

**MODIFICATION OF GRANT RENEWALS AND  
TRANSITION TO NEW FUNDING**

26 JANUARY 2012

**PURPOSE:**

This report notifies the Board of additional decisions taken by the Board Chair, in consultation with the Vice-Chair, as necessary to implement the Board's Decision Point titled "Modification of Grant Renewals and Transition to New Funding" (GF/B25/DP16), pursuant to the Board Chair's delegated authority under that decision.

This report also provides certain clarifications in regard to the operation of the Decision Point.

## **Part 1: Background**

1.1 At its Twenty-Fifth Board Meeting, the Board decided that it would offer a modified funding opportunity to applicants for new funding in 2012, and termed this the “Transitional Funding Mechanism”. The Board also made decisions around the application of procedures for the renewal of grants already under implementation. The Board’s decision is set out at Attachment 1 to this paper (“Funding Decision”).

1.2 The Funding Decision, in paragraph 6, delegated authority to the Board Chair, working in conjunction with the Vice-Chair, to make certain additional decisions as may be required to ensure that the Board’s full intent from its Accra deliberations were implemented. The Board requested that such decisions should be reported to the Board for information.

1.3 This paper identifies three areas where the Board Chair, in consultation with the Vice-Chair, made certain decisions to give full effect to the Board’s intent, and to also provide appropriate clarity.

## **Part 2: Additional Decisions taken by the Board Chair to Implement GF/B25/DP16**

### **Application of G-20 rule to the Transitional Funding Mechanism**

2.1 Within the Funding Decision, the Board agreed to include a new rule that would apply to a certain pool of countries. This rule was established under paragraph 2.a of Annex 1 to the Funding Decision and was termed the “G-20” rule.<sup>1</sup>

2.2 At the time of the Board’s decision, it was understood that the “G-20” rule applied only to grant renewals for Upper Middle Income Countries with less than an extreme disease burden. However, countries that were not eligible to apply for renewal of existing grants would still be able to apply for new grants under the Transitional Funding Mechanism put in place for 2012.

2.3 Taking the Board deliberations on the Transitional Funding Mechanism into account, the Board Chair determined that it was the intent of the Board for the “G-20” rule to apply to all funding applications by relevant countries. In order to address this inconsistency, the Board Chair decided:

### **Decision 1**

***Consistent with the Board’s November 2011 decision titled ‘Modification of Grant Renewals and Transition to New Funding’ (GF/B25/DP16) as it applies to grant renewals, Group of 20 Upper Middle Income Countries with less than an extreme disease burden will not be eligible for funding under the Transitional Funding Mechanism.***

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<sup>1</sup> The G-20 currently includes Argentina, Australia, Brazil, Canada, China, the European Union, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom and the United States.

## **Application of NGO Rule to New Funding**

2.4 As part of the Funding Decision, the Board agreed that the Global Fund's current "Policy on Eligibility, Counterpart Financing and Prioritization", as approved by the Board in May 2011, would apply to applications for new funding under the Transitional Funding Mechanism. This is set out in paragraph 4 of Annex 2 to the Funding Decision.

2.5 The May 2011 policy includes a "NGO Rule" which states that for HIV/AIDS funding applications, an Upper Middle Income Country that is not on the Organization of Economic Cooperation and Development/Development Assistance Committee ('OECD-DAC') list of Overseas Development Assistance ("ODA") recipients is only eligible if the application is submitted by a non-government organization ("NGO") and under specific conditions.

2.6 Taking the Accra Board deliberations on the Transitional Funding Mechanism into account, and also Decision 1 set out above, the Board Chair acknowledges that applying the "NGO Rule" and the "G-20 Rule" at the same time may lead to unintended inconsistencies. That is, a NGO working in an Upper Middle Income Country who would otherwise have been eligible to apply for funding under the May 2011 decision, would be excluded under the November 2011 decision. As the original rationale for establishing the NGO Rule has not changed, the Board Chair decided:

### **Decision 2**

***Notwithstanding the effect of Decision 1 above, paragraph 11 of the Global Fund's 'Policy on Eligibility Criteria, Counterpart Financing Requirements, and Prioritization of Proposals' (GF/B23/14), which allows NGOs from Upper Middle Income Countries not listed on the OECD's DAC list of ODA recipients to apply for HIV/AIDS funding, shall remain applicable to the Transitional Funding Mechanism.***

## **Implementation of the 55% floor for funding for Low Income Countries**

2.7 In Accra, the Board also decided that the total funding approved for grant renewals for Low Income Countries will be no less than 55 percent of any annual funding window ("55% Rule"). This rule is set out in paragraph 7 of Annex 2 to the Funding Decision.

2.8 The approval of the Funding Decision in late November 2011 meant, from a practical perspective, invitation letters for certain grant renewals that would actually occur in the first half of 2012 would need to be issued without the opportunity for full modeling of how best to implement the 55% rule, having regard to principles of equity, fairness and value for money.

2.9 To bring the 55% rule into immediate effect, and recognizing the potential need for adjustment after further modeling had been undertaken the Board Chair decided :

### **Decision 3**

***Consistent with the Board's November 2011 decision titled 'Modification of Grant Renewals and Transition to New Funding' (GF/B25/DP16) as it applies to grant renewals:***

- a. *While the Secretariat works on scenarios to model the impact of the 55% rule, and the most effective measures for implementation, grant renewal invitation letters issued to Country Coordinating Mechanisms will have ceilings of 90% for Low Income Countries and Low-Lower Middle Income Countries, and 75% for all other country income level categories;*
- b. *New ceilings will apply to all grant renewal invitation letters issued on or after 1 January 2012; and*
- c. *The letters will explain the reasons for these (in some cases) new ceilings, and will also mention that the ceilings may be adjusted later.*

### **Part 3: Clarification to the practical operation of the Funding Decision**

3.1 The Board Chair wishes to clarify the operation of paragraph 7 of Annex 2 to the Funding Decision, which states, “The Health Systems Funding Platform (“HSFP”) will be suspended until the new funding model is operational.”

3.2 This decision suspends only the availability of new Global Fund financing under the HSFP. That is, new funding that would have been requested through the common proposal form or through funding requests based on jointly assessed national health strategies (“the HSFP Pilot”). Countries may still request funding for certain health systems strengthening (“HSS”) activities that are required to prevent disruption of programs for the three diseases and that otherwise meet the criteria for the Transitional Funding Mechanism.

3.3 Although it is unable to commit new funding to HSFP at this time, the Global Fund remains a committed partner to the HSFP and continues its cooperation with the other HSFP partners in the areas of harmonization and alignment of existing HSS funding, as well as in the technical cooperation around developing joint frameworks for monitoring and evaluation, financial management, and pharmaceutical health product management.

## **Modification of Grant Renewals and Transition to New Funding**

### **Decision Point GF/B25/DP16:**

The Board:

1. In light of current resource constraints, adopts the measures identified in Annex 1 in order to make available resources to provide for continuation of essential prevention, treatment and/or care services by current grantees.
2. Agrees to establish a Transitional Funding Mechanism as described in Annex 2 in order to provide this continuation funding.
3. Decides to convert Round 11 into a new funding opportunity consistent with the new Global Fund 2012-2016 Strategy, with a view towards funding proposals under the new model beginning in early 2014. Round 11 proposals that are updated as appropriate may form the basis for an application for the next funding opportunity.
4. Directs the Secretariat to work with countries and partners to develop full expressions of demand for programs for the three diseases and related health systems and civil society strengthening investments that are consistent with the new strategic approach envisioned in the new Strategy, with such information to be available for the Mid-Term Replenishment.
5. Urgently requests donors to consider measures to increase and accelerate funding, and implementing country governments, especially those from middle-income countries, to increase funding for the three diseases and related health investments.
6. Delegates to the Board Chair, in consultation with the Vice-Chair, authority to make or delegate any additional decisions necessary to implement the above. The Board Chair shall report to the Board on any such decisions taken.

**Annex 1: Financial Measures**

1. Effective 1 January 2012, a revised application and approval process for renewals will be employed to ensure strategic investments, as described in “Options for Modification of the Application, Renewal and Approval Processes for New and Existing Investments,” (GF/B25/8).
2. Effective 1 January 2012, the following eligibility criteria for renewals applications will become effective:
  - a. Group of 20 (G-20) upper middle income countries with less than an extreme disease burden will no longer be eligible for renewals of grants; and
  - b. The counterpart financing and focus of proposal requirements under the Policy on Eligibility, Counterpart Financing and Prioritization will apply.
3. Transitional measures as described in GF/B25/8 will be made available to countries impacted by the above changes to eligibility.
4. The one-year Grace Period provision for changes in country income classification will be rescinded for both new proposals and grant renewals.
5. The TRP will support the renewals process by providing independent technical expertise to the Secretariat panel making recommendations on grant renewals.
6. The total funding approved for grant renewals for Low Income Countries will be no less than 55% of any annual funding window.
7. Additional Commitments (as defined in the Comprehensive Funding Policy) longer than one year shall be committed in annual tranches for renewals of existing grants.

## **Annex 2: Transitional Funding Mechanism**

### **Scope:**

1. Grantees may apply for up to two years of funding for continuation of essential prevention, treatment and/or care programs currently financed by the Global Fund that will otherwise face disruption between 1 January 2012 and 31 March 2014.
2. The Secretariat, in consultation with partners and the TRP, will develop guidance on components of “essential prevention, treatment and/or care.”
3. Applicants must show that there are no alternative sources of funding available to fund the activities proposed.
4. The Policy on Eligibility, Counterpart Financing and Prioritization will apply.
5. Applications will be due 31 March 2012.
6. Second Wave NSA applications will also be subject to the criteria above.
7. The Health Systems Funding Platform will be suspended until the new funding model is operational.

### **Review and Approval Process**

1. The TRP will assess applications for the Transitional Funding Mechanism in accordance with the criteria in its Terms of Reference and will also determine whether applicants demonstrate a risk of “disruption of essential prevention, treatment and/or care” services and that the activities cannot be funded by alternative sources of funding.
2. The Board or an appropriate committee, as determined by the Board Chair, will endorse the TRP’s recommendations, and provide guidance on prioritization if demand exceeds supply.
3. Applications will be approved on a rolling basis. Funds may be committed in staggered commitments so as to minimize disruption of activities.

### **Implementation**

1. If programs face disruption before funds become available under the Transitional Funding Mechanism, the Secretariat (under the direction of the Board Chair) will develop a bridge funding mechanism to cover the disruption for the minimum amount and time necessary.