by an expert service provider or jointly with partners. Country-led evaluations are commissioned by the Ministry of Health and/or other in-country partners and may be supported by the Secretariat. The need for a program evaluation is determined based on the assessment of the quality of the program review process and resulting reports, with considerations to the recommendations from previous evaluations, specific program needs, and/or donor requirements.

13. If a country intends to undertake a program evaluation with Global Fund resources, the scope is discussed and agreed with the CT during grant-making. The CT, in consultation with MECA and other relevant technical teams, will support the country in the planning and execution of the evaluation.

14. In addition, the Secretariat may consider commissioning an evaluation or enhanced portfolio review when:

    i. there have been no program reviews, or any other forms of program evaluations conducted in the last three years and there are no plans nor secured funding for program reviews or evaluations in the current grant cycle;

    ii. the process and/or product of most recent program review is deemed to be inadequate[390];

    iii. a program review or previous evaluation recommends the entire or part of the national program be independently evaluated;

    iv. The CT, Technical Advice and Partnership (TAP) Department, Community Rights and Gender (CRG) Department, Health Financing Department or other department recommends an evaluation of specific programmatic or cross-cutting needs; or

    v. an agreement is reached for a joint evaluation based on recommendations from partners or donors.

15. The Secretariat participates in the planning and implementation of program reviews, support program evaluations, and actively engages in periodic performance reviews. When such reviews are not available, the Secretariat actively coordinates with the CCM and relevant health authorities to help institutionalize the platforms. The Secretariat avails the grant and other resources to build up the in-country capacity for program reviews, evaluations and periodic performance reviews.

Quality assurance of in-country program reviews and evaluations

16. MECA, in coordination with TAP teams and technical partners, facilitates the provision of latest guidelines and generic ToRs for program reviews and evaluations (including key aspects of RSSH, CRG, private sector engagement, etc.) for countries to adapt to local contexts.

[390] Refer to the high-level criteria on program review quality.

17. The CT and/or focal points from other technical teams (e.g., Disease teams, MECA, RSSH and CRG) may participate in the program review and evaluation process, based on their availability and identified need by the country or CT.
18. MECA conducts a six-monthly synthesis of program review and evaluation reports to provide ongoing feedback on key recurring recommendations, as well as on the quality of the conduct and content of the reviews.

Dissemination and use of evidence from in-country program reviews and evaluations

19. Dissemination and the use of findings are critical steps to ensuring in-country reviews and evaluations provide learnings for program improvement.
20. At country level, the national program disseminates program review and evaluation reports, together with in-country stakeholders, to relevant audiences in different forms including, sharing the report, organizing in-country dissemination sessions, and making the report available through official websites. With support from in-country stakeholders, the national program creates *aide memoires* for the official adoption of findings and recommendations by the Ministry of Health.
21. At the Secretariat level, MECA coordinates bi-annual synthesis of the main findings and recommendations of program reviews and evaluations conducted each year. The synthesis report is shared with CTs, senior management, technical teams, relevant partners, and Board Committees. The CTs may use the synthesis of findings and recommendations to inform discussions during country dialogue, grant-making, and implementation. The information can also guide discussions with global level technical partners if guidelines or tools need to be updated/developed or if existing ones need wider dissemination at country level, as well as to identify technical areas where countries may need further support.
22. MECA tracks the use of program review and evaluations in funding request, NSP revisions and other critical programmatic decisions. All program reviews or evaluations, as part of their scope, must revisit the status of implementation of recommendations from the previous program reviews or evaluations.

Reference links

- Guide to conducting programme reviews for the health sector response to HIV
- Framework for conducting reviews of tuberculosis programmes
- Malaria program review manual
- Practical manual for malaria programme review and malaria strategic plan midterm review
- WHO guidelines for analysis and use of health facility data

Operational Policy Note

Make Annual Funding and Disbursement Decisions

Approved on: 11 August 2022, Updated 19 October 2023
Approved by: Executive Grant Management Committee
Process Owner: Grant Portfolio Solutions and Support Department

Process Metrics for Annual Funding Decisions and Disbursements

PRs and Country Teams are expected to meet the following key performance indicators:

- 85% budget utilization of the first year of implementation, reported at end-June/end-December[391];
- 94% budget utilization, reported in end-June/end-December[1]; and
- 90% disbursement utilization, reported in end-March/end-September;
- AFD Notification Letter sent by CT within 15 days[392] of AFD approval; and
- Disbursement Notification Letter sent by CT within 15 days of release of the disbursement.

Overall Objective

1. The annual funding decision (AFD) and disbursement processes are critical grant management functions. These processes allow the Global Fund to commit and disburse approved Grant Funds[393] appropriately and take action to ensure grants continue to achieve maximum impact[394]. There are two main objectives:
    A. **Decide on Annual Funding:** Determine and commit the amount of funding that will be disbursed to the grant over the next 12 months of implementation[395] (plus a buffer period), considering implementation performance and issues and risks; and
    B. **Disburse Funds:** Disburse funds committed through the AFD to the Principal Recipient (PR), or third party on behalf of the PR, for the payment of goods and/or services.
2. The AFD and disbursement processes ensure:
    i. Grant Funds are used for agreed objectives and outputs in an accountable manner whereby known or new risks are minimized and mitigated;

[391] Budget utilization is reported annually for Focused portfolios.
[392] All references to "days" in the document shall mean calendar days, unless otherwise stated.
[393] Unless defined in this Operational Policy Note or the context otherwise requires, all capitalized terms used in this Operational Policy Note shall have the same meaning set out in the Global Fund Grant Regulations (2014).
[394] The review of the grant service delivery and PR operational management and assigning a performance rating is part of *Oversee Implementation and Monitor Performance*. Refer to the *OPN on Oversee Implementation and Monitor Performance for more information.*
[395] The amount committed under the AFD does not include centralized commitments and disbursements.

ii. AFDs consider grant and PR performance to ensure PRs focus on results and timely grant implementation;

iii. AFDs are well documented and justified; and

iv. Disbursements are released on time to implementers and third parties to ensure the continuation of grant activities.

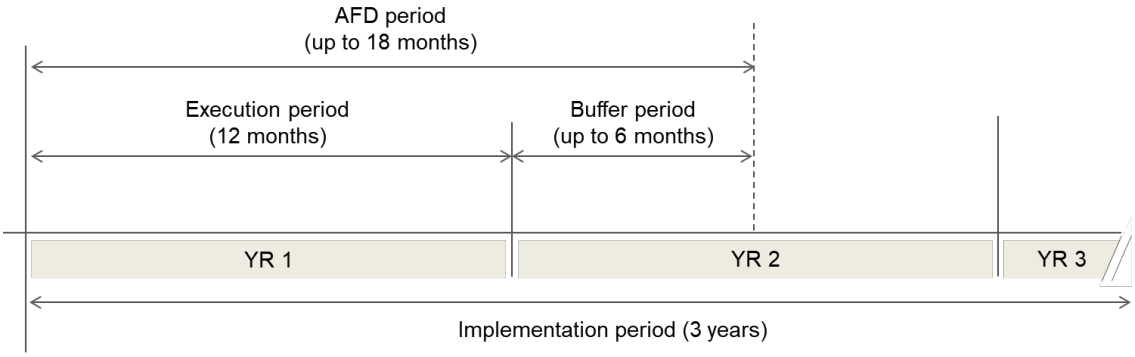
DECIDE ON ANNUAL FUNDING	DISBURSE FUNDS
Determine AFD Amount and Disbursement Schedule	Review Disbursement Schedule
Review Risks and Associated Mitigating Actions	Approve Disbursement
Approve AFD	Communicate Disbursement
Communicate AFD	

Operational Policy

A. DECIDE ON ANNUAL FUNDING

3. The AFD is the process of determining and setting aside (i.e., committing) Grant Funds to finance a specified 12-month period (execution period)[396] plus a period of up to 6 months (buffer period)[397]. This maximum 18-month execution and buffer period are referred to in this document as the AFD Period. The AFD amounts are disbursed to the PR and third parties as relevant, in a staggered manner during up to a maximum 18-month period[398] in accordance with the relevant Grant Agreement (see fig. 1).

Figure 1. AFD Period.

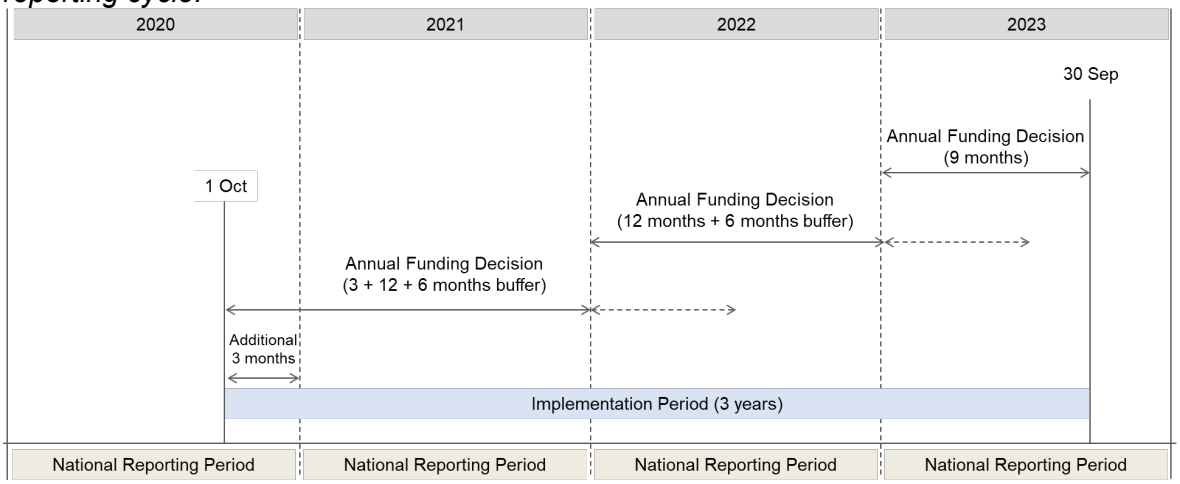


[396] In some cases, an execution period may be six months in high-risk environments. The same policies and processes apply except where indicated otherwise.
[397] The Country Team determines whether the buffer period is 3 months or 6 months, as required.
[398] Or up to 21 months when an AFD period is exceptionally lengthened for purposes of national reporting cycle alignment or to process a disbursement under a Supplementary Decision.

4. **Align AFDs.** The AFD and disbursement schedule aligns with the progress reporting period[399] which, in turn, is ideally fully aligned with the national reporting cycle. If the grant start date is not aligned with the national reporting cycle, the 1st AFD is lengthened or shortened to ensure such alignment[400].

5. Figure 2 shows the example of a grant with an implementation start date of 1 October. The national reporting cycle for the grant is from January to December. In order to align the AFD with the national reporting cycle, the execution period of the 1st AFD covers 15 months (plus a buffer). The 3rd AFD will cover a period of 9 months up to 30 September, since the Implementation Period is typically 3 years.

   Figure 2. Aligning the AFD and the disbursement schedule with the national reporting cycle.



6. All commitments to the grant are processed through the AFD except commitments for centralized payments to third parties for: (i) the procurement of health products through the Pooled Procurement Mechanism (PPM)[401], (ii) Wambo-related transactions, (iii) the private sector co-payment mechanism for ACTs (CPM) and (iv) Green Light Committee (GLC) payments (please also refer to the Direct Disbursements to Third Parties section below).

7. Each AFD is processed through an annual decision-making form (ADMF). The sum of all funds committed through AFDs and centralized payments for the full Implementation Period and closure period of a grant cannot exceed the grant signed amount stipulated in the relevant Grant Agreement.

8. The Approve AFD section below provides the delegated authority on annual and supplementary funding decisions.

9. **Types of Funding Decisions.** There are three types of funding decisions:

   - **1st AFD:** For a new grant or Implementation Period, this decision is taken immediately after grant signing and purchase order (PO) approval, based on the grant cash requirements in line with the approved budget. If the 1st AFD is completed within 30 days of the PO approval, and there are no exceptions selected, no signatures are required to process this decision. If there is a delay of more than 30 days in processing the 1st AFD, the relevant signatory authority stipulated in the "Approve AFD section" will be invoked.

     The 1st AFD does not consider grant or PR performance; however, it does consider any issues or actions identified during grant-making and/or approval.

[399] The progress reporting period is ideally aligned with the national reporting cycle and is not necessarily linked to calendar year or implementation years from the grant start date. Alignment to this period is necessary to ensure availability of programmatic results required to inform AFDs.
[400] This is exceptionally permitted for the 1st or last AFD, since the execution period can only be up to 12 months.
[401] Please refer to the *OPN* and *Operational Procedures on Pooled Procurement Mechanism (PPM).*

- **2nd and 3rd AFD:** The subsequent funding decisions for years 2 and 3 of the grant Implementation Period take into consideration grant and PR performance and financial needs as reported through the Progress Update and Disbursement Request (PU/DR)[402] or the Local Fund Agent, as relevant.

- **Supplementary Funding Decision:** Decisions that may be processed up to 18 months from the start date of the AFD Period, in the following cases:
  - When there is insufficient commitment under the active AFD to support grant activities for the PR or third parties;
  - To commit and disburse additional funds from mechanisms, such as portfolio optimization or the COVID-19 Response Mechanism (C19RM);
  - To reduce funds from the current AFD; or
  - To disburse funds for closure activities, after the Implementation Period end date, as long as the Implementation Letter approving the grant closure plan and budget has been signed by the PR (only applicable where there is insufficient commitment or the disbursement period of the previous AFD has expired)[403].

  A Final Payment Letter[404] is required in order to process a supplementary funding decision or disburse funds more than 6 months after the Implementation Period end date to liquidate financial liabilities (Exception Level 1).

  It is possible to process more than one supplementary funding decision in an AFD Period. This can be done through completing an additional supplementary ADMF that is generated to supplement the existing decision[405].

1. Determine AFD Amount and Disbursement Schedule

10. **Determine AFD Amount.** The 1st AFD amount is based on the approved grant budget. For the 2nd and 3rd AFD, the Country Team determines the AFD amount based on the following parameters[406]:

    - **Annual Performance.** The PU/DR and other relevant reports provide the Country Team with the programmatic performance (i.e., achievement of agreed targets, and which activities were completed, delayed and/or need to be continued in the next execution period) and the financial performance (i.e., in-country absorption and budget utilization against the agreed budget) of the grant, as well as any issues or challenges in implementation that require action. Annual performance translates into an annual rating.

      The Global Fund uses an annual ***Performance Rating Methodology*** to determine the grant performance (resulting from the programmatic and financial performance of the grant), and a PR performance (resulting from an analysis of the PR's implementation, financial, procurement and supply chain, and grant and risk management). Please refer to the *OPN and Operational Procedures on Oversee Implementation and Monitor Performance* for a full description of the Performance Rating Methodology.

[402] See the Progress Update and Disbursement Request Form Instructions.
[403] Supplementary funding decisions related to grant closures can be processed until six months after grant end date (see *OPN on Implementation Period and Reconciliation and Grant Closure*).
[404] The Final Payment Letter or a similar document can also be applied to non-closure related activities with rationale provided for the AFD (if there is sufficient commitment balance) or supplementary funding decision. The CT will consult with Legal Counsel to determine if the Final Payment Letter requires countersignature by the PR (e.g., if the payments relate to delayed activities not covered by the Grant Agreement / IL) before processing the supplementary funding decision or disbursing funds.
[405] Strong justification is required for any supplementary funding decisions submitted within 6 months from the initial AFD and more than 75% (cumulative) of the AFD amount.
[406] For grants applying the Payment for Results (PfR) modality including for Focused Aligned and Targeted models, the annual funding decision is solely based on achievements against programmatic targets; the schedule of AFD and disbursements depends on the agreed payment terms and schedule.

- **PR Cash Expenditure Forecast**[407, 408]. The projected amount of Grant Funds required for the payment of goods and/or services in accordance with the approved budget for the next execution and buffer periods[409]. This forecast calculation is based on:
    i. **In-country cash balance and advances.** Any available[410], unspent cash balances held in-country (e.g., held by PR, Sub-recipient (SR), or suppliers) from the previous AFD.
    ii. **Changes to the work plan.** Changes to the work plan for the next execution period (e.g., postponement or acceleration of activities, changes to implementation arrangements, or delays or advances in major procurements) which have an impact on the cash needed for the period.
    iii. **Unit price changes.** The current or expected unit prices compared to those in the agreed budget.
    iv. **Financial commitments and financial obligations.** Current confirmed commitments and obligations to be paid during the disbursement request period.
    v. **Macroeconomic factors.** Any major changes in inflation or exchange rates that have affected the cash needs for the next execution period.
- **Reduction of funds.** Any reduction of funds that will affect the funds available for the next execution period[411], e.g., non-compliance with co-financing commitments and documented decision to reduce funds (see OPN on Co-financing).

11. **Create a disbursement schedule.** The disbursement schedule is established by the Country Team as an integral part of the AFD process, based on the forecasted cash requirements for the execution and buffer periods covered by the AFD and the grant risk profile.

High Impact and Core portfolios. For High Impact and Core portfolios, disbursements are made on a quarterly basis or when the PR requires cash during the execution and buffer period covered by the funding decision. The first disbursement of the AFD is released with the approval of the AFD. Subsequent disbursements must be reviewed prior to the release of funds.

For grants with good programmatic and financial performance, as demonstrated by the criteria below, the Country Team can schedule and release semi-annual disbursements for grants with the total budget of US$100M or less, or full annual disbursements for grants with the total budget of US$30M or less, if the PR meets the following conditions:

i. There is a cumulative grant in-country absorption of 85%;
ii. There is a timely submission of an unqualified[412] audit report for the past year;
iii. The latest PR reporting[413] is submitted with no more than 30 days delay; and
iv. The IRM rating is low and has not deteriorated in the last reporting period.

If one or more of the above conditions is not met, or financial performance and risk deteriorates during the AFD period, the Country Team will revert to releasing quarterly disbursements.

Focused portfolios

For Focused Light and Legacy models, the first disbursement of the AFD is released with the approval of the AFD. Subsequent disbursements are released on a “no objection” basis, unless

[407] In the PU/DR.
[408] Forecasts for Focused Light and Legacy models are based solely on the approved budget.
[409] The calculation of the AFD amount does not include PPM/Wambo.
[410] ‘Available funds’ is the cash balance minus any financial commitments and/or financial obligations.
[411] Financial Services reduces the grant’s Purchase Order amount in the Global Fund Financial System (GFS) prior to initiating the AFD.
[412] The report is accurate and complete.
[413] When referencing multiple reports, the Finance Specialist assesses the condition of each.

the disbursement is modified, postponed, or canceled or is exceptional (see Management of Exceptions section). The Global Fund disburses funds twice to the Principal Recipient based on the 1st AFD: once before or during year 1 and once during quarter one of year 2. For the second and third year of implementation, the Country Team can disburse the annual budget amount based on the annual approved budget.

Payment for Results (PfR) grants (including Focused Aligned and Targeted models):

The schedule of disbursements depends on the agreed payment terms and schedule for the PfR component.

12. **Undisbursed** Funds[414] remaining from the previous AFD are made available for the next AFD. The disbursement schedule for the (current) AFD must be equal to the total AFD disbursement amount to the PR and third parties.

13. **Disbursement currency.** Disbursements are generally made 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 parties requiring the disbursement in other currency(ies). Disbursements can also be processed in multiple currencies[415]. Where it is possible to manage and neutralize the foreign exchange impact on funds received for budgeted implementation activities, the Global Fund, in consultation with the PR, may deem[416] multiple currencies more advantageous.

14. **Direct disbursement to third parties.** A direct disbursement to a third party can be requested by the PR or required by the Global Fund. Third parties that can receive direct disbursements from the Global Fund include:

    i. procurement service agents;

    ii. agents that are directly contracted by the Global Fund Secretariat (e.g., fiduciary agents, fiscal agents);

    iii. other service providers providing independent assurance to the Global Fund on grant implementation (external audit, diagnostics, and other independent reviews);

    iv. third parties which trigger a mandatory direct disbursement by the Global Fund under paragraphs 30 - 31 (mandatory direct disbursements) of the Global Fund Guidelines for Grant Budgeting;

    v. 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);

    vi. centralized payments, such as for the GLC (for the payment of the cost-sharing element pursuant to the MoU with the GLC), Pooled Procurement Mechanism or wambo.org; and

    vii. SRs, in cases where SRs are acting as procurement agents, SRs in Additional Safeguard Policy countries or in countries where the political and/or the financial context does not enable the PR to disburse to the SR, and SRs that are in different geographical locations[417] from the PR and where risks relating to potential foreign exchange exposure and/or inefficient banking regulations exist.

[414] Grant Funds that have been committed to an AFD but not yet disbursed to the designated bank account of the PR or third party.
[415] When preparing an AFD in a local currency, the amount is sourced from the signed budget prepared in the local currency. In cases when the foreign exchange is prepared from the budgets developed in the grant currency, the GOS/GFS exchange rate which is updated on a daily basis is used, which requires the Country Team to recalculate the disbursement amount(s) prior to AFD approval.
[416] Agreed between the Country Team, Grant Financial Management and Treasury.
[417] For example, for multi-country grants where the PR and SRs are located in different countries.

15. Third party payments outside of the above cases must be strongly justified and signed off on an exceptional basis (see Defined Exceptions section below).
16. All the required documentation for third party payments is set out in the Operational Procedures.
17. All third parties receiving direct disbursements from the Global Fund must also be registered through the Grant Entity Data (GED) process[418].
18. Issues regarding the AFD amount or disbursement schedule that cannot be resolved at the Country Team level are escalated to the next management level.

2. Review Risks and Associated Mitigating Actions

19. As part of the AFD process, the Country Team undertakes a review of management issues and risks. It represents a critical point in time to (i) consider newly identified risks and/or (ii) adapt existing mitigating actions or controls based on the outcomes of assurance activities to ensure risks are being managed to an acceptable level[419]. The Country Team ensures that new or amended mitigating actions are appropriate to safeguard funds being disbursed and are appropriately funded.
20. While Country Teams remain the overall risk owner and responsible for all grant risks, the Risk Management Department provides independent and objective oversight for grants. This oversight ensures that key risks are adequately identified, prioritized, and mitigated with appropriate assurance mechanisms in place. Country Teams engage with the Risk Management Department throughout the grant cycle so that issues or differences of opinion are identified early in the processes and resolved. During the preparation of the AFD, the Country Team selects relevant grant risks and Key Mitigating Actions (KMAs) relevant to the AFD Period[420].

High Impact and Core portfolios.

Country Teams for High Impact and Core portfolios engage with the Risk Management Department in the review of management issues and key risks. Prior to submitting the AFD for approval, the ADMF is shared with the Risk Management Department seeking a "no objection" on the risk section within 48 hours[421]. If no objection is raised within that period, their agreement with the risk analysis is confirmed. If an objection is raised, the AFD is sent back to the Fund Portfolio Manager (FPM) and if applicable, the Disease Fund Manager[422] (DFM) for revision based on Risk's feedback. If the issue cannot be resolved, it is escalated to the next management level.

Focused portfolios.

FPMs managing Focused portfolios are required to include any agreed issues identified during the PU/DR review into the annual funding decision-making process. The Portfolio Services Team (PST), supporting financial analysis for Focused portfolios, follows a standardized methodology to determine a grant's financial risk ratings for the six risks within the Finance and Fiduciary Risk Category and any mitigating actions from the review of the external audit report and/or PUDR.

[418] Please refer to Annex 3 of the *OPN on GED and its Operational Procedures.*
[419] This includes the review of management issues to assess whether any need to be changed to a (Key) Mitigating Action.
[420] Grant risks and Key Mitigating Actions are updated in the Integrated Risk Management (IRM) module prior to the AFD process in GOS. Focused portfolios are not required to select KMAs.
[421] 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 Management Department and is escalated to Grant Management Department Head and the Chief Risk Officer.
[422] Currently, Disease Fund Manager is applicable to the Nigeria, DRC, and India portfolios.

3. Approve AFD

21. Validation and approval authority is delegated based on the recommended AFD amount and whether the AFD involves exceptions to the standard process. The following table sets out applicable approval authority:

Approver	Thresholds				
	Zero AFD	**Up to (and including) US$ 5M**	**Above US$5M and up to (and including) US$ 20M**	**Above US$ 20M and up to (and including) US$ 40M**	**Above US$ 40M**
DFM (if applicable)	Recommendation	Recommendation	Recommendation	Recommendation	Recommendation
FPM	Approval	Recommendation	Recommendation	Recommendation	Recommendation
Finance Specialist	Approval	Recommendation	Recommendation	Recommendation	Recommendation
SFPM, Cluster Lead (if applicable)[423]		Approval[424]	Validation	Validation	Validation
Regional Manager[425]		Approval[426]	Approval	Validation	Validation
Grant Finance Manager		Approval	Approval	Approval	Approval
Department Head				Approval	Validation
Division Head					Approval

22. The Financial Services Team perform a final compliance and due-diligence review to ensure compliance with established procedures as outlined in the OPN and accurate matching of payee details (name and associated bank account). There is a 2-step verification within Financial Services as follows:

Approval Level	Approver Role	Decommitment†	AFD/Disbursement
Treasury & Financial Transactions Department	Analyst, Financial Services	Compliance verification	Compliance verification
	Manager, Financial Services	Compliance review & approval	Compliance review & approval[427]
† Decommitments and transfers between periods and grants. This is not related to funding decision transactions.			

23. The AFD is approved through an approval workflow[428], whereby the approver reviews, recommends, validates and/or approves the AFD. The first disbursement is automatically approved with the approval of the AFD.

[423] Until this is developed in the system, SFPMs, Cluster Leads communicate their approval/validation of the AFD to the RM who handles the approval/validation in GOS.
[424] Where the SFPM, Cluster Lead directly manages the grant(s), the Regional Manager approves instead.
[425] Or Department Head for High Impact Department.
[426] Only for portfolios where Cluster approach is not applicable. Department Head approves for High Impact Department.
[427] This includes the Batch Release Approval for execution of the transaction by the Treasury and banking institution.
[428] Physical signature permitted when electronic approval not possible.

4. Communicate AFD

24. An **Annual/Supplementary Funding Decision Notification Letter** is sent to the PR following the relevant funding decision, communicating the amount and the planned disbursement(s).

25. Following an AFD approval, the Country Team, in addition to the Annual Funding Decision Notification Letter, also sends a Performance Letter to the PR (as part of the PR reporting process), which may include the AFD amount and disbursement schedule. For more information, please refer to the *OPN and Operational Procedures on Oversee Implementation and Monitor Performance*.

B. DISBURSE FUNDS

1. Review Disbursement Schedule

26. A disbursement is the transfer of cash from the Global Fund to the PR or to third parties on behalf of the PR for the payment of goods and services based on the disbursement schedule defined in the AFD.

27. **Modify, postpone, or cancel a scheduled disbursement (if applicable).** Country Teams are responsible for ongoing grant monitoring and determining if circumstances have changed between the time of the AFD and the scheduled disbursements. Any changes to the originally approved dates and/or amounts for payees are completed through an approval workflow. Any such changes must be within the overall AFD.

28. Country Teams can follow the below indicative guidance when determining whether a scheduled disbursement (including the buffer) needs to be modified downward or upward, postponed, or canceled:

    i. progress on requirements related to the scheduled disbursement as well as compliance with requirements due during the AFD Period;

    ii. Low absorption[429];

    iii. Increased cash needs due to accelerated implementation; or

    iv. Non-compliance of previous co-financing commitments[430].

29. Where the Country Team modifies, postpones, or cancels the scheduled disbursement, a rationale needs to be provided to justify such action.

2. Approve Disbursement

30. The FPM[431] and Finance Specialist have the approval authority to release disbursements for the grant (excluding Wambo, GLC and PPM) with escalated approval required if the disbursement involve exceptions (see Management of Exceptions section). Disbursements are approved through an approval workflow[432].

High Impact and Core portfolios.

FPMs[433] have the option to approve, modify, postpone, or cancel the scheduled disbursement. Finance Specialists have the option to approve or reject. In order to release the scheduled disbursement, its status must be changed to 'ready for release'.

[429] 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 AFD as evidenced by the latest progress update in cash balances.
[430] A proportionate withholding of disbursements may occur as a consequence of non-compliance of previous co-financing commitments. Please refer to the *OPN on Co-financing* for more information.
[431] For portfolios with DFMs the recommendation and submission is done by the DFM and approved by the SFPM.
[432] Physical signature permitted when electronic approval not possible.
[433] For portfolios with DFMs the recommendation and submission is done by the DFM and approved by the SFPM.

Focused portfolios.

Scheduled disbursements approved in the AFD are authorized by the FPM and PST Specialist through a no-objection basis, except when the disbursement is modified, postponed, or cancelled, or requires additional sign-off due to an exceptional case.

31. For Disbursements, the Financial Services Team perform a final compliance and due-diligence review for all portfolios, prior to the release of the disbursement, in the same way they do for the approval of an AFD (please refer to the Financial Services review in the AFD Approval section).

3. Communicate Disbursement

32. A **Disbursement Notification Letter** is sent to the PR and/or third party to inform them of a disbursement made.

33. The Country Team provides additional[434] contextual information to the PR if the relevant disbursement amount differs from what was originally approved in the AFD.

C. Specific Multi-Country Considerations

34. The standard approach defined above also applies to multi-country portfolios and grants.

Annex 1. Requirement Levels by Portfolio Category

Grant Deliverables	Requirement by Portfolio Category				
	High Impact & Core	Focused			
		Aligned	Targeted	Light	Legacy
Decide on Annual Funding					
▪ Completed and approved annual decision-making form	**R**	**R**			
▪ Updated risks and mitigating measures[435]	**R**	**---**			
▪ AFD Notification Letter sent to PR	**R**	**R**			
Disburse Funds					
▪ Confirmed and approved Disbursement	**R**	**R**			
▪ Disbursement Notification Letter sent to the PR and/or third party	**R**	**R**			

Level of Requirements:

R= Required

BP = Best Practice

--- =Not required

[434] The CT can only provide additional text to the system-proposed text.

[435] For focused Portfolios, updated risks and mitigating measures are not documented in IRM during grant-making and will not be available during AFD.

Operational Policy Note

Portfolio Optimization

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

Process Metrics for Portfolio Optimization

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

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

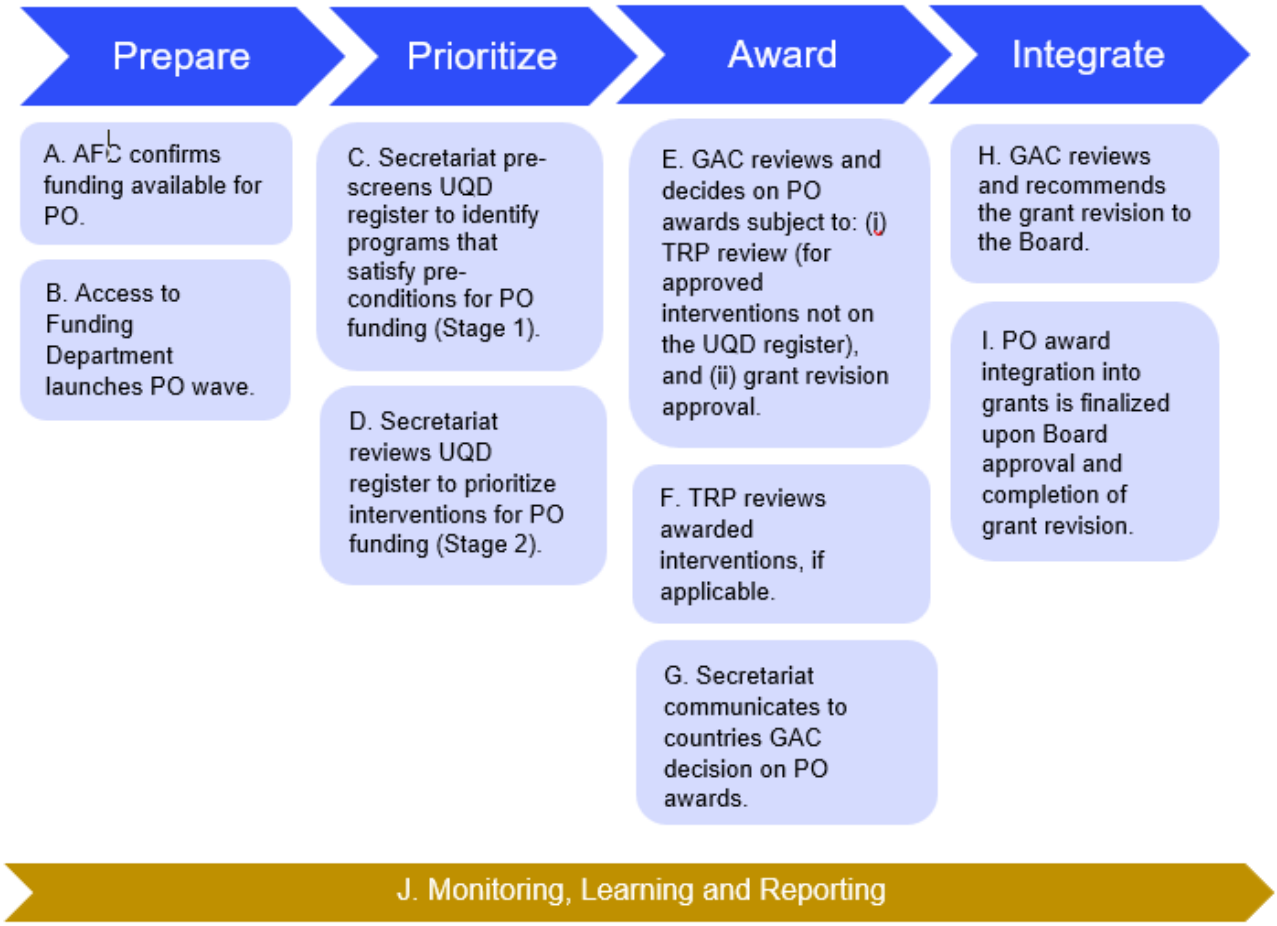
1. For Secretariat: At least 80% of AFC-approved PO funding awarded within three calendar months of AFC decision (GAC award communicated to the Country Teams).

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

Process Objectives

1. Portfolio Optimization is the Global Fund's method for reallocating unused grant funds to areas where they can be invested to achieve greater impact. This allows the Secretariat to be flexible during an allocation period, ensuring that funds are utilized effectively and efficiently to deliver the best results and high absorption.
2. PO refers to the process of investing available sources of funds[436] towards registered, prioritized and costed areas of need, i.e., items on the Unfunded Quality Demand (UQD) register[437].
3. Figure 1 below describes the phases and sub-processes of Portfolio Optimization.

[436] Refers to funds confirmed by the Global Fund Audit and Finance Committee as available for optimizing the global grant portfolio.
[437] The Technical Review Panel reviews Prioritized Above Allocation Requests (PAAR) submitted by countries, and recommends strategically focused and technically sound interventions as quality demand, which are then registered as UQD to be funded should additional resources become available.



Operational Policy

1. The Portfolio Optimization process is governed by the Prioritization Framework approved by the Global Fund Strategy Committee[438]. The Prioritization Framework, supplemented by this Operational Policy Note and the Operational Procedures, defines the guiding principles and requirements on Portfolio Optimization.
2. The OPN applies to country and multicountry portfolios and grants unless otherwise specified in the dedicated multicountry section below. Annex 1 provides a summary of the Portfolio Optimization deliverables and how they apply to each portfolio category.
3. Country components can be eligible for multiple instances of PO funding in the same grant cycle.

PREPARE

A. AFC confirms funding available for PO.

4. The Audit and Finance Committee (AFC) decides on the amount of funding available for PO based on the Asset and Liability Management (ALM)[439] profile of the portfolio. This is triggered by:

[438] Prioritization Framework... - summary
[439] The mechanism for matching notional Sources and Uses of Fund on an aggregated portfolio basis for an Allocation Perion, as defined in Comprehensive and Funding Policy (CFP). The process covers at least five years, from first pledge to final administrative

i. The AFC's regular review of ALM informed by Finance; and

ii. Demand-shaping analysis. The Access to Funding (A2F) Department, in consultation with relevant stakeholders[440], undertakes an analysis to identify key prioritized needs and/or strategic/thematic investment opportunities. Typically, this is based on, but not limited to, the existing UQD register and unfunded needs identified during the grant-making process. Grant Management Division (GMD) senior management via Regional Managers (RMs) / Department Heads (DHs) is consulted on critical gaps and potential investments opportunities at the portfolio level. As part of this process, the timing of the needs is identified so that the AFC can have an overview of the investment landscape as part of its decision-making process.

B. Access to Funding Department launches PO wave.

5. Following the AFC decision, the A2F Department seeks GAC steer to ensure efficient prioritization of available funds and accelerate discussions at the prioritization and the GAC Award stage (section E). The strategic guidance can identify funding priorities or refine investment criteria based on the Prioritization Framework principles. GAC's guidance is informed by the initial demand shaping analysis if available prior to AFC decision.
6. The GAC may also identify priority thematic investments (e.g. portfolios with gaps in Malaria Insecticide Treated Nets campaigns) and allocate a portion of AFC-determined funds to these investments. These investments are likely to be eligible for the expedited revision process (refer to section H below).
7. Following AFC decision and GAC steer, an internal guidance is shared with Country Teams capturing the focus areas and specific timelines of the PO wave. The prioritization of interventions may begin before the AFC decision, in anticipation of available funds, as a way of expediting the funding of time-sensitive programmatic gaps.
8. PO wave timelines are set in line with the target of at least 80% of AFC-approved additional funding being awarded within 3 months of AFC decision, unless a specific steer is given from the GAC to balance other factors (e.g. other organizational priorities or potential changes in the risk profile of the portfolio).
9. CTs and PRs must ensure that grants maximize the absorption of existing funds before new funds are added to a grant via PO. Known and expected grant savings must be fully utilized and/or reinvested before additional funding is requested.
10. PO funds not integrated into grants during the PO wave can be utilized in subsequent PO waves. In consultation with GAC, A2F can launch subsequent PO waves when critical unfunded needs arise (e.g. informed by 'Demand shaping' exercise), provided there is enough time for implementation and absorption of the additional PO funds.

PRIORITIZE

11. **Prioritization criteria:** the overarching principles and criteria set out in the Prioritization Framework[441] form the basis of the PO prioritization process.
12. **Two-stage prioritization process:** The prioritization of investments for PO and financing items on the UQD register is conducted in two stages as detailed in the Prioritization Framework.

closeout of the last grant in an allocation period and includes decision making on initial sources of funds and ongoing available funds.

[440] Refer to the Operational Procedures on Portfolio Optimization.

[441] Prioritization Framework... - summary

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

13. In order to focus organizational efforts on the cases with the greatest likelihood of impact and with high absorptive capacity, the A2F Department pre-screens the UQD register against the following:
    a. **Pre-conditions to receive additional funds, such as**:
        i. The extent to which a country is at risk of not meeting its co-financing requirements based on availability of data;
        ii. Whether there are existing OIG related recoveries; and
        iii. Potential for increased absorption of additional investments, and
    b. **Additional contextual considerations** (e.g. grant performance rating, implementation timelines, allocation trajectory, disease burden, income level).
14. In cases with low absorptive capacity, countries are first encouraged to reinvest unutilized funds within their grants[442]. The Secretariat retains the flexibility to consider PO funding for countries with inadequate performance and/or absorption where the proposed interventions would be high impact and there is potential to absorb additional investments.
15. The UQD register is then updated and interventions funded by other sources are removed, allowing PO funding to support the remaining interventions in the UQD register.
16. Additional critical unfunded needs that are not on the UQD register are flagged by Secretariat to be considered for PO funding. The same pre-conditions specified above shall apply to these needs as well.

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

17. The Secretariat reviews the updated UQD register to prioritize interventions for PO funding based on:
    a. The strategic priorities set by GAC at the start of the PO wave and the key overarching principles and prioritization criteria set out in the Prioritization Framework[443].
    b. Available resources, and levels of funding required for the remaining period of the existing grants (e.g. giving more weight to grants that are nearing the end of their implementation period with the capacity to absorb additional funding, whether a country can self-fund the proposed interventions and/or a country's ability to reinvest existing, unutilized grant funds to prioritize the most critical and urgent needs).
18. The initial list of prioritized interventions for consideration for PO funding is prepared by Technical Advisors, in consultation with relevant stakeholders, based on the above criteria.
19. CTs validate the proposed prioritization of interventions for their respective portfolios and/or propose adjustments considering potential for impact, continued need and contextual factors including, but not limited to, programmatic need, implementation capacity and shifts in the funding landscape. This may include proposing interventions not included on the UQD register. RM/DHs review the proposed outcome, which ultimately forms a basis for the consolidated list of high impact proposals for PO award.
20. CTs prepare the Investment Cases for the prioritized interventions on the consolidated list of high impact proposals, which clearly articulate to GAC the strategic rationale for making

[442] See OPN on Revise Grants

[443] Prioritization Framework... - summary

additional awards with specific reference to PO pre-conditions and criteria in the Prioritization Framework.

21. A2F Department, in consultation with Finance and Health Finance departments, reviews the Investment Cases against the same pre-conditions defined at paragraph 13 above.
22. The Investment Cases are subsequently reviewed by pre-GAC members, followed by GAC review.
23. As part of the Internal Review and Validation meeting, the GAC:
    - Reviews the prioritized interventions and the consolidated list of high impact proposals, as identified and proposed by the Secretariat.
    - Considers inputs from across the Secretariat to validate and strengthen rationale.
    - Advises on strategic and operational considerations and the need for operational flexibility.
    - May identify, in collaborations with TAP/CRG and RM/DHs, "high likelihood" portfolios to receive PO award that can opt-in for expedited grant revision (e.g. certain urgent critical needs, thematic priority areas)
24. Depending on the wave context and the level of complexity, the Internal Review and Validation meeting can occur at the same time of the Award meeting.

AWARD

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

25. GAC reviews the prioritized interventions and high impact proposals and decides on PO awards in principle, based on the criteria set out in the Prioritization Framework. GAC's decision on PO awards is subject to: (i) TRP review of interventions not previously on the UQD register, and (ii) Board approval of the Additional Funding Revision to integrate the relevant PO award into grants. GAC can also provide additional steer for awards execution as relevant.
26. GAC's decision falls within the following categories:
    a. **Immediate award**: an upper ceiling for interventions based on available funding; funding is earmarked at the time of the GAC meeting.
    b. **In-principle endorsement & award later**: interventions for future awards if funding becomes available (in-principle endorsement) or for reprioritization at a following opportunity (award later). These interventions will have priority in the future if the funding becomes available.
    c. **Partial immediate award**: an upper ceiling to fund part of the intervention, while the remaining part can be covered by in-country optimization if low absorption is reported.
    d. **In-country optimization**: interventions recommended to be covered by savings from existing grant funds from a country component[444].
27. Recoveries conditions are included in the decision confirmation in line with the Recoveries Committee guidance as applicable and unless otherwise recommended by the Recoveries Committee. For Multicounty grants, the total recoveries amount should be included, even if the award is for a specific country within the grant.

[444] See OPN on Revise Grants.

28. GAC Partners are consulted on PO awards recommendation either during the Award stage or during grant revision.

F. TRP reviews awarded interventions, if applicable.

29. TRP review is required of the updated PAAR[445] for awarded interventions:
    a. not previously included in the UQD register, or
    b. with the amounts 30% above the initial PAAR
30. If TRP does not recommend the updated PAAR, the PO award cannot be integrated into a grant and the PO funds remain in the pool for future PO waves.

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

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

INTEGRATE

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

32. Countries that have been awarded PO in principle by GAC are required to prepare and finalize the Additional Funding Revision documents to integrate the award into grants.
33. During the grant revision process, savings may be identified to cover the PO award in full or in part. In cases where savings can cover a portion or the totality of the prioritized interventions, and corresponding additional funds are not needed, the funds are returned to the PO pool and made available for further investment as applicable (e.g., for awards for "in principle" or "award later" business cases).
34. All PO-related Additional Funding Revisions require Board approval with GAC recommendation.
35. The GAC decision on total PO awards associated with a wave is communicated to the Board, together with the first Additional Funding Revision to incorporate the PO award associated with the wave. The report to the Board includes the overall final amount that was awarded and an overview of the prioritization process that was undertaken in line with the Prioritization Framework.
36. Once the Additional Funding Revision is recommended by the GAC to the Board, it is possible to already initiate the Implementation Letter signature process[446], unless otherwise indicated by the GAC.
37. It is possible to initiate advance procurements through and outside PPM ahead of Board approval of the PO Additional Funding Revision, provided the pre-conditions for advance procurement set out in the OPNs on Pooled Procurement Mechanism[447] and Revise Grants are met, respectively.

[445] See Operational Procedures, Design and Review Funding Requests
[446] See OPN on Revise Grants.
[447] See OPN on Pooled Procurement Mechanism

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

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

Additional funding revisions triggered by PO follow the process described in the OPN[448] and Operational Procedures on Revise Grants[449].

Specific Multicountry Considerations

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

Associated Decisions and Operational Policies:

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

[448] See OPN on Revise Grants
[449] See OP on Revise Grants

Annex 1. Requirement Levels by Portfolio Category

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

Portfolio Optimization Deliverables	Requirement by Portfolio Category	
	High Impact & Core	Focused
Prepare		
A. AFC confirms funding available for PO.		
B. Access to Funding Department launches PO wave.		
Prioritize		
C. Secretariat pre-screens UQD register to identify programs that satisfy pre-conditions for PO funding, as set in the 'Prioritization Framework' (Stage 1),		
List of critical unfunded needs not on the UQD register.	R	R
Updated UQD register.	R	R
D. Secretariat reviews the UQD register to prioritize interventions for PO funding (Stage 2)		
Validated list of prioritized interventions for PO funding.	R	R
Investment Cases.	R	R
Award		
E. GAC reviews and decides on PO awards subject to: (i) TRP review (for approved interventions not on the UQD register), and (ii) grant revision approval.		
F. TRP reviews awarded interventions (if applicable[450])		
Updated PAAR.	R	R
G. Secretariat communicates to countries GAC decision on PO awards		
Notification Letter sent to the country.	R	R
Integrate		
H. GAC reviews and recommends the grant revision to the Board.		
Grant revision documents prepared and finalized.	R	R
I. PO award integration into grants is finalized upon Board approval and completion of grant revision		
Signed Implementation Letter.	R	R
Updated Grant Purchase Order approved and Additional Funding Revision registered.	R	R

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

[450] For GAC-approved interventions that are not on the UQD register.

Operational Policy Note

Revise Grants

Approved on: 23 November 2023
Approved by: Executive Grant Management Committee
Process Owner: Grant Portfolio Solutions and Support Department
Associated Procedures: Operational Procedures on Revise Grants

Process Metrics for Revise Grants

Principal Recipients[451] and Country Teams are expected to meet the following key performance indicators:

- **End-date Revisions:** to be completed maximum **three** calendar months after initiation in the Global Fund systems and one month prior to the current implementation period end-date.
- **Additional Funding (or Funding Reduction / Transfer) and Programmatic Revisions:** to be completed maximum **three** calendar months after initiation in the Global Fund systems.
- **Administrative Revisions:** to be completed maximum **two** calendar months after initiation in the Global Fund systems or other applicable timelines if combined with other types of grant revision.

Process Objectives

18. The goal of a grant revision (hereinafter referred to as "revision") is to allow for planned Global Fund investments to be adjusted to changing context and requirements during grant implementation. This ensures continued effective and efficient use of Global Fund resources to achieve maximum impact in line with national strategic plans and the Global Fund's Strategy.
19. There are five revision types which follow a hierarchy as presented in Figure 1: the higher-level revisions can include the lower-level ones, but not the contrary. For example, an End-date Revision can include additional funding, but an Additional Funding Revision does not change the duration of the Implementation Period.

Figure 1. Hierarchy of revision types

[451] Unless defined in this OPN or if the context otherwise requires, all capitalized terms used in this OPN shall have the same meaning set out in the Global Fund Grant Regulations (as amended from time to time).

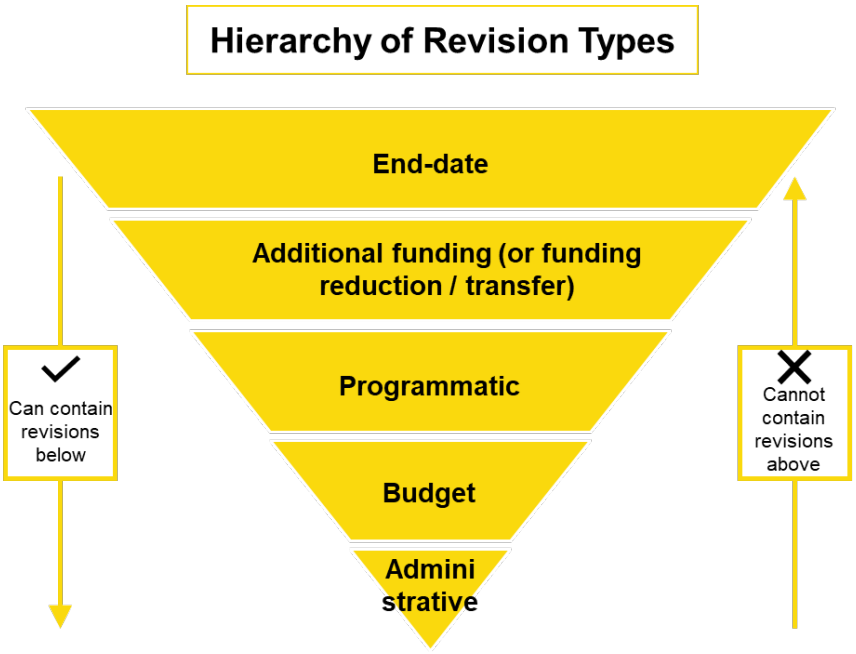
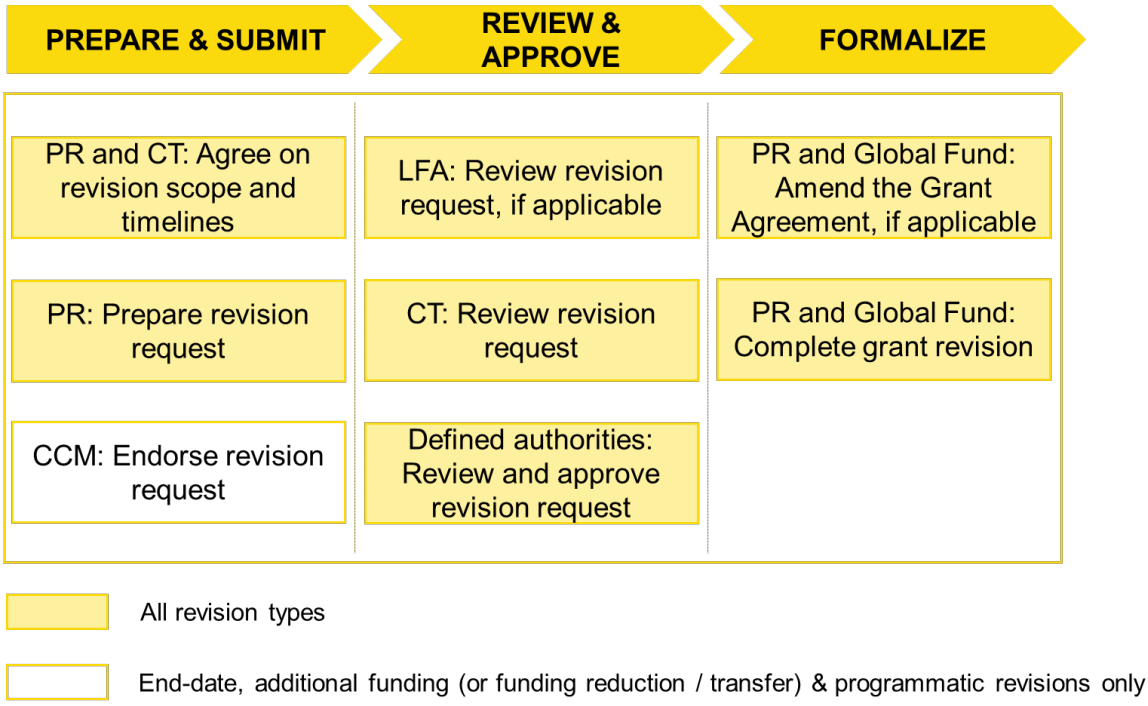


Figure 2 below describes the phases and sub-processes of revisions. The sub-processes vary depending on the revision type.

Figure 2. Phases and subprocesses of revisions depending on the revision type

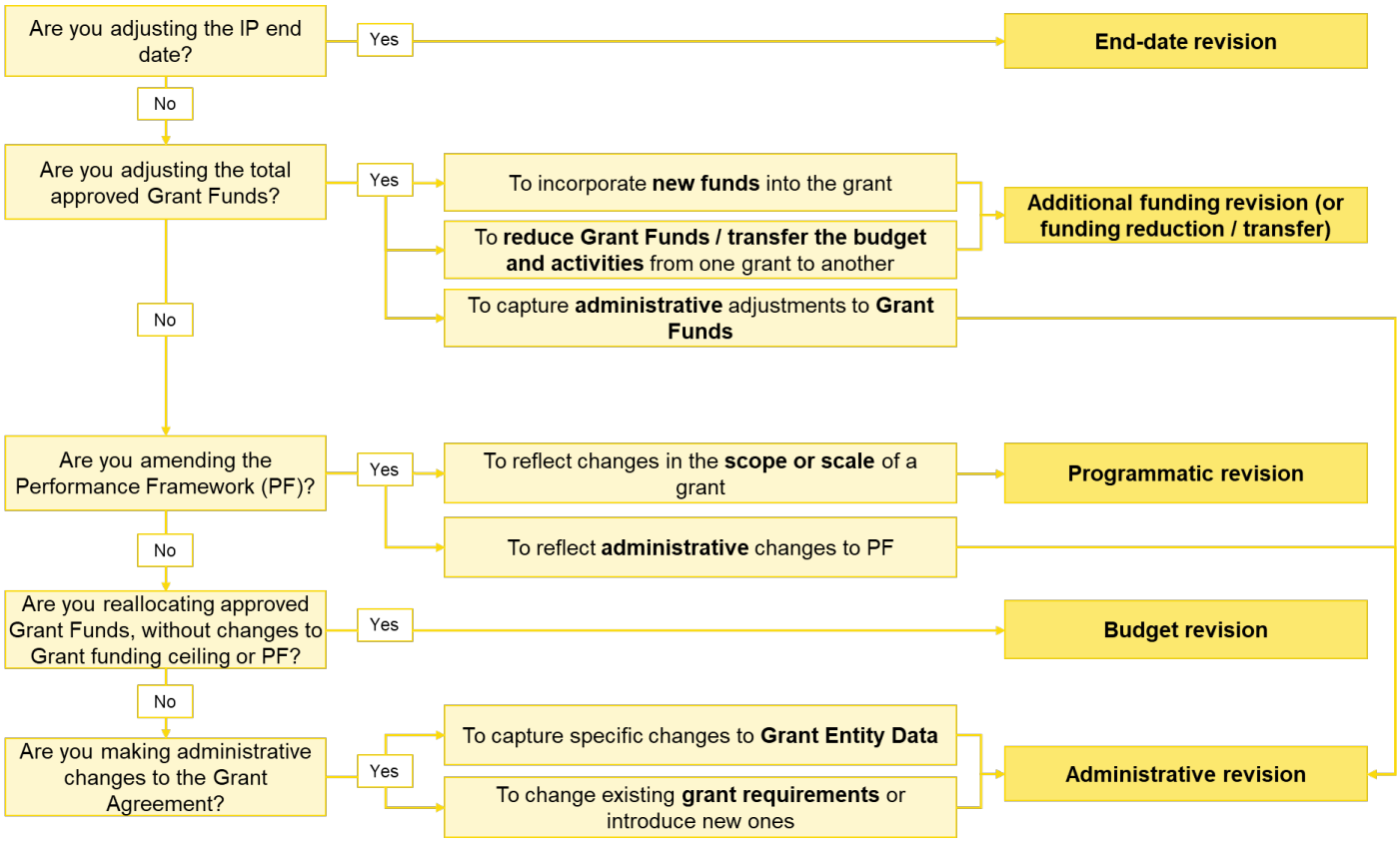


20. This Operational Policy Note (OPN) defines the guiding principles and requirements on revisions. Specific best practice guidance is also captured in the document (see Annex 1).

21. The OPN applies to country and Multicountry portfolios and grants unless otherwise specified in the dedicated Multicountry section. While the principles and general requirements defined in this OPN apply across all portfolios, the specific revision deliverables do not apply to Focused portfolios, unless explicitly stated. Annex 1 provides a summary of the grant deliverables and how they apply to each portfolio category.

22. The below decision tree assists in determining the type of revision to pursue. Depending on the type of revision planned, the reader can refer to specific sections of this OPN that defines the principles and requirements per revision type.

Figure 3. Decision tree to determine the grant revision type to pursue



Key considerations

23. **Combine revisions.** Overall, Principal Recipients (PRs) and Country Teams (CTs) are strongly encouraged to consolidate multiple changes to a grant into one revision. If multiple revisions are combined, CT and PRs will follow the process for the highest-level revision, while still complying with the specific requirements for each type of revision set out in this OPN. For example, if a Programmatic Revision and a Budget or Administrative Revision are processed together, the Programmatic Revision process and timelines apply.

24. **Timeliness.** Revisions must be initiated as early as possible from when the need for a revision is identified and are expected to be completed within the timelines as defined in the process metric section above.

Retroactive revisions (e.g., processing an End-date Revision past the IP end-date or a Programmatic Revision for a period that has passed) are not allowed.

25. **Changes to the baseline budget:** Changes to the baseline budget (i.e. the latest approved budget formalized through a Grant Confirmation or Implementation Letter) are only required for End-date and Additional Funding (or Funding Reduction / Transfer) Revisions. Programmatic and Budget Revisions do not require changes to the baseline budget.

26. **Interdependencies with grant life cycle processes.** When planning and processing a revision, CTs and PRs consider the interdependencies with the other grant life cycle processes and plan accordingly:

    a. **Grant Implementation:**

    a. PR reporting: Revisions that involve changes to the Performance Framework and Budget and need to be reported in the next Progress Update/Disbursement Request (PU/DR) must be well-planned, so they start and are fully completed before the current reporting period end date. If a revision is completed *after* the reporting period end-date and / or *after* PU/DR configuration, the requested revision changed will be reflected for the *next* reporting period only. Changes to Performance Framework targets that have an impact on performance rating and results reporting can be initiated as soon as identified with prior written agreement between the PR and the CT and later formalized through an Implementation Letter. Refer to Section 3 for more details.

    b. Revisions that require updates to the **grant purchase order** impact the following processes throughout grant implementation. Specifically, during a revision, from the moment the Grant Signing Calculator (GSC) is approved and whilst the grant purchase order is being revised until it is approved in the Global Fund systems:

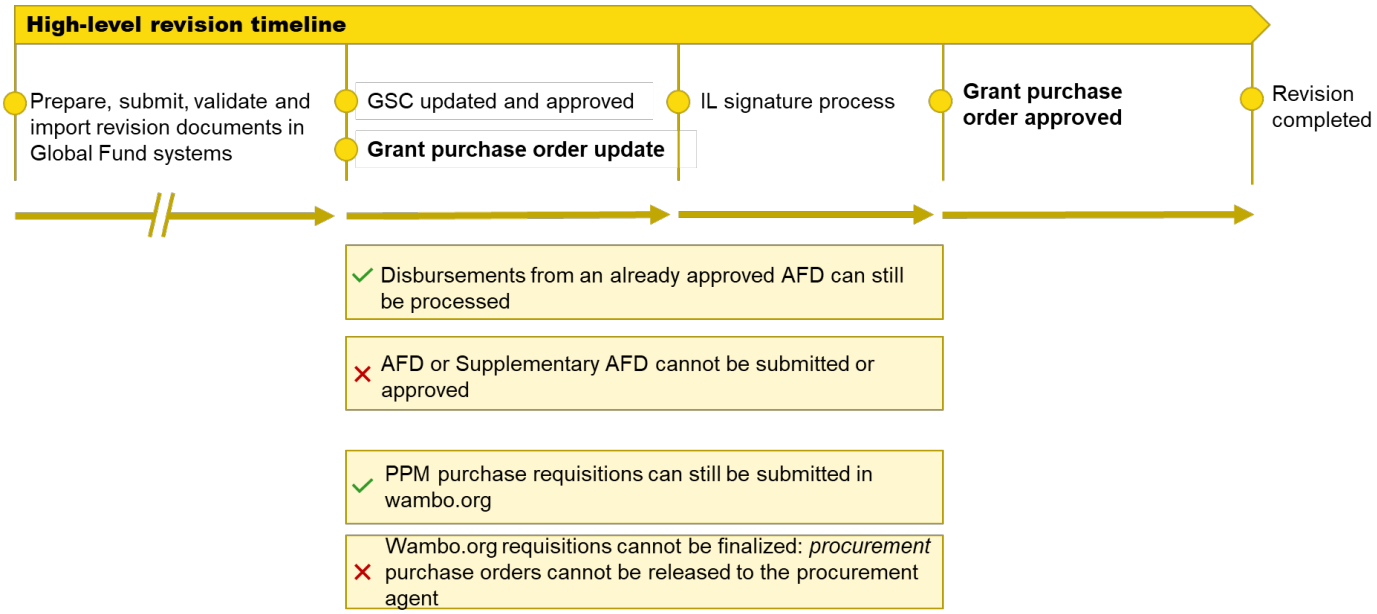
    a. Annual funding decision (AFD) and Supplementary AFD cannot be submitted or approved. Accordingly, CTs are responsible for ensuring that the AFD approvals are completed prior to GSC and grant purchase order approval.[452]

    b. Only **disbursements** from an already approved AFD can still be processed.

    c. **Pooled Procurement Mechanisms (PPM) purchase requisitions** can be submitted in wambo.org, however, the *procurement* purchase order cannot be released to the procurement agent until the *grant* purchase order is approved in Global Fund systems. Hence CTs need to ensure that wambo.org requisitions are fully approved and finalized before (a) the GSC is approved and (b) revising the *grant* purchase order, as needed.

Figure 4. Interdependencies between revision and AFD, disbursements and PPM/wambo.org

[452] See OPN on Annual Funding Decisions and Disbursements.



b. **Revision:** For all revision types, a new revision cannot be initiated in the Global Fund systems if there is an ongoing revision being processed for the same IP in the Global Fund systems. A revision is considered complete in the Global Fund systems once (a) the updated grant purchase order is approved where applicable, and (b) the revised grant information is registered and becomes active content in the Global Fund systems.

c. **Closure:** Any open revision prevents the closure process from being finalized. CTs must complete any pending revision prior to closure of a grant/IP.[453]

d. **Grant Entity Data (GED):** GED required to process revisions (e.g., PR or Local Fund Agent (LFA) organization or contact information appearing in key revisions documents) must be updated early on to avoid delays in the revision finalization process and to ensure the correct GED is appropriately reflected in all revision documents.[454]

e. **Implementation Arrangements Map:** Revisions can result in modifications to the Implementation Arrangements Map approved during grant-making[455]. PRs are responsible for ensuring that this map is updated accordingly and re-submitted to the CT in line with revision changes.

A list of key concepts related to grant revisions (i.e. allocation utilization period (AUP)) can be found in Section 1 of the Global Fund Guidelines for Grant Budgeting.

[453] See OPN on IP Reconciliation and Grant Closure.
[454] See OPN on Grant Entity Data, specifically Annex 2 on Grant Entity Data required throughout the grant life cycle, including for revisions
[455] See Implementation Arrangements Map Instructions. When the modifications to the Implementation Arrangement Map relate to changes to the Sub-Recipients (SRs), the PR ensures to select new SRs in a transparent and well-documented manner based, among other criteria, on approved ToRs, capacity assessment and integrity due diligence (refer to the Global Fund Policies on Combat Fraud and Corruption and on Conflict of Interest), and signs contracts.

Section 1: End-date Revisions[456]

27. **Definition.** An End-date Revision extends the IP end-date (extension) to allow for continued implementation and to avoid programmatic disruptions while addressing operational challenges or completing grant-making. It also covers instances where an IP is shortened, such as to allow for joint programming.[457]

28. **Triggers**. End-date revisions can only be sought based on strongly justified circumstances,[458] such as:

    ii. To facilitate joint programming and the submission of single funding requests for multiple disease components (e.g., joint HIV and TB funding requests for high co-infection countries).

    iii. To address challenges in timely submission of funding requests and completion of grant-making due to circumstances that are beyond the control of the applicants and the PRs (e.g., natural or man-made disaster or specific in-country political or economic circumstances severely affecting applicant and PR operations, or matters related to the work of the Office of the Inspector General (OIG)).

    iv. To address longer review and processing of applications by the Global Fund, such as the Technical Review Panel's (TRP) or the Grant Approvals Committee's (GAC) review and approval processes, or when the Global Fund Board objects to relevant funding recommendations from the Secretariat.

    v. To allow for successful and responsible transition from Global Fund funding to other sources of funding in cases where a country component received its last Global Fund allocation.

    vi. To address cases of early termination of a grant or change of PR during grant implementation[459].

Prepare and submit End-date Revision

29. **Initiators.** An End-date Revision can be initiated by the PR or the CT. The Country Coordinating Mechanism (CCM)[460][461] must be informed and endorse all End-date Revisions. CCM endorsement must be provided by: (i) the CCM Chair and (ii) the civil society representative if the CCM Chair is the representative of the Government, or the representative of the Government if the CCM Chair is the representative of civil society.[462]

30. **Timing.** End-date Revisions are expected to be completed three calendar months after initiation and one month prior to the current IP end-date.

31. **Key design considerations for extending IPs.** When preparing an extension, PRs and CTs must adhere to the following principles:

    a. **Source of funding.** Extensions to the IP do not extend the AUP[463]. Therefore, all extensions use time from the subsequent AUP and are funded from the subsequent allocation,[464] reducing the

[456] This section operationalizes the policy related to extending grant IPs as approved by the Global Fund Board (GF/31/DP12 – Extension Policy under the New Funding Model).
[457] Reducing the IP that result in grant closure also requires compliance with the OPN and Operational Procedures on IP Reconciliation and Grant Closure
[458] Operational policy on the possible use of extensions will be updated should there be amendments to the Board-approved extension policy (GF/B31/DP12)
[459] Reducing the IP that result in grant closure also requires compliance with the OPN and Operational Procedures on IP Reconciliation and Grant Closure.
[460] Throughout this OPN, references to CCM include any Country Coordinating Mechanism (with or without CCM funding recipient), Regional Coordinating Mechanism (RCM), Regional Organization (RO) or other applicants, as applicable.
[461] In the absence of a CCM or an alternative coordinating platform in the country, the CT must seek endorsement from the Regional Manager (or for High Impact departments, relevant Department Head), after consulting with the Manager of the Monitoring, Evaluation & Country Analysis (MECA) Team, the Head of the Technical Advice & Partnerships Team, and to the extent possible, in-country partners.
[462] With respect to endorsement by the CCM Chair, in the absence of the CCM Chair, endorsement by the Vice Chair is acceptable if in line with the CCM's governing documents.
[463] The allocation utilization period (AUP) is the period (usually three years) during which the country allocation per disease component can be utilized to implement a grant. See Guidelines on Grant Budgeting for further details.
[464] Unless there is no subsequent allocation.

amount of time and funds available for the next IP. In addition, the AUP in which goods and services are delivered determines the allocation from which it is funded; therefore, if goods and services were ordered before the original IP end date but delivered during the extension period, they are funded from the subsequent allocation.[465]

b. **Sustainability.** As all extensions are financed by the subsequent allocation (unless there is no subsequent allocation), CTs and PRs must carefully consider the programmatic and cost implications beyond the extension period, which includes ensuring that:

   i. Sufficient funds exist to cover the entire three-year AUP;

   ii. The activities and budget for the extension period enable a proper transition to the next IP; and

   iii. The expected trajectory of future funding is sustainable.

   This is to ensure that a disproportionate amount of the subsequent allocation is not consumed during the extension period (e.g., 50% of the subsequent allocation for a component is not consumed during a 6-month extension) and avoid leading the grant on an unsustainable spending trajectory or one that is not reflective of the epidemiological context.

c. **Targets and activities[466].** CTs and PRs ensure that all programmatic activities and targets during the extension period maximize impact given the available resources, align with the core objectives of the Global Fund Strategy and allow for a seamless transition to the new IP if applicable.

   i. The targets for the period of the extension must be at least the same as those specified in the last reporting period. Adjustments must be in line with the trajectory of the allocation for that country component going forward.[467]

   ii. Programmatic adjustments can be undertaken as necessary to ensure Global Fund resources are strategically invested to achieve maximum impact during the extension period.[468] Programmatic adjustments for the extension period are reviewed and approved by the relevant approval authority as defined in Section 3 below.[469]

d. **Changes to the baseline budget.** Both the detailed and summary budgets are changed to reflect the extension budget. The latest approved budget, formalized through an Implementation Letter, becomes the baseline budget.

e. **Length.** Unless approved by the Global Fund Board, an End-date Revision cannot extend the current IP of the grant for more than 12 months. This length of the extension is cumulative of all extensions approved for each grant (e.g., those extensions already approved and signed, as applicable, plus the extension request).[470]

32. **Key design considerations for shortening IPs**

Shortening the AUP. Shortening the IP of a grant generally results in shortening the AUP. If the AUP is shorter than what is communicated in the Allocation Letter, the allocation funding for the grant is proportionately reduced.

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[465] For more information, see Section 2 of the Global Fund Guidelines for Grant Budgeting.
[466] As defined in the Performance Framework.
[467] For example, if the country component is facing a subsequent allocation that is significantly smaller than the current one, targets for certain interventions can be adjusted downward to reflect the new funding reality. Such decisions require a consultation with the CT and relevant Technical Advice and Partnership (TAP) disease advisor.
[468] This is particularly important when it is known that specific activities are unlikely to continue in the new IP due to the amount of the new allocation (e.g., if the amount is reduced).
[469] The CT may consult with TAP to determine whether a change in targets and activities during the extension period requires TRP review (for further information on the scenarios where TAP might be consulted, refer to the Operational Procedures on Revise Grants).
[470] For example, if a grant is approved by a Department Head for a six-month extension (assuming sufficient uncommitted funds from current IP are available to finance the extension budget) of the new allocation amount for the relevant disease component, and then the country requests an additional two month extension (assuming sufficient uncommitted funds, as well), the second extension is subject to an elevated approval authority and must be approved by the GAC as it will cumulatively be an eight-month extension.

a. **Changes to the baseline budget.** Both the detailed and summary budgets are changed to reflect the reduced budget. The latest approved budget, formalized through an Implementation Letter, becomes the baseline budget.

33. **Documents**. The table in Annex 1 provides the required documents for an End-date Revision.

Review and approve End-date Revision

34. **Review.** The CT reviews the End-date Revision request and documents with the support of the LFA and other Secretariat teams as necessary. The scope of the LFA review is to be agreed between the CT and the LFA, on a case-by-case basis.

35. For all extensions, the CT consults and informs the Access to Funding Department for tracking and reporting of extensions to the Board.

Approval Authority

36. **Extending the IP.** The amount of uncommitted funds from the current IP, and whether these are sufficient or not to cover the budget for the extension period, defines the two scenarios used to **determine the approval authority for extensions. Annex 2 provides an illustration of the two scenarios.** All extensions are funded from the next AUP[471].

a. **Scenario 1: If the estimated uncommitted funds[472] as of the IP end-date are sufficient to fully cover the budget for the extension period,**[473] the relevant approval authority is determined based on **the duration of the extension period** (e.g., how long the current IP end-date will be extended, on a cumulative basis).

Cumulative Extension Period	Approval Authority
Up to 3 months	Fund Portfolio Manager (FPM)[474] *(end-to-end revision scope and changes)*; and Finance Specialist (and Portfolio Services Team (PST) for Focused) *(changes to the baseline budget)*
More than 3 up to 6 months	Regional Manager or Department Head (for High Impact[475]*) (end-to-end revision scope and changes)*; and Grant Finance Manager *(changes to the baseline budget)*
More than 6 up to 12 months	GAC
More than 12 months	Board (with GAC recommendation)

b. **Scenario 2: If the estimated uncommitted funds as of the IP end-date are insufficient to fully cover the budget for the extension period,**[476] the relevant approval authority is determined based on the cumulative duration of the extension period and the amount of additional funding needed for the extension period.

Cumulative	Amount of Additional Funding Needed for	Approval Authority

[471] Unless there is not a subsequent allocation.
[472] Refers to any unutilized in-country cash, undisbursed funds from existing Annual Funding Decision (AFD), and "signed but not committed" funds.
[473] Formerly "non-costed extension". These criteria apply unless otherwise approved by the Board(GF/B31/DP12).
[474] For portfolios with Disease Fund Managers (DFMs), the Senior FPM approves based on the recommendations of the DFM.
[475] This refers to portfolios/grants in High Impact Departments.
[476] Formerly "costed extension".

Extension Period	Extension Period	
Up to 12 months	Up to US$10 million and up to the equivalent of 6 months of additional funding.[477]	GAC
	More than US$10 million or more than the equivalent of 6 months of additional funding.	Board (with GAC recommendation)
More than 12 months	N/A	

c. **Transitioning Grants.** Any End-date Revision processed for a grant transitioning from Global Fund financing must be approved by the GAC, regardless of the length of the extension period[478].

37. **Shortening the IP.** The approval authority for IP reductions is determined by the consequent impact on the AUP[479].

Scenario	Approval Authority
Shortening the IP without changing the AUP	Regional Manager / Department Head (for High-Impact) *(end-to-end revision scope and changes);* and Grant Finance Manager *(changes to the baseline budget)*
Shortening the IP with changes to the AUP	GAC recommendation and Board approval at time of Grant-making of the subsequent grant

Additionally, compliance with the relevant approval authorities set out in Section 3 below is also required if the End-date Revision to shorten the IP is accompanied by a Programmatic Revision that requires TRP review per the scenarios defined in Section 3.

Formalize End-date Revision

38. **Implementation Letter.** Once approved, the End-date Revision is reflected in the Grant Agreement through an Implementation Letter. The Implementation Letter is signed by the PR and the Global Fund (in accordance with the Delegations of Signature Authority). For IP reductions, the issuance of a Notification Letter from the Global Fund to the PR is sufficient if it is issued in accordance with the terms of the Grant Agreement. The CT consults with CT Legal Counsel to determine whether a Notification Letter can be issued instead of an Implementation Letter to formalize the IP reduction as well as timing of issuance of the Notification Letter if the funding is being transferred to another grant. Refer to Annex 1 to for the grant documents required to accompany the Implementation Letter.

[477] According to Board-approved extension policy (GF/B31/DP12), the GAC is authorized to approve Scenario 2 Extensions as long as the amount of additional funding required (the funding required for the extension period minus the unutilized funds approved by the Board for the current IP) does not exceed USD 10 million and is not equivalent to more than 6 months of additional funding. Refer to Annex 4 on how to calculate the equivalent months of additional funding.
[478] Reducing the IP that result in grant closure also requires compliance with the OPN and Operational Procedures on IP Reconciliation and Grant Closure.
[479] Reducing the IP also requires compliance with the OPN and Operational Procedures on IP Reconciliation and Grant Closure.

39. For End-date Revisions that require Board approval, the Implementation Letter is signed by the first Global Fund signatory as per the Delegations of Signature Authority and can be sent to and signed by the PR after GAC recommendation, contingent on Board approval (unless otherwise specified by GAC), provided this is clearly communicated in the Implementation Letter ahead of time. The Implementation Letter does not take effect until after Board approval of the End-date Revision and countersignature of the Implementation Letter by the second Global Fund signatory as per the Delegations of Signature Authority.

40. **Registration.** An End-date Revision is considered complete once the updated grant purchase order is approved and the revision is registered in the Global Fund systems.

41. **Notification to the Board and GAC:** The GAC and Board are notified of all approved extensions through GAC Reports to the Board.

Section 2: Additional Funding Revision (or Funding Reduction / Transfer)

42. **Definition.** An Additional Funding Revision increases the Grant Funds for the relevant IP to account for new[480] resources made available to the grant, without amending the duration of the IP. Other adjustments to grant funds, including reductions and transfers, without amending the duration of the IP are also captured under this revision type.

43. **Triggers**. Additional funds can be made available at the aggregate portfolio level because of, among others:

    a. Permitted restricted financial contributions by private donors or Debt to Health.

    b. The Portfolio Optimization process.[481]

    c. Global Fund emergency response facilities such as the Emergency Fund,[482] the COVID-19 Response Mechanism (C19RM),[483] or any other mechanism to respond to an emerging pandemic.

44. Funding reductions or transfers can be triggered by various reasons such as:[484]

    a. Non-compliance with co-financing commitments.[485]

    b. Failure of a PR to refund recoverable amounts.

    c. Shifting activities and respective budgets from one grant / PR to another grant / PR.[486]

45. The requirements below apply to additional funding due to e.g., private sector contributions, Debt to Health, and Portfolio Optimization and funding reductions / transfer scenarios. They do not apply to mechanisms that have separate review and approval processes (e.g., C19RM, Emergency Fund or other Strategic Initiatives (unless Strategic Initiative funding is being integrated into a grant derived from allocation funding).

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[480] Resources made available to the grant/PR through the transfer of activities and budgets from another grant/PR are not considered additional funding in that these are existing, previously approved funds that eventually pertain to the grant. Such cases are treated under the Funding Reduction / Transfer revision.
[481] See the Prioritization Framework for funds that become available for Portfolio Optimization and Financing Unfunded Quality Demand.
[482] See Guidelines on Emergency Fund.
[483] See C19RM Guidelines.
[484] Reductions in funding related to an IP reconciliation or grant closure follows the IP Reconciliation and Grant Closure process.
[485] See OPN on Co-financing.
[486] During a reallocation of activities and accompanying budget between PRs from the same program, the CT must ensure that (i) the PR(s) to whom the activities are reallocated has achieved satisfactory past performance and has relevant capacity to perform the activities; (ii) the proposed reallocation is aligned with the grant goals and objectives; and (iii) the proposed reallocation is consistent with the TRP recommendations for the program.

Prepare and submit Additional Funding Revision (or Funding Reduction / Transfer)

46. **Initiators.** An Additional Funding Revision (or Funding Reduction / Transfer) can be initiated by the PR or by the Global Fund through the CT. Additional funding revisions (or Funding Reduction / Transfer) require endorsement from the CCM.[487][488] Endorsement must be provided by (i) the CCM Chair and (ii) the civil society representative if the CCM Chair is the representative of the Government, or the representative of the Government if the CCM Chair is the representative of civil society.

47. **Timing.** An Additional Funding Revision (or Funding Reduction / Transfer) can be proposed at any time during grant implementation and is expected to be completed a maximum three calendar months after initiation in the Global Fund systems.

48. **Key design considerations.**

    a. **Targets and activities:** The PR and CT work to determine how to adjust the key programmatic activities and targets for the IP.[489] Typically, targets are either adjusted upward as part of an Additional Funding Revision, considering the additional resources provided, or downward as part of a Funding Reduction / Transfer. If, however, the PR and CT determine that a change in funding does not affect targets, a justification is required which is considered by the relevant approval authority as defined at paragraphs 37 and 38 below.

    b. **Changes to the baseline budget.** Both the detailed and summary budgets are changed to reflect the additional funding. The latest approved budget, formalized through an Implementation Letter, becomes the baseline budget.

49. **Documents.** The table in Annex 1 provides the required documents for an Additional Funding Revision (or Funding Reduction / Transfer).

Review and approve Additional Funding Revision (or Funding Reduction / Transfer)

50. **Review.** The CT reviews the additional funding (or Funding Reduction / Transfer) revision request with the support from the LFA, as necessary. The scope of the LFA review is to be agreed between the CT and the LFA, on a case-by-case basis.

Approval Authority

51. **Additional Funding.** Additional Funding Revisions due to e.g., private sector contributions, Debt to Health and Portfolio Optimization are approved by the Global Fund Board with GAC recommendation.

    If the Additional Funding Revision is accompanied by a Programmatic Revision triggering TRP review (as detailed in Section 3 below):

    - A TRP recommendation is required;
    - GAC reviews the programmatic changes as part of the Additional Funding Revision and recommends to the Board for approval.

    These additional resources finance prioritized activities under the Unfunded Quality Demand (UQD) register. If proposed activities for financing are not on the UQD register, then the Prioritized Above Allocation Request (PAAR) update process needs to be followed.[490]

[487] Additional Funding Revisions triggered by Portfolio Optimization do not require CCM endorsement as the UQD has been previously endorsed by CCM.
[488] In the absence of a CCM or an alternative coordinating platform in the country, the CT must seek endorsement from the Regional Manager (or for High Impact departments, relevant Department Head), after consulting with the Manager of the Monitoring, Evaluation & Country Analysis (MECA) Team, the Head of the Technical Advice & Partnerships Team, and to the extent possible, in-country partners.
[489] The CT may consult with TAP to determine whether a change in funding with impacts on targets and activities requires TRP review (for further information on the scenarios where TAP might be consulted, refer to the Operational Procedures on Revise Grants).
[490] See OPN and Operational Procedures on Design and Review Funding Requests.

52. Funding channels with defined and separate approval processes and requirements (e.g., C19RM, Emergency Fund and other Strategic Initiatives (unless Strategic Initiative funding is being integrated into a grant derived from allocation funding)) are not subject to the approval authorities outlined above.

53. Board approval is not required where funding is moving between grants within the same disease / resilient and sustainable systems for health (RSSH) component and allocation period which have already been approved by the Board. The approval authority for the transfer of such funds is outlined in the table at paragraph 38 below.

54. **Funding Reduction / Transfer.** The below table defines the approval authority for cases of funding reduction resulting from the transfer of activities and budget from one grant to another. This approval authority applies to grants transferring or receiving funds. For other potential cases of reduced funding, the approval authorities are defined in the relevant operational policies.[491]

Transfer Scenarios	Approval Authority
Transfer of activities and respective budget from one Board-approved grant to another within **the same** disease / RSSH component and allocation period.	Regional Manager/Department Head (for High-Impact[492]) *(end-to-end revision scope and changes);* and Grant Finance Manager *(changes to the baseline budget).* GAC and TRP recommendation may also be required if redistribution constitutes a Programmatic Revision requiring TRP review.
Transfer of activities and respective budget from one Board-approved grant to another grant **across** disease / RSSH components within the same allocation period.	Board (with GAC recommendation). TRP recommendation may also be required if redistribution constitutes a Programmatic Revision requiring TRP review.

Formalize Additional Funding Revision (or Funding Reduction / Transfer)

55. **Implementation Letter.** Once approved, the Additional Funding Revision, or Funding Reduction / Transfer not initiated by the Global Fund, is captured through an Implementation Letter. The Implementation Letter is signed by the PR and the Global Fund (in accordance with the Delegations of Signature Authority Procedures). Refer to Annex 1 for the grant documents required to accompany the Implementation Letter.

56. For additional funding revisions that require Board approval, the Implementation Letter is signed by the first Global Fund signatory as per the Delegations of Signature Authority by the PR after GAC recommendation, contingent on Board approval (unless otherwise specified by the GAC), provided this is clearly communicated in the Implementation Letter ahead of time. The Implementation Letter does not take effect until after Board approval and countersignature of the Implementation Letter.

[491] See OPN on Co-financing.
[492] This refers to portfolios/grants in High Impact Departments.

57. For Funding Reduction / Transfer revisions that are initiated by the Global Fund, the CT consults with CT Legal Counsel to determine whether a Notification Letter can be issued instead of an Implementation Letter to formalize the funding reduction as well as timing of issuance of the Notification Letter if the funding is being transferred to another grant.
58. **Registration.** An Additional Funding Revision (or Funding Reduction / Transfer) is considered complete once the updated grant purchase order is approved and the revision is registered in the Global Fund systems.

Section 3: Programmatic Revisions

59. **Definition.** A Programmatic Revision (formerly referred to as a "reprogramming" or "Program Revision") refers to changes to the scope and/or scale of a grant within the already approved funding ceiling and current IP resulting in changes to the modules, interventions and/or targets in the Performance Framework.
    a. Changing the **scope of a grant** results in:
        i. One or more goals and/or objectives being changed; and/or
        ii. Interventions[493] being added or deleted (including those related to RSSH, Human Rights, and Gender Equality), either at grant level or at the disease (or RSSH) program level supported by the Global Fund.
    b. Changing the **scale of a grant** results in changes in targets for one or more indicators – either increasing or decreasing.
60. **Triggers.** There are different potential scenarios which can trigger a Programmatic Revision. These include, but are not limited to:
    a. The need to invest more strategically, e.g., in case of changes in the National Strategic Plan (NSP), epidemiological trends, new data from national surveys, program evaluations, etc.
    b. Emerging scientific evidence or normative guidance.
    c. Changes in the national context that result in non-compliance with co-financing commitments.[494]
    d. Changes in implementation arrangements.
    e. The scale-up of effective interventions and innovative approaches, introduction of new health products and removal of health products
    f. Risk mitigation purposes.
    g. The need to advance transition planning, particularly if a country is nearing the end of its funding relationship with the Global Fund.
    h. The need to accelerate the adoption of revised partner technical guidance to ensure patient safety and program efficacy.

Guidance on how to process revisions to Matching Funds is forthcoming and will be communicated by the Global Fund in due course.

Prepare and submit Programmatic Revision

[493] For example, interventions within a defined epidemiological context, as confirmed by the relevant TAP disease advisor include 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. See Modular Framework Handbook.
[494] See OPN on Co-financing.

61. **Initiators.** A Programmatic Revision can be initiated by the CCM, PR, or the CT. Programmatic Revisions require endorsement from the CCM[495]. Endorsement must be provided by (i) the CCM Chair and (ii) the civil society representative if the CCM Chair is the representative of the Government, or the representative of the Government if the CCM Chair is the representative of civil society.

62. **Timing.** A Programmatic Revision can be proposed anytime during grant implementation if warranted by the programmatic context and needs to be completed maximum three calendar months after initiation.

63. **Changes to the baseline budget.** Programmatic revisions do not require changes to the baseline budget.

64. **Documents.** The table in Annex 1 provides the required documents for Programmatic Revisions.

Review and approve Programmatic Revision

65. **Review.** The CT reviews the Programmatic Revision request and documents with support from the LFA, as necessary. The scope of the LFA review is to be agreed between the CT and the LFA, on a case-by-case basis. Depending on the type of programmatic change, the CT is required to consult with TAP advisors[496].

66. **Approval Authority.** The approval process for Programmatic Revisions is differentiated based on whether the revision requires TRP review or not.

Scenario	Portfolio category	Approval Authority
Programmatic Revisions that **do not require** TRP review		
(1) Adding new modules and interventions into the grant to incorporate activities in the UQD register	High Impact and Core	Regional Manager or Department Head (for High Impact[497]) *(end-to-end revision scope and changes)*
	Focused	FPM based on PHME recommendations and, if required, technical review by HPM Specialist *(end-to-end revision scope and changes);*
(2) Increasing or decreasing targets for existing indicators and adding missing targets[498] in the Performance Framework (PF)[499] provided it does not result in a significant redesign or shift of balance of the originally approved funding request, which would otherwise trigger a TRP review (scenario 4c below).	High Impact and Core	• CT: increase of up to 100% or reduction of up to 20% to the targets and adding missing targets; • Regional Manager or Department Head (for High Impact[500]) *(end-to-end revision scope and*

[495] In the absence of a CCM or an alternative coordinating platform in the country, the CT must seek endorsement from the Regional Manager (or for High Impact departments, relevant Department Head), after consulting with the Manager of the Monitoring, Evaluation & Country Analysis (MECA) Team, the Head of the Technical Advice & Partnerships Team, and to the extent possible, in-country partners.
[496] See Section 3 of the Operational Procedures on Revise Grants.
[497] This refers to portfolios/grants in High Impact Departments.
[498] Such as left as "to be determined" at the time of Grant-making (e.g. when baselines are not yet defined to specify targets.)
[499] PRI team should be consulted when grant targets with implications on Global Fund Strategy targets and reporting are being revised.
[500] This refers to portfolios/grants in High Impact Departments.

Scenario	Portfolio category	Approval Authority
		changes): increase of more than 100% or reduction of more than 20% to targets
	Focused	FPM based on PHME recommendations and, if required, technical review by HPM Specialist *(end-to-end revision scope and changes)*
(3) Scaling-up existing interventions and innovative approaches, introducing of new health products and removing health products to incorporate activities in the UQD register, provided it does not add or remove existing modules and interventions in the PF.	High Impact and Core	Regional Manager or Department Head (for High Impact[501]) *(end-to-end revision scope and changes)*
	Focused	FPM based on PHME recommendations and, if required, technical review by HPM Specialist *(end-to-end revision scope and changes)*
Programmatic Revisions that <u>require</u> TRP review		
(4) Adding changes that contradict or are not part of the TRP's original or modified review and recommendation on the funding request or the latest UQD (as updated during implementation). For example: a) a module or intervention not in the UQD register is added to the PF; b) a module or intervention originally removed following TRP	High Impact and Core	Scenarios a) and b): • Regional Manager or Department Head (for High Impact[502]) *(end-to-end revision scope and changes)*; and Scenario c) and d): GAC[503], based on TRP recommendation

[501] This refers to portfolios/grants in High Impact Departments.
[502] This refers to portfolios/grants in High Impact Departments.

Scenario	Portfolio category	Approval Authority
recommendation is re-introduced into the grant; c) there is a significant redesign or shift of balance of originally approved funding request, i.e. a prevention component is shifting to treatment; sub-national tailoring analysis leads to a significantly different intervention mix (e.g. Indoor Residual Spraying vs. Insecticide Treated Nets) d) a module or intervention is removed from the PF without alternative funding in the country	Focused	Regional Manager or Department Head (for High Impact) *(end-to-end revision scope and changes)* Regional Manager or Department Head to decide if TRP technical inputs are needed.
(5) Adding new interventions for which there is lack of or lag in release of evidence or development of normative guidance. For such scenarios, the overarching approach will be reviewed by the TRP with individual requests reviewed and approved by the Secretariat based on the TRP recommendation.	High Impact and Core	GAC[504], based on TRP recommendation
	Focused	Regional Manager or Department Head (for High Impact[505]) *(end-to-end revision scope and changes)* Regional Manager or Department Head to decide if TRP technical inputs are needed.

67. If the Programmatic Revision is triggered by foreign exchange gains (after providing for the required contingency reserve), in addition to the approval authority defined above, the process defined in section 2.4 of Global Fund Guidelines for Grant Budgeting needs to be followed.

Formalize Programmatic Revision

68. **Implementation Letter.** Once approved, a Programmatic Revision is reflected in the Grant Agreement through an Implementation Letter. The Implementation Letter is signed by the PR and the Global Fund (in accordance with the Delegations of Signature Authority). Refer to Annex 1 to for the grant documents required to accompany the Implementation Letter.

69. For Programmatic Revisions that involve time sensitive changes to the PF with implications to the performance rating and results rating (such as increasing or decreasing targets or adding missing targets), a Notification Email can be issued to capture PR and Global Fund agreement on the PF changes and enable PF updates in the Global Fund system. The PF changes are formalized with an Implementation Letter at a later stage (together with other revisions, as applicable). It is the CT's responsibility to track these notification emails and integrate them in upcoming Implementation Letters.

[504] GAC review and recommendation is sufficient (GAC approval not required) if the Programmatic Revision is processed together with an Additional Funding Revision. Refer to paragraph 34 above.
[505] This refers to portfolios/grants in High Impact Departments.

70. **Registration.** A Programmatic Revision process is considered complete once the Notification Email or Implementation Letter is issued and the revision is registered in the Global Fund systems.

Section 4: Budget Revisions

71. **Definition:** Budget Revisions are a type of grant revision and refer to the reallocation of approved Grant Funds across modules, interventions or cost categories. They do not involve changes to approved Grant funding ceiling, or the duration of the relevant IP, or the Performance Framework.

Types of Budget Revisions

72. A Budget Revision is categorized as **material or non-material** depending on the percentage increase or decrease for the module, intervention or discretionary cost category in the approved Grant Budget, as detailed in Section 2.5.2 of the Global Fund Guidelines for Grant Budgeting.

73. **Triggers:** A Budget Revision can take place periodically in the normal course of grant implementation to respond to grant context and circumstances (e.g., to reflect changes in administrative or operational costs, changes in unit costs of items being purchased or to allow for assurance activities like Health Facility Assessments or Data Quality Reviews). It can also be triggered by:

    a. **Foreign exchange** gains and/or losses.

    b. Cases of **transfer and/or disposal of program assets** during the IP.

Prepare and submit Budget Revision

74. **Initiators:** A Budget Revision can be initiated by the PR or the CT. PRs need to inform the CCM of material Budget Revisions prior to submitting them for approval by the Global Fund.

75. **Timing.** A Budget Revision can be proposed any time during grant implementation.

76. **Changes to baseline budget.** A Budget Revision does not require changes to the baseline budget.

77. **Documents.** The table in Annex 1 provides the required documents for material Budget Revisions.[506]

Review and approve Budget Revision

78. The review and approval process for Budget Revisions depends on the materiality of the budget changes[507].

79. For further guidance, please refer to Sections 2.5.2 and 2.5.3 of the Global Fund Guidelines for Grant Budgeting.

Approval Authority

80. Approval authorities for Budget Revisions are defined in Section 2.5.2 of the Global Fund Guidelines for Grant Budgeting[508].

81. There are specific circumstances where CT approval can be required even if the revision is deemed "non-material" (e.g., any increase in salary or incentives above those already planned in the budget to staff / agents working for the Global Fund). For further information, please refer to Section 2.5.3 of the Global Fund Guidelines for Grant Budgeting.

82. If a Budget Revision is triggered by foreign exchange rate gains (after providing for the required contingency reserve), in addition to the approval authority defined in Section 2.5.2 of the Global Fund Guidelines for Grant Budgeting, please follow the process defined in Section 2.4 of the Global Fund Guidelines for Grant Budgeting.

[506] For non-material Budget Revisions, no submission is required. See the Operational Procedures on Revise Grants.
[507] Refer to Section 2.5.2 of the Global Fund Guidelines for Grant Budgeting.
[508] Unless otherwise agreed in writing by the Global Fund and PR pursuant to section 2.5.3 of the Global Fund Guidelines for Grant Budgeting.

Formalize Budget Revision

83. A Budget Revision does not require changes to the baseline budget, hence, the issuance of an Implementation Letter is not required.

84. The PR is responsible for properly documenting and maintaining their internal approval and the Global Fund written approval for audit purposes. It is strongly recommended that the PR and other implementers consistently maintain and update the internal operational budget for internal budget management and monitoring of their programs.

Section 5: Administrative Revisions

85. **Definition.** An Administrative Revision captures changes to the grant that are purely of an administrative nature or require specific modifications to Grant Entity Data contained in a Grant Agreement and/or grant requirements.

86. **Triggers.** An Administrative Revision can take place periodically in the normal course of grant implementation and can be triggered by (among other reasons):

    a. **Changes to Grant Entity Data** contained in a Grant Agreement, specifically:

        i. Change in PR organizational representative for notices[509].

        ii. Change in PR or LFA organization information, such as change in the organization's official name, address, etc.[510]

    b. **Administrative changes to the Performance Framework** which do not change the targets, such as revising the reporting schedule, updating or adding missing baselines which do not impact on targets, corrections/clarifications of custom indicator names, comments fields, cumulation type without any changes to targets, realignment of the targets according to the cumulation type, geographic coverage or scope of targets.

    c. **Changes to existing grant requirements** or introduction of new ones in the Grant Agreement (i.e., for example conditions for transfer of program assets).[511]

    Administrative adjustments to Grant Funds for new IPs to deduct the final and validated in-country cash balance from the closing IP[512] or to carry over the cash from the previous IP extension disbursement.[513]

Prepare and submit Administrative Revision

87. **Initiators.** An Administrative Revision can be initiated by the PR, or the CT.

88. **Timing.** An Administrative Revision can be proposed at any time during grant implementation and is expected to be completed within two calendar months after initiation or other applicable timelines if combined with other types of grant revision.

89. **Documents.** The table in Annex 1 provides the required documents to be submitted for Administrative Revisions.

Review and approve Administrative Revision

[509] See the OPN on Grant Entity Data.
[510] See the OPN on Grant Entity Data.
[511] See the OPN on Oversee Implementation and Monitor Performance.
[512] See Operational Procedures on IP Reconciliation and Grant Closure.
[513] Cash from extension refers to cash that has been disbursed but not expensed during the extension period.

90. **Review.** The CT reviews the Administrative Revision request and documents with support from the LFA, as necessary. The scope of the LFA review is to be agreed between the CT and the LFA, on a case-by-case basis.

Approval Authority:

Scenario	Approval Authority
Administrative Revisions triggered by changes to existing grant requirements or introduction of new grant requirements in the Grant Agreement	Global Fund defined authority (FPM or Regional Manager/Department Head or Head, GMD) depending on scope of changes.
All other Administrative Revisions	FPM[514] (based on recommendations from CT members)

Formalize Administrative Revision

91. **Implementation Letter.** Once approved, an Administrative Revision must be reflected in the Grant Agreement, by issuing an Implementation Letter. The Implementation Letter is signed by the PR and the Global Fund (in accordance with the Delegations of Signature Authority Procedures).

92. For most Administrative Revisions, the changes do not need to be reflected immediately in the Grant Agreement, and therefore do not require the immediate issuance of an Implementation Letter. Unless the proposed change must take effect within a particular timeframe (e.g., owing to PU/DR reporting and/or application of a particular grant requirement), it is recommended to wait until an Implementation Letter is required for another type of grant revision (e.g., a programmatic or Additional Funding Revision) when the Administrative Revision can be included in that Implementation Letter. This approach reduces the need for CTs to issue multiple Implementation Letters. It is the PR's and CT's responsibility to track any Administrative Revisions and ensure that those that do not require an immediate issuance of an Implementation Letter are included in the next Implementation Letter.[515]

93. Administrative changes to the Performance Framework can be immediately captured in the Global Fund systems and become effective following issuance of a Notification Email and can be later formalized through an Implementation Letter.

94. **Registration.** An Administrative Revision is considered complete once the Notification Email or Implementation Letter is issued and the revision is registered in the Global Fund systems.

Specific Multicountry Considerations

95. Multicountry grants refer to:

a) Grants financed through pooled country allocations (e.g., Multicountry Western Pacific and Multicountry Caribbean);
b) Regional grants financed solely through the Catalytic Investments – Multicountry Modality; and
c) Regional grants financed through a combination of pooled country allocations and Catalytic Investments.

[514] For portfolios with Disease Fund Managers (DFMs) the submission is done by the DFM and approved by the Senior FPM.
[515] The CT consults with the CT Legal Counsel regarding timing of issuance and contents of the Implementation Letter.

96. Multicountry grants generally follow the same requirements set out in this OPN, with the following specific considerations:

    a) For multicountry grants, reference to the term CCM includes Regional Organizations (RO) Regional Coordinating Mechanisms (RCM) and CCM representatives of all countries included within the grant (in all cases, if applicable).

The legal and political considerations and logistics of cross-border implementation are considered when tailoring LFA-services.

Annex 1. Requirements Levels by Revision Type and Portfolio Category

Grant Deliverables	End-date		Additional Funding				Programmatic		Budget[516]		Administrative	
			Additional Funding		Funding Reduction / Transfer							
	HI / Core	Focused	HI / Core	Focused	HI / Core	Focused	HI / Core	Focused	HI / Core	Focused	HI / Core	Focused
Prepare and Submit												
CCM endorsement[517]	R		R[518]		R[519]		R		-[520]		-	
Grant Revision Request Form or equivalent[521]	R				R[522]		R		-		-	
Revised Performance Framework	R		R[523]				R		-		R[524]	
Updated baseline budget (Detailed & Summary Budgets)	R						-		-		-	
Revised HPMT (if health products are being updated)	R	-	R	-	R	-	R	-	-		-	
Review and Approve												

[516] Requirements levels apply to material Budget Revisions and other Budget Revisions requiring Global Fund's approval. For non-material Budget Revision, the PR follows its own budget review and approval process and maintain an audit trail for review by the Global Fund (see section 2.5.2 of the Global Fund Guidelines for Grant Budgeting).
[517] Captured through the Grant Form Revision Form A. Otherwise, a letter, email or other form of written documentation capturing the CCM endorsement is also acceptable.
[518] Additional Funding Revisions triggered by Portfolio Optimization do not require CCM endorsement as the UQD has been previously endorsed by CCM.
[519] Not required for Global Fund-initiated Funding Reduction / Transfer revisions.
[520] PRs are expected to inform the CCM of material Budget Revisions prior to submitting them for approval by the Global Fund. This can be done through a letter, email or other form of written communication.
[521] The Grant Revision Request Form A details the PRs revision request and CCM endorsement as applicable – this can also alternatively be submitted in the form of an email to the CT as long as all the information contained in Form A is provided. The Grant Revision Form Section B details the CT review and recommendation of the PR request – this can also be alternatively presented in the form of email or presentation to GAC as long as all the information contained in Form B is provided.
[522] Not required for Global Fund-initiated Funding Reduction / Transfer revisions.
[523] If targets are being updated.
[524] Only applicable to Administrative Revisions triggered by administrative changes to Performance Framework.

Grant Deliverables	End-date		Additional Funding				Programmatic		Budget[516]		Administrative	
			Additional Funding		Funding Reduction / Transfer							
	HI / Core	Focused	HI / Core	Focused	HI / Core	Focused	HI / Core	Focused	HI / Core	Focused	HI / Core	Focused
LFA review and recommendations	BP											
CT review and recommendations	R											
Review and approval by defined authorities	R											
Grant Signing Calculator	R[525]		R				-		-		R[526]	
Formalize												
Revised Grant Confirmation Table[527]	R						-		-		R[528]	
Implementation Letter, including: -Amended Grant Confirmation Table, as applicable -Updated baseline budget (Detailed and Summary Budget), as applicable -Revised Performance Framework, as applicable	R[529]		R		R[530]		R		-		R	

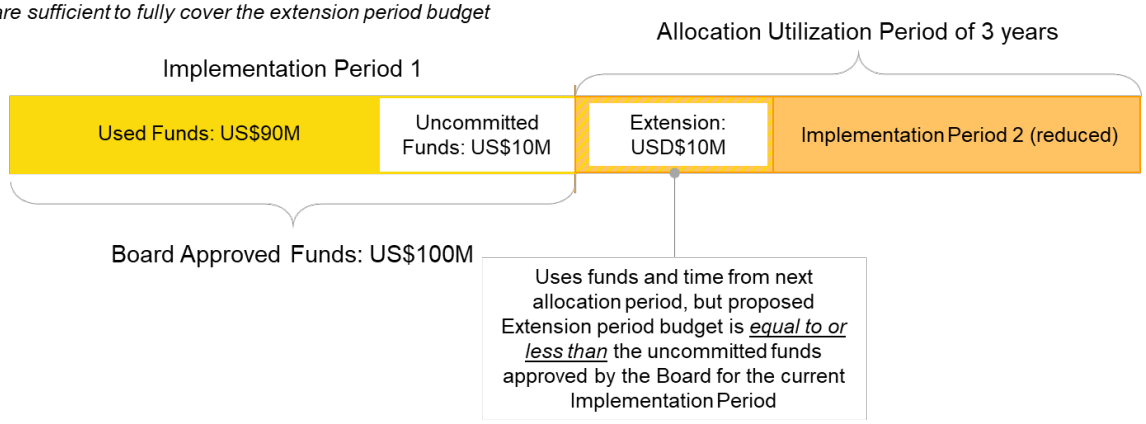
Level of requirements:

R Required
BP Best Practice
- Not required

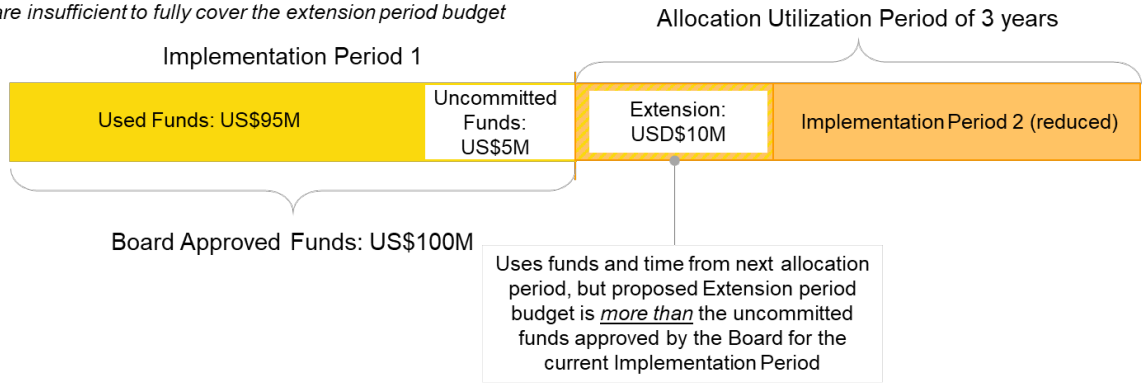
[525] Not required if extensions are fully funded from uncommitted funds from the current IP.
[526] Only applicable to Administrative Revisions triggered by administrative changes to the Grant Funds.
[527] The amended Grant Confirmation Table must include the updated Grant Purchase Order amount, as validated by the Finance or PST Specialist (Focused).
[528] Only applicable to Administrative Revisions triggered by changes to Grant Entity Data that impact the contents of the Grant Confirmation Table.
[529] For IP reductions, the issuance of a notification letter from the Global Fund to the PR is sufficient if issued in accordance with the terms of the Grant Agreement. CTs consult with the CT Legal Counsel.
[530] For Global Fund-initiated Funding Reduction / Transfer revisions, the CT consults with CT Legal Counsel to determine whether a Notification Letter can be issued instead of an Implementation Letter.

Annex 2. Illustration of Extension Scenarios

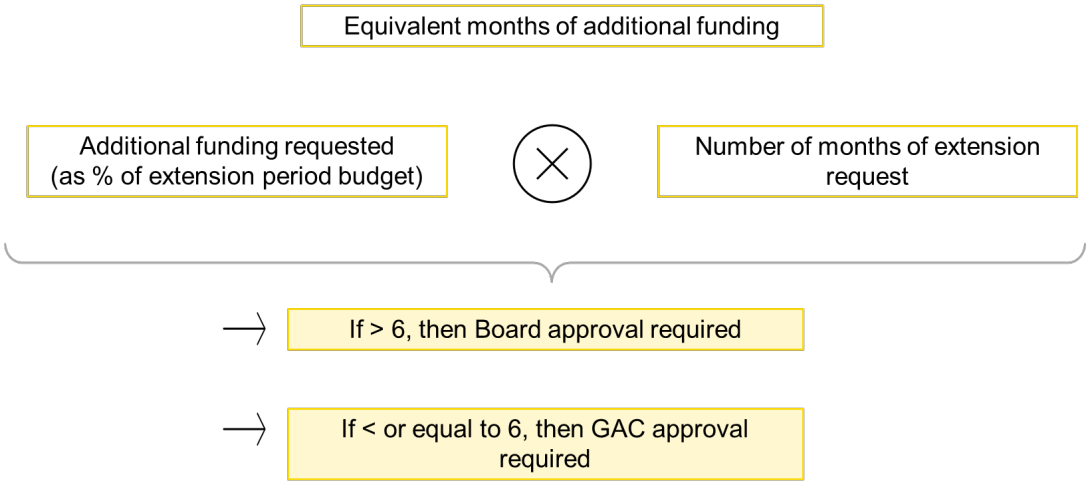
Scenario 1: *Uncommitted funds as of the IP end-date are sufficient to fully cover the extension period budget*



Scenario 2: *Uncommitted funds as of the IP end-date are insufficient to fully cover the extension period budget*



Annex 3. Equivalent Months of Additional Funding – Calculation



Operational Policy Note

Pooled Procurement Mechanism

Approved on: 4 October 2023
Approved by: Executive Grant Management Committee
Process Owner: Supply Operations Department
Associated Procedures: Pooled Procurement Mechanism Operational Procedures

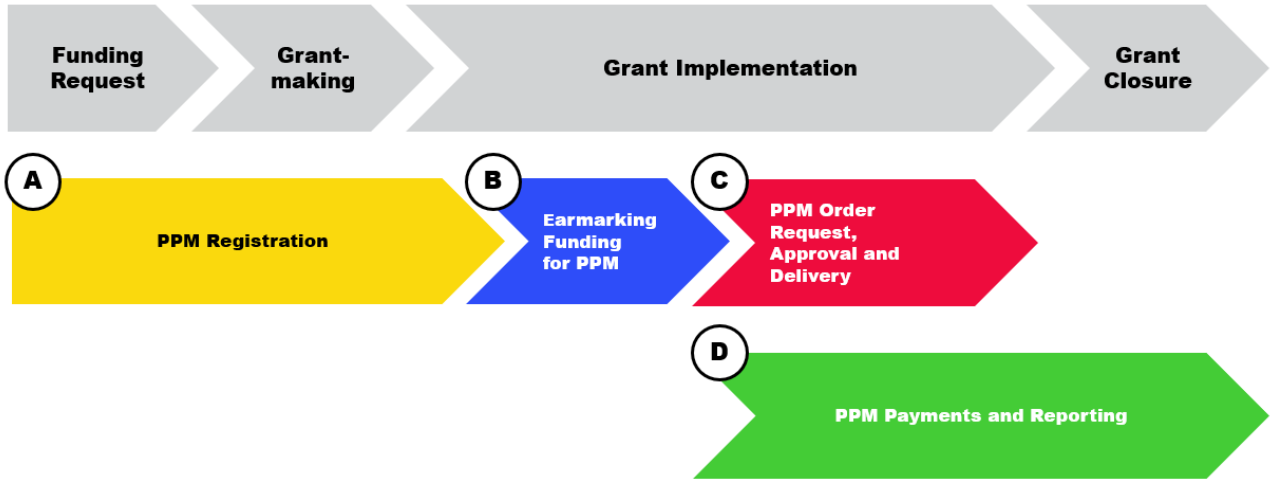
For COVID-19 related deviations to the OPN on the Pooled Procurement Mechanism, please refer to COVID-19 Response Mechanism Guidelines

Process metrics for the OPN on the Pooled Procurement Mechanism: Forthcoming

Process Objective

1. The Global Fund's Pooled Procurement Mechanism (PPM) is a key tool used to drive equitable access to quality-assured health products, equipment and other non-health products and services in support of the Global Fund Strategy. Wambo.org is a digital online procurement platform that facilitates the order management of Global Fund pooled procurement transactions from requisition to delivery. PPM enables the Global Fund Secretariat to aggregate order volumes from participating Principal Recipients[531] to leverage the Global Fund's market spend aiming to:
    a. secure quality-assured products;
    b. obtain better value for money[532] through optimal sustainable pricing and delivery conditions;
    c. reduce lead times for critical health products by engaging with manufacturers using framework contracts; and
    d. contribute to sustainable markets for core products as defined in paragraph 4 (i) below.
2. The framework below provides a summary overview of the PPM process.

[531] Unless otherwise defined, all capitalized terms used in this Operational Policy Note shall have the same meaning as set forth in the Global Fund Grant Regulations available on the Governance & Policies web page.
[532] Value for money as defined under the Global Fund Procurement Policy (2008) as amended from time to time.



Operational Policy

3. This Operational Policy Note (OPN) defines the rules and requirements for implementation of PPM. Detailed procedural guidance to implement these rules are provided in the Pooled Procurement Mechanism Operational Procedures.

Eligible Health Products

4. Health products (and associated Procurement and Supply Management (PSM) costs) that may be procured by Principal Recipients through the PPM are categorized as PPM core or non-core products. The list, which may be updated from time to time, is as follows:

   (i) **Core products**: antiretrovirals (ARVs); HIV rapid diagnostic tests (HIV RDTs); and viral load tests; Artemisinin-based combination therapy (ACTs); long-lasting insecticide treated nets (LLINs); anti-malarial pharmaceutical products (other than ACTs); and malaria rapid diagnostic tests (malaria RDTs).

   (ii) **Non-core products**: drugs for opportunistic infections and sexually transmitted infections; other diagnostic products and laboratory supplies; post-exposure prophylaxis kits; condoms; insecticides for indoor residual spraying (IRS) and related equipment/consumables; and other products and PSM costs[533] agreed with the Procurement Transaction Management Team.

Procurement Services Agents and Suppliers

5. Through the PPM, Principal Recipients procure eligible health products using the services of Procurement Services Agents (PSAs). PSAs are external service providers contracted by the Global Fund to perform procurement and delivery services on behalf of PPM-participating Principal Recipients, including order and logistics management, while ensuring quality assurance and timely deliveries.

   The selection of PSAs is done by the Global Fund through a competitive process, and their performance is managed through long-term performance-based agreements.[534] The Global Fund facilitates the procurement of such eligible health products. However, the Global Fund is not a party to the procurement contract (Purchase Order), which is exclusively concluded between the Principal Recipient and the PSA.

6. As part of the PPM, the Global Fund also manages the selection of suppliers for certain core products. Supplier performance is managed by the Global Fund through long-term performance-based agreements which are signed according to the Global Fund Delegation of Signature

[533] Only logistic costs ancillary to the delivery of products.
[534] For certain product categories, the Global Fund may use partner organizations, acting as agents of the Principal Recipients.

Authority (which may be amended from time to time). Supplier-specific prices negotiated by the Direct Sourcing Team for health products are uploaded onto the wambo.org platform and are updated from time to time.

A.Principal Recipient Registration

7. Principal Recipients may wish, on a voluntary basis, to take advantage of the benefits (e.g., reliable delivery) and negotiated PPM prices which may provide better value for money. In the event that a Principal Recipient does not volunteer, the Country Team may require a Principal Recipient to use this mechanism for some or all Global Fund-financed health products as a risk-mitigating measure where the Principal Recipient or the designated procurement entity has demonstrated inadequate capacity to procure health products effectively and efficiently. At its own discretion, the Global Fund may for any Principal Recipient, regardless of their participation in PPM, limit health product budgets to the negotiated PPM unit prices to ensure that the Global Fund will not pay for health products purchased by non-PPM participating Principal Recipients more than the PPM negotiated prices for similar commodities.[535]
8. To participate in PPM, Principal Recipients must comply with defined PPM registration requirements. A registration application may be submitted and processed at any time during grant-making or implementation.
9. Participation in PPM is, in principle, for the duration of the grants managed by the same Principal Recipient. Registration remains effective until they cease to be Principal Recipient or the Principal Recipient's participation in PPM ends. The Principal Recipient's participation in PPM may be ended through written notice only, at least ninety (90) calendar days prior to the desired end date.[536]
10. Only PPM-registered Principal Recipients are allowed to use PPM, including the Rapid Supply Mechanism (RSM).

B. Earmarking Funding for PPM

11. PPM-related funding is committed outside of the grant-based annual funding decision process. From the grant signed amount, Grant Funds are earmarked for PPM orders directly in Global Fund systems by setting the PPM ceiling amount, which, for orders processed through wambo.org, is automatically interfaced with wambo.org.
12. The PPM ceiling amount is based on the approved detailed budget (aligned with the Health Product Management Template (HPMT) requirements as described in the OPN on Make approve and Sign Grant), after grant signature for PPM-related procurement for the grant implementation period (i.e., cumulative 3-year ceiling). It can be adjusted (increased or decreased) as needed during grant implementation based on approved changes to the budget. Only the unutilized PPM ceiling can be reduced (i.e., the amount that has not been committed for specific orders). Such reduction shall be processed only if the unutilized PPM ceiling will no longer be required for existing or future PPM orders.
13. The sum of all Grant Funds committed through annual funding decisions and wambo.org orders, for the full implementation period and closure period of a grant must not exceed the total Grant Funds amount (including C19RM where relevant) as it appears in the relevant Grant Agreement.

[535] Reference prices per product category are updated from time to time and are available at: https://www.theglobalfund.org/en/sourcing-management/health-products/.
[536] The end of participation in PPM would apply to new Price Quotations not yet approved; any Price Quotations approved by the Principal Recipient prior to the desired end date would be fulfilled as per contractual agreements triggered by Principal Recipient approval of the Price Quotation.

C. PPM Order Request, Approval and Delivery

14. PPM Purchase Requisitions are raised electronically through the wambo.org platform.
15. A request for procurement is only initiated by the Principal Recipient and only validated by the Country Team and the Procurement Transaction Management Team after grant signing if:
    a. Principal Recipient registration to participate in PPM has been completed;
    b. the quantification and budget have been approved by the Global Fund (e.g., as per the Health Product Management Template or assumptions informing health product budgeting);
    c. Grant Funds are available in accordance with the signed Grant Agreement and the associated approved detailed budget; and
    d. all relevant grant requirements for the procurement have been fulfilled, or otherwise waived or postponed.[537]
16. PPM Purchase Requisitions shall include a need by delivery date. To achieve better value for money and timely delivery of products under PPM, Principal Recipients must place orders taking into account a minimum procurement lead time as defined in the Category and Product-level Procurement and Delivery Planning Guide (as amended from time to time). If the requested lead time is below the defined minimum lead time, additional costs may be incurred by using air freight instead of the standard sea freight.
17. When the order request is submitted less than three months from the expected delivery date, the Procurement Transaction Management (PtM) Team may recommend the use of the RSM. The RSM is an approach that has been agreed with selected suppliers to help mitigate against the risk of stock-outs of certain health products.

    Through agreements with selected suppliers, suppliers implement Vendor Managed Inventory (VMI) of certain health products to permit increased responsiveness and reduced delivery times compared to the standard order process. Through the RSM, certain health products can be delivered to the port of entry within four to six weeks from order approval.

    Products available through the RSM include select anti-retroviral medicines and antimalarial medicines through VMI. This product selection may be reviewed from time to time and amended as deemed necessary by the Direct Sourcing Team.
18. All order requests[538] are submitted and planned as per standard lead times to ensure that final deliveries take place no later than the implementation period end date stipulated in the Grant Agreement. In certain instances, deliveries may span between two implementation periods, in which case relevant guidance should be consulted.[539]
19. Following review and approval of the Purchase Requisition as per the PPM Operational Procedures, a Price Quotation is submitted to the Principal Recipient for electronic approval and, if required under the Principal Recipient's national laws, manual signature. The Price Quotation may include a buffer amount, which can be used for potential increases in cost. The buffer, if any, is set as described in the PSA's terms and conditions. Following electronic approval and, if applicable, manual signature by the Principal Recipient of the Price Quotation and the Global Fund's review and clearance process, a Purchase Order is issued on wambo.org, which becomes the legally binding agreement between the PSA and the Principal Recipient.
20. Approval limits for purposes of PPM Purchase Orders, including RSM orders, issued to PSAs are broken down into two categories (as outlined in the table below):

[537] In accordance with the OPN on Oversee Implementation and Monitor Performance or future OPN providing guidance on management of requirements.
[538] An order request on the wambo.org platform is called a Purchase Requisition.
[539] See Guidelines for Grant Budgeting

	APPROVAL AUTHORITY	
	Up to (and including) US$10 million	**Above US$10 million**
PPM Purchase Orders, including Rapid Supply Mechanism orders	• Manager, Global Sourcing, Supply Operations Department	• Senior Manager, Direct Sourcing, Supply Operations Department

21. The issuance of a PPM Purchase Order on wambo.org triggers grant liability recognition in the accounts of the Global Fund. Once committed, PPM funds will no longer be available for other purposes (e.g., disbursement to the Principal Recipient or third parties) until the order is finalized and all payments for the relevant PPM Purchase Order are made to the PSA. The Principal Recipient will be notified of every PPM-related commitment made.

22. Under certain circumstances, a Price Quotation for a previously approved order may need to be updated. For Material Changes (as defined in the PPM Operational Procedures), an updated Price Quotation will be issued to the Principal Recipient for electronic approval and, if applicable, manual signature. For Non-material Changes, Unplanned Costs and Cancellation Costs (as defined in the PPM Operational Procedures), the Principal Recipient will be notified of the changes.

23. PSAs are responsible for issuing Purchase Orders (or their equivalent) and other requested information to suppliers and logistics providers for the fulfilment of PPM Purchase Orders and delivery of the health products to the Principal Recipient. PSAs are also responsible for ensuring that health products meet the quality standards of the Global Fund.[540]

24. Principal Recipients are responsible for ensuring appropriate waivers, exceptions and exemptions (e.g., product registration, import duty, tax exemptions, etc.) are obtained when required and facilitating the import process locally. Principal Recipients must confirm receipt of each order to the corresponding PSA, within the timeline specified in the PSA's terms and conditions, indicating the products received and any discrepancies.

D. PPM Payments and Reporting

25. Payments to PSAs for the procurement and delivery of health products and their services under the PPM shall be made from available Grant Funds of PPM-participating Principal Recipients.[541] Payments are made to PSAs by the Global Fund on behalf of Principal Recipients upon approval of invoices in accordance with the payment terms stipulated in their respective agreements. All payments made will be charged as disbursements under the respective grants, and the Principal Recipient will be informed of every PPM-related disbursement made.

26. For the purposes of procurement management, planning and performance, the PSAs will send to the Global Fund comprehensive reports capturing required financial and operational details on a regular basis as agreed with the Global Fund. Reports received from PSAs feed into Global Fund organizational reporting.

27. PPM Purchase Orders are closed after products have been received by the Principal Recipient and all PSA payments have been made. As described in the PPM Operational Procedures, confirmation of the receipt of products is made by the Principal Recipient to the PSA within the timeline specified in the PSA's terms and conditions for the order, after which time the products are considered received. Once all payments have been made to the PSA, an Invoice Summary Statement is issued to the Principal Recipient, who is granted fourteen (14) calendar days within which to review and to object, or approve the statement.[542] The Invoice Summary Statement

[540] See OPN on Implementing the Quality Assurance Policies for Pharmaceuticals, Diagnostics and Other Health Products.
[541] If a grant is suspended or terminated, no disbursements shall be made without due consideration and relevant authorization in accordance with Global Fund policies and procedures relating to the suspension and termination of grants.
[542] PSA accountabilities are captured in the PSA terms and conditions available at https://wambo.azurewebsites.net/user/home/terms-conditions.

details the actual costs incurred, and if applicable, any unutilized Grant Funds relating to the procurement transaction are de-committed to the PPM ceiling. In case of no response within fourteen (14) calendar days, the Invoice Summary Statement is automatically approved in wambo.org on behalf of the Principal Recipient[543], and the Purchase Order is closed.

Annex 1. Requirement Levels by Portfolio Category

Note that the requirements are applicable for each portfolio category (High Impact, Core and Focused) and for Focused portfolio management models (Aligned, Targeted, Light, Legacy) for country and Multicountry portfolios.

Outputs per Sub-process	Requirement by Portfolio Category				
	High Impact & Core	Focused			
		Aligned	Targeted	Light	Legacy
A. Register in PPM	R	R			
PR Registration Approved					
B. Earmark funds for PPM					
PPM Ceiling Increased or Decreased					
C. Submit, approve and deliver PPM orders					
Purchase Requisition approved					
Price Quotation approved					
Purchase Order approved and Grant Funds are committed					
Import waivers (e.g. product registration, import duty, and tax exemptions, etc.) completed					
Products picked up from supplier and delivered to PR					
Delivery confirmed by PR					
D. Process PPM payments in wambo.org					
PSA invoices and payments approved and processed					
Report on PPM transactions in wambo.org					
Grant Account Statement(s) issued to PR					

Level of Requirements:

R Required

[543] A non-response by the Principal Recipient after 14 days will be considered concurrence with the Invoice Summary Statement, in which case the system will automatically approve the Invoice Summary Statement on behalf of the Principal Recipient.

Annex 2. Definition of Terms

1. **Health Product Management Template (HPMT):** A grant document that captures key information pertaining to the procurement and supply management of health products funded by the grant. HPMT is the source document which is used – once it has been approved – to populate the Detailed Budget Template (DB). [544] This is required for grants in Core and High Impact portfolios.
2. **Purchase Requisition:** A procurement request submitted by the Principal Recipient to the Procurement Services Agent containing product information, quantities, requested delivery date, ship-to address, consignee, Incoterm and special requests, if any.
3. **Price Quotation:** A legally binding offer by the Procurement Services Agent to the Principal Recipient to supply and deliver products in accordance with the terms set out therein, specifying the Incoterm applicable to the order, which is either signed manually or approved through wambo.org by the Principal Recipient.
4. **Purchase Order:** The legally binding agreement between the PSA and the Principal Recipient, issued by wambo.org resulting from the Price Quotation approved, and, if required by the Principal Recipient's local laws or other regulations, signed by the Principal Recipient and the completion of the Global Fund's review and clearance process.
5. **wambo.org:** The electronic purchasing platform through which PPM transactions are processed. More information is available at https://www.theglobalfund.org/en/sourcing-management/procurement-tools/
6. **Invoice Summary Statement:** A final statement summarizing all invoices issued through wambo.org detailing actual costs and expenses incurred relating to the procurement after all payments to the PSA have been processed for a Purchase Order.
7. **Incident:** An event where a shipment deviates in any way from the scheduled service, including, but not limited to, a shipments' temperature excursion, routing changes and/or service level changes. Such situations may lead to Unplanned Costs.[545]
8. **Unplanned Costs:** As defined in the PPM Operational Procedures.

[544] See User Guidelines for Health Product Management Template
[545] Policies and procedures related to the management of quality assurance including the management of incident are currently under review (Q3/4 2023) and any necessary updates to policies and procedures will be captured as part of that review.

The Global Fund

Operational Policy Note

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. 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 summarizes 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")[546] 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 National Drug Regulatory Authority (NDRA) in the country of use. The quality requirements and

[546] 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.

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[547] ("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 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.

[547] 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.

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.[548] 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** ,

    - 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.

[548] 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 https://www.who.int/whopes/resources/en/

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.[549]

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.

[549] 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.

The Global Fund

Operational Policy Note

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")[550] 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[551] that a Supplier may have directly or indirectly

[550] 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.
[551] 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.

breached the Global Fund Supplier Code of Conduct, including by engaging in corrupt, 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.[552] 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.

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

[552] 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.

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
Report on Procurement Irregularities/Supplier Misconduct			
1	CT	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. **Control Point:** Notification to OIG shall be through the relevant Department Head, Grant Management.	Notification to OIG Recommendation for Operational Remedial Measures to the relevant Grant Management Department Head or the EGMC
Check on Reported Cases			
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.	
Report to EGMC			
4	CT	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. The Country Team shall draft a memo, in consultation with the OIG, containing the following information: i. the Supplier and the nature of the misconduct; ii. the relevant supporting evidence and information, including any investigative findings and conclusions relating to the Supplier; iii. actual or potential damages or loss to the Global Fund or the Global Fund's grant recipients (whether financial or otherwise);	Memorandum to EGMC

		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; 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. **Control Point:** Memo shall be reviewed and approved by Grant Management Division Head (through channels).	
EGMC and/or Sanctions Panel Review			
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
Communicate Sanctions			
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	Draft Notification to Supplier and, if applicable, the Principal Recipient for Executive Director Approval

		iii. a summary of the reasons for the decisions. **Control Point:** Head, GMD and Head, Legal and Compliance Department and, where relevant, the Inspector General review and approve the communication.	
11	Executive Director	Signs the official communication to the Supplier and PR (if relevant)	Final Notification to Supplier and PR (if relevant)
Monitoring of Sanctions			
12	CT and Legal and Compliance Department	The relevant internal departments will monitor the Supplier's compliance, in consultation with the Legal and Compliance Department, with conditions to continued engagement or conditions for lifting a debarment and periodically advise executive management on the Supplier's progress.	Updates to Executive Management on Sanctions Monitoring
13	EGMC	EGMC will verify whether conditions to continued engagement or for lifting a debarment have been met by a Supplier. 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. 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.	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
Country Team reports on Sanctionable Activity			
1	CT	As soon as informed of a potential Sanctionable Activity, the Country Team shall inform the Executive Grant Management Committee. The Country Team shall draft a memo containing the following information: i. the Supplier and the nature of the misconduct; ii. the relevant supporting evidence and information, including any known investigative findings and conclusions relating to the Supplier; iii. potential impact on the Global Fund or the Global Fund's grant recipients (whether financial or otherwise); iv. any aggravating or mitigating factors known; 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, if any, taking into consideration the factors described above. **Control Point:** Memo shall be reviewed and approved by Grant Management Division Head (through channels).	Memorandum to EGMC
EGMC and/or Sanctions Panel Review			
The EGMC and/or Sanction Panel Review follows steps 5-8 under Scenario 1 above.			
Communicate Sanctions			
The process for communicating the decision regarding sanctions follows steps 9-11 under Scenario 1 above.			
Monitoring of Sanctions			
The process for monitoring the implementation of the sanction decision and where applicable, lifting the sanctions, follows steps 12-14 under Scenario 1 above.			

Operational Policy Note

Country Risk Management

Approved on: 6 November 2023
Approved by: Executive Grant Management Committee
Process Owner: Programmatic Monitoring and Risk Division

Process Metrics for Country Risk Management

First and second line teams are expected to meet the following key performance indicators:

- *Grant Design and Approval*: % of High Impact and Core portfolios that have a completed Integrated Risk Management (IRM) at the time of GAC approval.
- *Grant Monitoring:* % of country risk signed-off through Country Risk Management Memorandum (CRMM) and/or Portfolio Performance Committee (PPC) during the year for High Impact and Core portfolios
- *Grant Monitoring*: % of cumulative Key Mitigating Actions (KMA) completed that were due to be completed for the reporting period.
- *Grant Monitoring*: % of cumulative Assurance Activities completed that were due to be completed for the reporting period.

1. The Global Fund supports programs across the globe to fight HIV, tuberculosis, and malaria. This often involves operating in challenging humanitarian and development contexts, or in countries with less resilient health structures. The grant operations involve multiple implementers with diverse programmatic, financial, and managerial capacities.

2. Risk[553] is an everyday part of the Global Fund's operations. To deliver on its mission to end the epidemics, the Global Fund needs to take risks, often over sustained periods of time and balance the risk (i.e., the risk trade-off) of not delivering the Global Fund's mission with programmatic, fiduciary, ethical, and integrity risks.

3. Effective risk management is a key element of good governance and is embedded within the organization's operating model. It provides reasonable assurance that:

   i. Significant risks are identified and monitored, enabling management to make informed decisions and take timely action;

   ii. Opportunities are maximized with confidence that risks will be managed; and

   iii. Objectives, as set out in the Global Fund's strategy, are achieved.

4. In-country stakeholders (i.e., the front line of defense), such as implementers, partners, and Country Coordinating Mechanisms (CCMs)[554], greatly impact grant outcomes by managing risks on a day-to-day basis. Global Fund Country Teams (CTs) work with implementers to align, prioritize, and coordinate risk management efforts. Embedding risk management through the grant life cycle aids in:

[553] Risk is the probability of an event occurring and the consequences if it should happen. Applied to the Global Fund, a risk is an uncertain event or condition that, if it occurs, will adversely impact the achievement of the Global Fund's strategic and operational objectives.
[554] Throughout this OPN, references to CCM include any RCM, RO or other coordinating mechanisms, as applicable.

i. Promoting an environment in which CTs 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;

ii. Enabling CTs to identify, prioritize, mitigate, and assure key risks that may prevent the program from achieving grant objectives, as well as escalate proposed strategies and actions for key risks that may affect the Global Fund as a whole.

iii. Providing opportunities throughout grant implementation for second line functions to advise on and oversee the first line executing their risk management responsibilities, and to monitor and report on the progress of implementation[555]; and

iv. Fostering management support to debate and make critical risk trade-off decisions.

A. Operational Policy

5. The overall risk management architecture of the Global Fund is informed by the Risk Management Policy, the Board-approved Risk Appetite Statements[556], the Enterprise Risk Management Framework, and subsidiary documents to this framework.

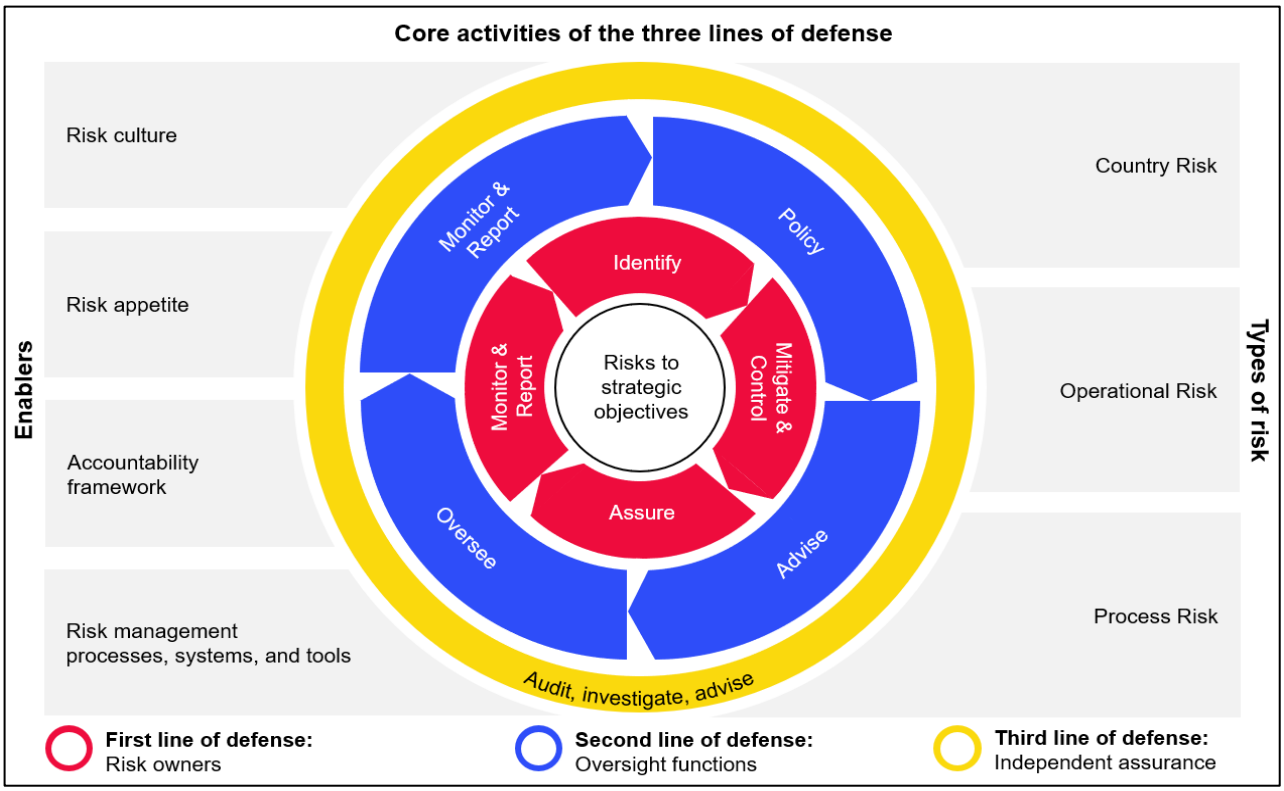
6. The Global Fund categorizes risk sources into three broad areas – country or grant facing risks, internal Global Fund Secretariat operational risks, and business process risks,[557] to ensure risk management processes, systems, and tools are appropriately tailored to the context.

7. This Operational Policy Note (OPN) focuses on the country risk management framework internal to the Global Fund Secretariat. The OPN applies to country and multicountry portfolios and grants, unless otherwise specified in the dedicated multicountry section. While the principles and general requirements defined in this OPN apply across all portfolios, the specific risk management deliverables do not apply to Focused portfolios, unless explicitly stated. Annex 1 provides a summary of the risk management deliverables and how they apply to each portfolio category.

[555] For the definition of the first and second line within the context of the "Three Lines of Defense" model, please see the Enterprise Risk Management Framework as well as Sections A1 and A2 below in this OPN describing the roles and responsibilities of first line and second line teams respectively.
[556] Risk Appetite Framework approved by the Global Fund Board on 10 May 2018. The Global Fund Board approved the latest amended Risk Appetite Statement on 11 May 2023 (GF/B49/DP04).
[557] This OPN only addresses grant facing Country Risks. Please see the Operational Risk Management Procedure and the Business Process Oversight Procedure documents for additional information on these risk types.

The Enterprise Risk Management Framework

Figure 1. The core risk management activities of each line of defense, including enablers and types of risk managed, are illustrated using the 'three lines of defense' model.



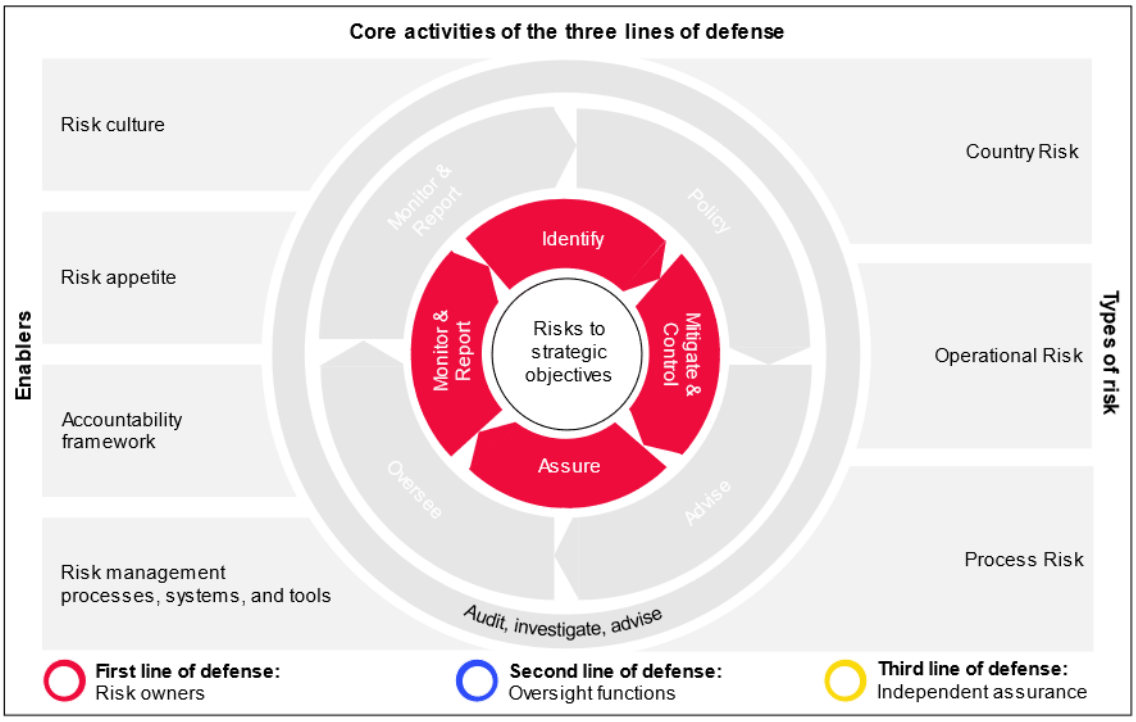
8. The Global Fund employs a 'three lines of defense' model to manage risks to the organization's strategic objectives. This model provides a clear delineation of risk management responsibilities across different functions within the organization. Each line is responsible for a specific set of 'core' risk management activities, as outlined in Figure 1.[558] The activities of all three lines of defense are underpinned by a common set of enablers[559], and the way in which these activities are executed varies by risk type.

9. The core activities of all three lines of defense are ongoing and underpinned by continuous communication and coordination across, and between, all lines of defense. The Global Fund Board, through its standing committees, is responsible for overseeing the implementation of effective risk management across all three lines of defense.

[558] In addition to the organization's three lines of defense, there is also the 'front line of defense'. This is comprised of in-country actors including implementers, in-country partners, and CCMs. The front line of defense manages the risks to achieving grant objectives on a day-to-day basis and is central to effective risk management. The risk management activities of the front line of defense are outside the scope of this document.

[559] For a detailed description of the key enablers of the risk management framework, please see the Enterprise Risk Management Framework.

A.1. First line of defense



10. In the context of Country Risk Management,[560] the first line of defense is the Grant Management Division (GMD), with the CT responsible for individual portfolios and responsible for delivering core risk management activities. The first line of defense owns and manages country risks on a day-to-day basis.

11. Grant-specific risks, as well as corresponding controls, mitigating actions, and assurances, are systematically identified, prioritized, and tracked by CTs using the Integrated Risk Management (IRM)[561] module in the Grant Operating System (GOS).

A.1.1. Risk identification and prioritization

12. The CT identifies the risks that may prevent the grant from achieving its objectives and rates them considering the likelihood of the risk event materializing, and its expected impact or severity should it occur, following a standardized methodology in IRM to determine a grant's risk rating, as per the sub-risks described in Annex 2.

13. As part of dynamic risk management, CTs in High Impact and Core portfolios must also carry out risk assessments[562] at the grant level and update IRM as information becomes available to CTs throughout the grant life cycle.[563]

14. One method of risk identification is through a capacity assessment to determine the risks associated with implementation capacity in critical areas (human resources availability and

[560] Country Risk Management relates to uncertainty in achieving grant outcomes and ultimately the uncertainty in achieving the overall mission of the Global Fund. This includes risks to both individual grants and to country portfolios across several areas. Please see the Enterprise Risk Management Framework for additional details.
[561] A new version of IRM was launched in February 2023 to replace the original module on GOS, effective 1 April 2023.
[562] Risk Assessment in the context of Country Risk Management means the completion and ongoing update of IRM.
[563] This can be informed by changes to the country context, updates received from progress reports, assurance and audit reports, mission reports, or other sources of information. For additional triggers on when a risk assessment should be updated please see the risk rating guidance included in IRM.

skills, policies, guidelines, procedures, systems, and tools) to ensure the Principal Recipient (PR) can successfully achieve the grant objectives.[564] Capacity assessments are required:

i. During the Funding Request review period[565] for: (1) all new PRs[566] who have not previously implemented the disease component for the Global Fund in the country/countries where the grant will operate, and (2) existing PRs who will be implementing new activities for which their capacity has not been previously assessed.[567]

ii. For continuing PRs: a risk-based thematic capacity assessment review of core implementation capacities may be conducted for those prioritized risks rated 'High' or 'Very High', where better understanding of challenges in capacity would help unblock implementation. A thematic capacity assessment may be initiated by the CT or by the PPC Co-Chairs and may assess: (1) implementation and effectiveness of existing processes, procedures, and controls; (2) the impact of mitigating actions and systems strengthening investments on the residual risk; or (3) identify any emerging risks.

15. PRs are responsible for assessing the capacity of sub-recipients (SRs) and other implementers. However, CTs can also undertake capacity assessment for SRs or other implementers, as they determine necessary.

A.1.2. Risk mitigation and control

16. Based on the risk identification, CTs, in collaboration with implementers and country stakeholders, as appropriate, design, plan and facilitate implementation of prioritized mitigating actions and controls that will reduce the likelihood of a risk event materializing, or its impact, should it occur. When designing mitigating actions, the use of national systems is encouraged to support capacity strengthening and leverage accountability of national institutions.

17. The risk assessment is not expected to document all known root causes and potential mitigating actions within IRM. The assessment should rigorously prioritize and focus the efforts of the CT and implementers on key actions that will have the most impact on reducing the risk. Prioritized root causes identified for sub-risks should have mitigating actions to manage the sub-risks to an acceptable level. CTs are encouraged to focus on Key Mitigating Actions (KMA) and other prioritized mitigating actions (MA) that will directly address key bottlenecks to the program achieving grant objectives.

18. Not all risks can be fully mitigated and, in some cases, it may be necessary to accept that a risk may materialize. The organization's agreed risk appetite sets the parameters and the amount within which the Board is willing to accept risk in pursuit of strategic objectives (see the Board report on the Risk Appetite Framework for further guidance). For risk and sub-risks considered 'High' or 'Very High', the CT should include mitigating actions. In instances where the CT considers the Global Fund's ability to mitigate or control the risk is low, they may propose alternative risk management strategies to transfer, accept or avoid risks (see the Mitigating Action Guidance document for additional details on strategies to address risks).

A.1.3. Assure

19. Comprehensive portfolio-level assurance planning is required to be documented in IRM for High Impact and Core portfolios to gauge whether adequate controls and mitigating actions are in place to manage key portfolio risks and achieve grant objectives. Planning of strategic

[564] Once a capacity assessment is completed, the CT documents and shares the outcome of the assessment with the PR and any mitigating actions to address identified capacity issues. Any material issues should also be documented in IRM to ensure timely tracking and follow-up. If material capacity issues would result in the nominated PR not being able to implement the grant then the CT should reject the PR and the CCM would be required to propose a new PR. Please see the Capacity Assessment Guidelines for additional information.
[565] In exceptional cases, where a capacity assessment requires more time, this must be completed as soon as possible during grant-making.
[566] Including Lead Implementers when the PR is considered a "pass through" or "pay through" PR.
[567] See the Country Risk Management Operational Procedures for examples of potential triggers of an existing PR.

assurance activities for the implementation period is initiated during grant-making and finalized at the start of grant implementation. The assurance plan is updated on an annual basis prior to the annual Local Fund Agent (LFA) budgeting exercise, in as much as an LFA's scope of work will be directly informed by activities prioritized within the assurance plan[568] or when triggered by specific events.

20. Assurance activities must be defined at the risk level, aimed at providing the Secretariat with confidence that the grant is effectively and efficiently achieving program objectives. Assurance activities must be:
    i. Tailored to the specific context and risks of the grants, considering the nature, complexity, and objectives of the assurance activity;
    ii. Proportionate to the level of risk, which means that higher risks may require more thorough assurance (i.e., more than one and more in-depth assurance activities), while lower risk may require less;
    iii. Effective and designed to produce meaningful results to enhance the degree of confidence of the intended users that inform decision-making. This requires the ability to identify issues or weaknesses, propose feasible solutions, and communicate results and recommendations effectively to relevant stakeholders.

21. For comprehensive guidance on assurance planning, please refer to the Assurance Activity Guidance and the Risk and Assurance Handbook.

A.1.4. Monitoring and reporting

22. Country Teams, as part of their first line responsibility, monitor the progress of prioritized mitigating actions and controls during grant implementation, and assess the effectiveness and impact of these using information from multiple sources, including assurance reports and PR reporting (see OPN on Oversee Implementation and Monitor Performance). This will support their ongoing assessment of risk levels and trajectories and lead to timely identification of emerging risks.

23. As part of reporting requirements, the High Impact and Core portfolios submit an annual update of the comprehensive risk assessment, the 'Country Risk Management Memorandum' (CRMM) to the Portfolio Performance Committee (PPC) for its review and approval.[569]

24. The combination of monitoring and reporting creates a feedback loop that informs updates to risk ratings and root causes, and adaptations to existing (or the introduction of new) mitigating actions and assurance activities. Emerging risks, issues, anticipated changes to risk levels and trajectories, should be escalated for senior management acceptance based on agreed thresholds (see CRMM and PPC sections below for approval of risk appetite decisions).

[568] Planning and documenting Assurance Activities in IRM should begin during grant-making as part of finalizing the risk assessment before GAC submission. All activities must be planned and documented by no later than 3 months after the grant start date. Annual updates are relevant for both LFA and non-LFA assurance providers.
[569] See the Governance section for more details on the requirement to submit an annual CRMM for approval.

A.2. Second line of defense

25. The second line of defense is led and coordinated by the Risk Department that works in close collaboration with other functional second line risk owners, as outlined in Annex 2, to provide guidance, advice, independent oversight and monitoring over the first line risk management activities. In addition to these defined second line functions, Ethics and Legal also provide relevant oversight and advice.

A.2.1. Policy development

26. The Risk Department, in coordination with other second line functions and first line functions, develops risk management frameworks, tools and guidelines[570] to embed risk management into Secretariat processes across the grant life cycle. This enables a systematic and consistent risk management by both the first and second lines of defense.

A.2.2. Advice

27. The second line functions provide technical advice to the first line of defense through development of technical information notes, internal guidance documents and tools to support portfolio management, and undertake training and capacity building activities, as required. This also involves working with individual first line teams, in line with the principle of differentiation, to provide direction, support in the identification and prioritization of risks, design of mitigating actions and controls and assurances. Second and first line functions also feed into the overall risk management framework, tools and guidelines for strengthening the country risk and grant risk management at the organizational level.

A.2.3. Oversight

28. The second line functions support and ensure that the first line is executing their risk management responsibilities in line with the relevant frameworks, policies, and procedures. They also periodically review, assess and, where required, provide guidance on the adequacy of risk mitigation plans and internal controls for their respective areas, taking into account

[570] In the context of Country Risk, this can include standards, technical briefs, application guidance materials, grant related requirements and expectations, assurance handbook, etc.

resource availability and risk-based prioritization decisions at country level.[571] In agreement with Regional Manager/Department Head, second line functional owner and Head Risk Department, second line functions can also request additional third party assurance, or carry out independent risk-based interventions to obtain additional assurance on the progress of implementation.[572]

A.2.4. Monitor and report

29. The second line functions monitor the trends in progress of implementation and the impact of KMAs and controls at the country level to inform its assessment of the progress towards the Global Fund's strategic goals and targets. Together, with the use of a range of other data sources,[573] second line functions triangulate the assessment of risk levels and trajectories by the first line and identify emerging thematic risks and issues.

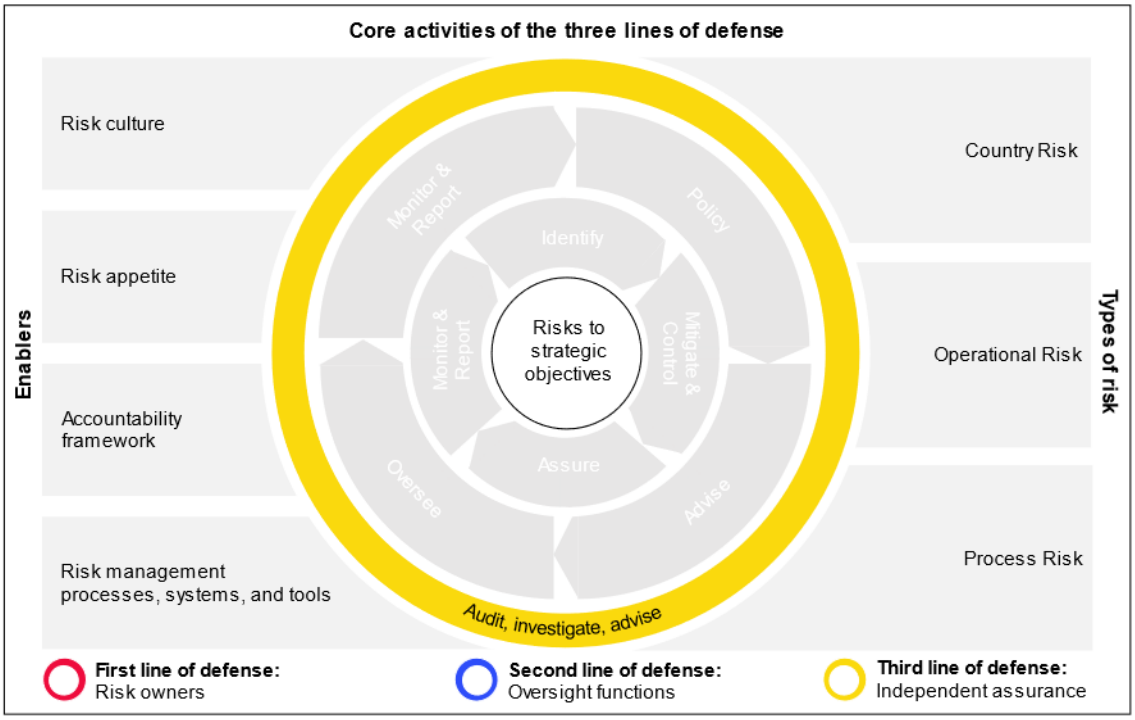
30. The first line functions summarize and update the Organizational Risk Register every quarter for their respective functions. Risk data at the grant level is made available through GOS to aggregate and report at the grant, disease, country, regional and global levels. Such analyses are incorporated in the Organizational Risk Register.

31. The Risk Department's independent analyses are derived from its risk oversight function and contribute to the Chief Risk Officer's (CRO's) Annual Assurance Opinion to the Board and its standing committees.

32. The second line functions are also periodically requested to report to the PPC[574], Management Executive Committee (MEC), the Board, and its standing committees on key risk themes in relation to changes in the operating environment, on organizational risk levels and trajectories, and on the overall status of risk management by the organization.

[571] Second line oversight takes place across the grant life cycle and is documented in detail in the Country Risk Management Operational Procedures. The main platform through which oversight is provided is through IRM, which includes grant-making reviews, quarterly reviews, CRMM reviews, capacity assessments, but also via other forums such as PPC.
[572] Independent risk-based interventions could include self-audits, fraud risk assessments, training and capacity building initiatives (i.e., strengthening the internal audit capacity of the Supreme Audit Institutes), thematic reviews, etc. These independent interventions are discussed and coordinated with the first line team.
[573] Including strategic and thematic evaluations led by the Evaluation Unit.
[574] The PPC Co-Chairs review and approve the calendar for Country Portfolio reviews and Thematic reviews annually. Thematic reviews focus on specific risk category or a sub-theme or an emerging risk.

A.3. Third line of defense



33. The third line of defense is the Global Fund's independent assurance functions, and includes the Office of the Inspector General (OIG), the Independent Evaluation Panel (IEP)[575], as well as other providers such as external auditors as engaged from time to time.

34. The core activities of the OIG are to independently audit the first and second lines, to conduct investigations, provide advisory support and provide independent assurance regarding the management of risks and controls.

A.4. Governance of risk management

35. This approach is embedded across all levels of management and the various management committees (e.g. GAC, Executive Grant Management Committee (EGMC), Recoveries Committee etc.) that are responsible for critical grant related decisions.[576]

A.4.1. Portfolio Performance Committee (PPC)

36. The PPC conducts Country Portfolio Reviews (CPRs) with a focus on priority areas for action to address the most important barriers or opportunities to maximize impact in a specific country context. The PPC has delegated authority to approve operational policy exceptions and Challenging Operating Environment (COE) flexibilities based on CPR discussions (see PPC ToRs).

37. The PPC can conduct an Executive PPC[577] to follow up on agreed high priority CPR actions or to respond to urgent and/or specific issues as these arise.

[575] The IEP is an advisory group, accountable to the Board through the Strategy Committee (SC), providing assurance of quality and independence over Global Fund independent evaluation activities to the Board.
The IEP collaborates with the Board through the SC to identify evaluation needs with regards to design, implementation, and results of Global Fund's policies and programs and ensure timely communication of evaluation findings and recommendations to inform decision-making processes.
[576] Refer to the Terms of Reference for the various Management Committees on mandate and responsibilities
[577] Executive sessions provide a platform for focused discussions on thematic issues and decision-making on critical country issues of particular importance to Global Fund impact and strategy, including crisis situations.

38. The PPC also conducts Enterprise or Thematic Reviews to assess progress towards impact across the global portfolio in reference to key corporate and grant level indicators and targets; to identify the portfolios and regions driving under-performance and agree actions, innovations or additional support needed to address gap to targets; and to identify common issues, lessons-learned and good practices that can be mainstreamed, transferred, or scaled up for greater impact across the portfolio. These reviews also provide opportunity for identifying emerging risks.

39. The PPC reviews and approves the CRMM that documents the risk levels, target risk levels (including timelines and rationale), the root causes, KMAs and prioritized mitigating actions, and assurance activities.

40. Management's acceptance of selected risks in portfolios is one of the key outcomes of a PPC review. The acceptance of a risk is contingent upon the scope of influence of the Global Fund and progressive risk management responses have been attempted, the trade-offs involved and the implementation and success of agreed upon actions and/or controls.

41. The PPC, as part of its responsibility for implementation oversight, actively makes risk trade-off decisions[578] within the Secretariat and ensures alignment between these decisions and the risk appetite framework set by the Board.

42. CTs make risk trade-off decisions on a regular basis during day-to-day grant management but are expected to escalate decisions to the PPC when organizational endorsement of a significant risk trade-off decision during implementation is needed. This may include, but is not limited to, decisions related to matters related to Additional Safeguard Policy or COE flexibilities, implementation decisions, including material changes to assurance arrangements that could significantly increase the programmatic, fiduciary or reputational risks, or risks that transcend their portfolio and have implications for the Global Fund or other portfolios.

A.4.2. Key Issues Meeting (KIM).

43. The KIM is a mechanism for the CT and second line functions to review the portfolio performance, the prioritized risks, KMAs and assurance activities. It provides input and feedback to the CT on the portfolio risk assessment articulated through the draft CRMM. The KIM also provides an opportunity to undertake a cross-functional and transversal review of root causes and drivers of risk, such as fraud risks consistent with the Global Fund Policy to Combat Fraud and Corruption (PCFC), and Value for Money.

44. KIMs are held in advance of all CPR meetings to provide general inputs and guidance to the CT based on the draft CRMM. The KIM can be held to review a CRMM and/or focus on key issues and operational plans. This decision is made by the KIM Co-Chairs, in consultation with second line functions (see the KIM ToRs for additional information) based on the evolution of the portfolio risk.

A.5. Risk management across the grant life cycle

45. This section outlines the critical milestones across the grant life cycle where risk analysis feeds directly into grant life cycle processes. While the milestones described below are standard, there will also be specific issues that arise during the grant life cycle that will require the use of risk analysis, thus underscoring the principle of ongoing risk management and ensuring appropriate actions are taken in a timely manner.

[578] A risk trade-off decision refers to the process of choosing between different courses of action, each of which has different levels or types of risk. The decision-making process involves evaluating the potential benefits and detriments of each option and deciding which level and type of risk is most acceptable given the circumstances.

46. The requirements are described in detail in the Country Risk Management Operational Procedures. Below are the risk requirements at each stage of the grant life cycle.

Grant Life Cycle Process and Milestone	Risk-related Requirements
Funding Request	
Country Dialogue	• For High Impact and Core portfolios, the CT provides the applicant with the Secretariat's view of key risks relevant to the disease/RSSH component to facilitate the development of the funding request at the beginning of the country dialogue process. • Applicants will then be required to describe how they will directly address these risks in the funding request.
Review of Funding Request	• In the Secretariat Briefing Note, CTs in High Impact and Core portfolios, in consultation with relevant second line functions, document their analysis of the applicant's proposed actions to address key risks shared during country dialogue and highlight gaps not addressed in the funding request by the applicant that will need to be addressed during grant-making.
Capacity Assessment of PR	• For all portfolios, where a proposed PR formally submitted by the applicant meets the criteria for requiring a Capacity Assessment (CA), the CT uses IRM to tailor a CA for the LFA to complete an assessment of the proposed PR. The CT shall complete the CA prior to the receipt of the TRP recommendations. In exceptional circumstances when it cannot be completed by that time, it must be completed a quickly as possible to be able to inform the grant-making process.
Grant-making	
Identify Residual Risks and Mitigating Actions	• CTs for High Impact and Core portfolios shall work with CCMs and implementers to ensure that critical risks to the achievement of grant objectives are addressed to the extent possible, and that appropriate controls and mitigating actions are put in place for residual risks that cannot be addressed within the grant-making period. • CTs initiate planning of strategic assurance activities in IRM for the full implementation period. These are finalized at the start of grant implementation and updated on an annual basis prior to LFA budgeting exercise. • High Impact and Core portfolios will complete their risk assessment in IRM of residual risks not addressed during grant-making. This includes ensuring all risks are rated, root causes are identified, and KMAs and assurances are documented. • Second line functions review IRM and advise CTs if they are aligned or not with their assessment of residual risks and planned mitigating actions and assurances.
Complete Grant-making Final Review Form	• High Impact and Core portfolios include the residual risks, root causes and KMAs from IRM in the Grant-making Final Review Form (GMFRF) for presentation to the Grant Approval Committee (GAC) - a mandatory step before GAC submission. • Completion of the risk assessment in IRM forms the basis of the Risk Department's "no objection" review within 48 hours of receipt of GMFRF to ensure that: ○ all key risks related to grant objectives have been identified and appropriately prioritized;

	○ KMAs are adequate to manage the risks at an acceptable level; and ○ appropriate strategic assurance mechanisms for the implementation period are identified. • In line with the GAC Terms of Reference, 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.
Grant Implementation	
Portfolio Oversight by Second Line and Senior Management	• **Quarterly IRM Review:** IRM is a dynamic risk management tool designed to be updated on an ongoing basis throughout grant implementation to reflect changes in country and implementation contexts based on recent partner or other assurance provider reports, and on the status of implementation. • On a quarterly basis, Risk Specialists and relevant second line focal points will be notified of changes made by CTs of High Impact and Core portfolios during the previous quarter for review and provide comments, if needed. Notifications are based on a predefined set of triggers.[579] • **Annual Country Risk Management Memorandum:** On an annual basis,[580] the CT of High Impact and Core portfolios will initiate a CRMM review and approval process in IRM once fully updated by the CT across all risk areas.[581]
PR reporting	• PUs and PU/DRs provide an opportunity for CTs to get a comprehensive update by the PR and LFA (if applicable) on the status of mitigating actions assigned to the PR as well as the identification of any new issues during the reporting period that may impact the program's ability to achieve grant objectives. • The Performance Letter sent to the implementer shall include (at a minimum) the list of prioritized risks, mitigating actions and timelines relevant to the implementer.
Annual Funding Decisions (AFD)	• For High Impact and Core portfolios, the CT will ensure that the risk section of the AFD is updated with the most current risk information available to the CT, including: ○ all risks related to key grant objectives relevant to the activities being funded have been identified and appropriately prioritized and rated; ○ mitigation measures are adequate to manage the risks at an acceptable level; and ○ appropriate assurance mechanisms are planned. • If the Risk Specialist does not raise an objection within 48 hours of receipt of the annual decision-making form (ADMF), their agreement with the risk analysis is assumed. If an objection is raised and not resolved in a timely manner, the issue is escalated to the next management level.
Revisions	• Grant revision requests are opportunities for CTs to assess progress made to manage key risks during grant implementation and update IRM if required to address any new risks emanating from programmatic or budgetary adjustments.

[579] See the Country Risk Management Operational Procedures for details of the triggers and how the review process functions.
[580] A CRMM due date is set annually at the beginning of each calendar year in the IRM Admin module based on written agreement with the CT and relevant DH. The CRMM due date is typically on the anniversary of the previously approved CRMM but can be adjusted to portfolio priorities or other milestones (i.e., the start of an OIG Audit or a CPR presentation to the PPC).
[581] See the Country Risk Management Operational Procedures for details of what must be completed and the review and approval process for the CRMM.

	• For material[582] programmatic revisions requests in High Impact and Core portfolios, the Risk Specialist and/or relevant second line oversight function will provide input on the identification and prioritization of the grant's risks and the adequacy of mitigating actions and assurance activities to the CT.
Closure	
Implementation Period (IP) Reconciliation and Grant Closure	• For IP reconciliation cases (i.e., grant continues with the same PR for the next implementation period), it is critical that the residual risks not mitigated during the previous IP are documented by CTs and carried forward into the new grant IP (if relevant). • In cases where the PR is being replaced, risks that remain relevant to the new grant or PR (i.e., supply chain, data quality, or accessibility issues, etc.) are transferred from the previous grant to the new grant. • For High Impact and Core portfolios, CTs inform their Risk Specialist when this has been completed for their review and alignment to close the grant in IRM and remove it from the Risk Tracker.

B. Specific Multicountry Considerations

The standard approach defined above also applies to multicountry portfolios and grants.

[582] This covers programmatic revisions requiring TRP review.

Annex 1. Requirement Levels by Portfolio Category

Deliverables		Requirement by Portfolio Category				
		HI & Core	Focused			
			Aligned	Targeted	Light	Legacy
Funding Request						
Portfolio Risk Assessment shared with CCM or RCM applicant	CT prepares a summary of the key risks facing the portfolio sourced from IRM related data and shares with the CCM or RCM (and other in-country stakeholders as determined appropriate by the CT).	R	BP[583]			
Completed SBN – Risk Section	Risk section of SBN completed, highlighting gaps between the Secretariat risk assessment compared to what was submitted by the CCM or the RCM in the Funding Request, and what the CT is proposing needs to be addressed during grant-making to mitigate the residual risks.	BP	-			
Completed Capacity Assessment	Using IRM, complete capacity assessment of new PR or the existing PR undertaking new activities	R	R			
Grant-making						
Residual Risks, Mitigating Actions and Assurance Activities identified	Residual risks, mitigating actions and assurance activities defined and captured in the IRM module, including rating of all risks	R	-			
Completed GMFRF – Risk Section	Capacity Assessment (when required) and IRM completed for grants under review with details captured in Annex 4 of the GMFRF.	R	-			
Grant Implementation						
Assurance activities planned	Strategic level assurance plan for the implementation period completed in IRM.	R	-			

[583] The discussion of risks is included in the Portfolio Analysis for Focused Portfolios.

IRM Updated	Update IRM as information becomes available to CTs throughout the grant life cycle. [584]	R	-
Thematic Capacity Assessment	Conduct a risk-based thematic capacity assessment review of core implementation capacities for continuing PRs for prioritized risks consistently rated 'High' or 'Very High' where better understanding of challenges in capacity would help unblock implementation.	BP	-
Completed Quarterly IRM Review	Quarterly review of updates in IRM by second line oversight functions.	R	-
PR Reporting	KMAs and mitigating actions status update by PR, LFA (if applicable) and CT	R	-
Annual Funding Decisions: Risk Section Updated	Review of the status of prioritized risks and the effectiveness of mitigating actions put in place to address them based on the outcomes of assurance activities.	R	-
Completed Annual CRMM	Approval of the annual CRMM.	R	-
Grant Revision: Material Programmatic Revision	CT to review and (if required) update of IRM following Material programmatic revisions in consultation with Risk and relevant second line oversight function.	R	-
Closure			
Grants in IRM closed	KMAs and assurance activities are closed at the end of an IP or transferred (if applicable) to grant continuing in the next IP.	R	-

Level of Requirements:

R	Required
BP	Best Practice
-	Not Required

[584] This can be informed by changes to the country context, updates received from progress reports, assurance and audit reports, mission reports, or other sources of information.

Annex 2. Country Risk Management Framework

Risk	Sub-risk	Responsible Second Line	
HIV Program Quality	Program Design & Relevance	Technical Advice and Partnerships (TAP)	
	Program Implementation and Efficiency		
TB Program Quality	Program Design & Relevance		
	Program Implementation and Efficiency		
Malaria Program Quality	Program Design & Relevance		
	Program Implementation and Efficiency		
RSSH and Pandemic Preparedness	Laboratory Systems	TAP	
	Human Resources for Health		
	Community Systems and Responses		
M&E	Data Governance & Management	Program Monitoring Department (PMD)	
	Data Generation, Availability & Quality		
	Data Analysis and Use		
Human Rights and Gender Equality	Human Rights	Community, Rights and Gender (CRG)	
	Gender Equality		
Procurement	Quantification: Forecasting & Supply Planning	Supply Operations (Planning and Procurement)	Accounting and Fiduciary Risk Oversight (AFRO)/Grant Finance Managers (GFMs)
	HP Procurement Processes and Outcomes		
	Non-HP Procurement Processes and Outcomes		
In-Country Supply Chain	HP Warehousing Systems	Supply Operations (Supply Chain)	
	HP Distribution Systems		
	HP Information Systems		
Quality of Health Products	Pre-Market Approval and Registration	Supply Operations (QA Policy and Governance)	
	Post-Market Approval and Use		
Grant-Related Fraud and Fiduciary	Flow of Funds Arrangement	Accounting and Fiduciary Risk Oversight (AFRO)	
	Internal Controls		
	Financial Fraud, Corruption & Theft		
	Value for Money – Financial Management		
Accounting & Financial Reporting	Accounting & Financial Reporting	Accounting and Fiduciary Risk Oversight (AFRO)	
	Auditing Arrangements		
In-Country Governance	Health Sector Governance	GMD (GPS)	
	National Program Governance		
	PR Governance		
	Implementation Effectiveness		
	CCM Governance		
Health Financing	Domestic Health Financing and Co-Financing	Health Financing Department	
	Sustainability & Efficiency		

Operational Policy Note

Implementation Period Reconciliation and Grant Closure

Approved on: 4 September 2018
Approved by: Executive Grant Management Committee
Process Owner: Grant Portfolio Solutions
Sub-Owner: Program Finance

Overall Objectives

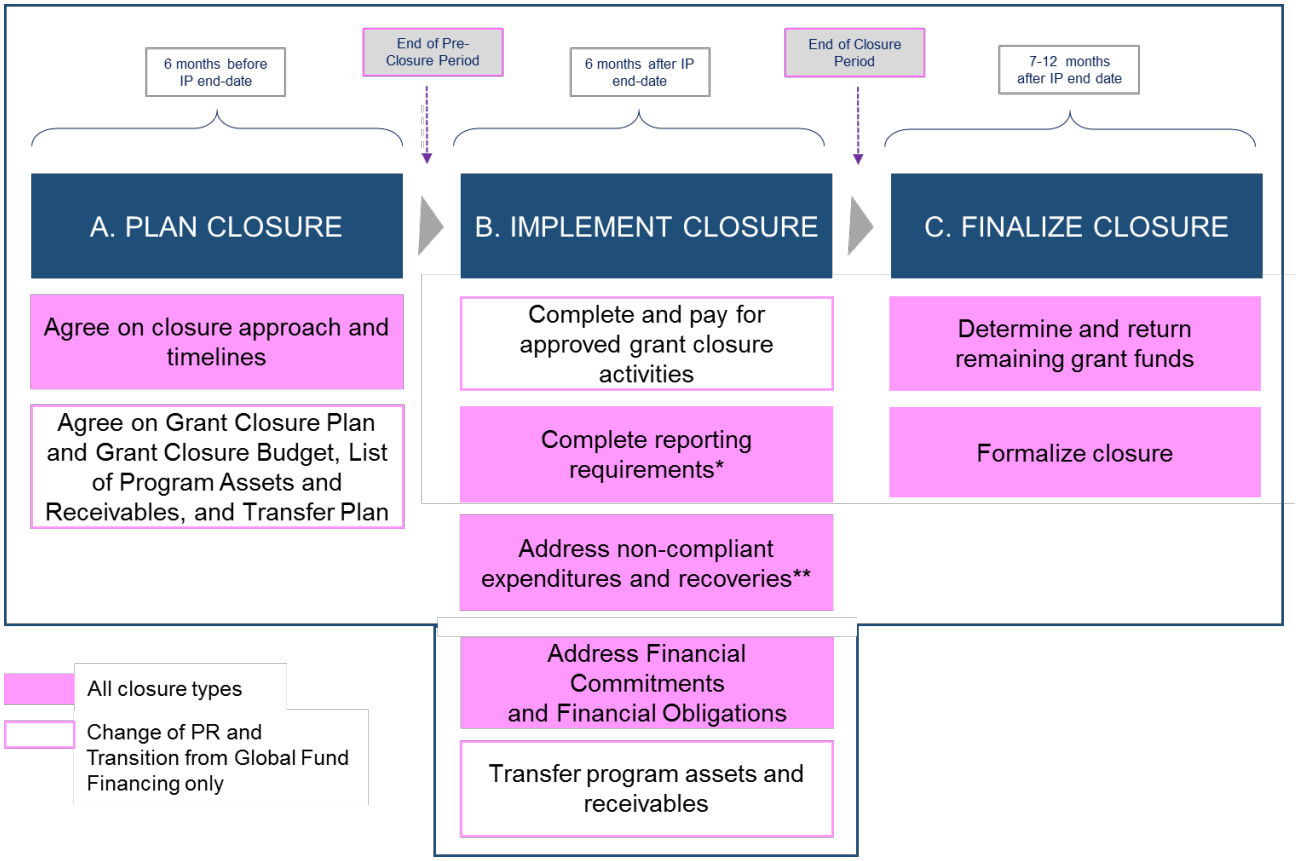
1. When the Global Fund's support for a particular disease/HSS program continues from one implementation period ("IP") to the next or a grant ends, the Grantee or Principal Recipient, acting on behalf of the Grantee[585], must ensure that:
   a. agreed closure activities are planned, implemented and paid for;
   b. remaining financial commitments and financial obligations are addressed;
   c. remaining grant funds or recoveries are returned[586] to the Global Fund;
   d. program assets are accounted for, transferred or disposed of; and
   e. programmatic and financial reports are submitted to the Global Fund.
2. The implementation and finalization of the IP Reconciliation or Grant Closure process must be completed within a maximum of 12 months from the IP end date.

Operational Policy

3. This Operational Policy Note ("OPN") applies to grants financed under the 2014-2016 allocation period and thereafter. The OPN on Grant Closures issued on 18 December 2014 applies to grants financed prior to the 2014-2016 allocation period.
4. This OPN covers the following types of closure:
   a. **IP Reconciliation** when the Global Fund's support for a particular disease/HSS program continues from one IP to the next, with the same Principal Recipient.
   b. **Grant Closure** means the grant ends due to one of the following reasons:
      i. ***Change of the Principal Recipient***: a decision is taken by the Country Coordinating Mechanism ("CCM") and/or the Global Fund to change the Principal Recipient;
      ii. ***Transition from Global Fund Financing***: a decision is taken by the Global Fund or the country to end Global Fund financing for a disease component or country; or
      iii. ***Grant Consolidation***: a decision is taken by the CCM and/or the Global Fund to consolidate several grants with the same Principal Recipient into one grant managed by that Principal Recipient.

[585] As such terms are defined in the Global Fund Grant Regulations (2014) available at: https://www.theglobalfund.org/grantregulations. For the purposes of this Operational Policy Note, all references to Principal Recipient includes the Grantee, where the Principal Recipient acts on behalf of such Grantee.
[586] In the case of IP Reconciliation, the remaining grant funds may be deducted from the approved grant amount for the next IP.

5. The closure stages and a summary of the closure steps for each stage is set out in the framework below. The steps will vary depending on the type of closure. A separate step-by-step operational guidance is detailed in the Operational Procedures on IP Reconciliation and Grant Closure. Annex 1 provides the definition of key terms used in this OPN.



** Except for the Financial Closure Report, and in specific cases the audit report, which are submitted during the 'Finalize Closure' stage.*
*** Non-compliant expenditures and recoveries must be addressed as soon as possible during the 'Implement Closure' stage. Depending on timelines agreed with the Global Fund, this activity may extend to the 'Finalize Closure' stage.*

6. The implementation of the IP Reconciliation or Grant Closure process is undertaken following the IP end date. However, the Global Fund may also suspend or terminate a Grant Agreement early in accordance with its terms, in order for example, to change the Principal Recipient or cease Global Fund financing for a disease component or portfolio. In such instances, the Grant Closure process must be initiated immediately after such decision is communicated in writing to the Principal Recipient (as required under Section 10.2 of the Global Fund Grant Regulations (2014)).

7. At the Global Fund Secretariat, the Country Team is responsible for overseeing the completion of the IP Reconciliation or Grant Closure process, as applicable. At country level, under the oversight of the CCM, the Principal Recipient is responsible for undertaking and completing the IP Reconciliation or Grant Closure process, as applicable. It is the Principal Recipient's sole responsibility to ensure that all Sub-recipient(s) and any other implementing partner(s) complete(s) activities and submit(s) required information in a timely manner so that the Principal Recipient is able to comply with the Grant Agreement and this OPN.

8. Set out below are the stages for IP Reconciliation and Grant Closure:

A. Plan Closure

9. As part of rigorous grant management, closure steps must be planned at least six months in advance of the IP end date to ensure the closure process is finalized in a timely and orderly manner[587]. In the event of an early suspension or termination of the Grant Agreement, planning must begin as soon as the Principal Recipient is informed in writing.

Agree on Closure Approach (including Grant Closure Plan and Grant Closure Budget)

10. During the pre-closure period, the Country Team and the Principal Recipient must agree on the closure steps and timelines specified under the 'Implement Closure' stage that apply in the context of the grant. Depending on the closure type, the requirements to finalize the closure process will vary.

11. Under IP Reconciliation, the steps must be planned as part of the grant making process for the new IP. No separate Grant Closure Plan and Grant Closure Budget are required[588]. For Grant Closure cases (with the exception of Grant Consolidation[589]), all closure activities including the timeline for completing and paying those activities within the Closure Period must be clearly documented in the Grant Closure Plan and Grant Closure Budget which must be endorsed by the CCM[590]. The Grant Closure Plan and Budget are approved by the Regional Manager or Department Head, and the Regional Finance Manager, through the Implementation Letter, in accordance with the Global Fund Signature Authority Procedure[591] ("SAP") (which may be amended from time to time).

12. Subject to the Global Fund's approval of the Grant Closure Plan and Grant Closure Budget, grant funds may be used to finance closure activities approved in the Grant Closure Plan and Budget to ensure the orderly closure of the grant. The Principal Recipient is responsible for minimizing the costs of closure. Any payment for activities not set forth and approved in the Grant Closure Plan and Grant Closure Budget is non-compliant and the Principal Recipient must reimburse such amount to the Global Fund.

B. Implement Closure

Complete Approved Programmatic Activities

13. Closure activities typically cover the administrative activities required to close the grant. For Grant Closure cases, excluding Grant Consolidations, the Global Fund may, at its discretion, allow time-limited, programmatic activities after the IP end date to facilitate the completion of discrete projects that have already been substantially started (such as the distribution of bed nets already delivered in-country, or the delivery of procured drugs, which may have faced delays in arriving in-country). The Grant Closure Plan and Grant Closure Budget set forth all Grant Closure activities approved by the Global Fund. Approved activities must be completed and paid for during the Closure Period.

Complete Reporting Requirements

14. To ascertain programmatic and financial achievements of the grant during the last year of the IP and/or during the Closure Period, the Principal Recipient is required to submit the following reports. The reports must conform to the relevant guidelines and will be reviewed and approved by the Country Team. The required reports are the following:

[587] Where a grant is continuing from one IP to the next, the closure of the current IP must form part of the new grant making process.
[588] If a Sub-recipient is not continuing under the next IP, the Country Team must discuss and agree with the Principal Recipient the closure activities, timelines and budget pertaining to the outgoing Sub-recipient.
[589] Ibid.
[590] The Grant Closure Plan and Budget must be endorsed by the CCM Chair and Vice-Chair. For Regional Coordinating Mechanisms (RCMs), the RCM Chair and Vice-Chair must endorse the Closure Plan and Budget. This requirement does not apply to Non-CCMs and Regional Organizations.
[591] This is a Global Fund internal document.

a. Final Progress Update ("PU") for the IP[592];
b. Final Tax Report for the IP[593];
c. Audit Report[594]; and
d. Financial Closure Report[595]

Address Financial Commitments and Obligations

15. At IP end date, the Country Team must confirm the Principal Recipient's outstanding financial commitments and obligations.

16. For IP Reconciliation, financial commitments as at the IP end date must be financed and completed, within six months of the IP end date[596]. Approved financial obligations, however, must be transferred to the next IP of the grant (see Guidance on Transition between Allocation Utilization Period).

17. For Grant Closures, financial commitments and obligations are financed and completed under the expiring grant and must be addressed in the Grant Closure Plan and Budget. All financial commitments incurred during the IP of that grant need to be addressed within six months following the IP end date.

18. Grant Funds remaining and not otherwise budgeted for under the Grant Closure Plan and Budget under the grant nine months after the IP end date will be automatically decommitted and the Purchase Order (PO) will be closed. If the Country Team anticipates any delays beyond nine months to fulfil commitments, the Country Team must request to keep the PO open. Such requests will be reviewed and authorized by the Chief Finance Officer.

Address Non-Compliant Expenditures and Recoveries

19. Non-compliant expenditures, refunds and/or recoveries must be addressed in accordance with the Global Fund Guidelines for Grant Budgeting[597] and OPN on Recovery of Grant Funds[598].

Transfer Program Assets and Receivables

20. After they can no longer be used under the grant for which they have been purchased, program assets must be used exclusively to fight the three diseases that represent the core mandate of the Global Fund. The Principal Recipient must ensure that all program assets and receivables have been accounted for and appropriately transferred or disposed of as per the *Guidance on Asset Management*.

21. The transfer or disposal of program assets and receivables depends on the type of closure. For IP Reconciliation and Grant Consolidation, the program assets and receivables must be transferred to be used under the next IP or new grant. The List of Program Assets and Receivables will be reviewed by the Country Team as part of the grant making activities for the next IP or new grant.

22. For Change of the Principal Recipient cases, the program assets and receivables must be transferred to the new Principal Recipient or new and continuing Sub-recipients, with oversight from the CCM. For Transition from Global Fund financing cases, the Principal Recipient and the Country Team must ensure that program assets continue to be used exclusively to fight the three diseases that represent the core mandate of the Global Fund. For these two types of grant closure, a List of Program Assets and Receivables as well as a Transfer Plan is submitted to the

[592] See Global Fund Guidelines on the Progress Report/Disbursement Request.
[593] See Global Fund Guidelines on the Progress Report/Disbursement Request.
[594] See Guidelines for Annual Audits of Global Fund Grant Program Financial Statements. In certain cases, an audit will also be required for the closure period such as when: (i) the financial risk level is documented and validated (by the Regional Finance Manager) in the Integrated Risk Module as high or very high; (ii) the Grant Closure Budget is more than 10% of the grant budget or more than US$ 1 million whichever is lower; and/or (iii) the previous audit report has a qualified opinion.

[595] See Guidelines on Financial Closure Report.
[596] Section 2.2.1 of the Global Fund Guidelines for Grant Budgeting.
[597] Section 5 of the Global Fund Guidelines for Grant Budgeting .
[598] This is a Global Fund internal document.

Country Team together with the Grant Closure Plan and Grant Closure Budget. All such documents need to be endorsed by the CCM[599] they will also be approved by the Regional Manager or Department Head and Regional Finance Manager through an Implementation Letter, in accordance with the SAP (as amended from time to time).

23. During the Closure Period, the Principal Recipient will submit evidence that the program assets have been transferred in accordance with the approved List of Program Assets and Receivables, and Transfer Plan.

C. Finalize Closure

24. The closure process is finalized when the IP is financially closed (for IP Reconciliation) or both financially and administratively closed (for Grant Closures).

	Definition
Financially Closed	The IP/Grant is considered "Financially Closed" when all IP Reconciliation or Grant Closure steps and requirements are considered fulfilled or waived by the Global Fund. The Global Fund will not disburse any further grant funds for the IP/Grant. This, however, does not mean that the Principal Recipient's legal obligations end when the grant ends.[600]
Administra-tively closed *(only for Grant Closure)*	A grant is considered "Administratively Closed" when the financial closure has been completed and the Grant Closure Notification Letter is sent to the Principal Recipient to confirm both financial and administrative closure of a grant. The closure is approved by the Regional Manager or Department Head[601] and Regional Finance Manager through their signature of the Notification Letter.

[599] These documents, alongside the Grant Closure Plan and Grant Closure Budget, must be endorsed by the CCM Chair and Vice-Chair. For Regional Coordinating Mechanisms ("RCMs"), the RCM Chair and Vice-Chair must endorse the Grant Closure Plan and Grant Closure Budget. This requirement does not apply to Non-CCMs and Regional Organizations.

[600] Note that the survival provisions which are expected to last beyond the duration of the Grant Agreement are covered in the Framework Agreement entered into between the Global Fund and the relevant Grantee which forms part of the Grant Agreement (or a standalone Grant Agreement where no Framework Agreement has been agreed). This includes, but is not limited to liability for loss, theft or damage of program assets; right of the Global Fund to request for a refund; maintenance of books and records of the program; right of access by the Global Fund, etc.

[601] For portfolios in High Impact Department

Annex 1. Definition of Terms

1. **Pre-Closure Period** is the six-month period in advance of the IP end date during which the steps required under the 'Plan Closure' stage take place.
2. **Closure Period** is the six-month period from the IP end date during which the steps required under the 'Implement Closure' stage take place.
3. **Grant Closure Plan** is the detailed description of the activities that need to be implemented under the 'Implement Closure' stage to close the grant in an orderly and responsible manner ("**Grant Closure Activities**"). The Grant Closure Plan must include a rationale and timeline for the Grant Closure Activities.
4. **Grant Closure Budget** is the itemized costed budget for the Grant Closure Activities.
5. **List of Program Assets and Receivables** is the list of: (a) all goods or other tangible or intangible property acquired wholly or partly using grant funds; and (b) receivables which are grant funds owed to the Principal Recipient by a third party (e.g., a deposit put down on a lease).
6. **Transfer Plan** is a plan for the use, transfer and/or disposal of all the items specified in the List of Program Assets and Receivables, including a rationale for each proposed action.
7. **Financial Commitments** are current contractual obligations to pay a specified amount of cash against goods and services already received, but for which the related payment has not yet been made, fully or partially.
8. **Financial Obligations** are current contractual obligations to pay an agreed amount of cash to a third party for goods/services that are to be received at some point in the future.