

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 Grantee¹, 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 returned² 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.

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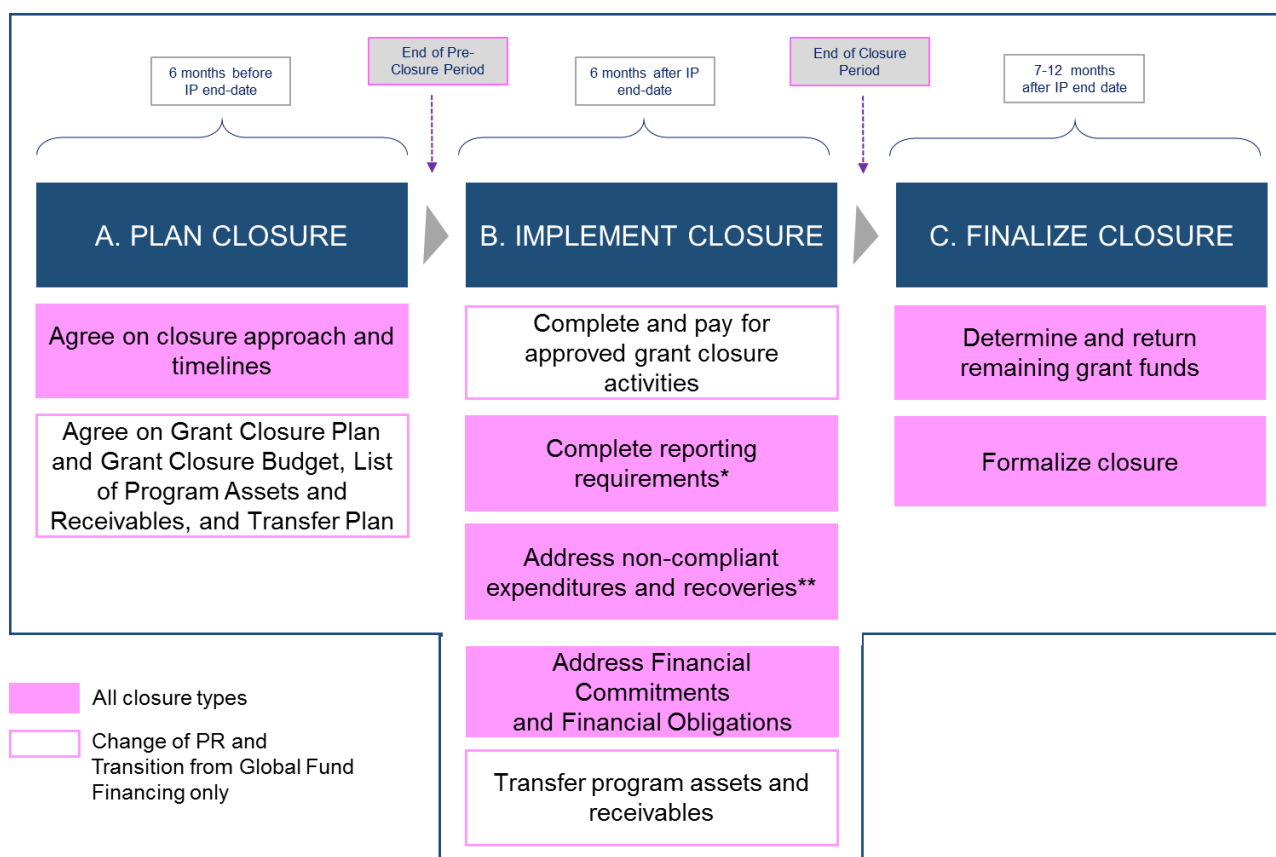
3. This Operational Policy Note ("OPN") applies to grants financed under the 2014-2016 allocation period and thereafter. The OPN on Grant Closures issued on 18 December 2014 applies to grants financed prior to the 2014-2016 allocation period.
4. This OPN covers the following types of closure:
 - a. **IP 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.

¹ 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.

² In the case of IP Reconciliation, the remaining grant funds may be deducted from the approved grant amount for the next IP.

- 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.

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 manner³. 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 required⁴. For Grant Closure cases (with the exception of Grant Consolidation⁵), 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 CCM⁶. 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 Procedure⁷ ("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.

³ 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.

⁴ 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.

⁵ Ibid.

⁶ 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.

⁷ This is a Global Fund internal document.

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:
- Final Progress Update (“PU”) for the IP⁸;
 - Final Tax Report for the IP⁹;
 - Audit Report¹⁰; and
 - Financial Closure Report¹¹

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 date¹². 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](#)¹³ and OPN on Recovery of Grant Funds¹⁴.

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

⁸ See [Global Fund Guidelines on the Progress Report/Disbursement Request](#).

⁹ See [Global Fund Guidelines on the Progress Report/Disbursement Request](#).

¹⁰ 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.](#)

¹¹ See [Guidelines on Financial Closure Report](#).

¹² Section 2.2.1 of the [Global Fund Guidelines for Grant Budgeting](#).

¹³ Section 5 of the [Global Fund Guidelines for Grant Budgeting](#).

¹⁴ This is a Global Fund internal document.

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 Country Team together with the Grant Closure Plan and Grant Closure Budget. All such documents need to be endorsed by the CCM¹⁵ 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	<p>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.</p> <p>This, however, does not mean that the Principal Recipient’s legal obligations end when the grant ends.¹⁶</p>
Administratively closed <i>(only for Grant Closure)</i>	<p>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.</p> <p>The closure is approved by the Regional Manager or Department Head¹⁷ and Regional Finance Manager through their signature of the Notification Letter.</p>

¹⁵ 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.

¹⁶ 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.

¹⁷ 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.