Guidelines for Grant Budgeting

Information Session – 27 March 2023
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1. Overview of Key Changes
   - 15 min

2. Grant Funding Principles
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3. Grant Budgeting Guidelines
   - 30 min

4. Operational Guidance for Grant Budgeting
   - 30 min

5. Q&A
   - 30 min
Overview of Key Changes
Summary of Key Changes
Five types of changes and highlights.

**Transformational changes** (radical or substantial improvements)

- Foreign exchange management.
- Grant Budget Revision (update in the thresholds for budget revisions and only written notification will be required for material budget revisions rather than implementation letter).
- Integration of Indirect Cost Recovery (ICR) and Shared Cost Policy and clarification on respective scope.

**Transitional changes** (introduction of new topics)

- Funding principles for special purpose programs / initiatives.
- Reference to Comprehensive Funding Policy.
- Value for Money (VfM).

**Developmental changes** (continuous improvements)

- Management of taxes.
- Budget phasing (timing of goods or services received or delivered).
- Introduction of decision trees for compliant and non-compliant expenditures and provision of key and relevant information relating to the Global Fund recoveries process.
- Update in the differentiated budget approach (advance grant-making) and Introduction of Focused Portfolios Management Models.

**Remedial changes** (removal of unnecessary details)

- Appendices.
- References to source Operational Policy Notes (OPNs) and guidelines instead of duplication in the Guidelines for Grant Budgeting.

**Structural and general changes**

- Change in the structure and content (Funding Principles, Budgeting Guidelines, Operational Guidance)
- Alignment with Operational Policy Notes, Guidelines and Modular Framework.
- Clarity on content, flow of information and drafting.
Guidelines for Grant Budgeting at Glance
Highlights on two different sections/parts

### A1. Grant Funding Principles

| a | Comprehensive Funding Policy (CFP) |
| b | Allocation-based funding model |
| c | Allocation Utilization |
| d | Use of grant resources |
| e | Financial risk management and assurance |

### B1. Costing Guidance

| a | Human Resources (HR) |
| b | Travel-related Cost (TRC) |
| c | External Professional Services (EPS) |
| d | Health Products and PSM related Cost |
| e | Infrastructure (INF) |
| f | Non-health equipment (NHE) |
| g | Communication Material and Publication (CM) |
| h | Indirect and overhead costs |
| i | Living support to client/target population (LSCPT) |
| j | Payment for Results (PIR) |

### B2. Appendices

| a | Indirect cost recovery and shared cost |
| b | Focused cost recovery and shared cost |
| c | Focused portfolio management and oversight models |
| d | Training plan |
| e | Monitoring and evaluation plan |
| f | Investment in infrastructure |
| g | Vehicle management plan |
| h | Cashless payment modality |
| i | Value for Money (VfM) |
| j | Activity Based Contract |

### A2. Grant Budgeting Guidelines

- **Funding Request Budget**
- **Grant-making budget**
- **Management of taxes**
- **Foreign exchange (FX) management**
- **Compliance of grant expenditure**
- **Grant Budget Revision**
Grant Funding Principles
Grant Funding Principles (1/2)

Grant Funding Principles that are fundamental to the operations of Global Fund grants and provide basis for the Global Fund Grant Budgeting.

Key content

• Comprehensive Funding Policy (CFP)
  A reference is made to the CFP that provides the basis for the management of the Global Fund sources and uses of funds.

• Allocation-based funding model
  o Country allocation: Allocation-based funding model is based on each country’s economic capacity and disease burden. Country Allocation may be supplemented by other sources of funds (“Catalytic Investments” and “Portfolio Optimization”) or reduced due to outstanding recoveries or co-financing commitments not being met, among others.
  o Special purpose program: In addition to the country allocation, the Global Fund may also allocate funds for initiatives or funding categories authorized by the Global Fund Board (the Board), which may be subject to specific rules, principles and guidelines.

• Allocation utilization
  o “Disease Allocation Amount” can be accessed over the relevant Allocation Utilization Period (AUP).
  o At the end of an AUP, unused funds will not be additional to the “Disease Allocation Amount” of the next AUP.
  o “Disease Allocation Amount” cannot be reallocated/transfered across disease components without the Board approval.
  o Catalytic investments must remain invested in activities relating to the catalytic investment priority area, unless otherwise reprogramming is approved in writing by the Global Fund.
  o Continued investment in the catalytic investment priority area applies to both, (a) the total catalytic Matching Funds award; and (b) the portion of the “Disease Allocation Amount” that has been programmed towards the same catalytic investment priority area to access the award.
Grant Funding Principles (2/2)

Key content

• Use of grant funds
  Five principles outlined under “use of grant funds” include:
  o Strong emphasis on sustainability, use of existing resources, increase domestic resource mobilization and successful transition from donor support.
  Grant budgets must represent good Value for Money (VfM): effectiveness, efficiency, economy, equity and sustainability.
  Implementers are responsible for ensuring compliance with the provisions of the relevant grant agreement (GA).
  Implementers are responsible for ensuring the effective management of Global Fund-supported program assets including appropriate safeguarding, insurance, maintenance, records keeping and regular physical account or verification.
  Grant financial reporting scope and frequency is generally determined by the Global Fund, based on portfolio categorization (High Impact, Core and Focused).
  The Global Fund has zero-tolerance for fraud and corruption, therefore swift and appropriate action is taken when misuse of funds is identified, or non-compliant expenditure is reported.

• Financial risk management and assurance
  Use of a combined assurance approach to ensure grant resources are used efficiently and effectively including management of financial risks:
  o Reference is made to the Guidelines on Financial Risk Management.
  o Reference is made to the Guidelines for Annual Audit of the Global Fund grants.

Key considerations

• Reference are made to the applicable source documents, e.g., OPNs and guidelines.
• Otherwise, details are provided in the Guidelines for Grant Budgeting and Operational Guidance sections.
3 Grant Budgeting Guidelines
Grant Budgeting Guidelines - General

Key content

- General budgeting principles:
  - Criteria for eligibility: of interventions/activity for funding is established.

```
Is the proposed intervention/activity necessary, reasonable and contributes directly or indirectly to the program objective(s)?
```

- NO

```
Not eligible for Global Fund grant funding
```

- YES

```
Can the cost of the intervention/activity be directly attributable in an economically feasible way?*
```

- YES

```
Include under respective Cost Grouping and Cost Input(s) as per the Global Fund costing dimension
```

- NO

```
Consider as a support or indirect cost and allocate accordingly
```

* Economical feasible way means that the cost or level of effort of attributing any cost to a particular intervention or activity does not exceed the related benefit (i.e. cost can be attributed easily using appropriate basis).
Grant Budgeting Guidelines - General

Key content

**Budget phasing:** The budget should be prepared based on the timing of actual implementation of activities. For example, when goods, supplies or services are received or delivered, irrespective of related cash outflows. This is aligned with the definition of financial commitments and financial obligations for the purposes of expenditure recognition.

- The budget phasing (for both HP and non-HP budget) shall be based on the timing of actual implementation of activities (timing of delivery of goods and/or provision of services)
- If an advance payment is required, this shall be managed through the forecasting and disbursement process.
- Expenditures should be recorded based on the timing of delivery of good or provision of services. This is aligned in measuring performance

**Transition between Allocation Utilization Period (AUP):** The allocation must be used for activities that were budgeted, approved and completed during the related AUP – regardless of whether the payment for such activities has occurred or not. In certain cases, payments relating to goods and/or services delivered after the end of an AUP may be considered as financial commitments to be funded from that AUP20 provided that:

- Order(s) for the goods or services were placed with adequate consideration for relevant lead times21 such that the goods or services were expected to be delivered before the end of the Implementation Period (IP).
- The delivery of the goods or services is delayed for reasons beyond the implementer’s control.
- The delivery of the goods or services is completed within a maximum of 90 days22 of the end of the IP

Key considerations

- The budget phasing for payment of result may be different.
Grant Budgeting – Funding Request Budget
Includes guidelines on the level of details required for funding request budget.

Key content

• Differentiated budgeting approach
  - Advance Grant-making: Program Continuation funding request approach, or nominating continuing PR(s), are strongly encouraged to work with PR(s) to provide a budget with the level of detail expected for grant-making (by cost input, interventions and assumptions).
    - New Programs or PR(s): initial “best estimate” budgets by intervention and cost grouping are the minimum requirements for the submission of a funding request for High Impact and Core portfolios.
  - Focused Portfolios are required to budget in accordance with the management model attributed to them (allocation letter). Different levels of details are required for Funding Request and Grant-making budget for each Aligned, Target, Light and Legacy model – refer to Appendix 2 for such details.

• Relevant program management costs
  - Applicants and PR(s) should include relevant program management costs that support proper management, risk mitigation and assurance.
    - Human resources (HR) (excluding the cost input 1.6 and 1.7); travel-related costs (TRC); external professional services (EPS); non-health equipment; and indirect and overhead costs.
    - Proportion of program management cost should be appropriate to the risk and context of the program and represent a balance between optimizing essential services and programmatic needs.
    - Program management costs, their proportion and composition reflecting program implementation structure, and risk management model should be discussed with the CCM prior to the funding request submission to the Global Fund.
    - The funding request must provide an explanatory note justifying the value of the overall program management costs.
Budgeting Guidelines – Grant Making Budget
Includes the guidelines on the level of details required for grant-making budget.

Key content

• Differentiated budgeting approach
  o The standard budget requirements for HI and Core portfolios are set out in the DB template by interventions, cost inputs and year.
  o Focused Portfolios budget according to the model listed in Appendix 2 – Focused Portfolios Management Models.
  o HI and Core portfolios may be authorized to budget and report by cost groupings with written approval from the Global Fund.

• Budget attributes
  To determine the reasonableness of the budgets, they should present the following attributes:
    o Consistent with the funding request and reflect any TRP and GAC-required adjustments.
    o Clear and tangible linkages among programmatic indicators (outputs and outcomes), financial targets and historical trends.
    o Sufficient details using the modular framework and costing dimension.
    o Transparent and verifiable definitions and sources of data and methods for calculating costs.
    o Assumptions used for quantities and unit costs of inputs based on historical data, robust projection of future trends as relevant, and/or pro forma invoices when necessary.
    o Align the health product budget (cost groupings 4 to 7) with Health Product Management Template (HPMT) where HPMT is applicable.

Third-party suppliers are correctly reported under “payment modality” dimension of the Detailed Budget template. Exception to third-party suppliers listed in paragraph 30 must be approved.

Financial risks and capacity gaps need to be addressed as part of the design of the grant and implementation arrangements. Thresholds are provided based on PEFA score to ringfence PFM related budget, if reliable assumptions are not available at grant-making stage.

Key considerations

• The level of detail of grant-making budget must be determined prior to submission of the detailed budget at the grant-making stage.
Budgeting Guidelines – Value for Money

Provides the guidance on value for money in the use of grant resources.

Key content

- **Economy**: Right price for the right input, Optimal program management costs, Robust procurement and financial management systems.
- **Efficiency**: Allocative efficiency, Technical efficiency, Grant management efficiency.
- **Effectiveness**: Reduce HIV, TB and malaria disease burden, Address structural barriers, Strengthen health and community systems.
- **Equity**: Spend fairly, Leave no-one behind, Equitable health outcome for the most marginalized.
- **Sustainability**: Sustainable program and system level investment, Meaningful domestic resource mobilization, Successful transition.

**Effectiveness**: to invest in the most impactful interventions, at an appropriate scale to generate the intended results, while strengthening health and community systems and addressing structural barriers to HIV, TB and malaria preventive interventions and treatments.

**Efficiency**: to optimally allocate and utilize resources, to achieve grant outputs and maximize health outcomes, through successful and robust grant management processes.

**Economy**: to use robust procurement systems and resources to purchase the appropriate type of inputs, at the lowest sustainable price, and optimizing program management costs.

**Equity**: to eliminate unnecessary, avoidable, unfair and unjust differences in health between individuals and groups.

**Sustainability**: to enable a health system to maintain and scale up coverage to a level that provides for the continued control of a public health problem.

Key considerations

- Reference to Value for Money Technical Brief.
- Introduction of Value for Money (VfM) considerations for grant budgeting.
- VfM is not the sole responsibility of the FS. Consult the appropriate teams.
Budgeting Guidelines – FX Management
Includes requirements for effective FX management.

Key content

• **Allocation currency and grant currency denomination**
  o Grant(s) are denominated in the same currency as the allocation currency.
  o In exceptional situation, allocation currency may be changed between two Implementation Periods.

• **Budget preparation currency and budget exchange rate**
  o Grant budgets must be prepared using different currency denominations of each budget line.
  o Use 200-day exponential moving average as a foreign exchange (FX) rate for budgeting purposes, any deviation must be approved in writing.
  o Change in budget exchange rate: in case of material FX fluctuation updated approved budget exchange rate should be used for budget revision purposes.

• **Management of FX gains**
  ➡️ FX gains can only be reinvested to cover any inflation adjustment of already approved activities and/or to finance activities in the Unfunded Quality Demand (UQD) - with the Global Fund’s prior written approval.
  ➡️ A contingency reserve should be maintained (10-40% depending on the remaining budget period, context, and approval by the Global Fund).

• **Management of FX losses**
  o Identify any savings or deprioritized activities that can cover such losses or request additional funding through the PO process.
  o In case a FX loss occurs after a contingency reserve has been constituted, implementers, with the written approval of the Global Fund, can use this reserve to cover the loss.

Key considerations

• No details and prescriptive guidelines on FX accounting and reporting.
• Follow applicable accounting and reporting standards and best practices.
• Possibility for Multi-currency disbursement (MCD) for effective FX risk management.
Budgeting Guidelines – Tax Management
Provides key guidelines for the effective management of taxes.

**Key content**

- **Grant Regulations – article 3.5**
  - “The purchase and/or import of any goods or services using the Grant Funds shall be exempt from relevant taxation applicable in the Host Country, including, but not limited to, (a) customs duties, import duties, taxes or fiscal charges of equal effect levied or otherwise imposed on the Health Products imported into the Host Country under the grant agreement or any related Sub-recipient or supplier contract, and (b) the value-added tax levied or otherwise imposed on the purchases of goods and services using Grant Funds.”

- **Obtaining tax exemptions**
  - Implementers are responsible for obtaining tax exemptions, and the Host Country is obliged to provide the required exemption.
  - Tax exemption or potential tax exemption status should be considered in the selection of implementers and suppliers.
  - If an implementer has not obtained the relevant tax exemption upon the conclusion of the grant-making process, consider modifications to the proposed implementation arrangements to minimize the imposition of taxes.
  - If SRs and other implementers are not nominated or selected at the grant signing stage, the PR and Grantee have joint responsibility to ensure the SR and other implementers understand the tax-exemption requirements and obtain the required exemptions at the time of selection.

- **Key considerations at budgeting stage**
  - Grant budget should be net of applicable taxes on unit costs except where tax exemption is obtained on a reimbursement basis.
  - Each implementer must maintain a tracking mechanism for taxes paid, claimed and reimbursed respectively by the tax authorities in the relevant Host Country to ensure timely and complete reimbursement of taxes paid, if any.
  - Principal Recipients should follow up on taxes paid and recovered at all implementation level.

**Key considerations**

- Further guidance to be provided by RC on the practical implication of taxes (particularly where there is no Framework Agreement).
Budgeting Guidelines – Recoveries
Summarizes key requirements relevant to the recovery of Grant Funds

Key contents

- Non-compliant expenditure and potential recovery amount
  - Communicate potential recoverable amounts through a dedicated recoveries Notification Letter (NL) or as part of the regular Performance Letters (PL) within 60 days of the issuance of the report of non-compliant expenditures.
  - The Principal Recipient must reimburse the stated amount or provide the relevant justification with appropriate supporting documents within 60 days from the date of issuance of the official notification (NL/PL).

- Demand recoverable amount
  - A Demand Letter (DL) is issued to the entity responsible for repayment to the Global Fund (usually the PR), to request the recoverable amount to be repaid within a specified timeframe (usually 60 days from the issuance of DL).
  - Funds are to be recovered in the grant currency, except for local currency disbursing grants. As a general principle, any exchange losses are to be borne by the implementer.

- Refund of recoverable amount
  - For all recoveries cases, cash recovery (in the Global Fund’s designated Bank Account) of the full recoverable amount in the grant currency is recommended. Any other form of refund requires formal approval in writing by the Global Fund.

Key considerations

- Any adjustment or repayment should be properly accounted for by PRs.
Budgeting Guidelines – Compliance of Expenditure
Provides guidelines on the compliance of expenditure.

Key content

Compliant expenditures: Expenditure incurred within the relevant AUP and in accordance with the applicable terms of the relevant grant agreement, including the grant budget and the provisions of this document. Comply with the implementer’s applicable financial and procurement regulations, policies and procedures, consistent with best practices and this document.

Introduction of decision tree for compliant and non-compliant expenditures.
Budgeting Guidelines – Compliance of expenditure

Provides guidelines on the compliance of expenditure.

**Key content**

- To strengthen the financial, fiduciary and risk management of Grant Funds and to improve programmatic goals delivery, the Global Fund may require to use an appropriate **cashless payment modality** (Appendix 7).

- **Non-compliant expenditures**: *Expenditures that do not meet the requirements of compliant exp. and may include:*
  - Unsupported expenditures;
  - Expenditures incurred outside of the scope or period of the grant;
  - Expenditures compromised by prohibited practices; or
  - Expenditures relating to other types of non-compliance or mismanagement of Grant Funds.

  - Cancellation costs for procurements for which the prior written approval from the Global Fund has not been obtained.
  - Non-compliant taxes – Reimbursement of VAT paid not effected six months from the end of the relevant reporting period in which the taxes were paid (Implementer on Reimbursable basis).

**Key considerations**

- Once confirmed a non-compliant expenditure, the Global Fund Recoveries Process applies.
Budgeting Guidelines – Grant Budget Revisions
Provides guidelines for budget revision and complement the OPN

### Key content

#### Thresholds for material and non-material budget revision:

<table>
<thead>
<tr>
<th>Type</th>
<th>Category</th>
<th>Criteria</th>
<th>Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-material budget revision</td>
<td>High Impact and Core portfolios with implementation Period Grant Budget $&gt; US$30 million</td>
<td>· Interventions level: &lt; 25% increase/decrease to the total budget for any intervention in the Grant Budget, and/or · Discretionary cost category level: ≤ 10% increase for any discretionary cost category* in the Grant Budget.</td>
<td>PRs to follow their formal internal organizational budget review and approval process and maintain audit trail for review by the Global Fund or assigned assurance provider as per the PR’s document retention policy and consistent with the requirements of the Grant Regulations.</td>
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<td></td>
<td>High Impact and Core portfolios with implementation Period Grant Budget $≤ US$30 million and Focused Portfolios**</td>
<td>· Module level: ≤ 30% increase/decrease to the total budget for any module in the Grant Budget, and/or · Discretionary cost category level: ≤ 10% increase for any discretionary cost category* in the Grant Budget.</td>
<td>PRs to follow their formal internal organizational budget review and approval process and maintain audit trail for review by the Global Fund or assigned assurance provider as per the PR’s document retention policy and consistent with the requirements of the Grant Regulations.</td>
</tr>
<tr>
<td>Material budget revision</td>
<td>High Impact, Core and Focused portfolios**</td>
<td>(i) Any budget revision above the non-material budget revision thresholds defined above (ii) Any budget revision that introduces new modules and interventions</td>
<td>PRs to follow their formal internal organizational budget review and approval process and maintain audit trail for review by the Global Fund or assigned assurance provider as per the PR’s document retention policy and consistent with the requirements of the Grant Regulations.</td>
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*Refer to the table in paragraph 92 to follow additional requirements for discretionary cost categories.
**For Focused Portfolios, consult in consultation with the management of Scientific & Technical Advice Management Models.

#### Specific budget revision requirement for discretionary cost category

**Human Resources (5%)**
- Any increase in salary or incentive, above those as per the approved budget, to staff/agents working for a Global Fund grant-supported Program must be approved in writing by the Global Fund regardless of the percentage of increase.

**Travel-related costs (10%)**
- The PR must promptly notify the Global Fund in writing of any change in their organizational per diem policy. Any increase in the per diem rate outside the PR’s per diem policy and/or different from those as per the approved budget must be approved in writing by the Global Fund.

**External Professional Services (10%)**
- Any increase in consultant fees because of changes in rates and/or duration of the assignment above those as per the approved budget must be approved in writing by the Global Fund regardless of the percentage of increase.

**Non-health equipment and infrastructure (10%)**
- Any increase in number or cost, above those as per the approved budget, to vehicles must be approved in writing by the Global Fund regardless of the percentage of increase.
- Any increase in number or cost, above those as per the approved budget, to infrastructure must be approved in writing by the Global Fund regardless of the percentage of increase.

**Indirect costs and overheads (10%)**
- Any increase in the agreed rate for ICR or shared cost must be approved in writing by the Global Fund irrespective of materiality.
Budgeting Guidelines – Grant Budget Revisions
Provides guidelines for budget revision and complement the OPN

Key content

- In specific cases, the Global Fund may establish alternative definitions of “material” and “non-material” budget revisions, which might differ from the above-mentioned definitions.

- If budget revisions are accompanied by another type of grant revision, the OPN on “Revise Grants” should be followed.

- In some cases, the Global Fund may require pre-approval for all budget revisions, irrespective of the amount. Any such requirement will be communicated to the Principal Recipient in writing.

- The budget revision process does not require formal change to the initially approved detailed budget, which remains a baseline budget for the purposes of assessing finance performance of the grant.

- PR to obtain written approval (written notification) from the Global Fund prior to starting the activity or related payments. Implementation Letter is not required for both material and non-material budget revision anymore.

- Implementers are expected to inform the CCM of material budget revisions prior to submitting them for approval by the Global Fund.

- In cases where Global Fund prior written approval of a material budget revision is not obtained, the approval of the post-incurrence reporting of material variances will be at the discretion of the Global Fund, based on the nature of the expenditure and the programmatic and financial context.

Key considerations

- PRs to follow their internal organizational budget review and approval process and maintain audit trail for review by the Global Fund or assigned assurance provider as per the PR’s document retention policy consistent with the requirements of Global Fund Grant Regulations.
Operational Guidance for Grant Budgeting
Operational Guidance – Costing Guidance

Provide detailed costing guidelines at the cost grouping and cost input level

Key content

• Modular framework and costing dimension
  o Provide a clear structure using standardized categories of module, interventions, cost grouping and cost inputs.
  o Enable linking programmatic and financial data in the Performance Frameworks and budgets.

• Modular framework
  o Refers to the standardized modules (broad program areas) that are further divided into a comprehensive set of interventions and illustrative list of activities outlining the scope of each intervention. In addition to the list of modules, interventions and activities, the framework provides associated impact, outcome and coverage indicators.

• Costing dimension
  o Refers to the standardized cost inputs and cost grouping using standard budget classifications.

• Standardized Detailed Budget (DB) Template
  A semi-automated excel based template, must be used for budgeting in Global Fund grants.

Budgeting and Reporting Structure

- Component
- Module
- Intervention
- Cost Grouping/Inputs

Impact and outcome indicators
Coverage / output indicators
Work plan tracking measures – qualitative milestones and/or quantitative targets

Key considerations

Each section is divided into i) definition/scope of cost input, ii) key requirements, iii) cost not covered under each cost group and, iv) key required documents.
Operational Guidance – Human Resources
Provides detailed costing guidelines for cost inputs under Human Resources (HR)

Key content

- **Salaries** (under an employment contract and fixed salaries) of staff responsible for directly supporting the management or implementation of the Global Fund program and/or grant at national level, sub-national level, health facility and community level.
- **Eligible allowances** that are paid outside of the basic salary can be included as part of salaries if they are included in the standard remuneration package for long-term employment contracts as evidenced by national regulations, practices, and/or organizational HR policies.
- **Other HR costs** may include any HR related costs which are not covered by specific cost inputs under the HR category.
- **Pension, gratuity or provident fund**: minimum contributions as required by law or in accordance with the organization’s policies may be budgeted in compliance with local labor law and aligned a common local market practice or the organization's policies. The pension, gratuity or provident fund is typically managed as a separate fund or entity into which the employer and/or employee make periodic contributions. The payments are made when an employee retires or resigns from employment.
- **End of contract payment**: Implementers (including government implementers) must rely on their own resources and adopt defined duration contracts for Global Fund specific staff (e.g., project management unit or non-governmental organization/civil society organization implementers). Accordingly, “end of contract payments” may only be budgeted if required under local labor law (and not just based on local market practice). In any event, the use of grant funds for end of contract payments remains exceptional, subject to the review and subsequent approval of the Global Fund as to whether it is appropriate for grant funds to be used for this purpose (such as consideration of whether other sources of funding are available).
- **Severance** is paid only when an employee’s contract is terminated where the termination is unanticipated and results from an actual or potential breach of an employment contract. Specific, written approval from the Global Fund is required for any termination payment using grant funds.

Key considerations

- Use the standardized budget assumption tab.
- Funding duplication with from other sources is not allowed.
- Harmonization of remuneration levels.
- Additional requirements for budget revision.
Operational Guidance – Travel-related Cost
Provides detailed costing guidelines for cost inputs under travel-related Cost

Key content

• **Direct cost of travel and related expenses**
  - Travel-related costs (TRC) include direct cost of travel and related expenses incurred by the implementers, for their employees to remain away from home for work purposes related to implementation and oversight of a Global Fund grant including training, technical assistance, supervision, meeting/advocacy, and survey/data collections.

• **Harmonization across Global Fund grants**
  - Travel-related costs should be based on the implementer’s existing policies as applicable and be harmonized across Global Fund grants managed by the same implementer and, if possible, with other donors.
  - Please ensure that the TRC policies are followed when it comes to deductions for meals provided and the rates are appropriate to the level of the person traveling.

Key considerations

- Definition and scope of each cost inputs is clarified.
- Use standard costing for TRC based on the location, nature of activities and related assumptions.
Operational Guidance – External Professional Services
Provides detailed costing guidelines for cost inputs under External Professional services

Key content

- **Direct or indirect contribution**
  - External Professional services (EPS) include technical assistance, fiduciary/fiscal agents, external audit and other technical assistance services that directly or indirectly contribute to the grant’s implementation and management.

- **Specific deliverables are required**
  - External professional services must produce specific deliverables on a timely basis.

**Technical Assistance Consultants**
- Technical Assistance (TA) consultants should not be used to perform tasks/functions that are recurring in nature and that are expected to be filled by staff members through specific HR contracts.

- **Technical Advice costs**
  - TA costs should be budgeted at the most economical level, based on the scope and duration of the assistance needed to achieve the Program’s objectives.

- **Consultancy fees**
  - Consultancy fees should be consistent with local, regional, and international market practice, depending on the type of TA sourced.

- **International, local and regional consultants**
  - For international consultants and local and/or regional consultants, fees should not exceed the United Nations (UN) standard international rates and UN standard local rates, respectively.

Key considerations

- Cost of consultant/technical assistance to write a funding request is not eligible.
- Other EPS is residual cost input that can only be used for EPS that do not fall under any specific cost input under this cost category.
Operational Guidance – Infrastructure Cost
Provides detailed costing guidelines for cost inputs under Infrastructure

Key content

- **Sufficient physical infrastructure capacity**
  - Infrastructure (INF) costs include costs necessary to ensure that implementers have sufficient physical infrastructure capacity in place to implement and achieve the objectives of the Program.

Scaling-up health infrastructure
- Global Fund’s grant resources may be used for improving or scaling-up health infrastructure. “Health infrastructure” are facilities that are necessary for the uninterrupted operation of the health system. It may include service delivery facilities, support facilities (e.g., supply chain warehouse, residential accommodation for health care personnel, etc.), administrative facilities (e.g., offices of the MoH, offices of regional/district health departments, etc.) and others. “Improving” means enhancing the functionality and/or quality of existing facilities by renovating and/or redesigning a part or full facility, and/or installing equipment and/or furniture. “Scaling-up” means increasing the operational output by enlarging existing facilities or constructing new facilities.

Maintenance cost
- It refers to costs of routine maintenance of infrastructure to keep them in optimal working condition. Ideally this cost should be budgeted and paid on a periodic basis (annual basis) and the service should be rendered within the relevant implementation period.

- **Co-financing from domestic or other donors is encouraged**
  - All requests for grant funds to be used to invest in infrastructure projects are encouraged to include evidence of any co-financing from domestic or other donor resources.

Key considerations

- The Global Fund does not fund the construction of large-scale projects, such as a hospital. The cost of acquisition of land for construction should not be funded.
- Funding Request or any subsequent request should include a detailed narrative explaining the volume and scope of the work.
Operational Guidance – Non-Health Equipment
Provides detailed costing guidelines for cost inputs under Non-Health Equipment

Key content

• Deliver efficient and effective services
  o Non-Health Equipment (NHE) are required to deliver efficient and effective services to ensure achievements the objectives of the Program.

• Comprehensive annual procurement plan
  Implementers should develop a comprehensive annual procurement plan for operational purposes, which outlines the annual procurement needs and procurement method.

• Vehicles
  o Budgeting for vehicles should build on the goals and objectives of the funding request and supporting documentation.

• Compliance with organizational procurement and fixed assets management policies
  o Implementers must follow their organizational procurement and fixed assets management policies and applicable laws/regulations consistent with the Global Fund Guidelines on Fixed Assets Management and Financial Management Handbook for Grant Implementers.

• Country context
  o Based on the country context including condition of routes, availability of service networks and spare parts, appropriate vehicle insurance costs, ongoing running and maintenance costs, should be included in the budget for the duration of the implementation period (IP) only.

• Warranty cost
  The cost of promise/assurance by the manufacturer/supplier to compensate for manufacturer defects to Program Assets under specific circumstances duly included in the contract/agreement. Extended warranty cost may be included in the cost of non-health products as long as the extended period is within the respective allocation utilization period and/or IP of the relevant grant.

Key considerations

• Some of these equipment can be procured through wambo.org and/or via UNOPS UNWebbuyPlus marketplace.
Operational Guidance – Communication Material and Publications

Provides detailed costing guidelines for cost inputs under Communication Material and Publications

Key content

• **Fulfillment of Program objectives**
  - Communication Material and Publications (CMP) is intended to support fulfillment of Program objectives and may include print and other costs associated with Program-related campaigns, TV spots, radio programs, advertising, media events, education, dissemination, promotion and/or promotional items.

• **Cost of development and production**
  - The cost of development and production of material should be supported with reference sources. CMP should be used primarily to deliver messages to target population groups, intended to change or endorse behavior and provide information on services available to these groups.

• **Avoidance of cost duplication**
  - To avoid duplication of costs, communication materials and publications already developed, whether internally or externally, should always be considered before budgeting for new CMP. Ensure the reasonableness of the quantities.

• **Internally produced**
  - Internally produced CMP costs should be based on the marginal costs of production.

Key considerations

• Documented policies and procedures should be in place for managing printed materials, including storage and distribution procedures, regular inventory counts, waste and loss prevention.
Operational Guidance - Living support to Client/Target Population
Provides detailed costing guidelines for cost inputs under LSCTP

Key content

- The Global Fund may allocate funding to provide living support to target populations and to support income-generating activities.

- Effective and verifiable control systems, procedures and processes should be in place with regards to:
  - fair distribution of benefits within the selected group of clients;
  - ensuring that support reaches its intended beneficiaries;
  - control over storage and distribution; and
  - verification, supervision and accounting of the relevant monetary or in-kind support activities.

Micro-loans and micro-grants can only be provided to the targeted population (individual or group) on sole discretion of the Global Fund, provided that:
- The PR follows applicable laws and regulations including without limitation, obtaining, and maintaining applicable licenses and authorizations to issue micro-loans and micro-grants.
- The micro-loans and micro-grants must be designed with clarity of beneficiaries targeted (and who do not have access to traditional micro-financing), transparent and equitable beneficiary selection conditions and specify whether these are conditional or unconditional awards linked to Global Fund grant objectives. The micro-loans and micro grant must be refunded or repaid to the grant during before the end of the related Implementation Period.
- The micro-loans and micro-grants demonstrate good governance principles and adequate financial management systems including defined principles for administration of funds, sustainability of the fund, record keeping and audit and guidance for recovery in case of default.

Key considerations

- Living support may include monetary or in-kind support given to target populations enabling them to access Program services.
**Operational Guidance – Indirect and Overhead Cost**

Provides detailed costing guidelines for cost inputs Overhead Cost

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**Key content**

- **Implementation of Global Fund grants**
  - Indirect and Overhead Cost (IOC) are costs associated with the implementation of the Global Fund grants that cannot be directly attributed to individual grant objectives and targets.

- **Office related cost**
  - Office related cost includes rent, electricity, utilities, mail, telephone, internet, insurance, fuel, security and cleaning, and others.

- **Tax and duties exempt**
  - The use of Grant Funds shall be exempt. Accordingly, this cost input should only be used for accounting and reporting purpose (not budgeting purpose) to have visibility on any payment and track non-complaint expenditure related to taxes and duties.

- **Budgeting all costs as direct charges is strongly encouraged**
  - Implementers are generally expected and strongly encouraged to include in the budget all costs associated with the implementation of Program activities as direct charges. In cases where the support/common/indirect/shared cost cannot be directly attributed to a single grant or Program in an economically feasible way (therefore charged or allocated to two or more funding sources or different Global Fund grants), the Global Fund allows implementers to charge either Indirect Cost Recovery (ICR) or Shared Cost.

- **The case of Shared cost**
  - The country office of the implementer (including International NGOs, Local NGOs, civil society organizations and government implementers) that are implementing Programs and activities supported by several donors are allowed to charge Shared Cost, if they have adequate financial system and capacity to demonstrate transparent cost recovery, by using “costing-based approach” or “percentage of grant amount approach”.

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*Cliquez sur "Interprétation" pour le français. | Haga clic en "Interpretación" para español. | Clique na interpretação para português.*
Indirect Cost Recovery (ICR)  

- The eligible International NGOs and Local NGOs implementers can opt to charge either ICR or Shared Cost;
- The eligible other implementers including Civil Society Organization can only charge Shared Cost; and
- Governmental and public entities implementers should only charge direct costs to Global Fund budgets.

Shared Cost  

- Costing based approach: charge appropriate share of Shared Costs based on specific cost drivers as per Appendix 1.
- Percentage of Grant Funds amount approach: charge percentage of Grant Funds amount as per Appendix 1.

Key considerations  

- The requirements do not apply to UN agencies for which separate arrangements for ICR apply (except implementer for Emergency Fund).
- Not eligible cost: organization’s own public relations, marketing and fundraising activities; opening or establishing a country office; and the development of Concept Notes.

Scope  

- The nature and level of support activities are agreed with the Global Fund at the time of grant-making.
- Support/indirect or common costs enhance sustainability, value for money, performance and generate economies of scale in the delivery of services.
- Financial management system and capacity are in place to demonstrate transparent cost recovery.

Eligibility Criteria  

- Agreed percentage rates approach: Charge agreed percentage rate, not exceeding the maximum applicable rate based on the type of the implementer and type of cost as outlined in the Appendix 1.

Approach  

- Costing based approach: charge appropriate share of Shared Costs based on specific cost drivers as per Appendix 1.
- Percentage of Grant Funds amount approach: charge percentage of Grant Funds amount as per Appendix 1.
Operational Guidance – Payment for Result
Provides detailed costing guidelines for cost inputs under PfR

Key content

• Payment of incentives (exceptional circumstances / Global Fund approval required)
  o The Global Fund may approve the payment of incentives (performance or task-based incentive through simplified and transparent performance management processes) to the implementer or public sector staff involved in implementing Global Fund-supported programs, through a service-based contract payment.
  o Global Fund Grant Funds and resources should not be used for the payment of “salary top ups”.
  o Both incentive budget and any changes thereof not specifically approved in writing by the Global Fund.

Financing contingent on predetermined results
  o Results Based Financing (RBF) is a form of financing in which payments are contingent on the verification of predetermined results (these can be at impact, outcome, coverage, or output/milestones level).

Activity Based Contracts
  o Activity Based Contracts (ABC) are contracting arrangements where suppliers or sub-recipients agree to deliver specific output(s) within an agreed time and price, with less focus on processes or inputs to be deployed to achieve the desired output. To improve efficiency, effectiveness and economies of scale for the grant, the implementers (mainly PRs and SRs) may use ABCs for the implementation of parts of a Program or for a specific activity (milestones/outputs indicators), subject to the following conditions:
    - ABC value or amount shall not exceed USD 100,000 annually per activity-based contractor;
    - ABC contractors shall meet the minimum capacity requirements outlined in Appendix 9; and
    - The ABC modality is approved in writing by the Global Fund, prior to the start of the contracting process.

Key considerations

• The forthcoming OPN on PfR and other results-based funding modalities (RBF OPN) sets out the Global Fund operational policies and procedures on PfR using grant funds.
• This section including some definitions and terminology shall be updated based on the final RBF OPN.
Q&A
Thank you!
Merci!
¡Gracias!
Obrigado!