This page has been intentionally left blank
1. Introduction .................................................................................................................. 6

2. Global Fund Funding Principles .............................................................................. 8
   2.1 Allocation Model ........................................................................................................... 8
       2.1.1 Transition between Allocation Utilization Periods ............................................. 10
   2.2 Catalytic Investments ................................................................................................ 11
   2.3 Prioritization Framework .......................................................................................... 12
   2.4 Sustainability, Transition and Co-Financing ............................................................. 13

3. Global Fund Budgeting Principles ............................................................................. 15
   3.1 Overview ..................................................................................................................... 15
   3.2 Modular Framework and costing dimension .............................................................. 15
   3.3 Budget attributes and requirements .......................................................................... 17
   3.4 Taxes .......................................................................................................................... 18
   3.5 Foreign Exchange ..................................................................................................... 19
       3.5.1 Allocation currency: grant currency denomination ........................................... 20
       3.5.2 Budget preparation currency ............................................................................. 20
       3.5.3 Application of exchange and inflation rates ....................................................... 21
   3.6 Program Management Costs ..................................................................................... 23
       3.6.1 Shared Costs ....................................................................................................... 23
   3.7 Mandatory Direct Payments ..................................................................................... 26
   3.8 Key Populations ......................................................................................................... 26
   3.9 Payment for Results .................................................................................................. 27
       3.9.1 Results Based Financing .................................................................................. 27
       3.9.2 Activity Based Contracts ............................................................................... 27
       3.9.3 Incentives Payments ....................................................................................... 28
   3.10 Differentiation of budgeting and reporting .............................................................. 29

4. Budgeting in the Grant Life Cycle ............................................................................. 31
   4.1 Overview ..................................................................................................................... 31
   4.2 Funding Request Budget ........................................................................................... 31
4.3 Grant making Budget ........................................................................................................... 33 
4.4 Budget approval mechanism ......................................................................................... 34 
4.5 Budget Revisions – grant implementation ....................................................................... 35 
  4.5.1. Material and non-material budget revisions ............................................................. 35 
  4.5.2. Revising the summary budget ............................................................................... 38 

5. Eligibility of Grant Expenditures and Recovery Process ................................................. 39 
  5.1 Overview ......................................................................................................................... 39 
  5.2 Eligibility of grant expenditures .................................................................................. 39 
  5.3 Recovery Process ......................................................................................................... 44 

6. Financial Reporting ........................................................................................................... 46 
  6.1 Overview ......................................................................................................................... 46 
  6.2 Financial reporting principles and periods ................................................................. 46 
  6.3 Financial Reporting scope and frequency ..................................................................... 47 

7. Specific Budgeting and Costing Guidance ..................................................................... 48 
  7.1 Human Resources .......................................................................................................... 48 
    7.1.1. Salaries ..................................................................................................................... 49 
    7.1.2. Allowances ............................................................................................................ 49 
    7.1.3. Accrued Severance entitlements ........................................................................... 50 
  7.2 Travel-related costs ......................................................................................................... 51 
    7.2.1. Training .................................................................................................................. 52 
    7.2.2. Technical assistance ............................................................................................. 55 
    7.2.3. Monitoring & evaluation ....................................................................................... 55 
    7.2.4. Program management and supervision ................................................................. 56 
  7.3 External professional services ........................................................................................ 57 
    7.3.1. Other considerations on financial management and monitoring of external 
           professional services costs .......................................................................................... 58 
  7.4 Pharmaceutical, non-pharmaceutical health products and health equipment ........... 59 
    7.4.1. Buffer stock .......................................................................................................... 61 
    7.4.2. Health equipment costs ....................................................................................... 61 
    7.4.3. Procurement and supply management costs ......................................................... 62 
    7.4.4. Other considerations regarding procurement and supply management costs .... 64
7.4.5. Investments in supply chain improvement

7.5 Infrastructure and non-health equipment

7.5.1. Vehicles

7.5.2. Maintenance cost of equipment

7.5.3. Other considerations on financial management, monitoring and reporting on equipment costs

7.5.4. Rehabilitation, renovation and enhancement for health infrastructure

7.5.5. Other considerations on financial management and monitoring of rehabilitation, renovation and enhancement for health infrastructure

7.6 Communication material and publications

7.6.1. Printed materials

7.6.2. Visual, audio and video materials

7.6.3. Other considerations on financial control and monitoring

7.7 Indirect and overhead costs

7.7.1. Management fees and indirect cost recovery

7.8 Living support to client/target population

7.8.1. Microloans and microgrants

7.8.2. Cash incentives for beneficiaries

Appendices

Appendix 1 - The Global Fund Costing Dimension and Investment Landscape
Appendix 2 - Transition between Allocation Utilization Periods
Appendix 3 – Management of Foreign Exchange in Grants
Appendix 4 – Shared Costs
Appendix 5 – Activity Based Contracts
Appendix 6 - Budgetary adjustments
Appendix 7 - Specific budgeting and costing guidance
  Appendix 7A – Indicative documentation concerning remuneration levels
  Appendix 7B – Template employee biographical data sheet
  Appendix 7C – Developing training plans
  Appendix 7D – Budgeting for monitoring and evaluation
  Appendix 7E – Vehicle needs assessment and management plan
  Appendix 7F – Insurance-related costs
  Appendix 7G – Guidance for applicants on investments in facilities/ infrastructure renovation and construction

Relevant Links
1. Introduction

1. These guidelines describe financial requirements for the development, review and implementation of Global Fund-supported programs. They aim to:
   - allow implementers to understand the Global Fund’s financial policies and procedures, and implement them in a consistent manner;
   - enhance clarity in financial decision-making;
   - strike a balance between flexibility and efficiency, transparency and accountability;
   - establish clear eligibility criteria for grant expenditures; and
   - establish broad requirements for Global Fund grants to meet their budgeting, monitoring and financial reporting obligations.

2. These guidelines serve the following stakeholders: the Principal Recipients (PRs), Country Coordinating Mechanisms (CCMs), Local Fund Agents (LFAs), the Technical Review Panel (TRP), the Global Fund Secretariat, other grant implementers, suppliers, agents and technical assistance providers, and any other Global Fund assurance providers.

3. They are intended to assist grant implementers to develop and maintain an effective budgeting and reporting process and to serve as a basis for the preparation of a specific Global Fund grant budget, and budget revisions when applicable. The principles outlined apply to: (1) Global Fund grant budgeting, (2) grant budget revisions, and (3) eligibility of grant expenditures.

4. Implementers will support the dissemination of these guidelines to relevant personnel. Regular trainings on these guidelines need to be provided to staff involved in implementing Global Fund-supported programs, to allow the guidelines to reach their full potential.

5. Local Fund Agents and any Global Fund assurance providers should use these guidelines to inform their work on the implementers’ capacity assessment, budget review, expenditure verification, and as a complement to other Global Fund tools and guidelines.

6. This document provides in-depth guidance on the core financial requirements for budgeting, and should be consulted with the following Global Fund documents:
   a. The Operational Policy Manual, which provides the operational framework for managing Global Fund grants.
   c. Pertinent clauses of the relevant grant agreement governing the grant.

7. The different chapters and appendices cover Global Fund funding and budgeting principles, how budgeting works at each stage of the funding cycle, which expenditures are eligible and recovery process in case of ineligibility, financial reporting and specific budgeting and costing guidance, with more detailed information for areas such as human resources, travel-related costs, external professional services, and others.

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1 This includes catalytic investment funding incorporated into Global Fund grants.
2 May be a Regional Coordinating Mechanism (RCM), a Regional Organization (RO) or other application coordinating mechanisms. Refer to CCM Policy Including Principles and Requirements for more information.
8. The provisions of the grant agreement (including the Global Fund Budgeting Guidelines as incorporated therein) are binding between the Global Fund and the Principal Recipient\(^3\). In case of conflict between the provisions set out in the relevant grant agreement and these guidelines, the specific clauses of the grant agreement shall take precedence.

9. These guidelines amend and restate the previous Global Fund Guidelines for Grant Budgeting issued by the Global Fund in June 2017. The main changes to the revised version of the guidelines include:

- a. Introduction of sections explaining the different sources of funds available from the Global Fund, how they are attributed and how they can be accessed.
- b. New section on Sustainability, Transition and Co-Financing.
- c. Introduction of a standard methodology for budgeting, monitoring (identification, measurement, and reporting) and management of foreign exchange rate fluctuations from allocation to grant closure.
- d. New guidance on shared costs budgeting, execution and reporting.
- e. Change in the treatment of salary top-ups.
- f. Mandatory direct payment requirement.
- g. New section on Payment for Results.
- h. Introduction of new thresholds for the definitions of material and non-material budget revisions for Focused countries.
- i. Introduction on new discretionary categories – external professional services, non-health equipment
- j. Issuance of an implementation letter for material budget changes approval.
- k. Introduction of new cost inputs – shared costs, severance costs, incentives, activity-based contracts.

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\(^3\) Please consult with your Legal Counsel to determine whether the relevant grant agreements include any deviations to the Budgeting Guidelines.
2. Global Fund Funding Principles

2.1 Allocation Model

10. The Global Fund has been implementing an allocation-based funding model since 2014. The allocation amounts for all countries are determined primarily based on disease burden and income level\(^4\). They are refined to account for important contextual factors through a transparent and accountable qualitative adjustment process.

11. The Global Fund allocates funding to eligible countries to support HIV, TB and malaria programs and to build resilient and sustainable systems for health. These allocations are made every three years at the beginning of a new allocation period.

12. The total amount available for country allocations depends on the funding raised for the corresponding three-year Replenishment cycle.

13. Eligible applicants, receiving an allocation, will be notified through the Allocation Letter. The allocation letter provides an indicative distribution of the allocation amount across eligible disease components. Countries have flexibility to determine how their overall country allocation is divided among the eligible disease components, subject to written approval from the Secretariat.

14. The following concepts are key for implementers to understand budgeting during the Global Fund’s grant life cycle.

15. **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 utilization period (see definition below), in line with the Allocation Methodology\(^5\). This funding may be supplemented by other sources of funds (see “Catalytic Investments” and “Prioritization Framework” below) or may be reduced due to outstanding recoveries in extraordinary circumstances or should the previous co-financing commitments have not been met.

16. **Allocation Period.** The allocation period is the three-year period, aligned to each replenishment period, during which eligible applicants may apply for, and the Board may approve, funding for grant programs. For the 2020-2022 allocation period, this period starts on 1 January 2020 and ends on 31 December 2022. However, grant start and end dates shall be within the Allocation Utilization Period (see paragraph below).

17. **Allocation Utilization Period.** The Allocation Utilization Period is, usually, the three-year period\(^6\) during which the country allocation per disease component can be utilized to implement programs. It starts the day after the previous Allocation Utilization Period ends. Any extension to grants from the previous cycle will consume funds and time from the new Allocation Utilization Period and reduce the duration of and funding for the next grant. If the Allocation Utilization Period, as requested by the applicant, is shorter than what is communicated in the Allocation Letter, the allocation funding available for the new grant(s) is reduced proportionately.

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\(^4\) More information is available on the [Funding Model](#) page of the Global Fund website.

\(^5\) [GF/B41/02 - Allocation Methodology for the 2020-2022 Allocation Period](#)

\(^6\) Variations from the three-year standard shall be allowed for joint submissions from Focused countries/applicants 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.
18. **Implementation period.** An Implementation Period is the period for each specific grant during which the relevant Program Activities are scheduled to be implemented and completed. The start and end dates of the Implementation Period are defined in the grant agreement; the standard duration is three years. A grant extension will extend the existing Implementation Period. However, it will not extend an Allocation Utilization Period. This means that all extensions beyond the end of the Allocation Utilization Period will be funded from the subsequent Allocation Utilization Period. An Implementation Period is associated with a grant, while the Allocation Utilization Period applies to all the grants in the given component.
19. **Timing and use of funds:** The allocation amount for each eligible disease component represents the funding that can be used over the relevant three-year Allocation Utilization Period. Any remaining funds from an existing grant, unused by the start of the indicated Allocation Utilization Period, will not be additional to the allocation amount. Remaining funds are composed of:

(i) **unused funds at the Global Fund Secretariat level** (undisbursed funds). At the end of an Allocation Utilization Period, unused funds are returned to the general resource pool with the balance typically put towards Portfolio Optimization (as described below) to fund Unfunded Quality Demand (UQD) and other funding gaps in the next Allocation Period.

(ii) **available in-country funds** represent any available uncommitted in-country cash balances (e.g., held by Principal Recipient, sub-recipients, procurement agents, and others). For Principal Recipients that are not continuing to implement grants for the Global Fund, the funds available in-country at the end of an Allocation Utilization Period need to be returned to the Global Fund no later than nine (9) months after the end of the grant. In the case of a continuing Principal Recipient, to avoid delays in implementation, the Global Fund may allow the Principal Recipient to use the in-country cash for the new grant. In that case, this amount will be deducted from the subsequent Allocation Utilization Period.

20. For more information, please see the [Operational Policy Manual, Section 1: Access to Global Fund Financing](#).

### 2.1.1. Transition between Allocation Utilization Periods

21. The 2017-19 allocation can be used for activities that were budgeted, approved and completed during the allocation utilization period associated with the country’s 2017-19 allocation – regardless of whether the payment for such activities has occurred. The following principles apply:

a. **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 (all or partial)\(^7\). Financial commitments existing at the end of an Allocation Utilization Period can be paid from that period’s allocation (via available cash balance or a disbursement from the Global Fund) and must be liquidated no later than six months after the end of the grant Implementation Period (unless otherwise approved in writing by the Global Fund).

b. **Financial obligations** are current contractual obligations to pay an agreed amount of cash (i.e., as per signed contract and/or purchase order) to a third party for the provision of goods/services at a certain point of time in the future, i.e., the goods or services are yet to be received. Financial obligations existing at the end of an Allocation Utilization Period cannot be paid from that period’s allocation and have to be transferred and included in the budget of a new grant or an extension, to be covered by funds from the next allocation\(^8\).

22. Therefore, all financial commitments existing at the end of the current Allocation Utilization Period will be paid from the current allocation, while financial obligations existing at the end of the current Allocation Utilization Period will be funded from the following allocation. These amounts will need to be considered in the negotiation of the next grant and included in the budgeting and programmatic planning for the next allocation utilization period.

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\(^7\) Timing difference between goods/service receipt and payment date can be due to either delay in/non-receipt of invoices, use of favorable payment terms or a prolonged payment process (including checks issued but not cashed). Financial commitments mainly include accounts payable and creditors.

\(^8\) The Global Fund may also apply a one-time flexibility to facilitate the transition between two allocation periods for certain countries identified by the Global Fund.
23. Six months after the start of the new Implementation Period\(^9\), Principal Recipients will be required to report\(^{10}\) the final available cash balance from the previous allocation period (after all financial commitments are fully paid). Any unliquidated commitment remaining at the end of the six-month period will be considered closed by the Global Fund unless otherwise approved in writing by the Global Fund.

24. Upon the signing or modification of grant agreements, final in-country cash balance amounts may be deducted from the grant funds amount of the new grant as stipulated in the grant confirmation. Consequently, in-country cash balances from the previous Implementation Period may affect future disbursement decisions.

25. For grants in closure or already closed prior to the allocation period, the Principal Recipient is required to reimburse the cash balance directly to the Global Fund, unless otherwise approved in writing by the Global Fund.

26. In certain cases, payments relating to goods and/or services delivered after the end of an Allocation Utilization Period may be considered financial commitments to be funded from that Allocation Utilization Period, where the following three criteria are met:

- the implementing entity has placed the order(s) for the goods or services at issue with adequate consideration for relevant lead times\(^{11}\) such that the goods or services were expected to be delivered before the end of the allocation utilization period; and
- the delivery of the goods or services is delayed for reasons beyond the implementing entity’s control; and
- the delivery of the goods or services is completed within a maximum of 90 days of the Allocation Utilization Period end date.

27. Detailed guidance on transition from the old to the new allocation funding and relevant budgeting and reporting requirements is available in Appendix 2 and in the Operational Policy Manual, Section 3: Implementation Period Reconciliation and Grant Closure.

### 2.2 Catalytic Investments

28. Catalytic investments\(^{12}\) are a portion of funding approved by the Global Fund Board for programs, activities and strategic investments that cannot be addressed through country allocations alone, and yet are important to ensure that the Global Fund’s investments deliver on the Global Fund Strategy 2017-2022: Investing to End Epidemics (Global Fund Strategy).

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\(^9\) Or extension, if applicable.

\(^{10}\) The report is due 7.5 months after the end of the previous Implementation Period

\(^{11}\) See the Global Fund Category and Product-level Procurement and Delivery Planning Guide for indicative lead times for key HIV and Malaria health products procured via the Global Fund’s Pooled Procurement Mechanism. See the Stop TB Partnership’s Category and Product-level Procurement and Delivery Planning Guide for indicative lead times for key TB health products procured via the Global Drug Facility.

\(^{12}\) GF/B41/03 – Revision 1 - Catalytic Investments for the 2020-2022 Allocation Period
29. For the 2020-2022 cycle, catalytic investments comprise:
   • **Matching funds** to incentivize the programming of country allocations key strategic priorities. Matching funds will be communicated in the allocation letter and matching funds requests will be reviewed along with the allocation funding request,
   • **Multicountry approaches** for critical, pre-defined strategic multicountry priorities that cannot be addressed through country allocations alone, and
   • **Strategic initiatives** for centrally managed approaches that support the success of country allocations but cannot be funded through country grants due to their cross-cutting, innovative or off-cycle nature.

30. More information on catalytic investments is available [here](#).

### 2.3 Prioritization Framework

31. The Global Fund and implementing partners have a common interest in ensuring that available funds are used to their full potential. In line with the Allocation Methodology, the Strategy Committee of the Global Fund approved a **prioritization framework** to direct the investment of additional available sources of funds\(^{13}\) at the portfolio level.

32. The Global Fund prioritization framework guides the investment of funds that become available during an allocation period, to finance items on the **Register of Unfunded Quality Demand** (UQD Register). This process is known as Portfolio Optimization.

33. All Global Fund recipient countries are eligible to have interventions registered for UQD. Quality demand is determined by the Technical Review Panel's assessment of a Prioritized Above Allocation Request (PAAR). These needs will be submitted together with the funding request or during grant making / implementation and, where deemed technically sound by the Technical Review Panel, will be registered and maintained in the UQD Register and may be updated during the grant life-cycle.

34. The framework is designed to maximize impact and use of available funds, to achieve the aims of the [Global Fund Strategy 2017-2022: Investing to End Epidemics](#); and should be considered against the broader context of the Global Fund’s overall approach to investment and portfolio management.

35. In the normal course of grant management, the Global Fund Secretariat and partners work together continuously with countries to address the root causes of bottlenecks in implementation. Therefore, as a **first step**, countries should actively reprogram potentially unutilized funds within the same country disease component throughout the grant lifecycle, including towards priorities registered as unfunded quality demand (UQD)\(^{14}\) before requesting additional funding.

36. To that effect, implementers should perform periodic grant budget absorption monitoring to identify areas where savings/under absorption have been or might be generated. For health product budgets, this should include a revision of unit costs to the prevailing reference price and revisions of quantities depending on the status of the program implementation. An understanding of the key grant budget drivers should ease determination of savings.

37. Following the identification of realized or potential savings, implementers, in close collaboration with the Global Fund Country Team will perform a program or budget revision.

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\(^{13}\) As approved by the Global Fund’s Audit and Finance Committee

\(^{14}\) In exceptional circumstances reprogramming funds across disease components can also be approved by the Grant Approvals Committee and the Board.
38. A Portfolio Optimization award consists of a recommendation to immediately implement prioritized interventions from the UQD register, which may be followed by a top-up of the grant either immediately or following re-assessment at set milestones, pursuant to a dynamic portfolio management approach.

39. When additional funding is awarded as part of Portfolio Optimization, it is incorporated into relevant grants following the process set out for additional funding revisions in the Operational Policy Manual, Section 2.2: OPN on Grant Revisions. Such revisions should be finalized within 90 days (with a 30-day buffer if needed) of the award of additional funds by the Grant Approvals Committee.

40. More information on the Prioritization Framework is available here.

### 2.4 Sustainability, Transition and Co-Financing

41. The Global Fund 2017-2022 Strategy places a strong emphasis on the need to support sustainable responses for epidemic control and successful transitions away from donor support and towards domestic financing. It also stresses the need to support countries to use existing resources more efficiently, to increase domestic resource mobilization, and to make strategic investments to strengthen resilient and sustainable systems for health.

42. The Global Fund’s Sustainability, Transition and Co-Financing Policy (STC Policy) aims to support countries to strengthen sustainability, increase domestic financing and improve efficiency, and better prepare for transition from external financing. Recognizing that this process is complex and takes time, the policy brings together key elements and high-level principles necessary to strengthen the long-term sustainability of national disease responses and health programs.

43. Based on the core principles of flexibility, differentiation, alignment, and predictability, this policy sets out co-financing requirements for countries to access Global Fund allocations, includes focus of application requirements related to how countries should invest Global Fund funds, and encourages countries to initiate early, robust, and multi-stakeholder planning to increase national ownership of financing / management of the fight against the three diseases.

44. The design of Global Fund grant budgets and these budgeting guidelines are strongly related to a variety of the core thematic areas emphasized in the STC Policy, including (but not limited to):
   
   (i) the need to proactively work with countries to increasingly align investments with national systems (including ensuring increasing alignment of salary scales);
   
   (ii) to strengthen the efficiency and cost-effectiveness of Global Fund and national investments in health and the three diseases (including improved clarity on unit costs for key interventions and services);
   
   (iii) support the gradual uptake of key program costs via increased co-financing and domestic financing; and
   
   (iv) plan early for long term sustainability and ultimate transition from Global Fund financing (including how Global Fund support for specific interventions is phased out in grant budgets in a gradual manner).
45. While implementation of these thematic areas will vary widely given country and regional context, aligning the design and development of Global Fund budgets with the core principles of the STC Policy will help increase the overall sustainability of national programs.

46. The Global Fund encourages applicants to consider including interventions to support domestic resource mobilization and other relevant activities required to support STC goals. These can be detailed as National health sector strategies and financing interventions, under the RSSH: Health sector governance and planning module.

47. More information on the key focus areas, principles, and requirements of the STC Policy is forthcoming.
3. Global Fund Budgeting Principles

3.1 Overview

48. The Global Fund supports health interventions linked to the fight against AIDS, tuberculosis and malaria, including Resilient and Sustainable Systems for Health. Grants will cover reasonable costs of interventions considering the country’s context, the need to enhance impact and maximize cost efficiency. When the Global Fund deems an intervention to be above reasonable cost, the organization will only fund the amount considered reasonable and request the implementer to adjust the grant budget accordingly.

49. When designing impactful and sustainable health programs, applicants should focus on the value for money\textsuperscript{15} of the interventions they are requesting funding for. The overall program design should be an integral part of the investment framework to enhance value for money, in order to drive health outcomes and programmatic impact taking into account:

\begin{itemize}
  \item a. cost-effective programmatic activities targeted at the right geographies, age groups, and key populations, based on evidence;
  \item b. efficient and lean implementation model (number and types of implementers and service providers), including differentiated service delivery modalities leading to efficient service delivery and improved program quality;
  \item c. appropriate selection, quantification and use of reference prices for pharmaceutical and other health products, including other key inputs for service delivery;
  \item d. sustainable human resources costing, including salary and benefit policies, and management structure;
  \item e. prudent budgeting of administration costs, including consultants and travel; and
  \item f. cost-effective risk and assurance model, such as implementer assurance (to the extent that its quality, independence and scope of work has been assessed and deemed sufficient to be relied upon), external and internal audit or fiscal agent costs.
\end{itemize}

3.2 Modular Framework and costing dimension

50. The allocation-based funding model uses a modular approach and costing dimension that enhances the linkage between programmatic and financial information. Interventions and activities are defined in the modular approach and the cost groupings and cost inputs in the costing dimension (budgeting framework).

\textsuperscript{15} Refer to the Value for Money Technical Brief
51. The diagram below illustrates the Global Fund modular approach and costing dimension and its alignment to the strategy to invest for impact and demonstrate efficiency and value-for-money:

52. The modular approach and costing dimension provide information about the physical output of grant interventions and the estimated costs of these interventions. This integrated approach allows strengthened tracking of budget versus expenditure data and facilitates alignment/harmonization with partners and country data systems. It also serves as a medium to communicate information to Country Coordinating Mechanisms, governments, oversight and assurance providers and any other relevant stakeholders.

53. Grant interventions and activities to be undertaken under Global Fund-supported programs are to be adequately planned and specific enough to be integrated into the overall planning and budgeting processes. A thorough process for identifying, implementing and evaluating actions required to achieve the strategic goals and objectives ought to be based on prudent and acceptable interventions informed by the most recent data available. It should consider the needs and anticipated strategic impact of the grant on the disease component.

54. A costed activity plan, as reflected in the modular approach and costing dimension, is a quantitative and monetized expression of a set of actions, prepared in advance of their implementation, which helps the implementers to allocate resources and set realistic goals for each defined period of the grant life cycle.

55. Consequently, it provides a basis for monitoring programmatic and financial performance, and for identifying areas that require corrective actions. Moreover, it establishes a consistent methodology for control, including tracking absorption through the variance between budgeted, forecasted and actual costs for all Global Fund-supported interventions by disease component.
3.3 Budget attributes and requirements

56. Funding requests to the Global Fund shall be based on national strategic plans, which should reflect general principles on the allocative efficiency of investments within programs, such as:

- options have been analyzed and cost-effective and evidence-based interventions have been selected suitable to the country context;
- interventions are prioritized given limited resources; and
- investments are optimally allocated across interventions, geographies, gender, key populations, age bands, and other factors to achieve maximum health impact.

57. As part of the funding request submission and grant-making process, the applicant and Principal Recipient(s) are required to provide the Global Fund visibility on government and other partner funding toward disease program and interventions. This is captured as part of the funding landscape analysis submitted in the funding request and/or during grant making.

58. The costing approach and systems underpinning Global Fund grants provide relevant information and analysis to support strategic investments for increased impact, value for money, performance evaluation, planning and investment decisions. Budgets\textsuperscript{16} should therefore:

- reflect a strong link between historical trends, outputs and outcomes;
- have transparent and verifiable definitions and sources of data (qualitative and financial), and methods for calculating costs;
- be based on existing national, institutional policies and follow best practices in local markets;
- be consistent and enable comparison of costs over time; and
- reflect the balance between the benefits of better information and the costs of obtaining it: the design, implementation, and continuous improvement of costing methods, data collection, and systems should reflect this balance.

59. Budgets should be presented with the following attributes, which together determine the reasonableness of individual budget lines and the total grant budget. The budget should:

- be consistent with the strategic direction to maximize impact and programmatic targets;
- reflect a realistic rate of utilization of funds, taking into consideration absorption capacity of the Principal Recipient and other grant implementers, including procurement and other deliverable lead-times;
- ensure the economy, efficiency and effectiveness (value for money\textsuperscript{17}) and prioritization of interventions that drive health outcomes;
- be consistent with the funding request and reflect any Global Fund’s Technical Review Panel and Grant Approvals Committee-required adjustments;
- be built on budget categories defined by the Global Fund (see Appendix 1);
- include any requirements mandated by the Global Fund Board (for example, inclusion of Green Light Committee fees for approved multidrug-resistant TB programs);
- clearly identify reasonable quantities and unit prices; and

\textsuperscript{16} The Global Fund budgets should generally be developed using cash basis on the implementation of activities.

\textsuperscript{17} "Value for money" means (1) economy - minimizing the cost of resources ("doing things at a low price"), (2) efficiency - performing tasks with reasonable effort ("doing things the right way", often measured as cost per output), (3) effectiveness - the extent to which objectives are met ("doing the right things", often measured as cost per outcome).
• ensure complementarity with other sources of funding (other donors, government subsidies, and other sources) and avoid duplication.

60. The budget must be denominated in either euros (€) or U.S. dollars (US$) depending on the allocation currency.

61. Each budget line is to be prepared in the currency in which the payment will be made. The payment currency can be the grant currency, the local currency or other. The currencies should then be converted into the grant currency at an appropriate exchange rate (see the section “Foreign Exchange” for more guidance).

62. Budgets should include costs for program activities and take into consideration any relevant income generated through activities and on program assets. Best estimates for anticipated miscellaneous revenues should also be reflected in the budget when requesting funding. The related flow of funds and reporting mechanism should also be described.

63. The applicant and Principal Recipients, as part of the program design, need to ensure that sufficient planning is in place for the effective completion of activities and interventions during the implementation period as stipulated in the grant agreement.

64. Miscellaneous revenues not budgeted must still be reported as stipulated in the grant agreement. Such revenues may be used for program purposes only and planned expenditures and must be pre-approved in writing by the Global Fund.

3.4 Taxes

65. As stipulated in Section 3.5 of the Global Fund Grant Regulations (2014), Global Fund funding is made available based on the condition that grant funds shall be exempt from relevant taxation imposed by the host country concerned, so all grant funds provided by the Global Fund contribute directly to the fight against the three diseases in such host country. The required tax exemption for Global Fund purposes includes: (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 contract (collectively “custom/import duties”) and (b) VAT levied or otherwise imposed on the goods and services purchased using grant funds.

66. Under Section 3.5 of the Global Fund Grant Regulations (2014), the obligation of the host country to provide tax exemption is mandatory and the scope of such tax exemption obligation also applies to Global Fund-supported programs implemented partially or wholly by any Principal Recipient or sub-recipient that is not a “government entity”. Where the proposed Principal Recipient is not a government entity, such Principal Recipient shall use its best effort to facilitate and secure relevant tax exemption from the government of the host country concerned. Tax exemption should cover all layers of recipients, including sub-recipients, and others involved in implementing the grant in question. In administering the tax exemption the Principal Recipient should follow-up on

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18 These include, but are not limited to, the following: income from interest-bearing bank accounts, revenue from the sales of health products, microloan interest and any other service fees planned to be received.
19 Means a country or an economic territory in which a specific program is implemented.
20 As such term is defined in the Global Fund’s Guide to Global Fund’s Policies on Procurement and Supply Management of Health Products (2018, as may be amended from time to time).
21 Please note that under the Global Fund Grant Regulations (2014), the term “sub-recipient” is defined to include recipients who receive grants funds “indirectly” from the Principal Recipients. This means that sub-sub-recipients, etc. are included.
22 As defined in the Global Fund Grant Regulations (2014), a “government entity” means a branch, ministry, division, department, unit or an agency, instrumentality or other entity of the government of the host country in question at any level, or any entity or organization, in which the government of such host country at any level is a majority shareholder or over whose operations the government of such host country at any level has control or substantial influence.
taxes paid and recovered at sub-recipient level when needed. The tax exemption certificate or official notification should clearly state the type of taxes the Principal Recipient and sub-recipients are exempt from when implementing the grant.

67. The budget submitted to the Global Fund should be net of taxes on applicable unit costs. Where it is expected that relevant tax exemption is unlikely to have been granted at the time of grant signing, the amount of taxes included in the proposed grant budget should be clearly disclosed at the time of grant-making and communicated to the Global Fund in sufficient detail so the relevant information can be verified.

68. In cases where a Principal Recipient has not obtained relevant tax exemption upon the conclusion of the grant-making process, the Global Fund may consider modifications to the proposed implementation arrangement to avoid the loss of grant funds through taxes. These modifications may include, for example, shifting responsibility for procurement to alternative organizations that have tax exempt status. Alternatively, the Global Fund may deduct the taxes payable from the country allocation or withhold disbursement on grants to the country (especially in the case of government-implemented grants).

69. When tax exemption is obtained on a reimbursement basis, (i.e. the Principal Recipient has to pay the taxes first and then claim reimbursement), the Principal Recipient must maintain a tracking mechanism for taxes paid, claimed and reimbursed respectively by the tax authorities in the relevant host country. This must be reported on an annual basis as part of the annual financial reporting and/or through other ad-hoc financial reporting to the Global Fund. Reimbursable taxes paid but not recovered may be considered as non-compliant expenditures as described in Section 5 below. The Global Fund has the right to request refund of such unrecovered taxes in accordance with the terms of the relevant grant agreement.

70. Where tax exemption is obtained on a reimbursement basis, the first-year budget may include a provision related to the cash flow needs. This should be requested in the budget and supported by precise cash-flow forecasts related to tax payment and recoveries. A specific follow-up of this amount will be requested through the relevant annual financial reports.

71. Where national legislation does not provide exemptions for personal income taxes for national staff working on Global Fund grants, the Principal Recipient concerned, in accordance with the appropriate laws, should ensure payment to the relevant tax authorities of relevant withholding taxes from such national staff salaries when making disbursement out of the grant budget, and declaration of earnings to such tax or other appropriate authorities.

3.5 Foreign Exchange

72. As parts of grant expenditure may be incurred in local currency or non-grant currency, the grant could be subject to significant currency exposure from budget approval to grant implementation and grant closure.

73. The purpose of this section is to provide guidance on foreign exchange matters throughout the grant life cycle, with a focus on the budgeting phase.
3.5.1. Allocation currency: grant currency denomination

74. An allocation currency is set individually for each country allocation\(^{23}\). The allocation currency is either U.S. dollar or Euro and is fixed for the relevant allocation period. The initial allocation currency is communicated in the allocation letter.

75. The choice of allocation currency takes into account the expected foreign exchange exposure arising from grant activities, which are impacted by the financial and monetary situation of each country. Generally, US dollars will be used when the local currency has a fixed exchange rate to this currency, or where the local currency is floating freely against other currencies. It is expected that the Euro will be the allocation currency for countries with a local currency at a fixed, or otherwise stable, exchange rate with the Euro.

76. The allocation currency may only be changed upon a justified request of the Country Coordinating Mechanism\(^ {24} \), and upon formal written approval from the Global Fund\(^ {25} \).

77. The funding request(s) and the resulting grants(s) are denominated in the same currency as the allocation currency under which they are funded.

78. In the exceptional situation of a change of allocation currency between two allocation periods, the Principal Recipient will complete the existing grant in that grant’s currency and switch to the new allocation currency upon the signing of a new Implementation Period.

79. In this situation, uncommitted in-country cash balances should be converted using the spot rate at the date of the end of the existing Implementation Period, as follows:

- Local currency bank balances: they should be maintained in the local currency, no physical conversion required. For reporting purposes, implementers should use the same spot rate (as of the date of the end of the Implementation Period) for both the last progress update/disbursement request and opening cash balance of the new grant;
- Grant currency bank balances: the remaining balance in the old grant currency should be returned to the Global Fund unless agreed otherwise in writing by the Global Fund.

80. Once the allocation currency has been approved by the Global Fund, it is valid for the entire allocation period.

3.5.2. Budget preparation currency

81. As a general practice, Global Fund grant budgets should be prepared using the different currency denominations of each budget line (i.e. the currencies in which the budgeted item will be invoiced and paid) converted, where needed, to the currency of the grant agreement at the rate agreed by the Global Fund.

82. Items should not be budgeted directly in the currency of the grant if the underlying transaction will be in the local currency. For example, local currency-based salaries should be budgeted in local currency and then converted into the grant currency for budgeting purposes.

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\(^{23}\) Or for regional grants

\(^{24}\) May be a Regional Coordinating Mechanism (RCM), a Regional Organization (RO) or other applicant type.

\(^{25}\) A possible reason for change would be a sudden and substantial change in a country’s monetary environment or policy.
3.5.3. Application of exchange and inflation rates

83. The exchange rate used in the budget should be one that reflects the best estimate of the rate at which the Principal Recipient will exchange their grant currency into local currency over the term of the grant. The method and/or references used should be fully disclosed in the general budget assumptions. No reserve for exchange rate variations may be included in the budget.

84. The Global Fund uses a 200-day exponential moving average as a foreign exchange rate for budgeting purposes. This provides a sufficiently long historical pricing series, weighted toward the current date. The Global Fund will supply implementers with information on foreign exchange rates using this methodology. Any deviation from the above methodology needs to be approved in writing by the Global Fund at the time of grant making.

85. Where the grant is operating under the arrangement that disbursements in certain currencies are made at a fixed pre-determined rate (reference rate), this rate should be used for budgeting purposes. This arrangement and the rate should be confirmed by the Global Fund in writing for each individual grant during grant making.

86. If the country’s exchange rate is fixed or managed by the domestic authorities, the budget should follow the given official fixed rates, as fixed by the country’s monetary authority. Where there is a parallel foreign exchange market and the official rate is overvalued compared to the unofficial rate, the Principal Recipient should use the rate which maximizes the value of the funds granted, while remaining within the laws of the particular country, and as agreed by the Global Fund in writing. In such instances, the Principal Recipient should bring such cases to the attention of the Global Fund Secretariat at the time of grant making, to validate potential mitigating measures.

87. The Global Fund may send local currency directly to Principal Recipients when it deems that the Principal Recipient’s foreign exchange policy or rates applicable to its foreign exchange transactions are not optimal.

88. The exchange rate applied, and the currency of the grant, should be factored into any proposed inflation adjustment. The exchange rate and inflation assumptions should be mutually consistent and should lead to an overall accurate estimation of the grant currency-equivalent costs at the time of payment of expenditures.

89. The Global Fund acknowledges that differences between budgeted and actual foreign exchange rates may exist due to the unpredictability of exchange rate fluctuation.

90. Budgetary gains arising from a change in foreign exchange rate assumptions, or from differences between the exchange rate assumptions and the actual exchange rate, are considered as additional resources for grants and cannot be used for program revisions or budgetary adjustments without prior Global Fund written approval. More information is available in Appendix 3.

91. When : (1) an important exogenous event takes place, for example a managed devaluation of the currency, which results in a marked and lasting change/trend in the foreign exchange rate at which the Principal Recipient can expect to make foreign exchange transactions under the grant, or (2) short-term foreign exchange volatility increases, (i.e. changes in foreign exchange rates of more than 10 percent in a short time span), an updated exponential moving average will be provided to the Principal Recipient by the Global Fund.
After the Technical Panel Review but before GAC approval

The foreign exchange difference (gains or losses) resulting from the update of the budget rate must be disclosed to GAC, as well as the related use of gains or reprioritization of interventions/activities in case of foreign exchange losses.

The GAC will make the final recommendation on the investment of the foreign exchange gains, or the results of the reprioritization to cover foreign exchange losses.

If such losses significantly affect the ability of the grant to achieve its objectives, the scope and scale of the grant should be adjusted.

Activities that cannot be funded due to foreign exchange losses should be included in the Unfunded Quality Demand Register.

If savings are identified during grant implementation, such activities could then be funded.

Additional funding could also be requested through the portfolio optimization process.

After Board approval

Changes to the grant resulting from foreign exchange difference (gains or losses) will be processed as per the Operational Policy Manual, Section 2.2: OPN on Grant Revisions.

For grant revisions involving use of foreign exchange gains, in addition to the approval authority defined in the Operational Policy Manual, Section 2.2: OPN on Grant Revisions, the approval to invest the investment of foreign exchange gains will follow the table 1 below. Please see Appendix 3 for more information.

<table>
<thead>
<tr>
<th>Amount of Net Forex Gains to be invested</th>
<th>Grant Management</th>
<th>Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;USD 5,000,000</td>
<td>Regional Managers/ Department Head&lt;sup&gt;28&lt;/sup&gt;</td>
<td>Regional Finance Manager</td>
</tr>
<tr>
<td>USD 5,000,000 &lt;= X &lt; USD 10,000,000</td>
<td>Head of Grant Management Division</td>
<td>Head of Program Finance and Controlling</td>
</tr>
<tr>
<td>&gt;= USD 10,000,000</td>
<td>Grant Approvals Committee</td>
<td></td>
</tr>
</tbody>
</table>

92. The exchange rate used to report expenditures to the Global Fund should ideally be the actual exchange rate applicable on the date of payments of expenditure, or the annual/period average exchange rate, using an official or published verifiable rate consistent with the budgeting approach and country norms. The applicable rate should be either from the national central bank or international foreign exchange benchmarking facility (e.g., Reuters, Bloomberg, and other sources).

93. It is not permissible for implementers to apply weighted average exchange rates calculated from different tranches of disbursement receipts from the Global Fund for the conversion and reporting of expenditures and in-country cash balances.

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<sup>26</sup> As part of the grant approval process through the Grant Making Final Review Form

<sup>27</sup> Gross foreign exchange gains less the contingency reserve

<sup>28</sup> For High Impact Departments
3.6 Program Management Costs

94. Program management costs constitute a critical part of the interventions of health programs. The Principal Recipient and sub-recipients should include in the budget relevant program management costs that address proper management, risk mitigation and assurance. These costs should be appropriate to the risk and context of the program and represent a balance between optimizing essential services and programmatic needs, while ensuring management support required to deliver the results.

95. While the Global Fund does not prescribe a specific proportion of program management costs from the overall funding allocation, the portion used should be comparable to similar programs in similar country contexts. Principal Recipients should seek relevant benchmarks from partners and other donors and approach the Global Fund to understand the expectations with regards to the proportion of program management costs in relation to the whole program, given country specific risks and challenges.

96. Program management costs, their proportion and composition reflecting program implementation structure, and risk management model should be discussed by the Country Coordinating Mechanism 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.

97. Program management costs can include the following types of costs for the implementation of a Global Fund-supported program, by Principal Recipients and sub-recipients:

- Human resources (excluding the cost input “1.2 Salaries – outreach workers, medical staff and other service providers”)
- Travel-related costs
- External professional services
- Non-health equipment
- Indirect and overhead costs

3.6.1. Shared Costs

98. Shared costs are defined as “the cost\(^{29}\) of value-adding activities\(^{30}\) that cannot be directly attributable to a single grant or program in an economically feasible way therefore allocated to two or more funding sources\(^{31}\) or different Global Fund grants”. For example, shared costs may include office rent, vehicles, office utilities and program management (including finance, procurement, internal audit, administration, monitoring and evaluation services).

99. The principle of shared costs should be applied considering the trade-off between efficiency, level of effort and related risk(s) in the implementation of Global Fund-supported programs to improve health outcomes and maximize impact.

100. “Shared costs” are critical for the sustainability of implementer services. The Global Fund encourages implementers to identify and budget for the shared services costs to ensure:

- functional expertise, improve grant performance and reduction of transaction costs;
- administrative & operational efficiency and effectiveness of services delivery;
- economy of scale and sustainability of the services; and

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\(^{29}\) A cost is the measure of resources used for the achievement of grant/program objectives

\(^{30}\) Value-adding activities are those activities that are necessary, reasonable and contribute directly or indirectly to the achievement of program objectives (including programmatic, financial and reporting).

\(^{31}\) Government, the Global Fund, other donors and other funding sources.
• costs for related services are shared amongst several Global Fund grants and/or multiple donor or funding sources;

101. In designing an operational approach for the execution of “shared costs” principles, grant implementers need to ensure that the following scenarios are not a part of the “shared costs” approach:
• the cost can be attributable to a single source of funding, a single grant/program; and
• the cost of opening or establishing a country office by an implementer (s) (e.g. INGO, Regional Organizations etc.) are generally ineligible costs for Global Fund funded programs and cannot be integrated in the shared-costs pool.

102. The principle of shared costs can be applied by government implementers that meet the above criteria when shared cost principles enhance sustainability, value-for-money, performance and generate economies of scale in the delivery of services.

3.6.1.1. Budgeting

103. Implementers have two options for budgeting shared costs:

![Diagram: Shared Cost - Costing-Based % of Grant Amount]

104. Implementers may choose one of these approaches for budgeting the shared cost subject to the following key principles. Once a method is chosen, it should be applied consistently to all the grants being implemented by the same organization.

<table>
<thead>
<tr>
<th>Type</th>
<th>Costing Based</th>
<th>% of Grant Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-requisites</td>
<td>• Low capacity (per capacity assessment tool) and high risk (per the Integrated Risk Management tool) Implementers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The shared costs can be aggregated, charged and reported in an economically feasible way (system in place to record, trace and report)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Appropriate allocation method is clearly defined and included in the budget assumptions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• High capacity and low risk implementers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The cost of aggregating, charging and reporting on individual shared cost overrun the related benefits</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Appropriate allocation method is clearly defined and included in the budget assumptions</td>
<td></td>
</tr>
</tbody>
</table>

105. To come up with the appropriate method for the costing-based allocation (cost allocation key), implementers should consider the following steps:
• **Identify value-adding activities**: the implementer should identify all shared activities that are necessary, reasonable and contribute directly or indirectly to the achievement of program objectives and are not directly charged to any other sources of funding or any other grant.
For example, office rent, electricity, utilities, mail, telephone, internet, insurance, fuel, security, and cleaning etc.

- **Identify cost pool:** Group/pool all the related activities in a specific cost pool. For example, the above-mentioned activities should be grouped into office related costs.

- **Identify the cost drivers (allocation basis):** A cost driver is the basis used to assign the cost pool to a specific budget line or cost input. The implementer should define relevant and appropriate cost driver for each cost pool. For example, the grant amount or number of staff can be used to allocate the office related costs.

- **Allocate the pool cost based on cost drivers:** the cost of the pool should be allocated based on the relevant cost drivers.

106. Please refer to Appendix 4 for detail on potential cost pools, cost drivers and allocation basis.

107. **For % of grant amount allocation**, the following conditions apply:

<table>
<thead>
<tr>
<th>Grant Amount (US$) – Excluding PPM</th>
<th>Maximum allowable %</th>
<th>Maximum Amount (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Grant per Implementation Period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 1 million</td>
<td>10 %</td>
<td>0.1 million</td>
</tr>
<tr>
<td>1 million to &lt; 10 million</td>
<td>8%</td>
<td>0.8 million</td>
</tr>
<tr>
<td>10 million to &lt; 30 million</td>
<td>6%</td>
<td>1.8 million</td>
</tr>
<tr>
<td>30 million to &lt; 50 million</td>
<td>5%</td>
<td>2.5 million</td>
</tr>
<tr>
<td>50 million to &lt; 100 million</td>
<td>4%</td>
<td>4 million</td>
</tr>
<tr>
<td>100 million to &lt; 200 million</td>
<td>2.5%</td>
<td>5 million</td>
</tr>
<tr>
<td>200 million or greater</td>
<td>2%</td>
<td></td>
</tr>
</tbody>
</table>

108. All shared costs should be included under the cost input “11.5 Shared costs” irrespective of the nature of the expenses.

3.6.1.2. **Execution**

109. The implementer should have in place a financial management information system to systematically trace and appropriately charge the shared costs to the various program or sources of funds. If the financial management information system does not support this, the implementer should maintain a memorandum account/record that supports the entries in the system.

110. The same methodology used for apportionment of shared costs in the latest approved budget should be applied for expenditure apportionment. The shared costs to be charged against budget should be based on the scope of activities, actual expenditures incurred on those activities and total expenditure for grant & entity.

111. The actual shared costs expensed and reported to the Global Fund should be based on the actual expenditure incurred by the implementer and not the budgeted amount. For example, actual office related cost should be allocated to a specific grant as “total actual office related cost/total actual expenditure of the implementer” actual expenditure for the specific grant”.

December 2019
Geneva, Switzerland
3.6.3. Reporting

112. Shared costs and related allocation basis should be reported as part of the Progress Update/Disbursement Request for verification by the Local Fund Agent and included as an integral part of the financial statements for audit purpose.

113. Shared costs should be reported under cost input “11.5 Shared Costs”.

3.7 Mandatory Direct Payments

114. To increase the efficiency in funds management and mitigate risks, goods and services provided by the third-party organizations listed below and which are contracted by Principal Recipients will trigger a mandatory direct disbursement by the Global Fund, on behalf of the Principal Recipient, unless otherwise agreed in writing by the Global Fund.

115. Partnering organizations include:
   - the United Nations Funds, Programmes, Specialized Agencies and Others;
   - the Global Drug Facility (GDF);
   - the IDA Foundation (IDA);
   - the Partnership for Supply Chain Management (PFSCM);
   - iPlus Solutions (i+);
   - the Alliance for Malaria Prevention (AMP); and
   - others as approved by the Global Fund.

116. All contractual arrangements are under the responsibility of the Principal Recipient. The Global Fund will process a disbursement to the partnering organizations, upon receiving a request from the Principal Recipient and evidence of a signed agreement between the Principal Recipient and third-party organization.

117. Any payment made to the organizations listed above directly by the Principal Recipient may be classified as non-compliant expenditure by the Global Fund.

118. The list of partnering organizations will be updated as needed by the Global Fund, and Principal Recipients will be notified accordingly.

3.8 Key Populations

119. Key populations in the context of HIV, TB and malaria are those that experience a high epidemiological impact from one of the diseases combined with reduced access to services and/or being criminalized or otherwise marginalized.

120. The Global Fund and its partners have a common goal to expand access to HIV prevention and treatment services for key populations.

121. The Global Fund and its partners are committed to close the gap that exist for key populations in the HIV response by supporting investments that reduce stigma and discrimination, empower communities in the design and delivery of services and increase data quality on key populations.

122. For every grant budget with a HIV component, implementers will be required to breakdown the investments per key populations at interventions level.

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For further details on the direct disbursement requirements, refer to the Operational Policy Manual, Section 2.1: OPN on Annual Funding Decisions and Disbursements.

December 2019
Geneva, Switzerland
3.9 Payment for Results

3.9.1. Results Based Financing

123. 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). It focuses on national systems, value for money and impact, rather than on input management. It allows for the flexible use of grant funds within pre-agreed parameters.

124. Results Based Financing is to be considered where it can result in increased effectiveness of the program and ultimately maximized impact of the investment towards national health outcomes or specific program area health outcomes.

125. Results Based Financing can enable flexibilities in the use of grant funds at country level and incentivize the use of fit for purpose systems (either government, or community-based systems, depending on the objective and design of the Results Based Financing) for financing and implementing activities, thus increasing country ownership and strengthening sustainability of programs.

126. Results and corresponding payments are agreed upfront (e.g. programmatic, financial, milestones). The emphasis is on achieving the program objectives based on measurement of selected indicators.

127. Payments can be made a posteriori\(^{33}\) or include the concept of working capital (or pre-payment).

128. The progress and results (not inputs) are monitored, so implementers have flexibility to manage resources as they see fit to achieve the results.

129. The verification of reported results is done through independent annual data consistency checks.

130. The Results Based Financing grant modality can be supported by any Funding Request type.

131. Results Based Financing does not need to be applied to the whole investment and can be used for certain interventions in a grant.

3.9.2. Activity Based Contracts

132. Activity Based Contracts are a contracting arrangement where suppliers or service providers agree to deliver specific output(s) within an agreed time period and price, with less focus on processes or inputs\(^{34}\) to be deployed to achieve the desired output.

133. In order to improve efficiency, effectiveness and economies of scale for the grant, the Principal Recipients and/or sub-recipients may use Activity Based Contracts for the implementation of parts of a program or for a specific activity (milestones/outputs indicators), subject to:

(i) Principal Recipients/sub-recipients meeting certain criteria as outlined in the paragraph below;

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\(^{33}\) Meaning of “a posteriori” (from Latin, formal) analyzing something by starting from known facts and then thinking about the possible causes of the facts.

\(^{34}\) Principal Recipients are still expected to comply with the terms of the grant regulations, including where such terms require passing on certain obligations to suppliers/service providers.
(ii) service providers meeting minimum capacity requirements (including but not limited to the factors outlined in Appendix 5); and
(iii) the approval of the Global Fund.

134. The Global Fund encourages this contracting modality for organizations implementing activities and providing services below the value of US$100,000 annually. However, if the total amount of activities to be implemented exceeds the lesser of either US$3 million or of 20% of the specific grant amount for a particular implementation period, this modality must be approved by the Global Fund during grant-making or as required during grant implementation.

135. Under this approach, sub-recipients and service providers are both accountable to the Principal Recipients.

136. Activity Based contracts should be included under cost input “13.2 Service Contracts Suppliers, Community Based Organizations and other service providers”.

137. Refer to Appendix 5 for detail on the key phases in the delivery of goods or services under this approach.

3.9.3. Incentives Payments

138. The Global Fund is committed to harmonizing allowance practices (payment of salaries and applicable per diem rates) with donor partners and aligning them with the country’s own system and policies. The Global Fund has put in place measures to rationalize the payment of incentives, travel per diems and transportation practices for its supported programs.

139. To avoid creating distortion within different public health programs and to support the sustainability of the human resource strategy in the long-term, the Global Fund resources should not be used for the payment of “salary top ups”.

140. In exceptional circumstances, the Global Fund may approve the payment of incentives to public sector staff involved in implementing Global Fund-supported programs, through a service-based contract payment.

141. In all cases, incentives will be task- or performance-based through a simplified and transparent performance management process, showing clear links to results:

   i. Task-based incentives are incentives paid to program management staff, when their current duties do not include the scope of managing donor projects and additional requirements. An example of a task-based incentive would be to a district level accountant for additional reporting forms submitted on time.

   ii. Performance-based incentives are incentives paid to anyone whose efforts could be linked to performance targets expected to be achieved by the Global Fund supported program. An example would be an incentive paid to a health worker for each patient who has achieved three-month adherence in their treatment. Linking an incentive to a specific result (treatment adherence), rather than task (number of patient visits) would also address the quality/outcome aspect of the service provided by the health worker.

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35 The use of Activity Based Contracts must be formalized in the relevant grant agreement either at the time of signature, or through an implementation letter.
36 Salary top-ups refer to official cash payments or transfers (that are not task or performance-based) that a civil servant/government official receives above what other staff in the same grade and pay scale receive.
142. Incentive payments must be appropriately justified and are subject to approval by the Global Fund.

143. Incentives costs should be included under cost inputs “13.3 Incentives for Principal Recipient and Sub-Recipients staff members” or “13.4 Incentives for Community Health Workers (CHW), outreach workers, medical staff and other service providers”.

144. It should be noted that in some programs there are “incentives” paid to community health workers that are not task or performance based. Community health workers as a norm are not employed by the national health services and are part of the volunteer community-based support, so such payments should not be categorized as incentives, but rather fall under cost input “1.2 Salaries – outreach workers, medical staff and other service providers”.

145. When the government has pledged to devise a sustainable remuneration program as part of a broader civil/public service reform to enhance motivation/retention schemes, the Global Fund, in coordination with other donors, may participate in financing such broader schemes under Resilient and Sustainable Systems for Health interventions. This scheme must be designed and supported by the government and in-country partners to enhance the overall efficiency and effectiveness of service delivery interventions for Global Fund grants. Such investment cases should be presented as part of the funding request and recommended by the Technical Review Panel.

3.10 Differentiation of budgeting and reporting

146. Standard requirements are to budget and report by interventions and cost inputs. Variance reports should be generated at the same level of classifications.

147. As part of the Differentiation Framework, the Global Fund has revised the country classification, resulting in three categories of portfolios – Focused, Core, and High Impact. The categorization of each portfolio is updated every allocation period.

148. Focused portfolios, unless instructed otherwise by the Global Fund, can budget and report using the broad categories by intervention and cost groupings.

149. The diagram below illustrates the Global Fund required budgeting and reporting granularity based on the country’s classification.
150. Implementers under Core and High Impact portfolios may be authorized to budget and report using the broad categories by intervention and cost groupings, through written pre-approval from the Global Fund. The request should be made prior to submission and approval of the detailed budget.

151. Portfolios categorized by the Global Fund as “Challenging Operating Environments”, may be granted additional flexibilities regarding budgeting and reporting requirements. For more information, please see the Operational Policy Manual, Section 1.4 : OPN on Challenging Operating Environments (COEs).
4. Budgeting in the Grant Life Cycle

4.1 Overview

152. In submitting a funding request, and for any subsequent budget submissions, the applicant will consider the following items during country dialogue, funding request development and grant-making:

- preparation of budgets for all significant activities of the Principal Recipient and sub-recipients, in sufficient detail, using the Global Fund modular approach and costing dimension;
- clear and tangible linkages between programmatic indicators for impact and financial targets, to provide a meaningful tool with which to monitor subsequent performance;
- significant emphasis on ensuring that grant management plans and budgets are realistic, based on valid assumptions, are developed by properly qualified individuals and represent value for money;
- putting in place rigorous procedures to plan activities, collect information from appropriate entities in charge of the different components, and prepare budgets;
- instituting a budgetary control mechanism whereby actual expenditures are compared to the budget and programmatic progress with reasonable frequency, and explanations required for significant variations from budget; and
- ascertain if pre-approvals of budgetary adjustment will be required and under which circumstances.

4.2 Funding Request Budget

153. The development of a funding request requires a collaborative and iterative process as part of country dialogue. There needs to be active involvement and feedback of all stakeholders, including in-country partners, and the Country Coordinating Mechanism. The Global Fund Secretariat provides relevant guidance on the overall mechanism and applicable tools to support the stakeholders. Applicants should ensure that the relevant in-country iterations have been completed and validated by the key stakeholders prior to submission of the funding request budget to the Global Fund.

154. The funding request can be submitted for one or multiple components (a combined funding request). The diagram below provides a summary of the stages of the budgeting process for the funding request.

37 Including any risk mitigation and assurance activities agreed with the Global Fund (if applicable).
155. The funding request budget should provide the strategic investment and intervention choices made by the applicant. As part of a simplified and differentiated approach, initial “best estimate” budgets by intervention and cost grouping are the minimum requirements for the submission of a funding request. Applicants can opt to provide a detailed budget (covering individual activities) at this stage, but this is not mandatory. This also provides flexibility to countries to attain a broad-level estimate of overall funding requirements for the country over the next three years in line with their communicated allocation.

156. Minimum budget requirements are:

- modules – selected from a prescribed list per disease component (see the Modular Framework Handbook);
- interventions – related to the module selected from the prescribed list (see the Modular Framework Handbook);
- proposed implementer(s);
- cost grouping – selected from a prescribed list (see Appendix 1);
- amount per year and per intervention in grant currency; and
- breakdown by key populations (for programs with an HIV component).

157. The following are therefore the key information requirements for budgets at this stage:

- a description of the intervention, including details of:
  - the target population and geographic scope;
  - the implementation approach;
  - other relevant information;\(^{38}\)
- the annual funding required for each intervention, including the following qualitative details:
  - cost assumptions, for example latest historical cost, quotations provided by vendors.;
  - reference to development partners’ costing tools (such as Roll Back Malaria’s malaria costing tool, the Malaria Strategic and Operational Plan Costing Tool, OneHealth Tool, and other tools).
- proposed implementing Principal Recipient(s) and sub-recipients (if available).

158. Some applicants may opt\(^ {39}\) to prepare a more detailed budget at the funding request stage, which can then be consolidated into an intervention-based budget for submission to the Global Fund.

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\(^{38}\) Like the Health Product Management Tool, when the Global Fund funding is requested to cover health products and/or associated management costs.

\(^{39}\) Especially when the time between funding request approval and anticipated Board approval is intended to be short, countries could gain efficiency in starting with a detailed budget.
159. In cases where the latest historical costs of certain known activities in an intervention are already available, and to avoid the risk of under- or over-budgeting, instead of a narrative on key activities as required for funding requests, the applicant can submit a detailed budget. Submission of the detailed budget option at the funding request stage is entirely discretionary and based on country preference.

### 4.3 Grant making Budget

160. Once a funding request is recommended for grant making, the nominated Principal Recipients\(^\text{40}\) are required to develop a detailed budget using the full modular approach and costing dimension as basis. The standard requirement is budgeting by interventions and cost inputs. As part of the differentiation framework, implementers may be authorized to budget using the broad categories by intervention and cost groupings (see section 3.10 “Differentiation of budgeting and reporting”).

161. Each Principal Recipient should submit a detailed budget for review and approval by the Global Fund. This budget should be based on the cumulative funding recommended for the funding request, including any above-allocation funding. The budget will provide the following information and justification:

- alignment of the detailed budget to the recommended funding request, taking into account any adjustments communicated in the Review form by the Global Fund’s Technical Review Panel and Grant Approvals Committee;
- assumptions used for unit costs based on historical data and/or pro forma invoices when necessary.

162. The diagram below provides a summary of the stages of the budgeting process for grant making:

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\(^{40}\) This is subject to the completion of the capacity assessment and minimum standards for each Country Coordinating Mechanism-nominated Principal Recipient.
163. Applicants will submit the detailed budget using the official Global Fund’s detailed budget template, including the following core information:

- modules – selected from a prescribed list per disease component (see the Modular Framework Handbook);
- interventions – related to the module selected from the prescribed list (see the Modular Framework Handbook);
- activity – individual descriptions;
- implementer – the entity that would implement and manage the associated budget line;
- cost input – selected from a prescribed list (see Appendix 1);
- payment currency – is the currency which will be used to pay for goods and services, it could be the grant currency, local currency or any other currency. For example, salaries will usually be paid in local currency, and health products are usually paid for in U.S. dollars;
- unit cost at the start of the budget, and annual inflation/increase factor;
- quantities required for each period to achieve program objectives;
- period (quarter) – this should be the estimated period of payment. Generally, this excludes procurement lead times for delivery of goods/services/commodities unless there is a specific clause in the grant agreement citing a national legal requirement to access funding prior to the initiation of the procurement process;
- breakdown by key populations (for programs with an HIV component).

### 4.4 Budget approval mechanism

164. The summary budget is automatically produced from the information provided in the detailed budget for all the stages of the budgeting mechanism (funding request, grant-making, grant revisions, and other stages). The summary budget reflects the costs of each intervention (modular approach) and cost grouping using standard budget classifications provided in the costing dimension (cost inputs/cost grouping).

165. The Global Fund is responsible for the overall review and approval of the budget. The Local Fund Agent may be tasked to perform a budget review and provide the analysis directly to the Global Fund.

166. The review and approval of the budget is dependent on the completion and approval of the Performance Framework and the Health Products Management Tool.

167. To ensure efficient and timely review and approval, the Principal Recipient should include all unit cost assumptions and submit all relevant supporting documents. The Global Fund or the Local

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41 The entity that would receive the funding associated with this budget line, undertake the procurement and ensure payment of the relevant good and services.
42 As part of the differentiation framework, some implementers may be authorized to provide the detailed budget using the broad cost grouping category.
43 With the exception of expatriate staff members who may be paid in other currencies.
44 Principal Recipients should use and apply relevant benchmark prices from historical costs or as published by the Global Fund or development partners (if a Global Fund benchmark is not available). These should be based on pro forma invoices (at least three quotations when necessary).
Fund Agent may request additional information, which the Principal Recipient should provide in a timely manner.

168. The Country Team will keep the Principal Recipient informed throughout the review process. Additional clarifications and/or budgets that do not comply with these guidelines could encounter additional delays in the approval process.

169. Once approved by the Global Fund Board, the budget is captured in Global Fund systems as the official approved budget and used as the basis for financial reporting unless it is modified through an implementation letter. The most recently approved summary budget, as attached to the grant agreement or an implementation letter, is also the “baseline budget” and all budget adjustments will be compared against this version for the establishment of materiality thresholds.

170. The regular budget vs. actual variance analysis for expenditure reporting to the Global Fund will be based on the baseline budget. All other modifications should be treated as variances only and the Principal Recipient should not update the budget figures for reporting purposes. Explanations for any such adjustments should be included in the variance analysis.

4.5 Budget Revisions – grant implementation

171. During the normal course of grant implementation, a Principal Recipient should undertake periodic budget reviews to identify necessary budget changes. Budget revisions may be necessary to respond to program realities. For example, to reflect changes in unit costs of items being purchased.

172. Budget revisions are adjustments that are purely budgetary in nature, do not represent a change in the total approved funding for the relevant implementation period, and do not affect the Performance Framework. Budget revisions are classified as “material” and “non-material” for the purpose of establishing a precise and clear mechanism for approval of budget adjustments.

4.5.1. Material and non-material budget revisions

173. The table below sets forth the default definitions of material and non-material budget revisions. The thresholds set forth below are cumulative for the entire implementation period and are always compared to the “baseline budget” to establish the materiality level.

<table>
<thead>
<tr>
<th>Non-material budget revision</th>
<th>Budget revision for any standard intervention</th>
<th>Budget revision for any discretionary cost category</th>
<th>Is Global Fund prior written approval required?</th>
</tr>
</thead>
<tbody>
<tr>
<td>For Core and High Impact countries Less than 15% change to the total budget for any</td>
<td>For Core and High Impact countries Less than 5% increase to the total budget of any discretionary cost category</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

Changes to the original grant agreement budget must fully comply with the provisions outlined in paragraph 202 of this document.
intervention (either an increase or decrease)\(^{46}\)  

For Focused Countries  
**Less than 30% change** to the total budget for any intervention (either an increase or decrease)\(^{47}\)

| Material budget revision | (i) Any budget revision above the non-material budget revision thresholds defined above  
(ii) Any budget revision that introduces new modules and interventions | Yes |

174. The default definition of a discretionary cost category includes: human resources, travel-related costs, external professional services, non-health equipment, and indirect costs/overheads. Other pre-defined categories may be added to the list of discretionary cost categories, taking into account country context and grant-associated risks, and will be communicated to the Principal Recipient in the grant agreement or in an official legal notification.

175. In specific cases, including based on the country risk assessment, the Country Team may establish alternative definitions of “material” and “non-material” budget revisions\(^{48}\), which might differ from the above-mentioned definitions. In all such cases, the definitions established by the Country Team will be communicated in writing to the Principal Recipient, and the Country Team-established definitions will override the definitions set forth in these guidelines.

176. As noted above, material budget revisions require prior written approval from the Global Fund prior to the initiation of the activity and related payment. The approval must be formalized by an implementation letter before the next reporting period. Principal Recipients can undertake non-material budget revisions without prior approval of the Global Fund.

177. The thresholds are only applicable to budget revisions that do not change the performance framework. If budgetary revisions are accompanied by changes to the indicators and targets in the performance framework, the [Operational Policy Manual](#), Section 2.2: OPN on Grant Revisions should be followed.

178. For any budget revisions:

i. implementers can create new activities within an approved intervention if they demonstrate that this activity is in line with program objectives and is strategic to reach targets/objectives.

ii. the costing of all new activities should be based on the latest approved assumptions used for budgeting +/- adjustments due to change in macro-economic factors (FX rate and inflation).

\(^{46}\) Including both the “increasing” intervention (which receives the funds) and the “decreasing” intervention (the intervention from which the funds are taken).

\(^{47}\) Including both the “increasing” intervention (which receives the funds) and the “decreasing” intervention (the intervention from which the funds are taken).

\(^{48}\) The thresholds applicable to a non-material revision may only be increased with the prior written approval of the Head of the relevant Grant Management Department and Head of Program Finance and Controlling.
iii. where none of the assumptions used for budgeting is relevant for the new activities, the Principal Recipient should document the basis of costing used for such new activities and add it as an attachment to the budget.

iv. implementers follow their internal procedures of budget modification with an explanatory note and the formal approval of the relevant authority at the implementer level. When requested, such explanatory note and formal approval will serve as a basis for verification by the Global Fund and/or one of its agents (such as fiscal agent or Local Fund Agent). In the absence of a formal advance written approval, expenditures may be classified as non-compliant by the Global Fund.

179. Budget revisions are calculated on the budget at intervention level for the full implementation period and not on the budget at intervention level of a given year. The budget revisions are calculated on both the “increasing” intervention (which receives the funds) and the “decreasing” intervention (where the funds are taken from).

180. Similarly, budget revisions for a discretionary cost category are calculated on the cost grouping budget for the full implementation period, and not on the cost input budget of a given year.

181. It means that material budget revisions can also be triggered by cumulative non-material budget revisions. Consequently, Principal Recipients should put in place mechanisms to track and ensure that cumulative non-material budget revisions do not constitute a material budget revision without the prior approval of the Global Fund throughout the implementation period.

182. 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. In the event that such expenditures are not accepted by the Global Fund, they will be classified as non-compliant and the Global Fund will request reimbursement from the Principal Recipient.

183. 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 the grant agreement or in an official legal notification. Budget revisions that could potentially require pre-approval by the Global Fund may include:

- a requirement in the grant agreement specifically requires prior approval for a budget revision.
- budget revisions related to salaries and salary top-ups, which may cause special concerns regarding sustainability of the program. Indicative examples may include:
  - increases in the grades, numbers or levels of effort of expatriate staff charged to the grant budget;
  - increases in the numbers or grades of local staff employed by an international organization or UN agency compared to the submitted organigram and detailed budgets.
- budget revisions the Country Team determines should be pre-approved, such as:
  - increases in the approved budget for international travel of any implementer (Principal Recipient or sub-recipient);
  - increases in the budgeted unit costs for the reimbursement of patient living support, per diems, or fuel rates.

49 See section 5 below on the classification of non-compliant expenditures.
184. The above examples are indicative and may be applied at the discretion of the Country Team based on the context of the grant and/or associated risks.

185. The Principal Recipient will report these as regular expenditures and provide comments in the budget variance analysis.

186. Implementers should have material budget revisions approved by the Country Coordinating Mechanism before submitting them for approval to the Global Fund. This is not mandatory for non-material revisions.

187. Please see Appendix 6 for more details and examples on the budgetary revisions.

4.5.2. Revising the summary budget

188. The summary budget is part of the grant agreement and can only be revised through an implementation letter signed by both the Global Fund and the Principal Recipient in the following circumstances:

i. Program Revision\(^{50}\) as per the Operational Policy Manual, Section 2.2: OPN on Grant Revisions;

ii. additional funding or a reduction in funding;

iii. extension of the grant implementation period;

iv. material budget revisions (as defined above);

v. addition of a close out period budget as per the Operational Policy Manual, Section 3.1: OPN on Implementation Period Reconciliation and Grant Closure.

189. Also, in instances, where the summary budget needs to be updated to identify sub-recipients or to add or change sub-recipients, the Global Fund will provide written approval to the Principal Recipient for a budget revision, and the update will be effected through the next implementation letter, as maybe required by the Global Fund.

\(^{50}\) A Program Revision (formerly referred to as a “reprogramming”) is the process of changing the scope and/or scale of a Global Fund-supported program within already approved funding ceiling and current implementation period.
5. Eligibility of Grant Expenditures and Recovery Process

5.1 Overview

190. Expenditures incurred by implementers through Global Fund grants may be classified as “compliant” or “non-compliant”. The eligibility of the expenditure is initially determined by the Local Fund Agent and/or other Global Fund assurance providers, such as internal auditors and external auditors, with the final decision being from the Global Fund.

191. In addition, the Global Fund’s Office of the Inspector General, as part of its audits and investigations, can identify non-compliant expenditures.

5.2 Eligibility of grant expenditures

192. Compliant expenditures are those that have been incurred following the terms of the relevant grant agreement, including the terms of these guidelines and have been validated by the Global Fund Secretariat and/or its assurance providers based on sufficient and appropriate documentary evidence. They can also be those expenses that have been pre-approved in writing by the Global Fund.

193. Non-compliant expenditures refer to expenses incurred that are not in line with the provisions the signed grant agreement or the appropriate financial and procurement procedures of the implementer or grant. Non-compliant expenditures 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 (or goods or services purchased with grant funds).

194. Table 3 shows a non-exhaustive list of expenditures that could be classified as non-compliant by the Global Fund.

195. The Global Fund, at its discretion, can request implementers\(^\text{51}\) to fully or partially reimburse any expenditures classified as non-compliant\(^\text{52}\) (see the section on recovery process).

\(^{51}\) The Principal Recipient is responsible for reimbursing any confirmed non-compliant expenditure to the Global Fund, whether such non-compliant expenditure results from its actions (or lack of action) or the actions (or lack of action) of other implementers, contractors or other third parties.

\(^{52}\) The Global Fund also has the right to request refunds in other circumstances in accordance with the grant agreement, such as when the grant agreement has been terminated or suspended or when there has been a breach of any provision of the grant agreement.
Unsupported expenditures refer to those for which all or part of the
documentation or approvals required under applicable rules (e.g., the
Principal Recipient’s procedures, generally accepted accounting principles,
national procurement regulations, etc.) were not provided for during the
review by the Global Fund or one of its assurance providers. Specific types
of unsupported expenditures are detailed below:

- **Absence of supporting documents for the expenditures**: Where no
evidence was provided to justify the expenditure of grant funds, and it
was difficult or impossible to verify whether the expenditures were
incurred in accordance with the terms of the relevant grant agreement.

- **Insufficient and/or inappropriate supporting documents for the
  expenditures**: Where the documentation presented was either
insufficient and/or inappropriate to support the expenditures claimed by
the implementer and whether they were incurred in accordance with the
terms of the relevant grant agreement.

- **Missing or inappropriate signatures/authorizations**: Where the
  expenditures were not signed or duly authorized in an appropriate
manner, as stipulated in the applicable manual of procedures and/or
signature authority and approval procedure of the implementer (such as
a missing and/or wrong signatory on the payment voucher or instruction
to the bank).

Expenditures that are non-compliant may include, but are not limited to:

- Incomplete books and records;
- Lack of supporting documents to explain variances in the financial
  reports submitted by sub-recipients (e.g., reconciling cash advances),
  and actual sub-recipient expenditures;
- Lack of third party documentation such as original invoice or
  unavailability of receipt acknowledgment (such as in the case of a
  training per diem);
- Lack of evidence of receipt of goods or performance of services
  (especially for training activities and other
  information/education/communication events);
- Absence of justification for fuel consumption/purchase (especially in the
  presence of conflicting odometer readings or expected programmatic
  scope);
- No evidence of consumption or delivery of goods or services as per the
  financial and programmatic rules applicable to the Principal Recipient;
- Lack of boarding passes/hotel invoices to support travel claims;
- Lack of supporting documentation for supplies and suppliers evidencing
  the existence of goods or services (inventory, receipt, invoices and proof
  of payment, as the case may be);
- Lack of signature of employee on employment contract;
- Absence of signature on per diem claims and attendance sheets, or
  duplications/inconsistencies in the signature sheets;
- Insufficient number of authorized signatures for the amounts claimed;
- Payment was made to an individual, but the supporting invoice was
  provided by a company;

| Unsupported Expenditures | Unsupported expenditures refer to those for which all or part of the documentation or approvals required under applicable rules (e.g., the Principal Recipient’s procedures, generally accepted accounting principles, national procurement regulations, etc.) were not provided for during the review by the Global Fund or one of its assurance providers. Specific types of unsupported expenditures are detailed below:

- **Absence of supporting documents for the expenditures**: Where no evidence was provided to justify the expenditure of grant funds, and it was difficult or impossible to verify whether the expenditures were incurred in accordance with the terms of the relevant grant agreement.

- **Insufficient and/or inappropriate supporting documents for the expenditures**: Where the documentation presented was either insufficient and/or inappropriate to support the expenditures claimed by the implementer and whether they were incurred in accordance with the terms of the relevant grant agreement.

- **Missing or inappropriate signatures/authorizations**: Where the expenditures were not signed or duly authorized in an appropriate manner, as stipulated in the applicable manual of procedures and/or signature authority and approval procedure of the implementer (such as a missing and/or wrong signatory on the payment voucher or instruction to the bank).

Expenditures that are non-compliant may include, but are not limited to:

- Incomplete books and records;
- Lack of supporting documents to explain variances in the financial reports submitted by sub-recipients (e.g., reconciling cash advances), and actual sub-recipient expenditures;
- Lack of third party documentation such as original invoice or unavailability of receipt acknowledgment (such as in the case of a training per diem);
- Lack of evidence of receipt of goods or performance of services (especially for training activities and other information/education/communication events);
- Absence of justification for fuel consumption/purchase (especially in the presence of conflicting odometer readings or expected programmatic scope);
- No evidence of consumption or delivery of goods or services as per the financial and programmatic rules applicable to the Principal Recipient;
- Lack of boarding passes/hotel invoices to support travel claims;
- Lack of supporting documentation for supplies and suppliers evidencing the existence of goods or services (inventory, receipt, invoices and proof of payment, as the case may be);
- Lack of signature of employee on employment contract;
- Absence of signature on per diem claims and attendance sheets, or duplications/inconsistencies in the signature sheets;
- Insufficient number of authorized signatures for the amounts claimed;
- Payment was made to an individual, but the supporting invoice was provided by a company; |
<table>
<thead>
<tr>
<th>Expenditures incurred outside of the scope or period of the grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>This category refers to the expenditures incurred for activities that occurred outside of the scope or the period of the grant. Specific types of such expenditures are detailed below:</td>
</tr>
<tr>
<td>• <strong>Expenditures incurred outside of the grant implementation period or close out period</strong>: refers to expenditures incurred, or activities performed, outside of the implementation period or close out period defined in the grant agreement.</td>
</tr>
<tr>
<td>• <strong>Expenditures for goods and services not included in the approved budget</strong>/work plans: where expenditures/activities do not relate to the grant, as per approved budgets and work plans for the period in question.</td>
</tr>
<tr>
<td>• <strong>Expenditures over approved budgets</strong>: where expenditures exceed what was approved in budgets and work plans, in amounts or quantity, for the applicable period.</td>
</tr>
<tr>
<td>• <strong>Expenditures in breach of the grant agreement</strong>: such as losses where grant funds are not prudently managed or are not held in an appropriate bank account.</td>
</tr>
</tbody>
</table>

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53 Except in cases where the implementer is within the allowed budget flexibilities (non – material budget revision) and the changes follow their internal procedures of budget modification.

54 Does not include expenditures incurred by implementers within the non-material threshold stipulated in section 4 of these guidelines and/or a specific provision in the grant agreement not requiring pre-approval.
Expenditures compromised by prohibited practices

These may include:

- **An undisclosed or unmitigated conflict of interest is discovered.**
- **Falsified or fabricated documents**: documents have been proven to be falsified or otherwise not authentic, either by the recipient or the supplier.
- **Expenditures compromised by prohibited behavior**: corrupt practices, fraudulent practices, coercive practices, collusive practices, abusive practices, obstructive practices, retaliation, money laundering, and financing of terrorism. These include expenditures in which there is a proven deception with an intent to mislead the Principal Recipient or the Global Fund and/or derive a benefit for the deceiving party, as per the applicable definitions under the grant agreements or in the Code of Conduct for Recipients or the Code of Conduct for Suppliers.
- **Partial or total diversion of assets to non-program uses**: misuse, embezzlement, misappropriation.
- **Waste**: disregard for efficiency, value for money. Spoilage or loss of goods due to negligence, poor storage conditions, procurement within budget but with materially inadequate quantification, resulting in unused surplus.
- **Procurement irregularities**: an absence of a competitive tender or other procurement issues at the Principal Recipient or sub-recipient levels. For example:
  - absence of appropriate level of competition under the applicable rules;
  - asset substitution or payment without delivery.
- **Prices in excess of the prevailing market prices** for goods and services without proper rationale/justification.
- **Inadequate contracting practices**: lack of tangible deliverables, lack of inclusion of codes of conduct and access rights as per the grant agreement.
- **Non-competitive tenders/collusion/inappropriate facilitation payments**: includes collusive/coercive/corrupt practices, conflict of interest issues, tender specifications manipulated to favor a particular bidder.
Other types of non-compliance and mismanagement of grant funds

These may include:

- **Recoverable taxes** not recovered by the implementer within a reasonable period of time (six to nine months after incurring the actual expenditure).
- **Expiration** or **spoilage** of pharmaceutical and other health products resulting from negligence of the implementer(s).
- **Failure to replace** lost or stolen assets in accordance with the grant agreement.
- **Non-compliance with quality assurance for health products, and related issues**: procurement of products that do not meet the requirements outlined in the Global Fund’s quality assurance policies; biased/tailored tender specification limiting competition and favoring a specific product (or group of products).
- **Non-compliant sub-recipient agreements**: sub-recipient agreement not corresponding to the standards present in the grant agreement, lack of inclusion of codes of conduct and access rights.
- **Audit reports**: audit report missing, falsified, not submitted in time or where the procurement of audit firm was compromised.
- **No recognition as grant income** of other revenues (such as those from income-generating projects, interest income).
- **Use of interest income and/or other revenues** (such as those from income-generating projects) by implementers to incur expenditures without the prior written approval of the Global Fund.
- **Amounts impermissibly retained under the terms of the grant agreement**, such as cash balances that were not returned as required.
- Unauthorized payments to the organizations listed in Section 3.7

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55 Income generated from Global Fund grant investments (such as cash or commodity sales).
5.3 Recovery Process

196. This section describes the recovery process of the expenditures classified by the Global Fund Secretariat as non-compliant.

197. When expenditures are initially classified as non-compliant by the Global Fund in consultation with the Local Fund Agent and/or other Global Fund assurance providers, the Global Fund will notify the Principal Recipient through an official notification (such as a performance letter or notification letter) and request additional justification and/or reimbursement from the Principal Recipient.

198. The Principal Recipient has 60 days from the date of the official notification by the Global Fund to reimburse the stated amount, or to provide the relevant justification with appropriate supporting documents for review by the Global Fund (copying the Local Fund Agent).

199. Upon receipt and review of any additional justification and supporting documentation, the Global Fund may fully or partially reclassify the expenditure as compliant or may confirm that the expenditure remains non-compliant. If no justification or response is provided by the Principal Recipient within the 60-day deadline, the potential non-compliant expenditures identified will be deemed to be confirmed non-compliant expenditures. Any documents received later than 90 days from the date of the initial official notification by the Global Fund will be subject to an enhanced level of scrutiny, including referral to the Local Fund Agent or the Office of the Inspector General. In some cases, and at the discretion of the Global Fund, additional costs incurred as a result of this enhanced level of scrutiny will be supported by the Principal Recipient.

200. If the expenditure is confirmed as non-compliant, a refund request (a demand letter) will be communicated for the amount considered as non-compliant in the grant currency, generally using the exchange rate applicable on the date of the original expenditure transaction or the date of first notification of ineligibility. The Global Fund reserves the right to request interest on any non-compliant amounts to be refunded.

201. The amount requested in the demand letter be fully refunded by the Principal Recipient directly to the bank account specified in the demand letter within 60 days of notification. The Global Fund will not deduct non-compliant expenditures from future disbursements as a corrective measure except in the case of grants that operate entirely on a reimbursement basis. Implementers are required to repay non-compliant amounts requested for refund in cash. Failure to repay amounts requested may impact future Global Fund funding decisions and result in potential reductions or freezing of future funding.

202. In the event that the Principal Recipient is not able to refund the non-compliant expenditure within the stipulated 60 days following the demand letter, the Principal Recipient may submit a formal request to enter into a repayment plan with the Global Fund. This request should be made prior to the 60-day deadline. The repayment plan may be for a period of up to 12 months, depending on the nature of the ineligibility. A lengthier repayment plan would be subject to the approval of the Global Fund’s Recoveries Committee.

203. The figure below summarizes the recovery process for expenditures classified by the Global Fund Secretariat as non-compliant:

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56 For instance, partial reclassification may be considered if, upon verification of the prevailing market prices, the prices paid for goods and services are deemed inappropriately excessive. In such cases, the Global Fund may accept the “fair price” as eligible and the difference in price would be maintained as non-compliant.

57 As a general principle, exchange losses should be borne by the Principal Recipient.

58 The transaction costs associated with the reimbursement of non-compliant expenditures are borne by the Principal Recipients using the Principal Recipient’s own funds and not grant funds.
204. Expenditures classified as non-compliant by the Global Fund’s Office of the Inspector General in an audit or investigation report follow a different process. The Country Team refers all such cases to the Global Fund’s Recoveries Committee, which will submit a recommended recoverable amount for the Global Fund’s Executive Director’s approval based on the Office of the Inspector General’s findings. The Principal Recipient or other concerned party will generally have already had the opportunity to review a draft report or preliminary findings, consistent with the Office of the Inspector General’s Stakeholder Engagement Model⁵⁹.

205. While this internal process is ongoing, once the Principal Recipient has had the opportunity to review the initial audit or investigation findings, the Secretariat may engage in preliminary discussions with the Principal Recipient to determine its position regarding potentially recoverable amounts identified in the audit or investigation report but may not commit to a resolution without the approval of the Executive Director. At any time, the Secretariat may also commission the Local Fund Agent or another assurance provider to conduct additional follow-up work as appropriate.

206. Following the Recoveries Committee recommendation to the Executive Director, once the Executive Director provides his or her approval, a demand letter will be communicated to the Grantee and the Principal Recipient. The exchange rate used in the demand letter should be the rate used in the Office of the Inspector General audit or investigation report. As outlined above, the Principal Recipient may submit a formal request to enter into a repayment plan with the Global Fund in response to that demand letter.

⁵⁹ OIG Audit Stakeholder Engagement Model and OIG Investigations Stakeholder Engagement Model
6. Financial Reporting

6.1 Overview

207. The Global Fund requires a minimum set of reliable financial information regarding the implementation of grants. The financial reporting information fulfills several purposes, from external donor reporting and effective resources mobilization, to transparency and accountability, also allowing to analyze programmatic performance, potential financial risks and others. It provides the Global Fund and its stakeholders (including applicants and donors) robust budgeting and expenditure data for financial analysis that is also appropriately linked to the relevant programmatic indicators and results.

208. In order to facilitate compliance with Global Fund expenditure reporting classifications, the modular approach and costing dimensions should be included as entry fields or mapped in the accounting system of implementers, including the Principal Recipient and main sub-recipient. This allows better expenditure tracking. Implementers are strongly encouraged to have a system capable of tracking the initial official approved detailed budget and subsequent changes (including individual activities), and expenditures for these approved activities. However, activity-level details are not required to be reported to the Global Fund. At the time of reporting, based on expenditure entry and classifications, implementers should be able to consolidate and report expenditure.

6.2 Financial reporting principles and periods

209. The Principal Recipient should select an annual reporting cycle for Global Fund programmatic and financial reporting\(^{60}\) for each grant. This annual reporting cycle should be aligned to the country or Principal Recipient’s regular in-country reporting cycle for programmatic results and/or to their in-country financial reporting cycle. Country Coordinating Mechanisms and other applicants are strongly encouraged to ensure that the annual reporting cycles across all grants in a given disease component are aligned, to facilitate reporting across the disease portfolio.

210. In order to align the grant start dates with the selected annual reporting cycle, the first and last reporting periods of the grant could be longer or shorter than 12 months. The first period of the grant can be as short as three months or as long as 18 months. For example, if the grant start date is 1 April and the selected annual reporting cycle is January to December, the first reporting period\(^{61}\) should cover the period from 1 April to 31 December (i.e. nine months). The Global Fund at its own discretion may allow Principal Recipients to combine the first and second period annual reports when the first period is shorter than six months.

211. In cases where in-country programmatic reporting cycles and fiscal cycles are not the same for the different implementers of the same disease component, it is recommended that the implementers agree on one common reporting cycle, aligned either to the programmatic reporting cycle or the financial cycle of the main implementer and/or country.

\(^{60}\) This could start at any month of the year for a 12-month period.

\(^{61}\) The associated first annual funding decision and disbursement schedule will also be aligned, plus a buffer period.
6.3 Financial Reporting scope and frequency

212. The financial reporting scope and frequency is generally determined by the Global Fund country classification (Focused, Core, and High Impact).

213. Refer to the Principal Recipient Progress Update and Disbursement Request Guidelines for more information on the reporting scope and frequency.

214. In addition, Principal Recipients will submit an annual audit report as required under the relevant Grant Agreement in accordance with the requirements of the Guidelines for Annual Audit of Global Fund Grants.

215. Taking into account program and grant context, the Global Fund may consider other, more frequent ad-hoc reporting cycles as part of risk mitigation measures and to demonstrate improved absorption of funding.

216. Such reporting should be differentiated from the mandatory financial reporting in scope and depth. Country Teams are encouraged to develop such reporting aspects as part of ongoing grant monitoring and “spot-checks”. There is no prescribed format for such reports and Country Teams should agree with the Principal Recipient and the Local Fund Agent on the content. This should be in the form of existing reports used by the Principal Recipient's management team for operational monitoring (where available).

217. Such changes will be set forth in the grant agreement or communicated to the Principal Recipient through a performance letter or an implementation letter.
7. Specific Budgeting and Costing Guidance

7.1 Human Resources

218. Human resource costs include remuneration costs for employment services rendered including: salaries, wages and other direct costs of employment, and relevant taxes. Remuneration costs for staff must be budgeted at the most cost-efficient level to achieve the objectives of the program. All human resource costs should be based in local currency. In exceptional circumstances, if a different currency is proposed, the rationale and an independently determined and verifiable source should be disclosed.

219. The Global Fund can finance remuneration costs directly related to the implementation of a program. The Global Fund will not replace or duplicate existing funding arrangements.

220. Principal Recipients and relevant sub-recipients are solely responsible for complying with applicable labor and other laws (including occupational health and safety, minimum wages, separation payments, social security and health insurance, and income taxes).

221. Levels of remuneration should be based on relevant national remuneration levels, as provided in national or interagency salary frameworks. Remuneration levels in general should be consistent with local market practice for similar jobs in similar organizations.

222. The Country Coordinating Mechanism will ensure that proposed remuneration levels are consistent with those in the country. Any deviation from these levels should be justified.

223. Remuneration costs paid through the same Principal Recipient/sub-recipient must be harmonized across Global Fund grants. Remuneration levels created especially for Global Fund grants and that differ from a country’s existing levels are highly discouraged, as they are inconsistent with the Global Fund’s model, commitment to aid effectiveness and further risk creating a “two-tier” remuneration system in the country. Any exception to this principle must be fully justified and approved by the Global Fund in writing.

224. The Global Fund will review and approve remuneration levels during the grant-making process. A Country Coordinating Mechanism and/or Principal Recipient/sub-recipient should provide the relevant salary framework (or other relevant benchmarking information) and any additional information requested by the Global Fund justifying all human resources costs. Appendix 7A contains an indicative list of remuneration level documentation considerations.

225. Where relevant, the Global Fund will request information from the Principal Recipient and/or the Country Coordinating Mechanism concerning the future sustainability of funding of human resources costs beyond the term of the grant and actions taken to ensure it, which may include information related to government planning and budgeting.

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62 This may include individuals engaged to perform staff-related and recurring tasks under a long-term service contract.
226. The Principal Recipient maintain on file a biographical data sheet for each employee paid under the grant. The template in Appendix 7B provides an example and minimum data requirements.

7.1.1. Salaries

227. A Global Fund grant can cover the full cost of salaries for positions that directly support the implementation of its supported programs. There must be no funding duplication with other Global Fund grants or funds from other sources (including those funded by the relevant Principal Recipient/sub-recipient). The budget must include a detailed breakdown of positions and costs to the satisfaction of the Global Fund. For positions that are working partially on the Global Fund grant, the costs can be apportioned based on the level of effort required. The apportionment assumptions should be disclosed in the budget.

228. With the exception of expatriate staff members who may be paid in other currencies, employment contracts, salaries and allowances must be budgeted, contracted and paid in the local currency.

229. The Global Fund does not allow the payment of salary bonuses using grant resources, and these are systematically classified as a “non-compliant expenditure”.

230. Any increase in salary or incentive above those already planned in the budget to staff/agents working for Global Fund program must be approved in writing by the Global Fund regardless of the percentage of increase.

231. Implementers and Country Coordinating Mechanisms receiving Global Fund funding for salaries and allowances (including but not limited to, incentive payments and travel related allowances) are expected to make payments in accordance with the signed contracts. Such payments should also be in accordance with the costs detailed in the approved grant budget and in compliance with any deductions provided for by applicable labor laws.

232. Implementers and Country Coordinating Mechanisms are prohibited from soliciting payments from staff or requiring staff to contribute to any funds not explicitly required under national labor laws. Any contribution from staff to support the organization’s operational expenditures (including, but not limited to, organizational funds, sustainability funds, subsidy funds, or operational funds) is prohibited.

233. Individual salaries and allowances must not be contracted and/or paid in excess of the values stipulated in the budget without the written approval of the Global Fund.

7.1.2. Allowances

234. Allowances that are paid outside of the basic salary can be included as part of salaries if they are part of a standard remuneration package for long-term employment contracts as evidenced by national regulations, practices or organizational human resources policies. A detailed breakdown of such allowances should be provided in the detailed budget.

235. Allowances that can be funded through Global Fund grants commonly fall under the following categories:
   - employer’s social security contributions: minimum and legislated amounts may be budgeted as required under local labor law.
• health insurance: may also be budgeted if required under local labor law or if it is common local market practice for similar organizations.
• housing allowances: may only be budgeted if part of an employee’s standard remuneration package and a common local market practice.
• 13th month salary: may only be budgeted if part of common local market practice.
• Pension: minimum contributions as required by law or in accordance with an organization’s policies may be budgeted in compliance with labor law and aligned to common local market practice or the organization’s policies.
• End of contract payment: may only be budgeted if required under local labor law and if a contract expires on or before the ending date of a grant. Specific approval from the Global Fund is required for any termination payment where the termination is unanticipated and results from an actual or potential breach of a grant agreement. The Country Team Legal Counsel shall be consulted prior to authorizing any such payment.
• Other fringe payments\(^{63}\): minimum amounts may be budgeted as required under local labor laws or local market practice.

7.1.3. Accrued Severance entitlements

236. The Global Fund may authorize the inclusion of accrued severance entitlements in the budget. A severance entitlement refers to the payment made to the employees when they leave the organization unwillingly. For the Global Fund purposes, the severance package includes any additional payment, based on the years or months of services as required by local law.

237. Severance **is paid only when an employee is terminated**. This is different from a gratuity (provident/pension) payment which is made when an employee retires or resigns from employment. The pension/provident fund is typically managed as a separate entity into which the employee/employer makes periodic contributions.

238. In specific circumstances and in the event the Principal Recipient is using existing staff for the implementation of Global Fund grants, the Principal Recipient must provide a projection of the maximum amount of the severance entitlement payable to the staff based on the applicable human resources policies, procedures and/or national legislation. The Global Fund’s fair share of the overall entitlement should be justified, calculated and appropriately budgeted.

239. Employees who are terminated and are not continuing under the new grant (when applicable) may be entitled to receive full severance pay as per local regulations and terms of the service contract. The funds from the previous allocation period should be used to fund such payments\(^{64}\).

240. If an implementer that has been authorized to accrue severance under a Global Fund grant ceases to implement a Global Fund grant, the implementer may be authorized to retain at the end of the grant the accrued severance for purposes of future payment to their employees based on the years or months of services working on a Global Fund program.

241. Employees **continuing** under the new grant are not entitled to receive the severance benefit. Therefore, the implementer **should not** make any payment on account of severance to those employees. The Principal Recipient shall allocate a reasonable amount in the budget of the new grant based upon the best estimates (clearly identified in the assumptions). During the

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\(^{63}\) This may include expatriate benefits for international nongovernmental organization or other multilateral organizations.

\(^{64}\) The payment needs to happen within 6 months of the end of the grant.
Implementation Period the Principal Recipient shall closely monitor and report the actual expenditures and reallocate the savings based upon the revised estimate of the future period.

242. Implementers that are authorized to accrue severance may not place the accrued severance in their general account or a trust fund for later payment.

243. The Global Fund will request annual reporting on the accrued severance to his implementers.

244. The severance costs should be included under cost input “1.5 Severance costs”.

245. The Country Team Legal Counsel shall be consulted prior to authorizing any such payment.

7.2 Travel-related costs

246. The Global Fund grants may be used to finance the cost of travel and subsistence. These include direct cost of travel and expenses incurred by the Principal Recipient, sub-recipient, for employees to remain away from home for work purposes directly related to implementation of the Global Fund grant. Typically, such costs would be for:

- Trainings
- Technical Assistance
- Monitoring and evaluation supervision visits
- Advocacy
- program planning, management visits and coordination meetings

247. Travel-related costs should be based on existing policies of the Principal Recipient or sub-recipient as applicable and be harmonized across Global Fund grants managed by the same Principal Recipient/sub-recipient, and, if possible, with other donors. New policies on travel-related costs that are created especially for the Global Fund grants and that are different from the Principal Recipient’s or country’s standard policies are not acceptable. Travel-related cost policies for the Global Fund grants should be fully aligned with government and other donor practices for the administration of such payments.

248. Travel-related costs must reflect the real cost incurred by the employee and should not contain an element of additional remuneration. Costs should be consistent with local market practice.

249. Travel costs should be budgeted at the most cost-efficient level to achieve the objectives of the Global Fund-supported program.

- Transport to the venue should be by the most economical and practical mode of public transport.
- Air travel should be kept to a minimum but, if required, must be restricted to economy class only. The use of discount and web-based airfare is encouraged.
- Where private vehicles are used, fuel costs may be reimbursed based on agreed mileage rates set by the government or based on rates established by the organization that are consistent with the price of fuel and average fuel consumed based on the distance of the journey.
250. A per diem or daily subsistence allowance (DSA) is the common method of recompensing staff and participants for each night spent at the location of the event, rather than paying for the exact expenses incurred. Typically, such policy would consist of the following elements:

- when meals or accommodation are provided, the amount of the per diem should be reduced accordingly;
- Per diem payments should only be paid for the days that a person attended the workshop or meeting and one night either before or after the event if the participant is expected to arrive either a day before or depart the day after an event. Records must be available to validate the participant’s attendance at the workshop or meeting. It is not acceptable to attend an event partially and claim a per diem for all days of the event;
- Per diem rates and procedures should be benchmarked to be consistent with government regulations for applicable government or state-funded/established entities. Local nongovernmental organization rates should be benchmarked against government rates. The Country Coordination Mechanism will review planned travel and subsistence rates when submitting a funding application;
- multilateral organizations may apply their existing travel and subsistence policies to their own staff;
- It is not acceptable to claim a per diem paid under a Global Fund grant if the per diem is also covered by another source of funding including fully hosted events.

7.2.1. Training

251. Training activities covered by the grant should demonstrably enhance the capacity and skills of participants in the delivery of relevant services to attain program targets and objectives.

252. Training costs include all costs associated with training events, workshops, meetings, training materials, training-related travel, and per diems paid to training participants/facilitators. Training costs should be included under the cost input 2.1 “Training related per diems/transport/other costs”.

253. The training budget should build on the need for training outlined in the funding request and/or other training needs assessment developed for the program.

254. In cases where the proposed training needs are unclear from the proposal and/or where the Global Fund Country Team deems the budget allocated to training is significant, the Global Fund Secretariat may request the Principal Recipient to undertake a training needs assessment. Prior to the validation of training activities in the work plan and budget, the Principal Recipient should provide an evidence-based analysis that justifies the need for each training activity and addresses the difference between current and targeted skill levels required for the achievement of program targets and objectives.

Budgetary Assumptions

255. Principal Recipients should develop clear budgetary assumptions for each training activity, which provide a clear trail of the cost build-up to arrive at the total cost of training and demonstrate linkages to the training plan.

65 Including venue rentals, coffee breaks, etc.
66 The Country Team determines whether a training budget is “significant” based on the country context and/or risk concerns.
256. A standard costing approach to trainings may be used for budgeting. Typically, an average cost per person per day is calculated and then applied to similar training events. The Principal Recipient/sub-recipient should determine the number of days required for the training; the total number of participants (residents and non-residents); and the type of training (national, regional, district/community or international level).

257. There should be clear evidence, for example from previous variance analysis, that standard costs are reasonable and closely equate to past actual costs. Standard costs that are proven to be inaccurate or have a high likelihood of error would not be acceptable.

258. When budgeting for training under Global Fund grants, implementers will apply the following principles:

- Facilitators who are employees of the implementer and whose salaries are paid using grant funds are not eligible to receive any facilitator’s fees. Facilitators should not receive the applicable per diem unless they are away from home;
- “Resident” participants do not receive a per diem when attending training in their place of residence (e.g., participants living in Dakar are not paid a per diem when attending a training in Dakar). Payment for meal costs could be made as per the implementer policies and/or government policies if meals are not provided as part of the training package;
- “Non-resident” participants receive full per diem when attending training financed from grant funds. Where meals or accommodation are provided, the amount of the per diem should be reduced according to the implementer and/or government policies or other prevailing rates applicable for meals;
- Provisions for transportation cost of participants should be made in accordance with the implementer and/or applicable government policies. This could be indicated as a fixed rate or determined by the distance from participants’ residence/office to the place of the training. If the distance is the mode of calculation, the policy document should determine an upper limit payable to any participants and/or benchmarked with the cost of public transportation in the country;
- When the implementer plans to include accommodation/meals and/or group transportation as part of the training package, the budget should reflect these costs rather than per diem and transportation costs payable to participants. If breakfast and dinner are not included in the package, the implementer can pay participants the applicable portion of per diem to cover these costs;
- Provision should be made for any training kits to be provided to the participants and coffee breaks planned during the training;
- If the implementer intends to use the services of a consultant to conduct training activities, the consultant’s fee and per diem rate (when applicable), should be budgeted under “External Professional Fees” and should not be budgeted under training; and
- Training costs should reflect the real cost to be incurred by the Principal Recipient/Sub-recipient in the implementation of the training activities and should not contain any additional remuneration or salary supplements or exceed per diem rates (when applicable) for participants or facilitators.

Training Plans

259. As part of the overall management of travel-related costs and capacity-building activities, the Global Fund may request Principal Recipients to develop and submit comprehensive training plans
at the time of grant signing or during grant implementation. The plan translates the training needs referred to in the funding request and/or the training needs assessment into a detailed action plan to support budgeted costs, demonstrate value-for-money, ensure proper planning.

260. When a training plan is required by the Global Fund, the implementer cannot implement and fund training activities using grant funds unless there is a formal written approval by the Global Fund of the training plan or specific training activities.

261. The training plan provides both a narrative description of the training framework, which covers training designs, logistics arrangement and post-training follow-ups, and a list of training activities that should be consistent with the detailed budget. The training list should be extracted from the detailed budget with the required budget assumption details. Appendix 7C provides additional guidance on the development of a training plan.

262. Payments: Training plans should generally incorporate the measures put in place by the Principal Recipient for the payment of training participants and other training costs. In particular:

- the Principal Recipient should make every effort to execute all payments to participants (per diem and other costs) by check bank/postal transfer and/or other innovative payment method (e.g., mobile money);
- cash payments should be limited as much as possible and, if unavoidable, should follow strict procedures to ensure proper reconciliation and validation of payment to participants at all times.
- suppliers (i.e., room rental, catering services) should be paid either by crossed check or bank transfer unless there is proper justification that cash payment is the most appropriate and the only available option in executing (e.g., non-availability of banking facilities in certain parts of the country).

Implementation, monitoring and reporting on training plan

263. Principal Recipients should develop a coherent and verifiable implementation arrangement for trainings to be conducted at all levels, and comply with the following requirements:

- ensure that the following documents are available prior to each training event:
  - well-structured training agenda or curriculum;
  - high quality training materials;
  - tentative list of participants, simple profiles of participants that confirm their eligibility, and that demonstrate consistency with the training plan, and per diem amounts (including reimbursable expenses).
- select the facilitators and venue providers through a competitive process, in compliance with the relevant grant agreement.
- put in place mechanisms to ensure the verification of participants’ attendance during training events.
  - after the training is conducted, the Principal Recipient should prepare and retain (in accordance with the relevant grant agreement) the attendance list of all participants.

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67 If the nature of the training activity is not yet determined at the time of grant-making, e.g., the training activity will be determined after operational research or group consultations, the Principal Recipient should at least propose the methodology and describe the process. As soon as the training activity is defined, budget assumptions should be updated in the training plan as well as the detailed budget.
68 The Local Fund Agent review of training activities should be an integral part of the Local Fund Agent review of the detailed budget.
69 A check that can only be deposited directly into a bank account and cannot be immediately cashed by a bank or any other credit institution.
70 The attendance list is prepared at the beginning and has to be signed daily by the participants.
participants and their contact details for potential verification by the assurance providers of the Global Fund.

- the pertinence and structure of the training delivered should be evaluated by participants and the training evaluation report well documented by the Principal Recipient.

264. **Verification and spot checks**: verification of training activities may be part of the Local Fund Agent’s (or any Global Fund assurance provider) verification of implementation. The scope of the Local Fund Agent’s verification will be determined by the Country Team using a risk-based approach. As part of their review, the Local Fund Agent should clearly indicate any irregularities and areas of further improvement. The Secretariat should review the methodology, analysis and recommendations of the Local Fund Agent and should follow up on issues related to the implementation of the training plan.

265. The Principal Recipient, Country Coordinating Mechanism, and the Global Fund’s assurance providers should evaluate on a periodic basis the impact of the training activities funded under the program against set training objectives and outcomes (e.g., improved program and financial management, improved quality of services provided at health service centers and community level).

### 7.2.2. Technical assistance

266. **Technical assistance** is knowledge transfer or capacity building through the provision of human resources (national, regional and international experts and/or consultants), and other resources that might be required to improve strategic planning and implementation of programs, reinforce implementers’ management capacity and/or address specific technical and systems gaps.

267. The Global Fund may finance technical assistance activities that directly strengthen grant management systems and/or build implementers’ capacities.

268. Technical assistance activities should produce specific deliverables on a timely basis. The budget should include only technical assistance that cannot be otherwise delivered by existing resources available to the program such as permanent staff, headquarters support, or already available technical assistance from technical partners.

269. Technical assistance 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.

270. Principal Recipients should develop a costed technical assistance plan that includes all activities including consultancies, trainings to implementers, and others.

271. The travel and per diems paid specifically for technical assistance activities are part of travel-related costs and should be included under cost input “2.2 Technical assistance-related per diems/transport/other costs”.

272. Consulting fees in relation to technical assistance should be charged to the cost input “3.1 Technical assistance fees/consultancy fees”.

### 7.2.3. Monitoring & evaluation

273. Monitoring and evaluation activities provide strong programmatic data for evidence of achievement of program targets and ultimately program goals and objectives. Global Fund grants
may be used to finance monitoring and evaluation costs. Travel and per diems specifically paid for evaluations, surveys, data collection, reporting and/or data validation activities are part of travel-related costs and should be included under cost input “2.3 Supervision/surveys/data collection-related per diems/transport/other costs”.

274. The Principal Recipient is responsible for ensuring the functioning of the routine programmatic data collection and reporting system to track programmatic results achieved against targets set in the performance framework and/or national strategic plans and monitoring and evaluation plans.

275. To support the budget for evaluations, surveys, surveillance and other special studies which are conducted periodically, the Principal Recipient should provide the justification for the need of such evaluation, survey and studies, as well as the expected results.

276. When the implementation of an evaluation or any survey is outsourced, the service provider should be selected through a competitive process in compliance with the relevant grant agreement. This competitive selection process should include open advertisements and the placement of bid announcements on site(s) internationally recognized for the type of projects sought and a comprehensive, transparent procedure for bids evaluation and award.

277. The travel and per diems paid specifically for monitoring and evaluation activities are part of travel-related costs and should be included under cost input “2.3 Supervision/surveys/data collection-related per diems/transport/other costs”.

278. Consulting fees in relation to monitoring and evaluations should be charged to the cost input “3.1 Technical assistance fees/consultancy fees”.

279. Appendix 7D provides more guidance on budgeting for monitoring and evaluation activities.

7.2.4. Program management and supervision

280. In order to enhance program and grant management oversight, implementers may budget for oversight supervisions. The Principal Recipient should ensure that such costs are accurately linked to the module for program management (under the intervention “Policy, planning coordination and management of national disease control programs” or under the intervention “Grant management”) instead of the module “Health management and information systems and monitoring and evaluation”. Such costs should be included under cost input “2.3 Supervision/surveys/data collection-related per diems/transport/other costs”.

281. The overall program supervision budget should be supported by a supervision strategy described in the annual operational plan or other separate document. This strategy should include, at minimum, a description of:

- the nature and scope of each supervision;
- planned frequency for such supervision;
- role and function of each participant in the supervision; and
- expected outcome of the supervision.

282. Detailed costs for each supervision visit should be provided, including all assumptions related to transport and per diems. Supervision results and follow-up actions should be documented through mission reports, highlighting preparatory work done, issues encountered, and actions taken. Specific attention should be paid not to duplicate the existing systems, and ensure that the supervisions done
are optimized and combined, including with the national program and/or other donor activities, whenever possible to save travel costs. In cases where several Principal Recipients are implementing Global Fund grants in the country, a coordination mechanism should be put in place to optimize the supervision.

7.3 External professional services

283. The Global Fund may finance external professional activities that directly or indirectly contribute to the grant’s implementation and management. The direct or indirect benefit to Global Fund grants should be clearly demonstrated for any item budgeted in and charged to the grant. In cases where an external benefit indirectly benefits the Global Fund grant, or partially benefits the Global Fund grant, a reasonable portion of the total cost of the external professional service should be apportioned and budgeted in or charged to the grant.

284. External professional services should produce specific deliverables on a timely basis. The budget should include only services that cannot otherwise be delivered by existing resources available to the program (such as permanent staff, headquarters support, or available technical assistance from technical partners), or which have to be provided by an independent external professional (fiscal agents, external auditors).

285. Consequently, consultants should not be used to perform tasks and functions that are recurring in nature and that are expected to be filled by staff members through specific human resources contracts. Long-term consultants – including consultants who are more akin to employees as they are engaged on a continuous basis, for prolonged periods, without a specific deliverable, and receive monthly pay – should be classified under the human resource cost grouping and thus per diems are not compliant expenditures for such contractors. Principal Recipients should have different contracting mechanisms for short- or long-term duration staff, based on the needs of the program and applicable HR rules/local legislation.

286. The main elements of external professional services costs include fees, travel, and per diems payable to the external service providers. The following core costing guidelines apply to external professional service costs.

- **Consulting fees:** Consultancy fees should be consistent with local, regional and international market practice, depending on the type of technical assistance sourced. Generally, for international consultants, fees should not exceed the UN standard international rates; for local and/or regional consultants, fees should not exceed the UN standard local rates.

- **Other travel-related costs.** Reasonable travel and per diem costs may be financed using grant funds for external service providers in line with the Principal Recipient/sub-recipient’s normal travel policy. Such costs are only eligible if they are included in the cost proposal of the service provider and the contract signed between the Principal Recipient/sub-recipient and the provider.

287. External professional services costs also include:

- **Fiduciary and fiscal agent fees:** the costs of providing financial management services to grant implementers by third-party organizations. This is usually part of the mitigating measures for financial management and may be directly contracted by the Global Fund.

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71 This may also include accounting and payment agent fees contracted for the administration or management of grant funds on a regular and/or ad hoc basis.
• **External auditor fees**: the costs associated with hiring an independent auditor to provide an opinion and assurance on the financial statements and control mechanisms of Global Fund grants and may be directly contracted by the Global Fund.

• **Insurance related costs**: the costs associated with:
  - All Risk Property Insurance;
  - Motor and Fleet Insurance;
  - Point to Point Transportation Insurance; and
  - Other insurance-related costs (for specific insurance products and policies that do not form part of the above categories).

288. **Appendix 7F** provides additional guidance on the budgeting of the insurance related costs.

### 7.3.1. Other considerations on financial management and monitoring of external professional services costs

289. **Selection process**: External services providers should be selected through a competitive process, in compliance with the relevant article on Contracts for Goods and Services of the Global Fund Grant Regulations (2014). In particular, the following requirements apply:

- contracts shall be awarded on a transparent and, subject only to established exemptions included in written procurement policies and practices provided to the Global Fund, on a competitive basis;
- all bid solicitations must be clearly notified to all prospective bidders, which shall be given a sufficient amount of time to respond to such solicitations;
- solicitations for goods and services shall provide all information necessary for a prospective bidder to prepare a bid and, as such, shall be based upon a clear and accurate description of the proposed terms and conditions of the contract and the goods or services to be acquired;
- the conditions of participating in a bid shall be limited to those that are essential to ensure the participant’s capability to fulfill the contract in question and compliance with the relevant procurement law of the host country;
- contracts shall be awarded only to contractors that possess the ability to successfully perform the contracts;
- no more than a reasonable price (as determined, for example, by a comparison of price quotations and market prices) shall be paid to obtain goods and services;
- the Principal Recipient and its representatives and agents shall not engage in any practice that is in violation of the Code of Conduct for Recipients or the Code of Conduct for Suppliers in relation to such procurement; and
- the Principal Recipient shall maintain records documenting in detail the nature and extent of solicitations of prospective suppliers of goods and services to be procured with grant funds, the basis for awarding relevant contracts and orders, and the receipt and use of goods and services so procured.

290. Based on the risk and significance of individual procurements, the Global Fund may request a Local Fund Agent or any Global Fund assurance provider to either conduct spot-checks on compliance with Principal Recipient procurement policies, be present as an observer during the
bidding process, or require the Principal Recipient to obtain a “no objection” to the tender results from the Secretariat.

291. Bidding documents need to be consistent with the Principal Recipient’s procurement procedures and standard conditions in the grant agreement. Nevertheless, as a general indication, bidding documents for consultant services would be expected to include as a minimum:

- the terms of reference and cost schedule for the service;
- a shortlist of at least three service providers, including resumes and proposals, where appropriate of the consultants; and
- an evaluation report based on the consultants’ academic background, experience, skill sets, and proposed fee.

292. Applications and expressions of interest from consultants should include completed biographical data and the candidate’s resume. In order to determine the consultant’s daily remuneration rate for any future requests, the biographical data form should state the salary history for the consultant for the last three years.

293. Reporting: the service provider must provide a report on the activities as stated in the terms of reference and the contract.

7.4 Pharmaceutical, non-pharmaceutical health products and health equipment

294. The implementer shall procure health products of assured quality in accordance with the Global Fund Quality Assurance policies and in accordance with the “Guide to Global Fund’s Policies on Procurement and Supply Management of Health Products” (2018, as may be amended from time to time), following a competitive and transparent process to achieve the best value for money. The budgeting principles outlined in this document equally apply to all health products.

295. The Health Products Management Tool (HPMT) is used to guide procurement of health products during the grant lifecycle. The HPMT should be filled following the instructions in User Guideline for HPMT. The Principal Recipient shall procure health products as outlined in the HPMT and approved by the Global Fund. The HPMT should not include items that have already been ordered and/or are in transit or for which the payments are pending.

296. The HPMT shall be accompanied with supporting documents including: forecasting/quantification worksheets, showing targets, assumptions and calculations used for estimation of quantities of health products and related costs. The health products shall be forecasted/estimated based on the targets set in the applicable Performance Framework. Contributions from other donors/sources, if any, stocks on hand (including those procured under the Global Fund’s previous grant, or procured through non-Global Fund sources), orders in the pipeline shall be considered in the forecast.

297. The HPMT shall clearly articulate the following details:

- item name, description and specifications;
- pack size and unit of measurement;
- quantities for each item, supported with relevant quantification and/or needs assessments (for equipment, infrastructure) and explanations on how the needs have been determined; and
• unit costs for each item (reference prices from Global Fund’s Pooled Procurement Mechanism and Stop TB’s Global Drug Facility have been used as unit costs for items where such a price exists).

298. The health products included in the HPMT and procured with grant funds shall be delivered within and used during the term of the grant period. However, accounting for the normal procurement cycle of a respective country and procurement lead times for health products, an appropriate level of stock (including buffer stock) can be planned for and included in the HPMT to ensure smooth transition to a new grant or to another funding source. The stocks procured in and carried over from the previous grant shall be accounted for in accordance with the Global Fund policy on grant closure. The Global Fund Operational Policy Manual, Section 3: Grant Closure, states that all programmatic activity related to the budget of a particular grant should cease by the end date of the grant (with allowances for extensions in certain situations).

299. Unit cost is a critical element for the preparation of a grant budget and the HPMT. Unit costs shall be estimated based on reputable sources of reference prices where one exists. The unit costs for Pooled Procurement Mechanism-eligible commodities, including antiretrovirals, antimalarial medicines, HIV and malaria rapid diagnostic tests, LLINs and viral load technologies should be used. Other unit costs shall be taken from the globally negotiated price lists and catalogues for specific health and non-health products including, prices negotiated by partners or through partner platforms such as a Products Catalogue of the Stop TB Partnership’s Global Drug Facility for anti-tuberculosis health products. The Global Fund shall not accept unit costs that are not aligned with the mentioned references.

300. When preparing the grant budget and the HPMT, implementers should always provide the price references used (regarding the HPMT, this relates to any instances where the prevailing reference price is not used). If the outcome of a procurement process for products meeting the required specifications and standards results in a price that is higher than the relevant reference price – taking the total cost of ownership into consideration – national or other resources may be required to pay the difference.

301. The critical components of the health products budget, together with unit and total costs of products, are costs related to delivery of products to its final destination(s) or to locations where these products are needed. For accurate cost estimation and budgeting, it is important to know a mode of transportation and delivery terms (Incoterms) for health products. Lack of knowledge of Incoterms rules and respective obligations, costs and risks may lead to inaccurate budgeting. For budgeting purposes, all unit costs of health products shall be budgeted on Ex Works (EXW) or on Free Carrier (FCA) basis and costs related to delivery of products to a final destination (e.g., freight, insurance, procurement agent fees) shall be budgeted separately, under the respective cost grouping (refer to section 7.4.3 “Procurement and supply management costs” for more information).

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29 See the Global Fund’s Category and Product-level Procurement and Delivery Planning Guide for indicative lead times for key HIV and malaria health products procured via the Global Fund’s Pooled Procurement Mechanism. See the Stop TB Partnership’s Category and Product-level Procurement and Delivery Planning Guide for indicative lead times for key TB health products procured via the Global Drug Facility.

30 Available through www.wambo.org or on the Sourcing & Management of Health Products page of the Global Fund website. The list of items, as well as reference prices, are updated regularly.

31 For example, FIND negotiates preferential pricing available at https://www.finddx.org/find-negotiated-product-pricing.

32 See the Global Drug Facility catalogue.

33 Total cost of ownership means the total amount of all direct and indirect monetary costs related to the procurement, storage and distribution of a diagnostic product by a recipient, including the price of the product itself, any reagents and other consumables, transportation, customs clearance, insurance, in-country distribution and storage, quality assurance, including quality monitoring, training, and validation of new diagnostic algorithms, and, as applicable, operating costs including cost of installing, servicing, commissioning and maintaining equipment.

34 More information on Incoterms can be found at https://iccwbo.org/resources-for-business/incoterms-rules/.
302. As part of the Differentiation Framework, Principal Recipients implementing grants under the Focused Portfolio category are authorized to budget using the broad categories by intervention and cost groupings. This principle applies to budgeting of health products as well.

7.4.1. Buffer stock

303. The buffer stock is the stock that should always be on hand at the national, regional, district and/or facility level to mitigate the risk of stock-outs due to delays in delivery of products or unexpected increase in consumption. It represents the quantity of stock required to allow for variations in supply lead times or consumption rates. There are many ways of estimating the level of buffer stock. The amount of buffer stock can be calculated by multiplying projected average monthly consumption by average lead time\(^{78}\) (month) or it can be defined as a (reasonable) fixed number of months that shall never exceed 12 (nationwide). The amount of buffer stock, unless explicitly agreed by the Global Fund, shall follow the applicable national policy/SOP/requirements. The calculation of buffer stock is a moving process during grant implementation, as the consumption may increase, or the supply lead time may change. If buffer stocks are to be included in the budget, a justification with assumptions is required.

304. It is critical to ensure that sufficient levels of stocks (including buffer stock) are adequately planned and managed during the current implementation period, for a successful transition to the next implementation period with uninterrupted availability of health products. When preparing quantification for the next implementation period, the Principal Recipient needs to take into account existing (or forecasted) stocks levels of products at country level or in the pipeline at the time of start date of the next implementation period.

7.4.2. Health equipment costs

305. Health equipment items enjoy a useful life in excess of the grant implementation period. Despite this, the Global Fund maintains a cash accounting approach for assets procured under the grants, and thus the full costs of equipment should be charged to the grant at the time of incurring the expenditure rather than depreciated over the useful life of the equipment.

306. From a budgeting perspective, the rationale and justification for purchase of health equipment must be presented, either during the funding-request process and/or through the grant-making process. At the time of selection and budgeting for equipment, implementers shall take into account the total cost of ownership of equipment (including cost of equipment, installation/commissioning, useful life of existing equipment, necessary reagents/consumables, additional trainings). The budgeting of all health equipment maintenance and service costs should be considered as part of the total cost of ownership (see section 7.5.2 “Maintenance cost of equipment”). The health equipment budget should be identical to and consistent with that in the list of health products, quantities and costs.

\(^{78}\) See the Global Fund’s Category and Product-level Procurement and Delivery Planning Guide for indicative lead times for key HIV and malaria health products procured via the Global Fund’s Pooled Procurement Mechanism. See the Stop TB Partnership’s Category and Product-level Procurement and Delivery Planning Guide for indicative lead times for key TB health products procured via the Global Drug Facility.
307. In general, the chosen strategy for the purchase or the leasing of health equipment, as explained in the funding request or described during the grant making process, is acceptable if technically sound, the most economical solution considering the country context, and represents the best value for money. Before budgeting for laboratory/diagnostic equipment, the implementer shall consult the national laboratory strategic plan (if available) and ensure that investment in laboratory technologies is aligned with the mentioned plan. Implementers are also expected to conduct buy vs rent analysis before finalizing the decision to purchase certain equipment (e.g., equipment for viral load testing). The HIV Viral Load and Early Infant Diagnosis Selection and Procurement Information Tool provides guidance on the total cost of ownership, including pricing components for consideration, and a comparison of contracting options. If there is evidence that the budgeted activities do not demonstrate a strong commercial rationale or if other lower-cost options are available, the Global Fund may limit funding to the lower amount considered reasonable or decline funding.

308. The Global Fund may request the Principal Recipient to submit a technical specification for the selected health equipment, which may include an analysis of the cost effectiveness of the proposed selection.

309. The specific requirements for budgeting health equipment include:

- description and specification of the item in line with the funding request submitted to the Global Fund or as defined during grant making;
- quantities clearly supported by explanations (on how the needs have been forecasted) or with needs assessments demonstrating the need for additional equipment; and
- cost per item clearly stated and supported by a notation of the reference used.

7.4.3. Procurement and supply management costs

310. The Global Fund may finance costs related to procurement and supply management of health products. Procurement and supply management costs may cover activities related to management of health products starting from selection of products until delivery to beneficiaries.

311. The budgeting principles outlined in this document equally apply to procurement and supply management costs. Procurement and supply management costs:

i. will be budgeted at cost using actual operational data and current costs. The percentage fees, if any, used for budgeting purposes, shall be calculated using actual operational data and historical costs;

ii. should represent good value for money; and

iii. should not contain any element of cost over-recovery, provision or contingency. Where there is a strong expectation of future price changes (e.g., following past trends or based on new regulatory changes or new arrangements) future cost changes may be projected in the budget with strong narrative justifications.

312. The exception to (iii.) above is when a private sector procurement agent is engaged, the fees are assumed to include a profit margin based on the negotiated terms.
313. The breakdown of procurement and supply management costs is required in the budget to facilitate the Global Fund’s review. The costs must be supported by evidence in the form of past or pro forma invoices, own operational costs, quotes from reputable sources, current price lists or other credible references/assumptions. In line with the Differentiation Framework, this requirement is not applicable to Focused portfolios.

314. For convenience, procurement and supply management costs are often presented as a percentage of the value of the goods. Despite using a percentage approach, in principle the budget should be prepared based on historical costs (paid in the past). Procurement and supply management costs may include the following components:

- procurement agent and handling fees (when the procurement function is outsourced);
- freight and insurance costs (if the tender specifically expects the product to be quoted Free on Board (FOB) and so freight charges are required to be paid);
- warehouse and storage costs (including service contracts with private providers);
- in-country distribution costs;
- customs duties and clearance costs;
- quality assurance and quality control costs.

315. **Procurement agent and handling fees**: Most procurement agents charge on a percent fee basis, based on the value of the goods being procured. The procurement service agent fee structure for the Global Fund’s Pooled Procurement Mechanism are available as reference. The fee is assumed to include their direct running costs, a contribution toward overheads and in some cases a profit margin. Principal Recipients are encouraged to budget these costs based on historical expenditures that were paid in the past. The costs should be included in cost input “7.1 Procurement agent and handling fees”.

316. **Freight and insurance costs**: This should be based on prices quoted by a supplier or a freight forwarder (previous invoices or other credible pricing reference should be used). The costs should be included in cost input “7.2 Freight and insurance costs (health products)”. The freight and insurance indicative reference costs for the Global Fund’s Pooled Procurement Mechanism are available as guidance.

317. **Warehouse and storage costs**: They may also include certain fixed costs that are not dependent on quantity/volume of procured products. The costs should be included in cost input “7.3 Warehouse and storage costs”. The fees charged and paid to private providers for warehouse and storage services are also included under the same cost input. Such costs are commonly charged on a percent-of-value basis depending on quantity and/or volume of products. The Principal Recipients are encouraged to budget these costs based on historical expenditures that were paid in the past.

- Any percentage-based cost should have a basis in current operational costs in the organization, and justification and all necessary documentation should be provided to support the budget request.
- Such documentation should include information on the volume of products managed in the past and going forward, past financial statements and budget/forecast of expenditures.
- A percentage-based storage cost should be supported by a demonstration of how the percentage has been arrived at: estimated total costs of the storage facility divided into

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79 The implementer must ultimately demonstrate that the selected procurement agent results from a competitive tendering process and represents, therefore, the best value for money for the services required.
the throughput\textsuperscript{80} of goods for the same period. Pure estimates of costs with no clear basis will not be accepted by the Global Fund.

318. **In-country distribution costs:** cover in-country transportation of commodities and equipment from one location to the other. The costs should be included in cost input “7.4 In-country distribution costs”.

319. **Quality assurance and quality control costs:** are supported by the Global Fund as a component of procurement and supply management costs. For convenience, QA/QC costs are often budgeted as a percent of the value of the goods, which should be supported by assumptions and/or evidence on how the percentage was arrived at and what activities will be covered. The costs may include any reasonable quality control testing (physical or visual inspection or chemical tests) by a third-party laboratory that needs to be undertaken to monitor the quality of health products throughout the supply chain. These costs should be included in cost input “7.5 Quality assurance and quality control costs”. The [quality assurance and quality control indicative reference costs](#) for the Global Fund’s Pooled Procurement Mechanism are available as guidance.

320. **Custom duties and clearance costs:** As a general principle, grant funds shall be exempt from relevant taxation applicable in the host country, including customs duties, import duties, taxes or fiscal charges of equal effect levied or otherwise imposed on the health products imported into the host country. The implementers however, under this category, may budget fees for customs clearance agents, customs terminal charges, customs warehouses, and others. The costs should be included in cost input “7.6 Procurement and supply management customs duties and clearance charges”.

321. **Cost over-recoveries:** are not supported by the Global Fund and should not be included in the budget. Capacity-building activities should be budgeted under the cost grouping for external professional services or travel-related costs.

322. **Logistics Management Information Systems (LMIS):** Equipment and hardware/software costs for LMIS shall be budgeted under infrastructure and equipment costs. As a general principle the LMIS procured shall be an ‘off the shelf’ solution, proven to operate in similar circumstances/environments. Other relevant costs for LMIS implementation for example, technical assistance, human resource, travel-related costs, shall be budgeted under the respective cost categories.

### 7.4.4. Other considerations regarding procurement and supply management costs

323. **Selection process:** Where non-governmental service providers have been selected for supply chain management functions, these service providers should be selected through a competitive and transparent process, in compliance with the relevant article on Pharmaceutical and Other Health Products of the [Global Fund Grant Regulations](#) (2014), the [Guide to Global Fund Policies on Procurement and Supply Management of Health Products](#) (2018), the [Global Fund’s Code of Conduct for Recipients of Global Fund Resources](#) and the [Global Fund’s Code of Conduct for Suppliers](#) and the Principal Recipient/sub-recipient’s procurement procedures. This competitive selection process shall include open advertisement and the placement of bid announcements on site(s) internationally recognized for the type of services required.

\textsuperscript{80} The amount of goods, material or items passing through the storage facility.
324. **Reporting of procurement and supply management costs:** the implementer may be required to support any percentage-based charges with actual underlying costs to confirm that costs recovered are reasonable and do not represent over-recoveries. Any deemed over-recoveries (i.e., when expenditures charged to the grant exceed actual costs incurred) will be treated as non-compliant expenditures.

325. Significant investments in and changes to the budget for supply chain management, supply systems strengthening and laboratory systems strengthening activities (activities budgeted under the cost grouping 7.0 and/or budgeted in various cost groupings but intended for supply chain systems strengthening or lab services and systems strengthening), shall be done in consultation with the Global Fund Sourcing and Supply Chain department through the Global Fund Country Team.

**7.4.5. Investments in supply chain improvement**

326. In addition to supply chain operational costs, the Global Fund may finance investments aimed at strengthening supply chain process and systems and regulatory capacity for both pharmaceutical and laboratory services, as highlighted in the *Building Resilient and Sustainable Systems for Health (RSSH) Information Note* and in the *Global Fund Modular Framework Handbook*.

**7.5 Infrastructure and non-health equipment**

327. The Global Fund may finance infrastructure and other equipment costs necessary to ensure that the Principal Recipients and any sub-recipients have sufficient physical capacity in place to implement and achieve the objectives of the programs funded by Global Fund grants.

328. The budget for infrastructure and non-health equipment should build on the detailed needs assessment developed in support of the funding request. The needs assessment shall include the review of the existing assets and infrastructure in the possession of the implementing entities and provide evidence of any replacement or new procurement needed. Prior to the inclusion of such costs in the budget, the applicant and/or Principal Recipient should provide evidence-based analysis that justifies the need for each group of assets and demonstrates how the proposed investment is required for the achievement of program targets and objectives.

329. Infrastructure and other equipment costs include, but are not limited to the following costs:

- rehabilitation, renovation and enhancement costs for health infrastructure\(^81\);
- non-health equipment such as generators, water purification systems;
- information technology (IT) systems and software, website creation and development;
- IT equipment and other hardware/software for logistic management information systems;
- vehicles, motorcycles, bicycles, boats; and
- office equipment, furniture, audiovisual equipment, related maintenance, spare parts and repair costs.

330. These items have a useful life in excess of the initial grant implementation period, and as such are commonly referred to as ‘capital items’ which would, in a normal accounting sense, be recorded as an asset and depreciated (or amortized) over the useful life. Despite this, the Global Fund maintains a cash accounting approach for assets procured under the grants, and thus the full costs

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\(^81\) The Global Fund may finance small-scale construction projects but not large-scale health infrastructure projects, such as an entire hospital.
of equipment should be charged to the grant at the time of incurring the expenditure rather than
depreciated over the useful life of the equipment.

331. The Principal Recipient/sub-recipient is expected to have clear policies on maintenance,
disposal and/or replacement of assets (in accordance with the terms of the relevant grant
agreement), and costs of such activities should be clearly budgeted if applicable.

332. Transfer of capital items purchased from previous Global Fund grants should be well planned
and budgeted during the grant-making process. At the time of grant closure, the close-out plan and
budget should set out the details of the Principal Recipient’s proposal for use, transfer or sale of all
remaining non-cash assets, which will require approval by the Global Fund Secretariat. See the
Operational Policy Manual, Section 3: Grant Closure.

333. From a budgeting perspective, the commercial rationale for any asset budgeted should be
presented, either during the funding request process and/or through the grant-making process. A
cost-benefit analysis will have to be undertaken by the Principal Recipient comparing asset
acquisition options and cost implications. For example, the purchase of a capital asset may be
compared with a lease or hire option, if available, while ensuring value for money considerations.

334. In general, assets should be budgeted according to the strategy laid down in the funding request
if deemed technically sound and economical. However, if there is evidence that the budgeted
items/activities do not demonstrate a strong commercial rationale or competitive options, the Global
Fund may decline to fund the budgeted items. For example, if there is insufficient rationale for
selecting a high specification vehicle the Global Fund may decline to fund the full cost of the vehicle.

335. Infrastructure and equipment costs should be supported by a detailed estimate which clearly
shows the following elements relating to the acquisition of the asset:

- all relevant costs such as the cost of the assets (other than tax, which shall be exempt),
  quantities, and freight and insurance costs should be budgeted for in accordance with the
terms of the underlying transactions; and

- relevant price references, including recent quotations, previous invoices for the same
  items, price lists of a number of reliable suppliers, reference prices provided by the Global
  Fund or other credible sources.

336. The timing of budgeting should fit clearly with the goals and objectives in the approved funding
request and/or through the grant-making process. Assets purchased under this category should in
general be managed in line with local regulations/standards for management, for example the local
standards for vehicle maintenance and replacement. If different regulations/standards are used, a
strong rationale should be provided.

337. The Principal Recipient and relevant sub-recipients are responsible for complying with
applicable laws, rules and regulations, such as health and safety, construction, design and
management, labor and other laws, and are responsible for any third-party liability.

7.5.1. Vehicles

338. The vehicles covered in these guidelines include all types which require registration with a
vehicle registration authority in the local area where grants are implemented. This will generally
include all engine-powered vehicles with certain engine capacity (including automobiles,
motorcycles, boats). Prices of the vehicles should be included under cost input “9.2 Vehicles”. Any
other vehicles are included under cost input “9.3 Other non-health equipment”.
339. Budgeting for vehicles should build on the goals and objectives of the funding request and supporting documentation. When this is not included as part of the funding request and the amount of funding requested for vehicles is considered significant, a Principal Recipient will be requested to provide the Global Fund with a vehicle needs assessment and management plan incorporating procurement procedures at the start of the grant (or prior to disbursement for the activity).

340. There is no strict definition of what constitutes a “significant” vehicle budget. The Global Fund Country Team may determine whether a vehicle budget is significant based on the country context and circumstances, and risk concerns. As an indication, the vehicle budget may be considered significant when exceeding US$0.5 million. In situations where the budget is below this threshold, based on the risks foreseen, the Global Fund Secretariat may still request the vehicle needs assessment and management plan. See Appendix 7E for an example of the plan.

341. Vehicle insurance costs, as well as related ongoing running and maintenance costs, should be included in the budget. These costs should be based on the country context, including condition of routes, availability of service networks, and spare parts.

7.5.2. Maintenance cost of equipment

342. Principal Recipients should make provisions for the service and maintenance of equipment, with the relevant costs incorporated into the budgets for Global Fund grants to safeguard Global Fund investments.

343. Maintenance costs for health equipment may be budgeted and reported under the cost input “6.5 Maintenance and service costs for health equipment”.

344. Maintenance costs for non-health equipment can generally be budgeted under the cost input “9.4 Maintenance and service costs for equipment”.

7.5.3. Other considerations on financial management, monitoring and reporting on equipment costs

345. As with other budget categories, contracts for equipment should be awarded on a competitive basis, as outlined in the specific procurement policy of the Principal Recipient and/or national procurement code in all cases, and in compliance with the relevant grant agreement.

346. For all significant budget amounts and a sample of non-material items, the Global Fund may request the Local Fund Agent and/or other Global Fund mandated assurance providers to review the procurement procedures followed, to ensure strict adherence to procurement policies and procedures.

347. Principal Recipients should put in place rigorous mechanisms for the management, safeguard and tracking of program assets procured under the grant at all levels (Principal Recipient, sub-recipient, and other implementing entities). The Principal Recipient/sub-recipient should:

- have an updated asset register with the details of the equipment, location, and person responsible;

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82 The HIV Viral Load and Early Infant Diagnosis Selection and Procurement Information Tool provides guidance on relative costs of different contracting modalities and information on maintenance costs, including ‘reagent rental,’ a contracting mechanism inclusive of service and maintenance.
undertake a regular inventory (at least annually) of assets, and document the results of the exercise;
report all missing and damaged assets to the Global Fund and Local Fund Agent in a timely manner.

348. As a good practice, Principal Recipients should develop a comprehensive annual procurement plan for operational purposes, which outlines the annual procurement needs and procurement method for the acquisition of assets funded from the grant. This will help in determining the most appropriate, economical and cost-efficient method in the procurement of goods and services for program purposes.

7.5.4. Rehabilitation, renovation and enhancement for health infrastructure

349. Costs of health infrastructure used for programs supported by the Global Fund may be funded through its grants. The health infrastructure may include clinical and non-clinical facilities (e.g., hospitals, primary care clinics, Ministry of Health facilities, local government facilities). The Global Fund does not fund the construction of large-scale projects, such as an entire hospital.

350. The budgeting for such costs should be consistent with the goals and objectives of the funding request with an articulated programmatic rationale. Such rationale should include expected health outcomes, and a cost-benefit analysis demonstrating the business case for the investment compared with other alternatives.

351. Applicants requesting investments in infrastructure are encouraged to provide evidence of co-financing the infrastructure projects from domestic or other donor resources.

352. In selecting implementers for the management of Global Fund-supported programs, the selected entity should normally have adequate facilities for the implementation and therefore the building/leasing of office premises are generally not funded by the Global Fund. In exceptional circumstances, as outlined in the funding request, the Global Fund may consider certain aspects of these costs in post-conflict and post-disaster situations.

353. Rehabilitation and enhancement projects should be completed early within the implementation period of the grant in order to have maximum impact on the grant goals and objectives.

354. Based on the advice of an architect regarding the planned project, the budget should include a detailed cost estimate certified by a qualified professional, for example a quantity surveyor. Contingencies or provisions should not be budgeted.

7.5.5. Other considerations on financial management and monitoring of rehabilitation, renovation and enhancement for health infrastructure

355. Rehabilitation and/or renovation and enhancement activities require prior Global Fund approval. Implementers will submit:

- a feasibility study to show the viability of the project and completion schedule within the grant implementation period, including detailed explanations of what is planned to be rehabilitated, renovated and/or enhanced;
the total cost of the project, detailing the portion that is requested to be financed by the Global Fund and identifying all the other sources of funding, as well as any conditions attached to those sources of funding;

information on the sustainability of funding, with an explanation of how the running and maintenance costs of the facility(ies) will be funded;

information on the mechanisms the Principal Recipient will implement to oversee and monitor the progress of the work including details on the entity(ies) hired for the supervision, quality control and certification; and

overview of the internal controls and oversight management systems the Principal Recipient will be using to prevent any potential mismanagement of the funds.

356. Selection process: service providers for the rehabilitation, renovation and enhancement of health infrastructure should be selected through a competitive process, in compliance with the relevant article on Contracts for Goods and Services of the Global Fund Grant Regulations (2014).

357. During implementation, the Principal Recipient is expected to provide frequent progress updates to the Global Fund on the progress of the work. No payment to the contractor should be made before the Principal Recipient has received assurance (e.g., payment certificate issued by a certified engineer) that the invoice corresponds to actual quantities of work and materials utilized in the complete and satisfactory performance of the contract, and that all equipment and systems are of good quality, function well and conform to the local regulatory standards.

358. See Appendix 7G for more guidance on the Investments in Facilities/Infrastructure Renovation and Construction.

7.6 Communication material and publications

359. The Global Fund may finance communication materials and publications intended to support fulfillment of program objectives. Communication materials and publications 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. These costs include payments to external suppliers for services related to design, content, production and placement of online, printed, audio and video materials.

360. Communication materials and publications 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.

361. Communication materials and publications used for capacity building, planning and administration may also be funded within Global Fund grants. Service provision protocols, operational templates and training materials should be developed, designed and printed using in-house human resource and printing capacities, and outsourced only in exceptional cases, which should be justified to the Global Fund in budget assumptions.

362. To avoid duplication of costs, communication materials and publications already developed, whether internally or externally, should always be considered before budgeting for new communication materials and publications. During grant-making or grant implementation, the Global Fund may request the Principal Recipient to provide additional information on the communication material and publications strategy if the budget represents a significant amount. Whether a budget
is considered significant will be determined by the Country Team based on the country context and risk analysis.

363. For a budget determined significant by the Country Team, the Principal Recipient will be requested to provide the following additional information:

- description of the communications strategy for the program and the expected impact of the individual communication activities on target groups;

- demonstration of value for money of the selected communications interventions through the following:
  - showing economy – how the best available prices have been budgeted for externally sourced services for the required specifications; and
  - showing efficiency – all reasonable options have been assessed to arrive at the best possible cost to reach the maximum numbers of beneficiaries, e.g., using in-house capacity at lower cost, using materials already available instead of developing new ones.

- overview of the internal controls and management systems the Principal Recipient will be using to ensure quality of communication material and publications, competitive procurement and ensure optimal use of the communication material and publications inventory and funds intended for such purposes.

364. Internally produced communications materials and publications costs should be based on the marginal costs of production. The budget should not include any “sunk costs”, which would be incurred regardless of the implementation of the Global Fund grant, e.g., machine depreciation, print-shop workers’ costs.

7.6.1. Printed materials

365. Unit costs for printed materials should demonstrate economy, as represented by the best available price in the market for the specifications, for example, color, number of pages, paper format. For budgeting purposes, the Principal Recipient should refer to credible pricing references, use historical data, or obtain pro forma invoices to support the costing. The Principal Recipient should ensure that such justification for the unit costs is well documented and readily available for review by the Global Fund or its assurance provider. Given that the range of unit prices for printed materials can vary depending on the specifications and format required, the budget should include essential information on the specifications of each item, for example, color, number of pages, paper format).

366. Quantities of printed materials should be clearly justified by linking the number of beneficiaries intended to be reached in the goals and objectives of the grant.

367. Other costs associated with printed materials, including storage, distribution, design, development and/or translation of contents of communications may be funded by the Global Fund. Any such costs should be supported by clear budget assumptions, and reference sources used for budgeting.

7.6.2. Visual, audio and video materials

368. Behavioral change communication messages may be delivered via the means of billboards, radio and TV advertisements. Sufficient justification should be included, for example by the nature of the epidemic, and/or to ensure access to vulnerable populations. The cost of development and
production of any such material should be supported with verifiable reference sources and essential specifications. Frequency of audio and video advertisement should be clearly linked with the targets of people intended to be reached.

7.6.3. Other considerations on financial control and monitoring

369. When production of communications materials and publications is outsourced, commercial companies should be selected through a competitive process in compliance with the relevant grant agreement.

370. Based on the risk and significance level of an individual procurement, the Global Fund may request the Local Fund Agent or any Global Fund assurance provider to either conduct spot-checks on compliance with the Principal Recipient’s procurement policies, be present as an observer during the bidding process, or require the Principal Recipient to obtain a “no objection” to the tender results from the Secretariat.

371. Bidding documents need to be consistent with the Principal Recipient procurement procedures and standard conditions in the grant agreement. Nevertheless, as a general indication, bidding documents for communication material and publications would be expected to include as a minimum:

- detailed work specifications and final detailed price quotation for the service;
- a shortlist of at least three companies, including service proposals with budgets/price quotations; and
- an evaluation report based on the bid criteria, technical proposal, company experience, and proposed fee.

372. The Principal Recipient is ultimately responsible for managing printed materials, and ensuring that no fraud, waste or loss occurs at the Principal Recipient/sub-recipient and any implementing entity level. As part of its operational policies, the Principal Recipient should have clearly documented policies and procedures around managing printed materials, including storage and distribution procedures, regular inventory counts, waste and loss prevention.

7.7 Indirect and overhead costs

373. The Global Fund may finance indirect and overheads costs associated with the implementation of Global Fund grants. The indirect costs are those that cannot be directly attributable to the grant and may include office-related costs (such as rent, electricity, utilities, mail, telephone, and internet, insurance\(^3\), fuel, security, cleaning), related unrecoverable taxes and duties, and indirect cost recovery charged as a percentage of the direct cost.

374. As a general principle, costs charged to a Global Fund grant, whether direct or indirect:

- be the actual costs attributable to the activity being funded by the grant (or a reasonable approximation thereof);
- not bear any profit element or margin above cost;

\(^3\) “Risk-based insurance costs” for the safeguarding and protection of grant assets (tangible or not) may be eligible costs to be budgeted/expensed in Global Fund programs. Country context and risk is a key determining factor on insurance costs.
• not be charged with a view to income generation; and
• not include any risk premium which is not based on actual cost.

375. Funding available through the Principal Recipient’s own resource-mobilization activities and through other donor funding should be taken into account when requesting funds from the Global Fund for indirect and overhead related costs.

376. When a Principal Recipient manages multiple Global Fund grants or other donor funded projects, only incremental administrative costs deriving from the additional level of activity directly attributable to the Global Fund grant may be included in the new grant’s budget. In certain circumstances, the Global Fund may accept actual cost apportionment based on the value of funds being managed. Such apportionment ratios should be adjusted on a regular basis and at least annually to ensure fair charging of administrative costs and will be subject to the Global Fund’s written approval.

377. All direct administrative costs budgeted in the Global Fund grants should be detailed and itemized by nature, showing assumptions, quantities and unit costs. When relevant and available, historical costs should be taken into account. Deviations from historical costs should be clearly justified. To include a budget for indirect costs, for example if the Global Fund is requested to finance a share of the electricity bill, the Principal Recipient should:

• provide sufficient details of the total cost of the item (by type, with all assumptions including quantities and unit costs);
• show the contribution expected from the Global Fund;
• provide the rationale and method behind the allocation of costs to the Global Fund grants which should be verifiable; and
• ensure that the Global Fund will be charged with no more than the fair share of costs required for the level of effort of the activity(ies). For example, rent may be apportioned based on the square meters used for the staff involved in the Global Fund grant management.

7.7.1. Management fees and indirect cost recovery

378. In preparing the budget, the Principal Recipient is encouraged to include all relevant direct costs or indirect overhead costs. No other charges related to grant management should be budgeted. Any item presented as a management fee is ineligible for funding\textsuperscript{84}.

379. In the case of grants managed by international non-governmental organizations and other international organizations, provisions may be included in the grant budgets to remunerate services provided by the headquarters in support of the implementation of the grant at the country level. For further guidance, see the Operational Policy Manual, Section 1.4: OPN on Support Costs/Indirect Cost Recovery (ICR) Policy for Non-Governmental Organizations.

380. Local non-governmental organizations should include all costs associated with the implementation of the grant as “direct” charges and percentage-based indirect cost recovery may not be charged when the Global Fund is the main funder of the implementer’s operations. This is

\textsuperscript{84}\textit{Except for UN agencies and multilateral organizations, where specific arrangements with the Global Fund may apply based on the respective agreement between the Global Fund and those agencies and organizations.}
due to the fact that all costs to be incurred for the grant be locally generated without any headquarter-based support.

381. Where a local non-governmental organization is implementing programs and activities from several donors and has financial systems and capability to demonstrate transparent cost recovery, as determined by the Global Fund in its sole discretion, the Global Fund may authorize charging a percentage of direct costs as indirect cost recovery under similar conditions stipulated for international nongovernmental organizations and multilateral organizations (including provisions related to eligible and non-eligible costs for cost recovery). The maximum percentage chargeable by local non-governmental organizations is covered in the Operational Policy Manual, Section 1.4: OPN on Support Costs/Indirect Cost Recovery (ICR) Policy for Non-Governmental Organizations.

382. Governmental Principal Recipients should only charge direct costs to Global Fund budgets. Indirect costs, such as the use of facilities, heat and light, are assumed to be funded through the national budget. Such costs may only be charged in exceptional situations when the Principal Recipient can clearly demonstrate that indirect costs have increased incrementally as a result of the implementation of Global Fund grants. The Global Fund does not support percentage-based costing for indirect costs for government and public entities.

383. The Principal Recipient is responsible for negotiating any indirect and overhead costs to be charged by sub-recipients and other implementing entities based on the same principles described above, and at the same level of details. The Principal Recipient will provide, upon request from the Global Fund, the required documentation to support the budget for sub-recipient administrative costs during grant negotiation or, if the sub-recipient has not yet been selected at the time of signing the grant agreement, no later than when the Principal Recipient signs the sub-recipient agreement. If any sub-recipient is an international nongovernmental organization, the relevant indirect cost recovery policies on sub-recipient costs apply. For further guidance, see the Operational Policy Manual, Section 1.4: OPN on Support Costs/Indirect Cost Recovery (ICR) Policy for Non-Governmental Organizations.

7.8 Living support to client/target population

384. Global Fund grants may provide funding for living support. Living support to clients/target populations incorporates support for income-generating activities and is defined by the Global Fund as:

- monetary or in-kind support given to clients and patients enabling them to access program services (e.g., school fees for orphans);
- assistance to foster families;
- transport allowances to the treatment and care centers;
- patient incentives;
- grants for revenue-generating activities, food and care packages; or
- costs associated with supporting patient care.

385. The budget must be based on clear and reasonable assumptions for the number of target beneficiaries and the specifications of the living support package, which guide quantities and unit

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The recommendation to the GAC should explicitly refer to the application of the indirect cost recovery mechanism for local nongovernmental organizations.
costs. The assumptions should be consistent with the approved funding request and/or through the grant-making process and based on:

- latest results available and expected trends;
- assumptions concerning the target population; and
- relevant national or international guidelines and/or best practices. In the absence of such guidelines, guidance from technical partners and/or specialized institutions (microcredit/microfinance institutions) should be requested.

386. The quality and specifications of products/supplies listed should correspond to program needs, targets, relevant national and international policies and/or best practices. Applicable regulations and laws should be carefully considered and complied with during planning and budgeting (e.g., licenses for microfinance program, food safety certifications).

387. Effective and verifiable control systems, procedures and processes should be managed by the Principal Recipient and any relevant sub-recipients relating to the following:

- identification of the program clients and beneficiaries;
- 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.

388. In general, the use of vouchers and cash transfers instead of actual food packages distribution or other in-kind contributions should only be implemented where effective control mechanisms exist. Control mechanisms should be designed to ensure that only the target populations receive support and minimize subsequent distribution and on-selling activities.

389. If vouchers or cash are used, the Principal Recipient should demonstrate that the risks will be managed and mitigated by using effective control and monitoring systems, and, where necessary, by partnering with experienced organizations. Any such instruments should be implemented in line with national priorities and policies and their use should be backed up by a cost-benefit analysis, which demonstrates the optimal cost per unit.

390. Any scheme involving support to households should be costed at an amount which is appropriate according to the local market practice in the relevant country. The scheme should also include a sustainability plan addressing long-term planning issues.

391. The amounts of allowances should be based on reasonable rates (example: the cost of a return trip on local public transport). Wherever possible and cost-effective, the payment for services should be made directly to the supplier (e.g., purchase of public transport tickets, hospital fees, purchase of bulk supplies).
7.8.1. Microloans\(^{86}\) and microgrants

392. For schemes involving revolving funds or microfinance arrangements, the recovery of funds and interest rate and credit assessment mechanisms should be clearly explained and must be robust and effective in order for the scheme to operate within the boundaries of the budget. The budget should take into account recoveries as well as payments. The budget should provide for the capacity to manage the funds with skilled personnel and appropriate systems for the distribution and recovery of loans.

7.8.2. Cash incentives for beneficiaries

393. Any schemes involving the payment of incentives using Global Fund monies to patients, beneficiaries, counselors and mediators should involve justified and reasonable unit costs considering the country context, and for example, time required per day, expected results, and transportation costs. The payment of these incentives should not be in addition to any other incentive payments funded by Global Fund grants. The incentive should be paid directly to the patient or beneficiary in the most efficient way while mitigating risks of mismanagement or inappropriate payments.

394. Incentives paid to community health workers are not to be classified under “living support”.

395. It is recommended to undertake a prior risk assessment on introducing or continuing cash incentives and provide for evaluation of impact as part of implementation.

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\(^{86}\) Examples might include a microloans program for individuals supporting petty trade, small animals purchase or gardening projects and training.
Appendices
## Appendix 1 - The Global Fund Costing Dimension and Investment Landscape

Table 1: The Costing Dimension

<table>
<thead>
<tr>
<th>Analytical grouping</th>
<th>Cost grouping</th>
<th>Description</th>
<th>Applicable Cost Inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resources</td>
<td>1 Human Resources</td>
<td>See Sections 7.1 of the guidelines for more information.</td>
<td>1.1 Salaries - program management</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.2 Salaries - outreach workers, medical staff and other service providers</td>
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<td></td>
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<td></td>
<td>1.4 Other human resources costs</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>1.5 Severance costs</td>
</tr>
<tr>
<td>Program-related Costs</td>
<td>2 Travel-related Costs</td>
<td>See Section 7.2 of the guidelines for more information.</td>
<td>2.1 Training-related per diems/transport/other costs</td>
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<td></td>
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<td>2.2 Technical assistance-related per diems/transport/other costs</td>
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<td>2.3 Supervision/surveys/data collection-related per diems/transport/other costs</td>
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<td>2.4 Meeting/advocacy-related per diems/transport/other costs</td>
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<td></td>
<td></td>
<td></td>
<td>2.5 Other transportation costs</td>
</tr>
<tr>
<td>Program-related Costs</td>
<td>3 External Professional Services</td>
<td>See Section 7.3 of the guidelines for more information.</td>
<td>3.1 Technical assistance fees/consultancy fees</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3.2 Fiscal/fiduciary agent fees</td>
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<td>3.3 External audit fees</td>
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<td>3.4 Other external professional services</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>3.5 Insurance related costs</td>
</tr>
<tr>
<td>Health Products-related Costs</td>
<td>4 Health Products - Pharmaceutical Products</td>
<td>See Section 7.4 of the guidelines for more information.</td>
<td>4.1 Antiretroviral medicines</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4.2 Anti-tuberculosis medicines</td>
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<td></td>
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<td></td>
<td>4.3 Antimalarial medicines</td>
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<td></td>
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<td>4.4 Opioid substitutes medicines</td>
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<td></td>
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<td></td>
<td>4.5 Opportunistic infections and STI medicines</td>
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<td></td>
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<td></td>
<td>4.6 Private sector subsidies for ACTs (co-payment to 4.3)</td>
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<td></td>
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<td>4.7 Other medicines</td>
</tr>
</tbody>
</table>

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87 The costing elements of the Global Fund modular approach
<table>
<thead>
<tr>
<th>Health Products-related Costs</th>
<th>5 Health Products - Non-Pharmaceuticals</th>
<th>All other health products not covered under the “4.0 Health Products - Pharmaceutical Products” and “6.0 Health Products – Equipment” shall be budgeted under this category. Health products – non-pharmaceutical products shall be included in the HPMT and shall be automatically integrated in the budget as part of the Principal Recipient submission</th>
<th>5.1 Insecticide-treated nets (long-lasting insecticidal nets/insecticide-treated nets) 5.2 Condoms – male 5.3 Condoms – female 5.4 Rapid diagnostic tests 5.5 Insecticides 5.6 Laboratory reagents 5.7 Syringes and needles 5.8 Other consumables 5.9 Private sector subsidies for rapid diagnostic tests (Co-payments to 5.4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Products-related Costs</td>
<td>6 Health Products - Equipment</td>
<td>See Section 7.4 of the guidelines for more information.</td>
<td>6.1 CD4 analyzer/accessories 6.2 HIV viral load analyzer/accessories 6.3 Microscopes 6.4 TB molecular test equipment 6.5 Maintenance and service costs for health equipment 6.6 Other health equipment</td>
</tr>
<tr>
<td>Health Products-related Costs</td>
<td>7 Procurement and Supply Chain Management Costs</td>
<td>See Section 7.4.3 of the guidelines for more information.</td>
<td>7.1 Procurement agent and handling fees 7.2 Freight and insurance costs (health products) 7.3 Warehouse and storage costs 7.4 In-country distribution costs 7.5 Quality assurance and quality control costs 7.6 Procurement and supply management customs duties and clearance charges 7.7 Other procurement and supply management costs</td>
</tr>
</tbody>
</table>

88 The implementer may also combine maintenance cost of all equipment (health and non-health) under cost input 9.4 if this will enhance efficiency and facility expenditure reporting.

89 If the tender specifically expects the product to be quoted Free on Board (FOB) and so freight charges are required to be paid.
<table>
<thead>
<tr>
<th>Program-related Costs</th>
<th>12 Living support to client/target population</th>
<th>See Section 7.8 of the guidelines for more information.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Infrastructure and Non-Health Equipment</th>
<th>8 Infrastructure</th>
<th>See Section 7.5 of the guidelines for more information.</th>
</tr>
</thead>
</table>

| Infrastructure and Non-Health Equipment | 9 Non-health Equipment | 8.1 Furniture  
8.2 Renovation/constructions  
8.3 Infrastructure maintenance and other infrastructure costs  
9.1 IT - computers, computer equipment, software and applications  
9.2 Vehicles  
9.3 Other non-health equipment  
9.4 Maintenance and service costs non-health equipment |
|-----------------------------------------|----------------------|----------------------------------------------------|

<table>
<thead>
<tr>
<th>Program-related Costs</th>
<th>10 Communication Material and Publications</th>
<th>See Section 7.6 of the guidelines for more information.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Program-related Costs</th>
<th>11 Indirect and Overhead Costs</th>
<th>See Section 7.7 of the guidelines for more information.</th>
</tr>
</thead>
</table>

| Program-related Costs | 11 Indirect and Overhead Costs | 11.1 Office-related costs  
11.2 Unrecoverable taxes and duties  
11.3 Indirect cost recovery - % based  
11.4 Other PA costs  
11.5 Shared costs |
|-----------------------|-------------------------------|----------------------------------------------------|

| Program-related Costs | 11 Indirect and Overhead Costs | 12.1 Support to orphans and other vulnerable children (school fees, uniforms, books, etc.)  
12.2 Food and care packages  
12.3 Cash incentives/transfer to patients/beneficiaries/counselors/mediators  
12.4 Microloans and microgrants  
12.5 Other costs related to living support to client/target population |
<table>
<thead>
<tr>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Program-related Costs</td>
<td>13 Payment for Results</td>
<td>Tailored investment model for payment for results. This investment model is available at the discretion of the Global Fund under specific circumstances.</td>
</tr>
<tr>
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<tr>
<td></td>
<td>13.1 Results Based Financing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>13.2 Activity Based Contracts, Community Based Organizations and other service providers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>13.3 Incentives for Principal Recipient and Sub-Recipients staff members</td>
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</tr>
<tr>
<td></td>
<td>13.4 Incentives for Community Health Workers (CHW), outreach workers, medical staff and other service providers</td>
<td></td>
</tr>
</tbody>
</table>
## Table 2: Cost Input Name and Investment Landscape

<table>
<thead>
<tr>
<th>Cost Input Name</th>
<th>Investment Landscape - Level 1</th>
<th>Investment Landscape - Level 2 (Analytical Grouping)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.0 Human Resources</strong></td>
<td>Program Management Related Costs</td>
<td>Human Resources including Fiscal Agents</td>
</tr>
<tr>
<td>1.1 Salaries - program management</td>
<td>Program Management Related Costs</td>
<td>Human Resources including Fiscal Agents</td>
</tr>
<tr>
<td>1.2 Salaries - research workers, medical staff and other service providers</td>
<td>Program Management Related Costs</td>
<td>Human Resources for Health</td>
</tr>
<tr>
<td>1.4 Other HR Costs</td>
<td>Program Management Related Costs</td>
<td>Human Resources including Fiscal Agents</td>
</tr>
<tr>
<td>1.5 Severance Costs</td>
<td>Program Management Related Costs</td>
<td>Human Resources including Fiscal Agents</td>
</tr>
<tr>
<td><strong>2.0 Travel related costs</strong></td>
<td>Program Activity Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td>2.1 Training related per diems/transport/other costs</td>
<td>Program Activity Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td>2.2 Technical Assistance related per diems/transport/other costs</td>
<td>Program Activity Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td>2.3 Supervision/surveys/data collection related per diems/transport/other costs</td>
<td>Program Activity Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td>2.4 Meeting/Advisory related per diems/transport/other costs</td>
<td>Program Activity Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td>2.5 Other Transportation Costs</td>
<td>Program Activity Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td><strong>3.0 External professional services</strong></td>
<td>Program Activity Related Costs</td>
<td>Capacity Building and Technical Assistance</td>
</tr>
<tr>
<td>3.1 Technical Assistance Fee/Consultants</td>
<td>Program Activity Related Costs</td>
<td>Capacity Building and Technical Assistance</td>
</tr>
<tr>
<td>3.2 Fiscal/Fiduciary Agent fees</td>
<td>Program Management Related Costs</td>
<td>Human Resources including Fiscal Agents</td>
</tr>
<tr>
<td>3.3 External audit fees</td>
<td>Program Management Related Costs</td>
<td>Indirect and Overhead Costs</td>
</tr>
<tr>
<td>3.4 Other external professional services</td>
<td>Program Activity Related Costs</td>
<td>Capacity Building and Technical Assistance</td>
</tr>
<tr>
<td>3.5 Insurance Related costs</td>
<td>Program Management Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td><strong>4.0 Health Products - Pharmaceutical Products</strong></td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>4.1 Antiretroviral medicines</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>4.2 Anti-tuberculosis medicines</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>4.3 Antimalarial medicines</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>4.4 Opioid substitutes medicines</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>4.5 Opportunistic infections and STI medicines</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>4.6 Private Sector subsidies for ACTs (Co-payments)</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>4.7 Other medicines</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td><strong>5.0 Health Products - Non-Pharmaceuticals</strong></td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>5.1 Insecticide-related Nets (LLRNs/ITNs)</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>5.2 Condoms - Male</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>5.3 Condoms - Female</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>5.4 Viral Isolation and Genetic Test</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>5.5 Insecticides</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>5.6 Laboratory reagents</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>5.7 Strategies and guidelines</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>5.8 Other consumables</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>5.9 Private Sector subsidies for RDTs (Co-payments)</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td><strong>6.0 Health Products - Equipment</strong></td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>6.1 Blood samples analysis/instruments</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Equipment</td>
</tr>
<tr>
<td>6.2 HIV Viral Load analysis/instruments</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Equipment</td>
</tr>
<tr>
<td>6.3 Microscopes</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Equipment</td>
</tr>
<tr>
<td>6.4 TB Molecular Test equipment</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Equipment</td>
</tr>
<tr>
<td>6.5 Maintenance and service costs for health equipment</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Equipment</td>
</tr>
<tr>
<td>6.6 Other health equipment</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Equipment</td>
</tr>
<tr>
<td><strong>7.0 Procurement and Supply-Chain Management costs</strong></td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>7.1 Procurement agent and handling fees</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>7.2 Freight and insurance costs (Health products)</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>7.3 Warehouse and Storage Costs</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>7.4 In-country distribution costs</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>7.5 Quality assurance and quality control costs (QA/QC)</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>7.6 PSM Customs Clearance</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td>7.7 Other PSM costs</td>
<td>Health Products/Commodities/Equipment and PSM Related Costs</td>
<td>Health Products/Commodities and PSM-Related Costs</td>
</tr>
<tr>
<td><strong>8.0 Infrastructure</strong></td>
<td>Program Management Related Costs</td>
<td>Infrastructure and Non-Health Equipment</td>
</tr>
<tr>
<td>8.1 Furniture</td>
<td>Program Management Related Costs</td>
<td>Infrastructure and Non-Health Equipment</td>
</tr>
<tr>
<td>8.2 Renovation/constructions</td>
<td>Program Management Related Costs</td>
<td>Infrastructure and Non-Health Equipment</td>
</tr>
<tr>
<td>8.3 Infrastructure maintenance and other INF costs</td>
<td>Program Management Related Costs</td>
<td>Infrastructure and Non-Health Equipment</td>
</tr>
<tr>
<td>8.0 Non-health equipment</td>
<td>Program Management Related Costs</td>
<td>Infrastructure and Non-Health Equipment</td>
</tr>
<tr>
<td>8.1 IT - Computers, computer equipment. Software and applications</td>
<td>Program Management Related Costs</td>
<td>Infrastructure and Non-Health Equipment</td>
</tr>
<tr>
<td>8.2 Vehicles</td>
<td>Program Management Related Costs</td>
<td>Infrastructure and Non-Health Equipment</td>
</tr>
<tr>
<td>8.3 Non-health equipment</td>
<td>Program Management Related Costs</td>
<td>Infrastructure and Non-Health Equipment</td>
</tr>
<tr>
<td>8.4 Maintenance and service costs non-health equipment</td>
<td>Program Management Related Costs</td>
<td>Infrastructure and Non-Health Equipment</td>
</tr>
<tr>
<td><strong>10.0 Communication Material and Publications</strong></td>
<td>Program Activity Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td>10.1 Printed materials (forms, books, guidelines, brochures, leaflets, etc.)</td>
<td>Program Activity Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td>10.2 Television/Radio spots and programmes</td>
<td>Program Activity Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td>10.3 Promotional Material (t-shirts, mugs, pins...) and other O&amp;M costs</td>
<td>Program Activity Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td><strong>11.0 Indirect and Overhead Costs</strong></td>
<td>Program Management Related Costs</td>
<td>Indirect and Overhead Costs</td>
</tr>
<tr>
<td>11.1 Office related costs</td>
<td>Program Management Related Costs</td>
<td>Indirect and Overhead Costs</td>
</tr>
<tr>
<td>11.2 Unreimbursable taxes and duties</td>
<td>Program Management Related Costs</td>
<td>Indirect and Overhead Costs</td>
</tr>
<tr>
<td>11.3 Indirect cost recovery (ICR) - % based</td>
<td>Program Management Related Costs</td>
<td>Indirect and Overhead Costs</td>
</tr>
<tr>
<td>11.4 Other PA costs</td>
<td>Program Management Related Costs</td>
<td>Indirect and Overhead Costs</td>
</tr>
<tr>
<td>11.5 Share of costs</td>
<td>Program Management Related Costs</td>
<td>Indirect and Overhead Costs</td>
</tr>
<tr>
<td><strong>12.0 Living support to client/target population</strong></td>
<td>Program Activity Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td>12.1 Support to orphans and other vulnerable children (school fees, uniforms, books, etc.)</td>
<td>Program Activity Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td>12.0 Food and care packages</td>
<td>Program Activity Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td>12.3 Cash incentives/transfer to patients/beneficiaries/counseling/mediations</td>
<td>Program Activity Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td>12.4 Micro-loans and micro-grants</td>
<td>Program Activity Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td>12.5 Other LSCTP costs</td>
<td>Program Activity Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td><strong>13.0 Payment for Results</strong></td>
<td>Program Activity Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td>13.1 Results Based Paymenting (RBP)</td>
<td>Program Activity Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td>13.2 Activity Based Contracts, Community Based Organizations and other service providers</td>
<td>Program Activity Related Costs</td>
<td>Program-Related Costs</td>
</tr>
<tr>
<td>13.3 Incentives for Principal Recipient and Sub-Recipients staff members</td>
<td>Program Activity Related Costs</td>
<td>Human Resources for Health</td>
</tr>
<tr>
<td>13.4 Incentives for Community Health-Workers (CHW), outreach workers, medical staff and other service providers</td>
<td>Program Activity Related Costs</td>
<td>Human Resources for Health</td>
</tr>
</tbody>
</table>

December 2019
Geneva, Switzerland
Page 81
Appendix 2 - Transition between Allocation Utilization Periods

This appendix provides practical guidance on how to move from one allocation cycle to the next.

1. What is the difference between an allocation utilization period and an implementation period?

An allocation utilization period is a three-year period for a component during which an allocation can be used to finance activities for that component. An implementation period applies to a grant and determines the duration during which activities included in the grant agreement can be implemented.

An allocation utilization period can contain several implementation periods and an implementation period, when extended, may span across more than one allocation utilization period.

<table>
<thead>
<tr>
<th>Allocation Period</th>
<th>Allocation Utilization Period</th>
<th>Implementation Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td>4th Replenishment</td>
<td>5th Replenishment</td>
<td>6th Replenishment</td>
</tr>
<tr>
<td>ALP 2014-18 Component 1</td>
<td>ALP 2017-19 Component 1</td>
<td>ALP 2020-22 Component 1</td>
</tr>
<tr>
<td>Grant 1 IP1</td>
<td>Grant 1 IP2</td>
<td>Grant 1 IP3</td>
</tr>
<tr>
<td>Grant 2 IP1</td>
<td>IP1 End</td>
<td>Grant 2 IP2</td>
</tr>
<tr>
<td>Grant 3 IP1</td>
<td>Grant 4 IP1</td>
<td>1IP2 Ext</td>
</tr>
</tbody>
</table>

A new 3-year grant/implementation period starts at the end of the previous one. Implementation periods can’t overlap for the same PR.

2. How the allocation utilization period of a component is determined when the component has more than one grant with different implementation periods?

For single components with allocations (HIV, TB, Malaria), the allocation utilization period is communicated in the allocation letter and was generally based on the end date of the final grant in the component. For single components without allocations, the start of the next allocation utilization period would be the day after the end date of the last grant’s implementation period.

For multi-components, where there is a misalignment between the end-dates of the grants in each single component, the allocation utilization period for the multicomponent must follow the standards for the single components (e.g., single components which might be longer than three years to match the multicomponent allocation utilization period are not entitled to funds above the allocation). Any proposed exceptions must be reviewed by the Grant Approvals Committee.

3. Which activities can be financed with approved funds from the 2017-19 allocation?

The 2017-19 allocation can be used for activities that were budgeted, approved and completed during the allocation utilization period associated with the country’s 2017-19 allocation – regardless of whether the payment for such activities has occurred. The following principles apply:

a. 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 (all or partial). Financial commitments existing at the end of an Allocation Utilization Period can be paid from that period’s allocation (via available cash balance or a disbursement from the Global Fund) and must be liquidated no later than six months after the end of the grant Implementation Period (unless otherwise approved in writing by the Global Fund).

b. **Financial obligations** are current contractual obligations to pay an agreed amount of cash (i.e., as per signed contract and/or purchase order) to a third party for the provision of goods/services at a certain point of time in the future, i.e., the goods or services are yet to be received. Financial obligations existing at the end of an Allocation Utilization Period cannot be paid from that period’s allocation and have to be transferred and included in the budget of a new grant or an extension, to be covered by funds from the next allocation.

Therefore, using the example of the current allocation utilization period: all financial commitments existing at the end of the current allocation utilization period will be paid from with the 2017-19 allocation, while financial obligations existing at the end of the current allocation utilization period will be funded from the 2020-22 allocation. These amounts will therefore need to be considered in the negotiation of the next grant and need to be included in the budgeting and programmatic planning for next allocation utilization period.

For example, a country’s malaria allocation utilization period was from 1 January 2018 until 31 December 2020, and the implementation period was also from 1 January 2018 until 31 December 2020. All activities that were budgeted, approved and completed by 31 December 2020 can be financed from the 2017-19 allocation even if the actual payment will only happen in February 2021 (e.g., commodities delivered in November 2020 that are invoiced in February 2021). Even if the implementation period is extended to June 2021, only activities that were budgeted, approved and completed by 31 December 2020 (i.e., the end of the allocation utilization period) can be funded from the 2017-19 allocation.

The allocation utilization period is specified in the allocation letter and may be different from the example above.

### 4. How do I determine if an activity has been completed?

Completion of activity depends on the contracts between the supplier and implementer, and verification of completion should follow the same standard procedures as for a standard PU/DR. For example, regarding commodities, delivery will be considered completed based on a transfer of ownership (assuming Incoterms). For construction works in progress at the end of an allocation utilization period, a percentage of completeness may be assigned in order to attribute expenses to one or another allocation utilization period. Such percentage must be based on Local Fund Agent and/or other assurance providers - verified documents.

### 5. What happens if there are last minute delays to goods/service deliveries that cause them to be delivered in the next allocation utilization period?

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90 Timing difference between goods/service receipt and payment date can be due to either delay in/non-receipt of invoices, use of favorable payment terms or a prolonged payment process (including checks issued but not cashed). Financial commitments mainly include accounts payable and creditors.

91 The Global Fund may also apply a one-time flexibility to facilitate the transition between two allocation periods for certain countries identified by the Global Fund.

December 2019
Geneva, Switzerland
In certain cases, payments relating to goods and/or services delivered after the end of an Allocation Utilization Period may be considered financial commitments to be funded from that Allocation Utilization Period, where the following three criteria are met:

- the implementing entity has placed the order(s) for the goods or services at issue with adequate consideration for relevant lead times\(^{92}\) such that the goods or services were expected to be delivered before the end of the allocation utilization period; and
- the delivery of the goods or services is delayed for reasons beyond the implementing entity’s control; and
- the delivery of the goods or services is completed within a maximum of 90 days of the Allocation Utilization Period end date.

6. From which allocation are grant closure budgets financed?

The allocation to which a closure budget should be attributed will be determined by the last day of the grant’s implementation period. The closure budget will be financed from the allocation related to the allocation utilization period in which the grant ends. For example, a grant that ends on the last day of the 2017-19 allocation utilization period will be financed from the 2017-19 allocation funds. This principle applies to both Principal Recipients and closing sub-recipients.

In line with the Operational Policy Manual, Section 3: Implementation Period Reconciliation and Grant closure, only closure activities should occur during the closure period, which is to be verified by the Local Fund Agent or the external auditor.

**Transferring funds and activities**

7. What will happen to the remaining funds from an existing grant at the end of allocation utilization period?

Any remaining funds at Global Fund or Principal Recipient level (after liquidation of the Principal Recipient’s financial commitments) from an existing grant, at the end of the current allocation utilization period, will not be additional to the next allocation\(^{93}\). “Remaining funds” are composed of:

- **unused funds at the Global Fund Secretariat level** (undisbursed funds). At the end of an Allocation Utilization Period, unused funds are returned to the general resource pool with the balance typically put towards Portfolio Optimization (as described below) to fund Unfunded Quality Demand (UQD) and other funding gaps in the next Allocation Period.

- **available in-country funds** represent any available uncommitted in-country cash balances (e.g., held by Principal Recipient, sub-recipients, procurement agents, and others). For Principal Recipients that are not continuing to implement grants for the Global Fund, the funds available in-country at the end of an Allocation Utilization Period need to be returned to the Global Fund no later than nine (9) months after the end of the grant. In the case of a continuing Principal Recipient, to avoid delays in implementation, the Global Fund may allow the Principal Recipient to use the in-country cash for the new grant. In that case, this amount will be deducted from the subsequent Allocation Utilization Period.

\(^{92}\) See the Global Fund Category and Product-level Procurement and Delivery Planning Guide for indicative lead times for key HIV and Malaria health products procured via the Global Fund’s Pooled Procurement Mechanism. See the Stop TB Partnership’s Category and Product-level Procurement and Delivery Planning Guide for indicative lead times for key TB health products procured via the Global Drug Facility.

\(^{93}\) This is because the allocation model allocates to countries a certain amount of funding for a defined period of time. Therefore supplementing the allocation for 2020-22 with unused funds at Global Fund level or in country cash balances is not possible. Any extension of an existing grant will be accounted for as part of the subsequent allocation utilization period, both in terms of time and money.
8. How do I determine the in-country cash balances from a grant that needs to be returned to the Global Fund or transferred into the next allocation utilization period (and deducted from the 2020-22 allocation)?

The final in-country cash balance amount that must be returned to the Global Fund or be transferred to the next allocation utilization period is determined using the Financial Closure Report (FCR).

More information is available in the Financial Closure Report Guidelines.

9. If the final uncommitted in-country cash balance won’t be known until well into the implementation of the new allocation utilization period, how do I handle adjustments?

As soon as the first uncommitted in-country cash balance estimate is available, the estimated amount can be approved for use in the new allocation utilization period (either in a new grant or through an extension) and be made available to pay for activities in the new allocation utilization period. The amount of the uncommitted in-country cash balance will then be counted as part of the total grant funds to be provided under the new allocation utilization period when the final uncommitted in-country cash balance is known so adjustments should not be necessary.

In cases where the country’s in-country cash balance is not sufficient to cover all financial commitments at the end of the Allocation Utilization Period, it is possible to make a final disbursement against the previous allocation.

10. When should financial commitments from the previous Allocation Utilization Period be liquidated?

Financial commitments must be liquidated no later than six-months after the end of the implementation period unless otherwise agreed by the Global Fund.

11. How are open financial obligations from the previous allocation utilization period transferred to the new allocation utilization period?

Financial obligations existing at the end of an allocation utilization period must be paid out of the next allocation utilization period and should be identified during the grant making stage of the new grant/implementation period and included in that period’s budget.

12. Are Principal Recipients required to have a separate bank account for the funds from each allocation utilization period?

Principal Recipients are encouraged not to open multiple bank accounts for the same program when moving from one implementation period to the next. The requirement is that the Principal Recipient be able to track fund balances as of the end date of the allocation utilization period at the Principal Recipient and Sub-recipient levels, as well as financial commitments that belong to the previous allocation utilization period.

13. How does the transition between allocation utilization periods impact grant closures?
Transitioning from one allocation-based funding model cycle to the next is not in itself viewed or treated as a grant closure. Therefore, for continuing Principal Recipients, the guidance in this document should be followed in addition to that in the Operational Policy Manual, Section 1.1: OPN on Access to Funding, Grant-Making and Approval. Where there is a grant closure (e.g., change in Principal Recipient or transitioning out of Global Fund financing), the Operational Policy Manual, Section 3: Implementation Period Reconciliation and Grant closure should be followed.

14. How does the transition between allocation utilization periods impact buffer stocks?

Buffer stock is stock that should always be on hand at the national, regional, district and/or facility level to mitigate the risk of stock-outs due to delays in the delivery of products or unexpected increases in consumption. It represents the quantity of stock required to allow for variations in supply lead-times or consumption rates. The amount of buffer stock can be calculated by multiplying the projected average monthly consumption by the average lead time 94 (month), it can be defined as a (reasonable) fixed number of months. The amount of buffer stock, unless explicitly agreed by the Global Fund, shall follow the applicable national policy/SOP/requirements. The Principal Recipient and the respective Global Fund Country Team, namely the Health Product Management Specialist, should jointly articulate buffer stock targets and underlying assumptions per grant.

The Principal Recipient and the respective Health Product Management Specialist should rationalize procurement of health products during transition between allocation utilization periods to ensure uninterrupted availability of health products prior to the first delivery under the subsequent period (vis a vis average monthly consumption multiplied by average lead time and buffer stock targets).

There should be no short-term increase in buffer stock levels at the end of the allocation utilization period.

15. What are the audit requirements when transitioning between allocation utilization periods?

The audit requirements for a Principal Recipient will remain as per the requirements outlined in the grant agreement. The timelines and frequency will not be impacted. Further guidance on standard procedure is in the audit guidelines.

16. How will fixed assets be considered for continuing Principal Recipients across allocation periods?

During grant implementation, the Principal Recipient must conduct a periodic inventory of fixed assets (at least annually). This inventory will be updated as of the implementation period end date and confirmed through the final audit. Such inventory will determine the list of fixed assets to be managed under the new implementation period.

In particular, the list of fixed assets as of the Implementation Period end date will be the starting list of fixed assets for the new implementation period.

94 See the Global Fund's Category and Product-level Procurement and Delivery Planning Guide for indicative lead times for key HIV and malaria health products procured via the Global Fund's Pooled Procurement Mechanism. See the Stop TB Partnership's Category and Product-level Procurement and Delivery Planning Guide for indicative lead times for key TB health products procured via the Global Drug Facility.

December 2019
Geneva, Switzerland
Appendix 3 – Management of Foreign Exchange in Grants

1. The Global Fund allocates funding, and signs grant agreements in either US dollars or Euros. As parts of grant expenditure may be incurred in local currency or non-grant currency, the grant could be subject to significant currency exposure from budget approval to grant implementation and grant closure.

2. Foreign exchange transaction and risk management is a critical component of Global Fund portfolio management. It is particularly important for countries with non-competitive\(^95\), illiquid\(^96\) or highly volatile\(^97\) foreign exchange markets, where foreign exchange differences may result in significant foreign exchange gains or losses to the grant.

3. Using an appropriate exchange rate at the time of budgeting improves the reliability of the budget, ensures adequate allocation of available resources, and provides flexibility to manage foreign exchange fluctuations during budget execution.

4. Proactively identifying and planning for foreign exchange savings in the grant lifecycle ensures that these savings are invested on time for the necessary programmatic activities to maximize impact.

5. This appendix provides a standard methodology for budgeting, monitoring (identification, measurement, and reporting) and management of foreign exchange rate fluctuations from allocation to grant closure. It intends to cover typical cases observed during the grant cycle but may not cover all regulatory contexts and macroeconomic situations.

6. Any deviation from the standard methodology needs to be approve in writing by the Global Fund.

Definitions

7. **Budget rate** is the rate at which payment currencies are translated into grant currency for the purpose of the budget.

8. The source for **spot exchange rate** can be an independent market data provider, the central bank or other official source. It is usually available on a daily basis (sometimes weekly).

9. **Booking rate**: Depending on the organisation’s accounting policy, the booking rate can be defined on a daily basis, or monthly based on the monthly average rate.

10. **Grant (reporting) currency** is the currency in which the grant is denominated in accordance with these guidelines and the currency which the implementer is required to use when reporting back to the Global Fund.

11. **Functional currency** is the currency of the primary economic environment in which the entity operates.

12. **Payment currency** is the currency in which payment is made to the relevant employee, service provider and/or supplier. It can be the grant currency, the local currency or a currency other than the grant currency, used or planned to be used to settle a grant liability.

13. **Foreign exchange differences** arise when converting or translating a given number of units of grant currency into local currency (or another payment currency) at different exchange rates.

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\(^{95}\) Market with few (could even be only one) participants.

\(^{96}\) Market with little traded volume, where as a consequence, a single trade for the amount of a disbursement could represent a large share of traded volume, move the market and reduce.

\(^{97}\) Market with large variations in the spot rate.
14. **Material** foreign exchange fluctuations for the purposes of these guidelines is defined as at least a 10% movement of the exchange rate of actual foreign transactions compared to the budgeted exchange rate in any defined reporting period, for example annual Progress Update and Disbursement Request and/or semi-annual Progress Update).

15. Foreign exchange **gains** at a grant level arise when, due to foreign exchange rate fluctuations, the conversion from grant currency to another currency produces more of the other currency than anticipated in the budget. For example, when the local currency depreciates in relation to the grant currency, e.g. from 1 USD = 5 LCU (local currency unit) at the budgeting stage compared to 1 USD = 8 LCU during budget execution.

16. Foreign exchange **losses** at a grant level arise when, due to foreign exchange rate fluctuations, the conversion from grant currency to another currency produces less of the other currency than anticipated in the budget. For example, when the local currency appreciates or becomes more expensive vs the grant currency, e.g. from 1 USD = 5 LCU (local currency unit) to 1 USD = 4 LCU.

17. **Realized** foreign exchange gains or losses arise each time an actual conversion between the grant’s currency and another currency is performed and settled, and when the actual foreign exchange rate is different from the budgeted foreign exchange rate.

18. **Unrealized** foreign exchange gains or losses are recorded when translating, sub-recipient and suppliers’ advances, local bank and cash balances from the local currency or another payment currency into the grant currency for reporting purposes.

19. **Projected** foreign exchange gains and losses are forecasted for the remaining duration of the grant to estimate the impact the fluctuation of another currency, for example the local currency, has on the purchasing power of the budget in the grant currency.

### Monitoring and Managing Foreign Exchange budgetary gains and losses

20. During grant making and implementation, the Principal Recipient is responsible for monitoring and alerting the Global Fund in writing if foreign exchange fluctuations may result in material foreign exchange gains or losses.

21. The regular Principal Recipient reporting process will be used by the Global Fund to review the **realized, unrealized, and projected** foreign exchange gains and losses, and to assess if the foreign exchange fluctuations require a re-evaluation of the grant budget using an appropriate revised foreign exchange rate.

22. If there are material savings identified during implementation as maybe agreed by the Global Fund in writing, the grant may go through a Revision process as per the **Operational Policy Manual**, Section 2.2: OPN on Grant Revisions. Grant Revision can happen at any time, but where there are material foreign exchange rate fluctuations it is recommended to **review budgets on an annual basis** to assess the impact of foreign exchange rate movements on the purchasing power of the remaining budget.
Managing Foreign Exchange Budgetary Gains

23. If the local currency has depreciated and the re-evaluation results in material realized and projected foreign exchange gains as maybe agreed by the Global Fund in writing:

(1) The Principal Recipient should update the budget with the updated foreign exchange rate (and inflation rate) agreed with the Global Fund, and the total realized and projected foreign exchange gains and submit it for the Global Fund written approval. These gains can then be invested towards activities in the Register of Unfunded Quality Demand (UQD). The updating of the budget and investment of foreign exchange gains should follow the program revision or budget revision process as per the Operational Policy Manual, Section 2.2: OPN on Grant Revisions.

(2) Because it is difficult to project future foreign exchange rate fluctuations, not all projected foreign exchange gains can be reinvested and a contingency reserve for potential future appreciation/recovery of the foreign exchange rate needs to be provision. The following percentages of projected gains should be reserved for a potential rebound:

<table>
<thead>
<tr>
<th>Remaining Budget Period</th>
<th>% of Projected Gains to be Reserved</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 years</td>
<td>40%</td>
</tr>
<tr>
<td>2 years</td>
<td>25%</td>
</tr>
<tr>
<td>1 year</td>
<td>10%</td>
</tr>
</tbody>
</table>

24. The contingency reserve should be included as a separate budget line and re-evaluated every year to reflect the most probable scenario of foreign exchange movement. The percentages above can be revised by the Global Fund based on the best macroeconomic estimates.

25. Foreign exchange gains (as maybe agreed by the Global Fund in writing) are considered as additional resources. As such, foreign exchange gains do not automatically pertain to the grants, and the Global Fund must approve their use and optimization to fund activities in the Register of Unfunded Quality Demand (UQD). In addition of the approval authority stated in the Operational Policy Manual, Section 2.2: OPN on Grant Revisions, the following levels of approval for the investment of foreign exchange gains apply:

<table>
<thead>
<tr>
<th>Amount of Net Forex Gains to be invested</th>
<th>Grant Management</th>
<th>Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;USD 5,000,000</td>
<td>Regional Managers/ Department Head</td>
<td>Regional Finance Manager</td>
</tr>
<tr>
<td>USD 5,000,000 &lt;= X &lt; USD 10,000,000</td>
<td>Head of Grant Management Division</td>
<td>Head of Program Finance and Controlling</td>
</tr>
<tr>
<td>&gt;= USD 10,000,000</td>
<td>Grant Approvals Committee</td>
<td></td>
</tr>
</tbody>
</table>

98 The realized gains could be reprogrammed entirely but only a portion of the projected gains can be reinvested.

99 Gross foreign exchange gains less the contingency reserve.
26. If the proposed investment of Foreign Exchange gains is not approved (e.g. the absorption capacity of the grant is not able to effectively use the foreign exchange gains), or there are no activities in the Register of UQD approved by the Technical Review Panel for the grant, the net foreign exchange gains (gross foreign exchange gains less the contingency reserve) are set aside as a separate budget line not to be disbursed by the Country Team or expensed at country level. The foreign exchange gains not approved for reinvestment could then be used for portfolio optimization purposes in other portfolios.

**Managing foreign exchange budgetary Losses**

27. If a payment currency identified in the budget has appreciated and generated actual and projected foreign exchange losses (as maybe agreed by the Global Fund in writing), the Principal Recipient in consultation with the Global Fund Country Team should revise the budget to identify any savings or deprioritized activities that can cover such losses. If the grant budget cannot absorb all the foreign exchange losses, the Country Team can request additional funding through the Portfolio Optimization process.

28. In case a foreign exchange loss occurs after a contingency reserve has been constituted, the Principal Recipient, with the written approval of the Global Fund Country Team, can use this reserve to cover this loss and keep all the relevant documentation for verification by the Global Fund and/or its assurance providers.

29. The approval matrix for the use of the contingency reserve is the same as the one described in Table 1 above.

**Reporting foreign exchange gains and losses**

30. Realized foreign exchange gains or losses must be reported annually in the Progress Update/ Disbursement Request (PU/DR) with the disclosure of the net movement of foreign exchange rate between the latest budget rate and the rate at the reporting date. The PU/DR must also include a section where the Principal Recipient should include projected foreign exchange gains or losses that impact the remaining period of the grant. While preparing and submitting the PU/DR, the Principal Recipient may at the same time submit any revisions of the budget for Global Fund consideration following the requirements of these guidelines.

31. In addition, on a six-monthly basis and as part of their annual PU/DR and semi-annual PU reporting, the Principal Recipient will report the actual foreign exchange conversion rates executed by their banks to convert received grant currency into the relevant currencies for payment.

32. An example calculation, for illustrative purposes only, of foreign exchange gains and losses on a monthly basis for reporting to the Global Fund is set out below. The Principal Recipient may agree with the Country Team in writing, an alternative reporting methodology, which is compliant with relevant national accounting practices.
## Table 2

**Exchange rate in the approved budget (1 USD = X Local Currency)**

<table>
<thead>
<tr>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USD Disbursements from the Global Fund to Principal Recipient USD amount</strong></td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>Conversions Principal Recipient USD to Principal Recipient Local bank account</strong></td>
<td>$200,000</td>
<td>$400,000</td>
<td>$300,000</td>
</tr>
<tr>
<td><strong>Bank exchange rate (spot rate of conversion)</strong></td>
<td>12.00</td>
<td>8.00</td>
<td>16.00</td>
</tr>
<tr>
<td><strong>Local Amount received</strong></td>
<td>2,400,000</td>
<td>3,200,000</td>
<td>4,800,000</td>
</tr>
<tr>
<td><strong>Foreign exchange gains from conversion (vs Budget foreign exchange rate)</strong></td>
<td>400,000</td>
<td>(800,000)</td>
<td>1,800,000</td>
</tr>
</tbody>
</table>

### 1. Realized foreign exchange gains (translation of excess/loses at budget rate)

<table>
<thead>
<tr>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actual expenditure in local currency</strong></td>
<td>$1,920,000</td>
<td>$2,560,000</td>
<td>$3,840,000</td>
</tr>
<tr>
<td><strong>Average monthly exchange rate (booking rate)</strong></td>
<td>11.00</td>
<td>7.00</td>
<td>15.00</td>
</tr>
<tr>
<td><strong>Translation of average expenditure to USD at average rate</strong></td>
<td>$174,545</td>
<td>$365,714</td>
<td>$256,000</td>
</tr>
<tr>
<td><strong>Translation of average expenditure to USD at budget rate</strong></td>
<td>$192,000</td>
<td>$256,000</td>
<td>$384,000</td>
</tr>
</tbody>
</table>

### 2. Realized foreign exchange gains/losses (Expenses at Ref rate vs Budget rate)

<table>
<thead>
<tr>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash balance at Month End (in local currency)</strong></td>
<td>$480,000</td>
<td>$1,120,000</td>
<td>$2,080,000</td>
</tr>
<tr>
<td><strong>Spot rate at Month End</strong></td>
<td>13.50</td>
<td>14.00</td>
<td>8.00</td>
</tr>
<tr>
<td><strong>Translation of cash balance to USD at spot rate</strong></td>
<td>$35,556</td>
<td>$80,000</td>
<td>$260,000</td>
</tr>
<tr>
<td><strong>Translation of cash balance to USD at budget rate</strong></td>
<td>$48,000</td>
<td>$112,000</td>
<td>$208,000</td>
</tr>
</tbody>
</table>

### 3. Unrealized foreign exchange gains/losses

<table>
<thead>
<tr>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net foreign exchange effect (Realized at conversion + at expenditure + Unrealized)</strong></td>
<td>$45,010</td>
<td>$(221,714)</td>
<td>$360,000</td>
</tr>
</tbody>
</table>

**Legend**

- **Black**: grant currency
- **Red**: Foreign exchange rate
- **Purple**: local currency
Managing foreign currencies at country level

33. As shown below the Global Fund normally disburses to the Principal Recipient in grant currency (USD or EUR) to the nominated grant bank account in that currency.

![Diagram showing the flow of funds from Global Fund to Principal Recipient, conversion to local currency, and reporting back to Global Fund.]

34. The Principal Recipient must then convert the grant currency into local currency based on its treasury process, using regular forecasts to estimate short-term local currency needs. Holding amounts of local currency only for immediate needs is particularly important in the environment of strongly depreciating local currency in order to minimize foreign exchange losses on the cash balance. The overall management and the balance between local currency and holding USD / EUR depends on the country context and the type of available investment option in country as well. For example, returns on local currency investments should be evaluated against potential currency devaluation.

35. The conversion must be managed by the Principal Recipient to ensure that most competitive foreign exchange rate available on the official market is applied. The Principal Recipient should periodically conduct market offers of other banks in terms of competitive rates to ensure value for money of the Global Fund’s funds. As per the reporting requirements, the local foreign exchange conversion rates are going to be benchmarked by the Global Fund’s Treasury department to ensure Principal Recipient’s are aligned with competitive foreign exchange market pricing practices.

36. Where the foreign exchange rate offered at the local market is not competitive, the Global Fund may agree with the Principal Recipient in writing to disburse grant funds directly in local currency, exchanged by a more advantageous rate by the Global Fund (where applicable).
37. The Principal Recipient must ensure that each sub-recipient has in place a foreign exchange management policy based on the local regulatory requirements and these guidelines for effective monitoring and management of foreign exchange differences. The policy should include, but not limited to, the level of the foreign exchange risk the organization is exposed to, control over conversion of grant currency, control over negotiation of foreign exchange rate with the bank, sources of foreign exchange rate and segregation of duties for recording and reporting on forex differences etc.

38. The Principal Recipient should have in place a financial management information system (ideally automated) with appropriate controls to manage foreign exchange differences. Ideally, the information system should:
   - Be able to manage at least two different currencies,
   - Link with appropriate sources or allow senior finance staff to update foreign exchange rate regularly (daily, weekly or monthly based on the volatility);
   - Translate a transaction or a balance into grant currency and vice versa using an appropriate exchange rate; and
   - Calculate foreign exchange loss or gain on conversion of physical currency or translation of individual transactions and/or balances as per the below chart.

![Diagram of Foreign Exchange Difference]

39. During grant implementation expenditures must be accounted for and reported in the grant currency for the purposes of PU/DR reporting using an agreed exchange rate. Generally, it would be a monthly average exchange rate provided either by the Central Bank, commercial bank used by the Principal Recipient, or the UN reference rate. The Principal Recipient may also choose to use a spot rate at the date of each transaction to translate local expenditures for the reporting.

40. The same principles above apply to any funds managed by sub-recipients or relevant government departments if they manage any foreign currency for the Principal Recipient. Otherwise, it is expected that the sub-recipient’s budgets and agreements are nominated in local currency. The Principal Recipient would send then local currency to the sub-recipients and translate their monthly expenditures and quarterly cash balances reported in local currency into grant currency using the guidance above.
# Appendix 4 – Shared Costs

<table>
<thead>
<tr>
<th>#</th>
<th>Potential Costs pools</th>
<th>Cost Drivers</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Salaries – Program Management (shared services including finance, administration, procurement, IT, internal audit and monitoring &amp; evaluation)</td>
<td>▪ Number of staff; or ▪ Number of hours; or ▪ Grant amount excluding PPM</td>
<td>▪ Total estimated cost of service/total estimated budget of entity *grant amount; or</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▪ Total estimated cost of service/total # of hours*Number of hours worked on specific grant</td>
</tr>
<tr>
<td>2</td>
<td>Supervision, Survey and Data Collection</td>
<td>▪ Number of staff; or ▪ Number of hours; or ▪ Grant amount</td>
<td>▪ Total estimated cost (supervision, survey and data collection)/total estimated budget of entity *grant amount; or</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▪ Total estimated cost /total # of staff *Number of staff for specific grant</td>
</tr>
<tr>
<td>3</td>
<td>Training, Meeting and Advocacy</td>
<td>▪ Number of participants; or ▪ Grant amount</td>
<td>▪ Total estimated cost (training, meeting and advocacy) /total estimated budget *grant amount; or</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▪ Total estimated cost /total # of participants *Number of participants targeted for specific grant</td>
</tr>
<tr>
<td>4</td>
<td>Procurement Agent and Handling Cost</td>
<td>▪ Cost of procurement (health products)</td>
<td>▪ Total estimated cost (procurement agent &amp; handling)/total procurement budget of entity*procurement budget for specific grant</td>
</tr>
<tr>
<td>5</td>
<td>Warehouse and storage cost</td>
<td>▪ Space or areas; or ▪ Estimated cost of procurement (health products)</td>
<td>▪ Total estimated cost (warehouse &amp; storage)/total procurement budget of entity*procurement budget for specific grant</td>
</tr>
<tr>
<td>6</td>
<td>Quality Assurance and Quality Control Costs</td>
<td>▪ Estimated cost of procurement (health products)</td>
<td>▪ Total estimated cost (quality assurance and control)/total procurement budget of entity*procurement budget for specific grant</td>
</tr>
<tr>
<td>7</td>
<td>Vehicles</td>
<td>▪ Number of staff; or ▪ Grant amount</td>
<td>▪ Total estimated cost of vehicles /total number of entity’s staff*Number of staff working on specific grant</td>
</tr>
<tr>
<td>10</td>
<td>Maintenance and Service Cost for Equipments – Non Health or Health</td>
<td>▪ Estimated cost of Health/Non Health Equipment</td>
<td>▪ Total estimated cost of maintenance and service for equipments /total estimated entity’s equipments cost *total estimated equipment cost under specific grant</td>
</tr>
</tbody>
</table>
## Appendix 5 – Activity Based Contracts

<table>
<thead>
<tr>
<th>Phase</th>
<th>Description</th>
</tr>
</thead>
</table>
| Contracting | • The activity-based contractor must be selected through an appropriate procurement process in an open and transparent manner.  
• The technical and financial capacity of activity-based contractors must be assessed using the 70% and 30% rule (70% technical & financial capacity and 30% financial proposal).  
• While assessing the technical and financial capacity of proposed activity-based contractors, the implementers must consider (but not be limited to) the following factors, without limitation:  
  ✓ relevant experience and track record of contractor (at least 3 to 5 years);  
  ✓ methodology and approach to deliver required services or goods;  
  ✓ contractor capacity, management structure and qualification of key personnel;  
  ✓ activities to be implemented and the inherent risks (level of cash payments and are outputs verifiable)  
  ✓ technical quality assurance review mechanism (oversight and compliance procedures) of contractor;  
  ✓ risk mitigation measures;  
  ✓ reporting and monitoring; and  
  ✓ financial capacity (audited financial statements for at least 2 years and annual turnover of at least US$ 1 million).  
• The contract should be signed with the contractor providing best value (highest score for technical proposal and comparative lower price) for delivery of specific goods or services and/or specific programmatic outcomes.  
• The contract must include but not be limited to:  
  ✓ implementation schedules with clear milestones and outputs;  
  ✓ general conditions for professional services;  
  ✓ the Terms of Reference of the services or specification in case of goods/commodities;  
  ✓ the Price Schedule;  
  ✓ the acceptance and approval procedures including agreed basis for which the output or delivery of service will be independently confirmed; and  
  ✓ the contractor’s technical proposal.  
• In addition to the above, the implementer must establish and agree with the activity-based contractor an assurance plan (the plan must be approved in writing by the Country Team or Principal Recipient in case of the Principal Recipient and sub-recipient respectively) for appropriate oversight and supervision of services to be provided under the activity-based contract, which must include one or more of the following:  
  ✓ monitoring and supervision visits;  
  ✓ internal audit;  
  ✓ external audit; and /or  
  ✓ final evaluation of work/outputs etc. |
Execution

- The contractor must provide the detailed implementation schedule and inception report with actual delivery dates within 1-month (30 days) of the assignment.
- The contractor must perform and complete the services agreed with due diligence, quality and efficiency in accordance with the contract.
- The contractor should ensure that the key personnel assigned in the technical proposal will remain responsible for the contract implementation. Any replacement of the key staff throughout the contract life should be justified by the contractor and agreed with the Principal Recipient. The replacement staff should be of the comparable (or higher) professional competence as the resigned one.
- The contractor must be responsible for the professional and technical competence of its staff and will select reliable individuals who will perform effectively and conform to a high standard of moral and ethical conduct.
- The implementer must perform the assurance of service being provided as per agreed assurance plan.

Payment

- The contractor must submit contract-based invoices[^1] for the services performed against every milestone agreed.
- Payments must be made to the contractor after acceptance of the invoices submitted, upon achievement of the corresponding milestones.
- In special circumstances, taking into account the cash-flow situation and capacity of the contractor, an advance payment of no more than 30% can be authorized. For contracts with advance payment mechanism, the contractor must provide a guarantor (Government, INGO, UN Agencies, or reputable local bank).

Closure

- A certificate of completion must be submitted to the implementers by the activity-based contractor after the completion of all milestones/output agreed in the contract.
- Final payments must be made after acceptance of the certificate of completion and the invoices submitted, together with supporting documentation of the actual costs incurred and milestones achieved.

<table>
<thead>
<tr>
<th>Activity Based Contractors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type</strong></td>
</tr>
<tr>
<td>Verifiable Service Delivery</td>
</tr>
<tr>
<td>Conditional Cash Transfers</td>
</tr>
</tbody>
</table>

[^1]: This includes an invoice with the statement of work performed under the contract and does not include specific receipts that the contractor keeps for their own book of records.
<table>
<thead>
<tr>
<th>Facility Level Financing</th>
<th>• Funding is exclusively linked to facility-level outputs.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Output and unit cost of output can be measured reliably.</td>
</tr>
<tr>
<td></td>
<td>• Visibility of the Global Funds grant investment.</td>
</tr>
<tr>
<td></td>
<td>• Increase facility-level efficiency and effectiveness.</td>
</tr>
<tr>
<td></td>
<td>• Re-investment in health facility strengthens system.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key indicators include:</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ % of women attending antenatal care;</td>
</tr>
<tr>
<td>✓ % of births attended by skilled health professional;</td>
</tr>
<tr>
<td>✓ Annual blood examination - Malaria (number and rate per 100 population)</td>
</tr>
<tr>
<td>✓ Percentage of all forms of TB cases (i.e. bacteriologically confirmed plus clinically diagnosed) successfully treated (cured plus treatment completed)</td>
</tr>
<tr>
<td>✓ % of people living with HIV in care (including PMTCT) who are screened for TB in HIV care or treatment settings.</td>
</tr>
<tr>
<td>✓ Procurement of health products and non-health products</td>
</tr>
</tbody>
</table>
Appendix 6 - Budgetary adjustments

Discretionary Cost Categories

Human Resources:
  a. Any increase in salary or incentive, above those as per the approved budget, to staff/agents working for Global Fund program must be approved in writing by the Global Fund regardless of the percentage of increase.
  b. The increase in staff number is left to the Principal Recipient’s discretion, provided:
     i. it follows the Principal Recipient’s own procedure and approval process for a budget revision;
     ii. it follows the Principal Recipient’s own procedure and approval process of recruitment;
     iii. it is programmatically justified and documented; and
     iv. it is within the limit of 5 percent of the total cost grouping budget.

Travel-related costs (per diems, etc.)
  a. The Principal Recipient must notify the Global Fund of any change in the per diem policy of their organization.
  b. Any increase in per diem rate outside the Principal Recipient per diem policy and/or different from those as per the approved budget must be approved in writing by the Global Fund.
  c. The increase in other areas related to the travel related costs, for example number of participants, is left to the Principal Recipient discretion, provided:
     i. it follows the Principal Recipient’s own procedure and approval process for a budget revision;
     ii. it is programmatically justified and documented; and
     iii. it is within the limit of 5 or 10 percent of the total cost grouping budget depending on the country classification.

External Professional Services:
  a. Any increase in consultant fees as a result 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.
  b. The budget increase in other areas related to external professional services is left to the Principal Recipient’s discretion, provided:
     i. it follows the Principal Recipient own procedure and approval process for a budget revision;
     ii. it is programmatically justified and documented; and
     iii. it is within the limit of 5 or 10 percent of the total cost grouping budget depending on the country classification.

Non-Health Equipment:
  a. The acquisition of additional non-health equipment (including vehicles) is left to the Principal Recipient’s discretion, provided:
     i. it follows the Principal Recipient’s own procedure and approval process for a budget revision;
     ii. it follows the Principal Recipient’s own procedure and approval process for asset acquisition;
     iii. it is programmatically justified and documented; and
     iv. it is within the limit of 5 or 10 percent of the total cost grouping budget depending on the country classification.
**Indirect costs/overheads**

a. The maximum rates which an eligible nongovernmental organization may charge to support costs/indirect cost recovery under Global Fund grant agreements and grant extensions are established in the *Operational Policy Manual*, Section 1.4: OPN on Support Costs/Indirect Cost Recovery (ICR) Policy for Non-Governmental Organizations.

b. If the Global Fund at its sole discretion approves funding for support costs/indirect cost recovery, the Global Fund may include a special condition in the relevant grant agreement to specify terms such as the applicable rates, approved budget, description of services to be covered or other terms, it may deem appropriate.
Budgetary Revisions Examples

**Background Facts**
Principal Recipient X signed an HIV grant with the Global Fund on July 1, 2019, for a total of $3,270,285. The summary budget is presented below.

**Example 1**
Five months into grant implementation, unexpected changes in fuel prices in the country cause the budget of some activities planned for the third quarter under the intervention “Behavioral change as part of programs for general population” to increase by $20,000.

The Principal Recipient wants to fund the increase by using the savings realized on drugs procurement on the intervention “Behavioral change as part of programs for other vulnerable populations” and needs to determine if pre-approval is needed from the Global Fund.

The three-year budget for the intervention “Behavioral change as part of programs for general population” (the increasing intervention) is $173,268. An increase of $20,000 will result in a budget increase of 20,000/173,268 = 12% (<15%).

The three-year budget for the intervention “Behavioral change as part of programs for other vulnerable populations” (the decreasing intervention) is $532,679. A decrease of $20,000 will result in a budget decrease of 20,000/532,679 = 4% (<15%).

For both the increasing and decreasing interventions, the budget change is under 15 percent and it is considered a nonmaterial adjustment. Therefore, Global Fund pre-approval is not required.

**Example 2**
The Principal Recipient wants to allocate the increase in budget to two activities in the intervention “Behavioral change as part of programs for general population”:

- “2.1.3.1.4 Consultant – designer comic strip” budgeted under the cost input 3.1 – Technical assistance/consultancy (cost grouping 3 – External Professional Services). The budget will be increased by $6,000.

- “2.6.8 Condoms as part of programs for MSM and TGs” budgeted under the cost input 5.2 – Condoms – male (cost grouping 5 – Health Products – Non-Pharmaceuticals). The budget will be increased by $14,000.

The total budget of the cost grouping 3 – External Professional Services for the three-year implementation period amounts to $73,528.

The total budget of the cost grouping 5 – Health Products – Non-Pharmaceuticals for the three-year implementation period amounts to $85,000.

The total cost grouping “External Professional Services” will increase by $6,000, representing an increase of 8.2 percent (6,000/73,528).

The total cost grouping “Health Products – Non-Pharmaceuticals” will increase by $14,000, representing an increase of 16.5 percent (14,000/85,000).
In this case, the Principal Recipient will have to request the prior written approval of the Global Fund for the increase to cost grouping 3 because the percentage increase of the defined discretionary category (External Professional Services) exceeds the threshold of 5 percent.

The Principal Recipient may increase the budget of the second activity without prior approval from the Global Fund because (i) the increase in budget does not exceed the 15 percent threshold for increases in budget by intervention and (ii) cost grouping 5 – Health Products – Non-Pharmaceuticals is not a defined discretionary cost category.
## Budget Example

<table>
<thead>
<tr>
<th>Cost Grouping</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0 Human Resources (HR)</td>
<td>688,546</td>
<td>596,827</td>
<td>116,814</td>
<td>1,402,186</td>
</tr>
<tr>
<td>2.0 Travel related costs (TRC)</td>
<td>678,741</td>
<td>298,279</td>
<td>50,571</td>
<td>1,027,591</td>
</tr>
<tr>
<td>3.0 External Professional services (EPS)</td>
<td>53,533</td>
<td>19,916</td>
<td>-</td>
<td>73,528</td>
</tr>
<tr>
<td>4.0 Health Products - Pharmaceutical Products (HPP)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5.0 Health Products - Non-Pharmaceutical Products (HPNP)</td>
<td>85,000</td>
<td>-</td>
<td>-</td>
<td>85,000</td>
</tr>
<tr>
<td>6.0 Health Products - Equipment (HPE)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7.0 Procurement and Supply-Chain Management costs (PSM)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>8.0 Infrastructure (INF)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>9.0 Non-health equipment (NHE)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10.0 Communication Material and Publications (CMP)</td>
<td>100,000</td>
<td>58,493</td>
<td>269</td>
<td>158,762</td>
</tr>
<tr>
<td>11.0 Programme Administration costs (PA)</td>
<td>234,618</td>
<td>242,769</td>
<td>45,830</td>
<td>523,218</td>
</tr>
<tr>
<td>12.0 Living support to client/ target population (LSCTP)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>13.0 Results-based financing (RBF)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,840,437</td>
<td>1,216,364</td>
<td>213,484</td>
<td>3,270,285</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intervention</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis, review and transparency</td>
<td>6,659</td>
<td>6,050</td>
<td>1,390</td>
<td>14,099</td>
</tr>
<tr>
<td>Behavioral change as part of programs for general population</td>
<td>127,008</td>
<td>46,265</td>
<td>-</td>
<td>173,268</td>
</tr>
<tr>
<td>Behavioral change as part of programs for MSM and TGs</td>
<td>96,070</td>
<td>44,766</td>
<td>772</td>
<td>141,608</td>
</tr>
<tr>
<td>Behavioral change as part of programs for other vulnerable populations</td>
<td>440,190</td>
<td>92,489</td>
<td>-</td>
<td>332,679</td>
</tr>
<tr>
<td>Behavioral change as part of programs for sex workers and their clients</td>
<td>9,800</td>
<td>16,023</td>
<td>-</td>
<td>25,823</td>
</tr>
<tr>
<td>Community-based monitoring for accountability</td>
<td>64,121</td>
<td>35,422</td>
<td>19,000</td>
<td>118,543</td>
</tr>
<tr>
<td>Condoms as part of programs for MSM and TGs</td>
<td>4,329</td>
<td>4,556</td>
<td>1,198</td>
<td>10,081</td>
</tr>
<tr>
<td>Condoms as part of programs for sex workers and their clients</td>
<td>10,061</td>
<td>2,641</td>
<td>-</td>
<td>12,702</td>
</tr>
<tr>
<td>Development and Implementation of health legislation, strategies and policies</td>
<td>1,313</td>
<td>919</td>
<td>483</td>
<td>2,716</td>
</tr>
<tr>
<td>Grant management</td>
<td>233,306</td>
<td>100,415</td>
<td>9,280</td>
<td>343,001</td>
</tr>
<tr>
<td>Health and community workers capacity building</td>
<td>21,198</td>
<td>2,647</td>
<td>-</td>
<td>23,845</td>
</tr>
<tr>
<td>HIV testing and counseling as part of programs for general population</td>
<td>10,834</td>
<td>14,220</td>
<td>5,972</td>
<td>31,026</td>
</tr>
<tr>
<td>Institutional capacity building, planning and leadership development</td>
<td>89,345</td>
<td>125,083</td>
<td>32,834</td>
<td>247,263</td>
</tr>
<tr>
<td>Other</td>
<td>42,536</td>
<td>16,708</td>
<td>-</td>
<td>59,244</td>
</tr>
<tr>
<td>Other interventions for MSM and TGs - Please specify</td>
<td>58,227</td>
<td>38,240</td>
<td>10,038</td>
<td>106,504</td>
</tr>
<tr>
<td>Other interventions for other vulnerable populations - Please specify</td>
<td>891</td>
<td>513</td>
<td>269</td>
<td>1,673</td>
</tr>
<tr>
<td>Other interventions for sex workers and their clients - Please specify</td>
<td>27,734</td>
<td>27,459</td>
<td>7,208</td>
<td>62,401</td>
</tr>
<tr>
<td>Policy advocacy on legal rights</td>
<td>3,978</td>
<td>-</td>
<td>2,193</td>
<td>6,171</td>
</tr>
<tr>
<td>Policy, planning, coordination and management</td>
<td>508,109</td>
<td>544,809</td>
<td>114,485</td>
<td>1,162,403</td>
</tr>
<tr>
<td>Retention and distribution of health and community workers</td>
<td>16,935</td>
<td>2,873</td>
<td>-</td>
<td>19,808</td>
</tr>
<tr>
<td>Routine reporting</td>
<td>37,556</td>
<td>32,677</td>
<td>8,363</td>
<td>78,596</td>
</tr>
<tr>
<td>Scaling up health and community workers</td>
<td>1,012</td>
<td>-</td>
<td>1,012</td>
<td></td>
</tr>
<tr>
<td>Surveys</td>
<td>34,221</td>
<td>11,588</td>
<td>-</td>
<td>45,810</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,840,437</td>
<td>1,216,364</td>
<td>213,484</td>
<td>3,270,285</td>
</tr>
</tbody>
</table>
Appendix 7 - Specific budgeting and costing guidance

Appendix 7A – Indicative documentation concerning remuneration levels

For entities receiving Global Fund resources for the remuneration of staff, a Principal Recipient should be able to provide the following documentation for review by the Global Fund to ascertain the reasonableness of budgeted costs:

i. A description of the typical types of positions required for the Global Fund-funded program and the local labor market conditions for such positions;

ii. All salaries, salary top-ups and allowances should be based in local currency. If a different currency is used, the rationale and an independently determined and verifiable rate should be disclosed;

iii. A description of costs budgeted by a grant, for example, full costs for new program specific positions, or percentage-based incentives for existing staff. In cases where existing staff are seconded to a Program Management Unit of the Principal Recipient, it is not appropriate to significantly increase salaries in line with market conditions without competitively offering the position to external candidates to ensure that the increased costs attract the best possible candidates.

iv. A description of costs covered by the government (for public sector entities) such as basic salary and benefits of existing staff;

v. Relevant salary framework to benchmark salaries against relevant positions in country, for example, harmonized donor salary framework;

vi. A description of salary ranges for generic positions, for example, Program Manager, M&E Officer, Finance Officer/Accountants, Finance Assistant, Driver & Clerk;

vii. A description of any benefits payable, the rates and the circumstances when they should be paid;

viii. Where salary supplements or incentives are budgeted, their purpose should be disclosed, such as the motivation of staff for additional effort or retention of core staff; and

ix. A description of the future sustainability of funding for human resources costs beyond the term of the Global Fund’s grant.
Appendix 7B – Template employee biographical data sheet

<table>
<thead>
<tr>
<th>1. Name</th>
<th>2. Contractor Name</th>
<th>3. Position Under Contract</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>4. Employee’s address</th>
<th>5. Contract Number (or RFP number)</th>
<th>6. Proposed Salary</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>7. Citizenship</th>
<th>8. Duration of Assignment</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>[☐] No issues [☐] Issues</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>13. Education (include all college or university degrees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name and Location of Institution</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>14. Employment History</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Give <strong>last three years only</strong>. List salaries separate for each year.</td>
</tr>
<tr>
<td>b. Salary definition: Base salary. Exclude bonuses, profit sharing arrangements, commissions, overtime, post differential, cost of living or dependent allowance, consultant fees, etc.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Position</th>
<th>Title</th>
<th>Employer’s name and address</th>
<th>Dates of employment (mm/yyyy) From To</th>
<th>Annual Salary (US Dollars)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>15. Specific Consultant Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Give at least three years). Daily rate definition: Base salary. Exclude bonuses, profit sharing arrangements, commissions, overtime, per diem, post differential, cost of living allowance, overhead, indirect costs, G&amp;A fees, etc.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Position</th>
<th>Title</th>
<th>Employer’s name and address</th>
<th>Dates of employment (mm/dd/yyyy) From To</th>
<th>Daily Rates in US Dollars</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>16. Certification</th>
<th>To the best of my knowledge, the above facts as stated are true and correct.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signature of Employee/consultant</td>
<td>Date</td>
</tr>
</tbody>
</table>

| Signature of contractor’s Representative (if any) | Date |

\(^{101}\) The employee or consultant must have a certificate of character and/or a copy of their criminal record on file if they will hold decision making position and/or would have access to grant bank accounts or payment authorization authority. In the event issues are identified, please include a summary of the issues on file and indicate how this does not impact on the proper use of Global Fund resources under the grant.
Appendix 7C – Developing training plans

The objective of the training plan is to translate the training needs referred to in the funding request and/or the training needs assessment into a detailed budget which supports the reasonableness of budgeted costs following the general principles outlined in these guidelines, demonstrates value-for-money, ensures proper planning, and prevents any potential mismanagement of the funds intended for training purposes during implementation.

A training plan includes three sections:

- a table of general information on the grant and training plan;
- a narrative description of the training framework; and
- a list of the training activities/schedules for the full implementation period of the grant.

Section 1: General information

| Grant Name: | |
| Principal Recipient: | |
| Implementation Period start and end date: | |
| Period covered by this training plan with start and end date: | |
| Does the training plan include any training program that is co-funded? If yes, please briefly indicate the training programs and the major co-funders. | |
| Total budget of the training plan: | |
| Proportion of training budget against the approved budget: | |

Section 2: Training framework

In this section, please provide a narrative description of the training plans funded under the grant, covering all training programs in the Performance Framework of the grant agreement and those training programs in the detailed budget which are closely linked to successful delivery of a people-reached indicator.

**Please note:** Answers in this section should briefly describe the training framework under the grant, rather than providing detailed information for each training program individually.
2.1 Training design

Please answer the following questions on the training design.

i. How do the objectives of the training programs add value to the goals and objectives of the grant?

ii. How will trainers and trainees be selected to support the delivery of top-quality training?

iii. How will course outlines, training materials and tools be developed? (e.g., expert group, consultant, re-use of existing materials)

iv. How will pre- and post-training knowledge and skills be evaluated?

v. Please describe measures to ensure that training programs are in line with national guidelines, national human resources development plan.

2.2 Training logistics

Please provide a narrative description of the plans for arranging the training logistics.

i. How will training logistics service providers be selected?

ii. How will participants’ travel, accommodation and per-diem distribution be organized?

iii. How are per diem rates calculated, and in case the implementing entity does not have its own policy on per diem rate, how do per diem rates compare to those paid by similar organizations in the country?

iv. How will risks associated with cash transaction be minimized and mitigated?

2.3 Post-training follow-ups

How will the assessment of the knowledge and skills of the trainees be included in the general health outcome assessment in the region/country?

Section 3: List of training activities and schedules

Based on and consistent with the budget, please provide a list of all training activities/schedules for the full implementation period of the grant (unless a different timeframe has been agreed with the Country Team/Fund Portfolio Manager).

The Principal Recipient should use the extracted list from the detailed budget with the budget assumption detail such as: the quarter/year of the training, number of participants, number of days, per diem per participants, cost of venue, cost of supplies and materials, cost of facilitators, other costs relevant to the training.
Appendix 7D – Budgeting for monitoring and evaluation

Monitoring and evaluation activities are intended to ensure that there are strong programmatic data to provide evidence of achievement of program targets and ultimately program goals and objectives. Data is required for program planning, program management and assessing progress. Data collection systems and data sources are needed to ensure data are available for routine monitoring and assessing impact of disease control efforts. In addition to investments in data sources and collection methods, countries should focus on the capacity to disaggregate, analyze and use data for program quality improvement and impact.

To ensure the best use of limited resources, countries need to identify a set of prioritized areas and activities to be supported by the Global Fund at national and sub-national levels including community data systems. In order to help identify a set of prioritized Monitoring and Evaluation areas and activities to be supported by the Global Fund grants, please refer to the guidance on essential data system investments included in the Global Fund Strategic Framework for Data Use for Action and Improvement. It highlights areas that require special attention and should be budgeted for in the Global Fund grants if not already supported by other resources.

This guidance does not prevent countries from investing in other data elements essential to a particular country context and where gaps exist. For a full range of Monitoring and Evaluation interventions and illustrative activities refer to the Modular Framework Handbook.

Monitoring and Evaluation costs included in the detailed budget/Workplan should be consistent with activities planned in the Monitoring and Evaluation Plan (National or grant specific, as applicable) including the strengthening measures to improve the Monitoring and Evaluation system identified through Monitoring and Evaluation system or Data Quality assessments.

All Monitoring and Evaluation activities, disease specific and/or cross-cutting, should be included under the module “Health management information systems and Monitoring and Evaluation”.

All Monitoring and Evaluation investments should be classified under one of the six standard interventions:

- routine reporting;
- program and data quality;
- analysis, review and transparency;
- surveys and surveillance;
- administrative and financial data sources; and
- civil registration and vital statistics system.

Principal Recipients should ensure that the budgeted monitoring and evaluation activities do not overlap with activities already planned and funded by the national government or other funders.

Principal Recipients need to demonstrate that the activities are being implemented in the most cost-efficient way. As much as possible, existing resources and systems should be used. Principal Recipients should gather information on historical costs of activities already implemented in the country for benchmarking purposes.
Monitoring and evaluation costs usually include cost for:

1. **Routine Programmatic Data Collection and Reporting**

   The Principal Recipient is responsible to ensure the functioning of the routine programmatic data collection and reporting system to track programmatic results achieved against targets set in the performance framework, and/or National Strategic Plans and Monitoring and Evaluation Plans. The routine data collection and reporting activities should be consistent between the Monitoring and Evaluation plan and the detailed budget/Workplan.

   To avoid overlaps in funding, the Monitoring and Evaluation plan and the detailed budget/Workplan should indicate the funding contributions of the Global Fund and other sources (if any) for routine data collection and reporting activities.

   Overall program supervision related costs should be included under the module “Program management”. If the supervision related activities are specifically for data collection, reporting and/or data validation these can be included under the intervention “Routine reporting” under the module “Health Information system and Monitoring and Evaluation”. Such Monitoring and Evaluation visits should be supported by a description of:

   i. the nature and scope of these visits;
   ii. planned frequency;
   iii. role and function of each participant during these visits; and
   iv. expected outcome of the Monitoring and Evaluation visits.

   Detailed costs for each Monitoring and Evaluation visit should be provided, including all assumptions related to transport and per diems.

   The findings and follow-up actions from the Monitoring and Evaluation visits should be documented through mission reports, highlighting issues encountered and actions taken.

   Specific attentions should be paid to ensure that supervision activities related to data collection and validation are optimized and combined whenever possible to save travel costs.

2. **Program and data quality**

   In order to ensure program and data quality in Global Fund supported programs, the Principal Recipients should budget for program and data quality assessments per the [Strategic Framework for Data Use for Action and Improvement](#) that includes guidance on essential data system investments (Annex 4) when they are not planned or fully funded with existing resources.

   In general, the program and data quality assessment activities budgeted in the grant should be:

   - robust, e.g. nationally representative or well-designed special study or evaluation
   - based on the identified program and data quality risks that have been previously identified
   - costing should build on historical costs of implementing such activities and budgeting guidance for the survey (for example, WHO SARA, WHO Data Quality Review).
When budgeting for such assessments the Principal Recipient should provide the following:

- scope of the assessment
- type of tool or assessment process
- size of the sample
- availability of co-funding

Planning and implementation of program and data quality assessments should be a country-led process with coordination across the various donors and stakeholders to avoid duplication of efforts and costs.

3. Data analysis, program reviews and evaluations

To support the budget for periodically conducted program reviews, evaluations, operational research, etc. Principal Recipients should provide the justification for the need for such activities, as well as expected results in the Monitoring and Evaluation plan. These activities include a) national program reviews (mid-term and end-term reviews of the national strategies); b) national & sub-national in-country (annual, quarterly) reviews; and c) evaluations.

Program reviews and evaluations play a vital role in systematically and objectively assessing the relevance, performance, impact and sustainability of programs. Program reviews and evaluations should aim to at least:

- assess the extent to which the goals and objectives of the program were achieved;
- assess program quality;
- demonstrate accountability and transparency;
- assess potential for longer term sustainability; and
- foster continued dialogue and action for program improvement.

To ensure that evaluations and reviews are robust enough to measure progress and impact and will continue to inform decisions, they should have an in-depth epidemiological and impact analysis as an integral part. In case of the need to strengthen national-and sub-national capacity for analysis and data use, the principal recipient should include details of activities and expected results to justify the budget.

In high impact and core countries, program reviews should be budgeted for per the Guidance Note on Essential Set of Data System Investments if these reviews are not otherwise planned or fully funded with existing resources. For Focused countries, independent evaluations will be planned, commissioned and paid by the Global Fund. Notwithstanding this, countries may wish to budget for program reviews, in which case any planned independent evaluations will be coordinated with the national program reviews.

In case the implementation of an evaluation or any survey is outsourced, the service provider should be selected through a competitive process in compliance with the relevant article on Contracts for Goods and Services of the Global Fund Grant Regulations (2014).
4. Surveys and Surveillance

To support the budget for periodically conducted surveys, surveillance and other special studies, the Principal Recipients should provide the justification for the need for such survey and studies, as well as expected results in the Monitoring and Evaluation plan.

In case the implementation of any survey is outsourced, the service provider should be selected through a competitive process in compliance with the relevant article on Contracts for Goods and Services of the Global Fund Grant Regulations (2014).

The Principal Recipient is responsible for, among other things:

- ensuring that surveys needed to track impact/outcome and programmatic results achieved against targets set in the performance framework are appropriately undertaken during grant implementation;
- demonstrating that the budgeted surveys do not overlap, or duplicate other surveys already planned under or outside the grant financing; and
- seeking co-funding of surveys.

To support the budget for a survey, the Principal Recipient should provide the Global Fund with the following:

i. justification for the need for such survey and expected results;
ii. explanation of the protocol planned to implement the survey, including the sample size planned; and
iii. list and detailed costing of activities required to implement the protocol designed. All costs should be detailed and itemized for the Global Fund’s review.

5. Civil registration and vital statistics system

To support the budget for establishing/strengthening and scale-up of civil registration and vital statistics, the Principal Recipient should provide justification for the needed activities. Such activities include: a) establishing sample vital registration systems; b) strengthening reporting of hospital morbidity and mortality and causes of death; c) training of community health workers on reporting vital events; d) analysis of trends in mortality and causes of deaths; etc.

Human resources, Capacity building and technical assistance

The need for human resources linked to Monitoring and Evaluation should be based on an assessment of the existing system. Each position should be requested based on specific Terms of Reference responding to a gap identified.

Capacity building activities may be included as part of the monitoring and evaluation, such as trainings and technical assistance including those related to local capacity development for data analysis and use for quality improvement, better resource allocation and improved program management.

Any budget related to capacity building for Monitoring and Evaluation should be included under relevant Monitoring and Evaluation interventions and supported by an assessment of existing capacity gaps and needs, and the related budget to address the gaps included in the Monitoring and Evaluation plan. The Principal Recipient should justify why the Global Fund’s financial support is needed.

If not done during proposal process, the needs assessment should be done before grant signing to allow specific capacity building costs to be included in the grant budget.
Appendix 7E – Vehicle needs assessment and management plan

1. Use of vehicles and quantity needed

The implementing entities should have a clear understanding of their requirements for vehicles necessary to serve the needs of the program while achieving value for money. The implementing entities should clearly document the following:

- **Primary and secondary uses of the vehicles**: What will the vehicles be used for (e.g., transporting people, supplies)? The direct linkage to proposal goals and objectives should be made.
- **Frequency of use**: What will be the frequency of use of the vehicles required?
- **Term of the need**: Will the vehicle serve the short- or long-term needs?
- **Capacity needs**: What is the total number of people/quantity of supplies to be transported?
- **Special configurations**: What are the special features/options required for particular needs to ensure compliance with all relevant regulations and safety requirements?
- **Quantity**: How many vehicles of each type will be needed for the program?
- **Financial gap**: How many vehicles of each type are being funded by other sources, including both domestic and external? What is the gap that the Global Fund is requested to fill?

Based on the analysis performed, the implementing entities should be able to justify the need for purchasing certain types and numbers of vehicles. For example, in cases when the need for certain vehicles is short term or the use of vehicles is infrequent, it could be met by renting or reimbursing the use of personal cars. In cases of long-term needs and frequent uses, purchase or leasing options should be considered.

2. Existing infrastructure and other considerations

As part of the needs assessment, the implementing entities should also evaluate the existing infrastructure, such as the condition of routes, availability of service networks, spare parts and fuel stations.

- **Suitability of structures**: Are the roads, bridges and other transportation structures suitable to drive with specific vehicles?
- **Space availability**: Will there be sufficient safe place to park/leave the vehicles?
- **Service networks**: Will suitable workshops be available to properly and cost-effectively service the vehicles?
- **Spare parts and tires**: Will there be sufficient spare parts and tires with proper quality and cost in the local market (or will there be a need for importing)?
- **Fuel availability**: Is fuel (diesel and gasoline) and are lubricants readily available in the area of operation?
3. **Administrative policy**

Describe the administrative procedures for management of the fleet. Describe the role and identify the person(s) or units responsible for fleet management at Principal Recipient level. Where more than 10 vehicles will be used at sub-recipient level, also describe the same for sub-recipients. Describe who has executive responsibility for decisions regarding vehicle purchase, replacement, maintenance, repair, assignment/use, disposal and review of any reports of inappropriate use.

4. **Operational policy and procedure**

The Principal Recipient and any sub-recipients operating fleet vehicles (at least 10) are required to maintain written policies and procedures governing operations. Written policies and procedures should be approved by and on file with the Principal Recipient.

Entities are encouraged to adopt practices specific to their fleets. Any policies and procedures adopted in addition to these should be consistent with the requirements of the plan.

Vehicle operation policies and procedures shall address, but are not limited to:

- Driver eligibility;
- Use of personally owned vehicles;
- New vehicle delivery;
- Vehicle replacement schedules;
- Disposal of used vehicles;
- Preventative maintenance;
- Vehicle cleaning;
- Warranty tracking;
- Repairs;
- Safety and accident reporting;
- Registration renewals;
- Insurance renewals;
- Responsibilities of drivers;
- Vehicle assignment or motor pool procedures;
- Appropriate use of grant vehicles.

5. **Acquisition policy**

The Principal Recipient should define the acquisition policy, the procurement and tendering process and be aware of and approve the procurement and tendering process of sub-recipients, if separate. The tendering process should be guided by efficiency, effectiveness and economy of scale. Bulk procurement is encouraged with clear specifications and delivery timelines for all implementers.

**Vehicle replacement**

How often and under what conditions are vehicles replaced?
Vehicle transfer
When and under what conditions is vehicle ownership transferred?

Alternatives to vehicle purchasing
The Principal Recipient should provide evidence that it has considered the feasibility of alternatives to purchasing vehicles, including leased and rental vehicles and reimbursement for the use of government/employee owned vehicles.

6. Use and maintenance policy
Vehicle assignment
The Principal Recipient should describe the policy for determining the use and maintenance of vehicles. Assignment of a vehicle to an individual administrative or executive employee on a regular or daily basis is prohibited without written documentation that the assignment is critical to the mission of the agency or institution.

Reporting assignment
Principal Recipient or institutions assigning vehicles to individual administrative or executive employees shall retain the following information, available for inspection:

- Vehicle identification number, license plate number, year, make and model;
- Name and position of the individual to whom it is assigned; and
- Reason the assignment is critical to the mission of the agency or institution.

Fuelling
The Principal Recipient must explain and incorporate the fuel allocation policy and practice in its manual of procedures.

7. Replacement and disposal policy
In general, Principal Recipients should define the optimum replacement cycle which minimizes overall capital and operating costs over time.

There may be circumstances in which vehicles may be replaced sooner (such as excessive maintenance or repair costs) or retained longer (such as unusually low maintenance costs). Fleet managers may make this determination on a case-by-case basis.

Procedure for vehicle disposal
Principal Recipients should define the procedure for disposal (sale and/or other forms of disposal)
Appendix 7F – Insurance-related costs

In accordance with the Global Fund Grant Regulations (2014), program assets\(^\text{102}\), including health and non-health products as well as other assets procured by grant implementers using grant funds, need to be insured.

Grant implementers should refer to the Insurance Guidelines for Global Fund Grants (2018, as may be amended from time to time) for all the necessary information related to insuring program assets.

This section is dedicated to the budgeting modalities of the insurance process and how to correctly reflect insurance-related costs in the Global Fund budgeting template.

With regards to program assets there are two main supply chain areas where insurance is applicable: upstream and downstream.

- **The upstream supply chain** is typically related to any goods (health products/non-health products, equipment, etc.) up to the point that they are delivered to the country of destination and before they are contractually handed over to the implementer. The insurance cost related to the upstream supply chain shall be reflected under the cost input “7.2 Freight and Insurance costs” with the amount attributed to the insurance of goods that is separate from the freight associated costs.

- **The downstream supply chain** is typically related to all further in-country activities related to the storage, transportation and distribution of the goods and program assets. The insurance costs related to the downstream supply chain shall be reflected under the cost input “3.5 Insurance-related costs”.

The following types of insurance costs will fall under the downstream supply chain category:

- All risk property insurance
- Transportation of goods insurance (i.e., point-to-point transportation insurance)
- Motor and fleet insurance
- Other insurance-related cost (for specific insurance products and policies that do not form part of the above categories)

Grant implementers shall clearly record the insurance policy type in the activity field of the detailed budget template and provide all the necessary details in the justification/comments field.

Insurance-related cost should be taken into consideration at the funding request stage based on the program design taking into account all the potential cost drivers (e.g., volume of health and non-health products, equipment and consumables for the grant activities) and should be further refined in greater detail in the budget at the grant making stage.

The grant implementer should properly maintain and store all supporting documents for the insurance-related costs including tender/bidding documentation, prices quoted by the supplier, policy details, historical records of previous invoices or any other credible pricing reference documentation.

The accurate recording and storing of the aforementioned insurance contracts is important for further expenditure tracking and reporting that is attributed to each insurance type during grant implementation period.

\(^{102}\) Please refer to the definition of the program assets in the Global Fund Grant Regulations (2014)
The Global Fund, at its sole discretion, may request grant implementers to provide further details related to the insurance-related expenditures under periodic grant reporting. This is important for the monitoring and strengthening of the risk management of the program assets.

Selection process: insurance providers should be selected through a competitive process, in compliance with the relevant grant agreement. For more information on the insurer selection process, see the Insurance Guidelines for Global Fund Grants.

Health and medical insurance for the grant implementer’s employees should be included in the cost of employment and recorded under the Human Resources cost group.

In the instance where some of the components of insurance coverage is not clear or the cost associated with insurance coverage is inadequate (unreasonably high or low) grant implementers should escalate this to the Global Fund to consult and seek approval.
Appendix 7G – Guidance for applicants on investments in facilities/infrastructure renovation and construction

Applicants may use resources provided by the Global Fund for improving or scaling-up health infrastructure defined as follows:

- **“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.
- **“Health infrastructure”** means facilities that are necessary for the uninterrupted operation of the health system and may include: service delivery facilities (e.g., outpatient clinics, inpatient clinics, etc.), support facilities (e.g., supply chain warehouse, residential accommodation for health care personnel, etc.), administrative facilities (e.g., offices of the Ministry of Health, offices of regional/district health departments, etc.) and others.

Applicants should consider the following guidance when making a request for investments in infrastructure. The proposed amount and justification for these investments should be discussed and agreed with the Secretariat’s Country Teams.

1. **Differentiated approach**
   In middle-income countries, small and medium infrastructure-related activities, such as building or renovating a warehouse or an Antenatal care (ANC) clinic or purchasing large-scale equipment (e.g., X-ray machines, ultrasound, etc.), may be supported only with strong justification and by providing convincing explanation of the lack of domestic or other donor resources. Applicants requesting investments in infrastructure are encouraged to provide evidence of co-financing for the infrastructure projects from domestic or other donor resources.
   Low-income countries may have more flexibility to include such interventions. However, large infrastructure projects (e.g., building a medical or nursing school, or a general hospital) are normally not supported by the Global Fund. Exceptions can be made in post-conflict countries or other COEs with strong justification and Global Fund written approval.
   Decisions on support for such requests will be made based on the review of other needs and of the Global Fund’s overall investment portfolio in the country.

2. **National Standards and Norms**
   All construction/renovation projects should strictly follow national architectural and engineering standards and norms for health facilities. In countries where relevant national standards and norms are not available, or are outdated, applicants must include in the funding request the necessary technical support to either develop new national standards or to use the standards and norms of other (relevant) countries as a benchmark. In all cases, infrastructural plans must be approved by national authorities (according to the national regulations) before the work is commenced.
3. **Special Considerations: Medical laboratories**

The construction or renovation of medical laboratory facilities requires special consideration since the function of the medical laboratory is to handle hazardous substances, including chemicals and infectious agents. Attention to the proper planning, design and construction or renovation of laboratory facilities is necessary to reduce this risk to personnel and the environment. In addition, foresight and planning for future operations, maintenance, and sustainment of the laboratory is crucial to ensuring the initial investment, as well as the health and safety of workers, their families and the communities that the laboratories serve. Comfort and energy-efficiency are also of considerable importance. Laboratory space must be appropriate for the activities conducted, while maintaining an appropriate temperature for laboratory equipment to operate and the tests to be conducted. Laboratories are unique facilities, and they may contain multiple hazard levels and conditions for the work they do. A host of criteria, including risk assessment and safety, as well as comfort and energy efficiency, must be considered when a laboratory is first planned or subsequently renovated in order to determine the optimal design and process. The safety of workers and the community must be taken into account and remain the primary goal of a laboratory during any modifications. Regulations, guidelines and standards to ensure laboratory safety have been published by many bodies and regulatory organizations. Specific national guidance for laboratory construction and renovation should always be followed, when available. General guidance and considerations for laboratory construction may also be obtained at [http://www.who.int/csr/resources/publications/biosafety/](http://www.who.int/csr/resources/publications/biosafety/).

Biosafety Levels are recognized operational designations for laboratories and consist of combinations of laboratory practices and techniques, safety equipment, and laboratory facility aspects. Each combination is specifically appropriate for the operations performed on the documented or suspected routes of transmission of the infectious agents, and the laboratory function or activity. In general, the type of organisms and the hazards that they represent are taken into account when planning, designing, constructing, and working in medical laboratories. A risk assessment should always be conducted as part of the preplanning process and safety analysis for renovation or new medical laboratory construction.

Solar energy, passive ventilation and other renewable energy innovations should be considered whenever possible, as long as they do not compromise safety and security of the laboratory and its personnel and community.
4. **Minimum information to be included in the Funding Request**

Applicants should provide a full and precise description of the type of work that is needed for all infrastructural projects to the satisfaction of the Secretariat. The Secretariat may request the Local Fund Agent to review the amount and justification.

In general, the work can be grouped under one or more of the following categories, and the Global Fund will generally take the differentiated approach to investments as shown below:

<table>
<thead>
<tr>
<th>Country classification</th>
<th>Furnishing an existing facility</th>
<th>Light refurbishment and/or refreshment of existing facility</th>
<th>Renovation/Construction(^{103})</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Provision of furniture and/or equipment. No civil work is involved, except some minor works as necessary for installing the equipment of furniture.</td>
<td>Requires some (mostly internal) civil work, but without structural changes of the existing facility.</td>
<td>Either expanding the existing facility, completing unfinished facility, or constructing a new facility.</td>
</tr>
<tr>
<td>Low-income countries</td>
<td>Yes</td>
<td>Yes</td>
<td>Generally not supported</td>
</tr>
<tr>
<td>Middle-income countries</td>
<td>With strong justification</td>
<td>With strong justification</td>
<td>Generally not supported</td>
</tr>
<tr>
<td>Post-conflict countries or other COEs</td>
<td>Yes</td>
<td>Yes</td>
<td>With strong justification</td>
</tr>
</tbody>
</table>

In each case, the funding request should include a detailed narrative explaining the volume and scope of the work. In case of light refurbishment/refreshment and renovation/construction, the narrative should also be accompanied by a photo of the existing site, as well as a sketch of the expected end product.

Each request for light refurbishment/refreshment and for renovation/construction should include a detailed explanation of project supervision arrangements. Where possible, these arrangements should follow national regulations. The review process of requests for investments in infrastructure refurbishment/renovation/construction will take into consideration the robustness of the proposed monitoring and supervision arrangements as well.

5. **Criteria for Justification**

Applicants should explain in detail the purpose and expected outcomes of the proposed infrastructural projects. Justification should clarify the size and composition of the beneficiary population (e.g., outreach area covers 500,000 population, among which there are high number of internally displaced people who do not have access to service delivery facilities, etc.) and should explain why such investment is necessary. Applicants should also specify

\(^{103}\) In general, the Global Fund does not provide funding for buying land.
the consequences if the investment is not approved and how this will affect the overall program implementation and/or national strategy implementation.

6. **Sustainability Plan**

   When requesting funding for infrastructural projects, applicants should provide convincing evidence (or a plan) of the commitment by relevant authorities to operationalize and maintain the infrastructure in question for long-term, sustainable use, including the availability of plans and resources for adequate staffing, security, maintenance and operational costs. Applicants should also specify an agreed plan on handing over the infrastructure to local stakeholders.
Relevant Links

- Funding Model: https://www.theglobalfund.org/en/funding-model/
- Applicant Resources: https://www.theglobalfund.org/en/applying/funding/resources/
- Instructions for Completing the Detailed Budget Template: https://www.theglobalfund.org/media/5546/fundingmodel_detailedbudgettemplate_instructions_en.pdf
- Principal Recipient Progress Update and Disbursement Request Guidelines: https://www.theglobalfund.org/media/6156/core_pudr_guidelines_en.pdf
- Grant Regulations: https://www.theglobalfund.org/media/5682/core_grant_regulations_en.pdf
- Wambo: www.wambo.org
- Building Resilient and Sustainable Systems for Health through Global Fund Investments Information Note: https://www.theglobalfund.org/media/4759/core_resilientsustainablesystemsforhealth_infonote_en.pdf