



Global Fund Guidelines for Grant Budgeting and Annual Financial Reporting

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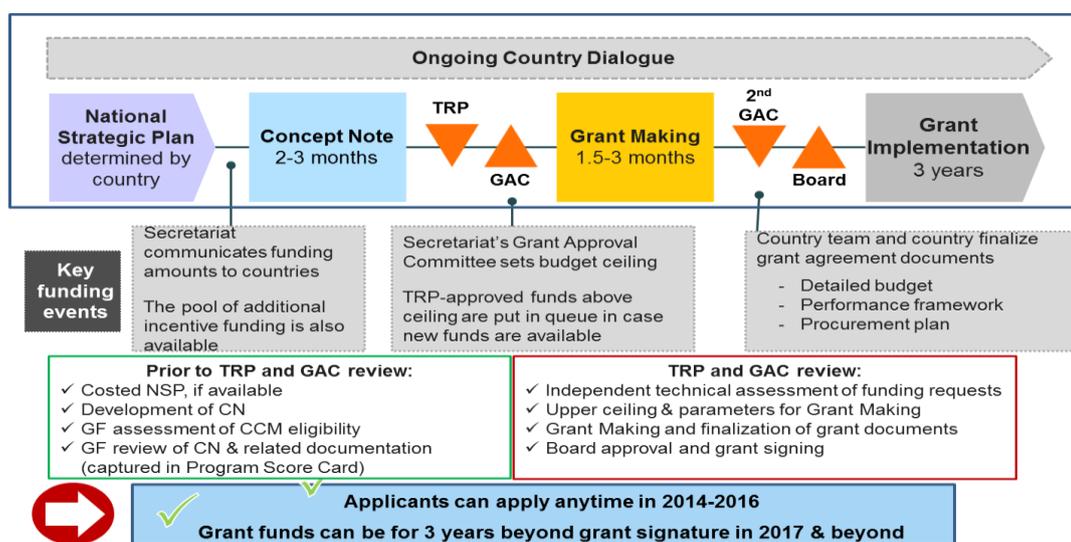
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Acronyms and Abbreviations

ARV	Antiretroviral
GLC	Green Light Committee
ICR	Indirect cost recovery
NHE	Non-health equipment costs
PEPFAR	President's Emergency Plan for AIDS Relief
PMTCT	Prevention of mother-to-child transmission
PSM	Procurement and supply management costs
TB	Tuberculosis
UQD	Unfunded quality demand

1. Introduction

1. The purpose of the Global Fund is to attract, manage and disburse additional resources to fight AIDS, tuberculosis and malaria. To fulfill these functions, the Global Fund needs to ensure adequate fiduciary controls are in place for the management of donor funds at the Secretariat and country level and a minimum set of reliable financial information regarding the implementation of grants. The Global Fund's new funding model enables strategic investment for maximum impact. It provides implementers with flexible timing, better alignment with national strategies and predictability on the level of funding available. There is active engagement with implementers and partners throughout the funding application and grant implementation processes to ensure greater global impact. See [Funding Process and Steps](http://www.theglobalfund.org/en/fundingmodel/support/) for more information on the different steps involved (see also <http://www.theglobalfund.org/en/fundingmodel/support/>)



TRP: Technical Review Panel
 GAC: Grant Approvals Committee

1.1 Purpose and scope

2. These guidelines have been prepared based on the Global Fund's fiduciary control requirements and aims to ensure the Global Fund's fiduciary policies and procedures are implemented in a consistent manner; to enhance clarity in financial decision-making; to strike a better balance between flexibility on the one hand and efficiency, transparency and accountability on the other, and to establish clearer eligibility criteria for grant expenditures.

3. The guidelines provide guidance to all stakeholders involved in the development, review and implementation of disease program¹ budgets and specific grant budgets funded by the Global Fund. This includes the Technical Review Panel, the Global Fund Secretariat (Secretariat), Local Fund Agents (LFAs),

¹ This includes HSS, funds from special initiatives added to grant from strengthening mechanisms, and CCM funding.

Country Coordinating Mechanisms (CCMs), Principal Recipients (PRs), technical assistance providers and other grant implementers.

4. The guidelines should be used in conjunction with the [Operational Policy Manual](#). The Operational Policy Manual provides an operational framework for managing Global Fund grants², whereas these guidelines provide more in-depth guidance on the core requirements for budgeting and financial reporting.

5. The principles outlined in generally apply to: (1) new funding model grant budgeting and financial reporting, (2) material budgetary adjustments or reprogramming, and (3) Country Coordinating Mechanism funding applications, with very few exceptions. Please see the Country Coordinating Mechanism Funding Policy for full details.

6. These guidelines should be used in conjunction with the guidelines for the country dialogue and for concept note development to help in preparing the information which will support strategic investment decisions and the modular budget template. Furthermore, these guidelines should also be read in conjunction with the pertinent clauses of the grant agreement governing the grant

7. Local Fund Agents should use these guidelines to inform their work on the implementers' capacity assessment, budget review, expenditure verification, and to complement the LFA tools and guidelines at their disposal.

8. In case of any divergence or difference between the information set out in the grant agreement and these guidelines, the specific clauses of the grant agreement shall take precedence. However, in all other cases, for issues relating to budgeting and financial reporting, these guidelines shall take precedence.

1.2 Structure of the guidelines

9. These guidelines are broken down into four distinct areas, with additional specific budgeting guidance. It establishes the broad requirements in order for Global Fund grants to meet their budgeting, monitoring and financial reporting obligations. The sections are as indicated below:

Section 2	General guidance
Section 3	Budgeting mechanisms
Section 4	Financial reporting
Section 5	Specific budgeting and costing guidance
	Appendices

² The term “grants” as used throughout these guidelines refer to both grants awarded under the rounds-based funding model and those approved under the new funding model.

1.3 Sustainability and allocation efficiency

10. Funding requests to the Global Fund are based on national strategic plans, which should reflect general principles on the allocative efficiency of investments within programs, namely that:

- Cost effective and evidence-based interventions have been selected (among various options) as suitable to country context
- Interventions are prioritized given limited resources; and
- Investments are optimally allocated across interventions to achieve maximum health impact.

11. As sustainability is one of its guiding principles, the Global Fund has implemented and is prepared to support countries in a number of policies to improve the long-term viability of the programs it finances. These policies are designed to: (1) encourage national planning, (2) identify how domestic resources (financial and programmatic) will increase over time, and (3) to achieve sustainability and country ownership. The Global Fund is looking to incorporate principles of financial and programmatic sustainability into its grant-making processes. To encourage sustainability, the Global Fund supports countries to increase investments in strategic areas through the willingness to pay (WTP) requirement, such as:

- Scale up coverage of key interventions (example: drugs, commodities, targeted interventions);
- Recurrent costs such as human resources and absorption of existing donor support in this area;
- Co-financing of specific Global Fund support, for example,
 - In-country storage and distribution costs of drugs and commodities
 - Costs related to mass distribution of long-lasting insecticidal net campaigns
- Investments in health systems that directly benefit Global Fund-supported programs

1.4 Amendments to the budgeting guidelines

12. These guidelines replace the previous Budgeting and Enhanced Financial Reporting³ guidelines issued by the Global Fund. They integrate the core new funding model components by using a modular approach and costing dimension (MACD) that enhances matrix reporting and 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 (budgetary framework).

13. The new budgeting framework will enhance overall efficiency, improve consistency and quality of data across the grant portfolio, and will provide the Global Fund and all stakeholders a greater visibility on interventions and cost drivers related to investments.

14. The revised approach provides applicants and implementers with a standardized costing dimension that incorporates the cost inputs as an integral part of the modular approach to further enhance the standardized modules and interventions. This integrated approach will allow for strengthened tracking of budget versus expenditure data and facilitate alignment/harmonization to partners and country data systems.

³ The Enhanced Financial Reporting guidelines remain valid for grants that have not transitioned to the new funding model grant agreement and the related modular and costing approach.

15. The revised guidelines provide all stakeholders involved in the implementation and/or verification/audits of Global Fund grants with guidance and information on the following topics:

- budgeting and reporting using the modular approach and costing dimension
- foreign exchange impact and payment currencies on budgeting and reporting
- disclosure of tax in budgeting in financial reporting
- documents recommended to support budget assumptions
- more detailed guidance on budgeting for specific budget cost categories
- treatment of salary top-ups and incentives only eligible in exceptional circumstances (Grant Approvals Committee and Board approval required)
- material and non-material budgetary adjustments
- definition and treatment of eligible and ineligible expenditures

2. General guidance

16. Grant interventions/activities to be undertaken under Global Fund-supported programs must 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. It should take into account the needs and anticipated strategic impact of the grant on the disease component.

17. 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, which helps the implementers to allocate resources and set realistic goals for each defined period of the grant life cycle. It also serves as a medium for communicating information to the Country Coordinating Mechanism, government, oversight and assurance providers and any other interested stakeholders. The modular approach and costing dimension provides information about the physical output of grant interventions and the estimated costs of these interventions.

18. 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 the variance between budgeted, forecasted and actual costs for all Global Fund-supported interventions by disease component.

19. As part of the concept note submission and grant making process, the applicant and PR(s) are required to provide the Global Fund visibility on government and other partner funding towards the disease program and interventions. This is captured as part of the funding gap analysis in the concept note.

2.1 Budgeting principles

20. The objective is to ensure that 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. Budgets⁴ should therefore:

- be based on existing national, institutional policies and follow best practices in local markets;
- facilitate a strong link between inputs, outputs and outcomes;
- have transparent and verifiable: definitions and sources of data (qualitative and financial), assumptions, and methods for calculating costs;
- 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;
- be consistent and enable comparison of costs over time.

21. The Global Fund discourages creation of Global Fund-specific policy documents by implementers for overall financial management and systems. However, in case of divergence between Global Fund policies and procedures and an implementer's existing policy framework, Global Fund policies take precedence over domestic policies and procedures, with respect to a grant, for budgeting, implementation and expenditure reporting unless otherwise stated in the grant agreement.

⁴ The Global Fund budgets should generally be developed using cash basis on the implementation of activities.

22. The Global Fund only supports health interventions which are directly or indirectly linked to the fight against AIDS, TB and malaria (including related health systems strengthening activities). The grants will only pay for the reasonable cost of interventions considering the context, need to enhance impact and need to maximize cost efficiency. Where any budget item is deemed by the Global Fund to be above reasonable cost, the Global Fund may fund only the amount considered reasonable and it may adjust the grant budget accordingly.

23. The budget must be denominated in either euros (€) or U.S. dollars (US\$) as communicated by the country to the Global Fund. If no communication was received from the country as part of the allocation confirmation, the default currency will be U.S. dollars. However, the budget should be prepared using the different currency denominations of each budget line, i.e. the currency (ies) in which the budget item will be invoiced and/or paid. The currencies should then be converted into the grant currency at an appropriate exchange rate (see exchange rate guidance).

24. Budgets should include not only costs for program activities but also take into consideration any relevant income generated through activities and on program assets⁵. 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.

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

26. 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:

- ensure the economy, efficiency and effectiveness (value for money⁶) of activities and be considered for prioritization of interventions;
- be built on budget categories defined by the Global Fund (see appendix 2) for the list and definition of Global Fund cost categories;
- be consistent with the budget submitted with the concept note and reflect any Technical Review Panel and Grants Approval Committee-proposed adjustments;
- include any requirements mandated by the Board (for example, inclusion of Green Light Committee fees for approved multidrug-resistant TB programs);
- not duplicate costs covered by other sources of funding (other donors, government subsidies, etc.)
- clearly identify reasonable quantities and unit prices;
- be consistent with proposed programmatic targets defined for each time period;
- reflect a realistic rate of utilization of funds, taking into consideration absorption capacity of the Principal Recipient⁷

⁵ These include but are not limited to the following: income from interest-bearing bank accounts, exchange rate gains, revenue from the sales of health products, microloan interest and any other service fees planned to be received.

⁶ (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).

⁷ In a generic sense, "Principal Recipient" may also refer to any organization that manages Country Coordinating Mechanism funding agreements.

- be arithmetically accurate; and
- fall within the available maximum allocation amount for the disease component as adjusted in the approved program split and any above-allocation funding approved by the Global Fund. The proposed budget at concept note and grant-making stages must take into account actual/forecasted disbursement required from the Global Fund and in-country cash balances prior to the signing of the new funding model grant.

2.1.1 Funding ceiling

27. This section provides guidance on calculating the funding ceiling available for concept notes which consolidate the budgets of existing grants (awarded under the rounds-based funding channel) to the allocation-based approach of the new funding model.

28. In preparation for concept note development, the applicant chooses a proposed start date for the concept note. This will be the start date for the implementation period of the new funding request. The applicant will need to be aware of the upper limit for grant making, taking into account the funding forecast available at the start date of this period. Calculating this involves taking the country allocation for the component in question after program split, and reducing this figure by the amount of disbursements (actual and projected) to be made before the start date of the new request. The Country Team will be able to provide the applicant with a breakdown of the allocation amount if needed, showing the existing pipeline grant-by-grant and new funds available per component, based on the program split as determined by the CCM and approved by the Global Fund. This will therefore provide the forecast funds available for each disease, which will be the budget upper-ceiling amount for each concept note. The Global Fund at its own discretion may authorize the roll-over into the concept note for that same component any funds not fully utilized (i.e. different from the forecast) before the start date of the implementation period.

29. The budget under the modular approach should be prepared on the basis of the amount reasonably required for the implementation period to achieve the intended targets and must be within the total amount of grant funds available as of the new funding model start date. All interventions to be implemented and paid as from the new funding model grant start date - whether originating from that are already-existing or from the newly designed concept note - should be incorporated in the grant making budget.

30. The indicative upper ceiling available for each disease component at the concept note stage can be calculated as described in Table 1.a below:

1.a Funds available for Concept Note preparation - GAC1

Illustrative amounts

New funding model grant agreement start date	01 January 2015
Disease allocation 2014 - 2016 as amended by program split	400,000,000
less: proposed reductions for willingness-to-Pay (WTP)	1,000,000
less: Actual disbursements (Jan 2014 - to date of reconciliation)	85,000,000
less: Additional disbursement forecast (up to proposed start date for NFM funding)	35,000,000
add: In-country Cash Balance at NFM start date (estimated)	5,000,000
Equals: Estimated funds available for the implementation period (budget upper limit recommended by GAC)	284,000,000

31. Following the approval of a concept note that integrates the existing grant pipeline⁸ from rounds-based grants, the formal closure of the rounds-based grant(s) is not required under the normal grant closure provisions, although audit reports and other reporting obligations due under those grants must still be complied with for the period starting from the end of the previous reporting period and ending with the start date of the new funding model grant. The indicative upper ceiling available for each disease component at grant-making can be calculated as described in Table 1.b below:

1.b Funds recommended by GAC2 for grant making

Illustrative amounts

New funding model grant agreement start date	01 January 2015
Estimated funds available for the implementation period, within allocation (budget upper limit), assuming no reductions in GAC review	284,000,000
add: Above allocation incentive funding recommended by GAC	20,000,000
Equals: Estimated funds available for the implementation period (budget upper limit recommended by GAC)	304,000,000

⁸ Refers to the pipeline of grant funding arising for Board-approved proposals or other Board decisions originating from the Third Replenishment Period, or earlier, that was undisbursed as at 31 December 2013.

32. The maximum amount for grant-making as calculated above may be increased by available in-country cash balances from existing grants with the pre-approval of the Global Fund. In the event that such in-country cash balances (at the principal recipients of sub-recipients level) increases the allocation of the country, the prior approval of the Grant Approvals Committee/Board is required, taking into account the impact of such funds on resources available for Unfunded Quality Demand and above-allocation funding requests for the portfolio. The indicative upper ceiling available for each grant at Board Approval can be calculated as described in Table 1.c below

1.c Funds recommended by GAC for Board approval (disbursement-ready grant)

Illustrative amounts

New funding model grant agreement start date	01 January 2015
Estimated funds available for the implementation period (budget upper limit)	304,000,000
add: additional cash available in excess of previous estimate (total cash 6,000,000)**	1,000,000
Total budget upper ceiling for grant making from start date, subject to GAC recommendation**	305,000,000

Total budget recommended by GAC for Board approval	305,000,000
Less: Undisbursed funds at start date for NFM funding*	10,000,000
Less: In-country cash balance at date of Board approval	6,000,000
Total incremental funding available under new funding model, for Board approval	289,000,000

* Undisbursed is the signed amount less total disbursements (actuals+forecast).

**if funds are not available as per forecast an adjustment may be made by Grant Approval Committee prior to Board Approval.

2.2 Treatment of in-country cash balances

2.2.1 Concept note stage

33. When establishing the concept note funding ceiling for budgeting, the disbursement forecast for the remaining period of the existing grant should be done with the assumption of a “zero cash balance”, unless there are available cash balances from active grants not required for the payment of invoices or implementation of activities under the associated grant agreement prior to new funding model grant. With respect to in-country cash balances relating to: (1) recoverable (OIG or otherwise), (2) 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 for re-investment into the new funding model concept note/reprogramming.

2.2.2 Grant-making stage

34. When preparing the detailed grant-making budget, the Principal Recipient⁹ should take into consideration the expected cash balance(s)¹⁰ of the existing grant(s)¹¹ at the new funding model start date and determine how it will be treated during grant signing and implementation. If in doubt, the issue should be discussed with the country team, who will provide guidance as necessary.

⁹ This is applicable when the same Principal Recipient is the implementer of an existing grant for the country/disease. In the event of change in Principal Recipient, closure activities should be fully costed and any excess cash balance must be refunded directly to the Global Fund.

¹⁰ Including cash balances held by sub-recipients, procurement agents, pooled procurement mechanism agents, and reimbursable amounts linked to Office of the Inspector General and any other ineligible expenditure.

¹¹ All active and/or grants in-closure, including income-generated funds.

35. The Principal Recipient should communicate in advance the projected cash balance(s) of the existing grants at the new funding model grant start date and whether it (a) is required for the clearance of past liabilities arising from expenditures for approved activities, or (b) available for interventions under the new funding model grant. By default, any available cash balance at the new funding model start date will be available to fund the new approved budget, assuming that these are derived from the existing grants pipeline of the total allocation. Such in-country cash balances may increase the initial allocation communicated to the country by the Global Fund and will have to be approved by the Grant Approval Committee/Board.

36. Therefore, if it can be established that the cash balance was intended to pay off existing liabilities from the existing grant(s), such funds may be accounted for, and reported on, in the existing grant. This must occur in the short term, and all liabilities must be fully paid by the implementers prior to the new funding model start date. If this may not be the case, it is strongly recommended to anticipate any ongoing or long-term liabilities and incorporate them in the consolidated grant-making budget as part of the new funding model grant. This will ensure that the Principal Recipient and the Global Fund do not maintain parallel reporting and expenditure tracking for both existing and new grants.

37. It should be noted that, in both cases above, the total Global Fund approved budget may be higher than the amount stipulated in the grant agreement program confirmation or face sheet, as the latter only covers the amount that will be disbursed by the Global Fund under the grant agreement and thus excludes any in-country cash balances. As a general principle, a footnote¹² should be added to the summary budget indicating that a part of the budget is being funded by available in-country cash balances and stipulating the amount of the cash balance. The sum of the in-country cash balances and the amount stipulated in the grant agreement should be equal to the Global Fund approved budget.

2.2.3 Board approval and first annual funding decision

38. The projected cash balance at new funding model Board approval/signing date will be included in the first annual funding decision and disbursement as the opening cash balance for the new grant implementation period. The actual cash balance available on the first day of the new funding model grant and as reported in the last progress update/AFR¹³ may differ from the estimation included at Board approval/signing. Consequently, an adjustment to the cash balance may affect the next disbursement release and/or the second funding decision.

39. If the final cash balance differs significantly (+/- 10 percent) from the estimated figure, an adjustment to the budget or grant confirmation may also be necessary, requiring a modification of the grant agreement (via an implementation letter) within the funding limit approved by Grant Approvals Committee and/or Board. The country team could consult the Grant Finance and Treasury teams for advice, especially when such adjustments would increase the overall allocation.

¹²Example of the footnote to be included in the budget is: [Important Note: The approved budget will be partly funded by the [estimated or actual] cash balance in the amount of [US\$ or €] XXXXX as at [date] and the cash balance is thus not included in the amount stipulated in the grant agreement, which covers the amount disburseable by the Global Fund during the implementation period].

¹³ Enhanced Financial Report (EFR) for grants signed under the old funding mechanism not yet transitioned to NFM.

2.3 Foreign exchange

40. Budgets of Global Fund grants are either finalized in U.S. dollars or euros, depending on the new funding model allocation currency choice, taking into account the payment currency for each budget line. As parts of grant expenditure may be incurred in local currency or non-grant currency, the grant could be exposed to significant currency risks that have to be managed and mitigated at budget approval and during disbursement/grant monitoring.

41. The purpose of this module is to clarify the calculation and use of foreign exchange rates to finalize grant budgets.

2.3.1 Allocation currency: grant currency denomination

42. Global Fund grants are denominated in either U.S. dollars or euros and fixed for the implementation period and the “allocation currency” should be requested by the applicant no later than 30 days after the issuance of the allocation letter to the country¹⁴. The Global Fund Treasury department will review the request for “allocation currency” request, taking into account the overall foreign exchange exposure of the currency and associated grant activities. The consideration will also include “standard global fixed exchange rates” with the local currency of the applicant. For BCEAO (XOF)-based currency, the expectation is that the euro will be the allocation currency, unless a significant portion¹⁵ (more than 60 percent) of the budget will be spent by the Principal Recipient in U.S. dollars. In such cases, the allocation currency may be in U.S. dollars.

43. The grant currency may only be changed at the request of the implementing country (Country Coordinating Mechanism and/or Principal Recipient) when there is a new implementation period and upon formal approval of the Global Fund Treasury department.

44. As part of the rollout of the new funding model, the general rule is that a Principal Recipient should complete an existing grant in that grant’s currency and should switch to the allocation currency for the signing of a new grant under the new funding model. At the time of grant signing, funds available for the new grants maybe composed of (i) undisbursed balances from existing grants and (ii) in-country cash balances.

45. Funds still at the Global Fund (undisbursed funds) will be converted at the spot rate communicated by the Global Fund for allocation purposes¹⁶. In-country cash balances should be converted using the spot rate at the end of the existing grant as follows:

- Local currency bank balances: should be maintained in the local currency and there is no physical conversion required. Conversion is only for reporting purposes, using the spot rate for both the last progress update/disbursement request and opening cash balance of the new grant;
- Grant currency bank balances: the bank should be requested to convert and transfer the balance from the grant currency to the allocation currency if the two are different. If there is no change in currency, no action is required and the balance is maintained as the closing balance for existing funding and opening balance for the new funding model grant, respectively.

¹⁴ In the event the Country Coordinating Mechanism or other applicants (for regional proposals) have not confirmed the grant currency within the established deadline, the final currency choice is at the discretion of the Global Fund and the allocation currency (US\$) may be imposed.

¹⁵ If commodities are procured through the Global Fund Pooled Procurement Mechanism or other procurement agents (e.g. UNICEF) in US\$, then this should be taking into account in the currency choice.

¹⁶ This is the allocation rate applied for the conversion of all existing funds to U.S. dollars.

46. Once the allocation currency has been approved by the Global Fund, it is valid for the entire implementation period and should only change under exceptional circumstances such as changes to the macroeconomic situation of the country of implementation.

2.3.2 Budget preparation currency

47. 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 budget item will be invoiced or charged) converted, where applicable, to the currency of the grant agreement at an appropriate exchange rate.

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

49. Any inflation factor should take account of the currency denomination of the budget item (local currency-denominated items may require a different rate of inflation to foreign currency-denominated items). The relationship between the two variables - exchange rate and inflation rate - should be described in the general budget assumptions.

2.3.3 Application of exchange and inflation rates

50. The exchange rate used in the budget should be that which, based on available evidence, 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. The exchange rate may be budgeted at different rates over the term of the budget, provided that assumptions behind the rates are disclosed. No exchange rate “contingencies” may be included in the budget.

51. Given the constraints of accurately and consistently predicting the future path of exchange rates, it is acknowledged that there will always be a margin of error when using foreign exchange rates in the grant budgeting process.

52. The Global Fund strongly recommends using a 200-day exponential moving average as a foreign exchange rate for budgeting. This provides a sufficiently long historical pricing series, weighted towards the current date. If requested, the Global Fund will supply implementers with information on foreign exchange rates using this methodology. Provided the foreign exchange rate used in the budget is approximately in line with the Global Fund-recommended rate, it is acceptable for grant budgeting purposes.

53. If (1) an important exogenous event takes place after the budget is prepared and/or approved (e.g. a managed devaluation of the currency) which results in a marked and lasting change/trend in the foreign exchange rate in question, or (2) short-term foreign exchange volatility increases (i.e. changes in rates of more than 5 to 10 percent in a short time span), then the Global Fund recommends using an updated exponential moving average so as to provide a more reasonable exchange rate for the grant budget.

54. If the country’s exchange rate is fixed or managed by the domestic authorities, the budget should follow the given official fixed rates. Where there is a parallel foreign exchange market and the official rate is overvalued compared to the unofficial rate, the Principal Recipient should use that rate which protects the value of the funds granted, yet remains within the laws of the particular country. If in doubt, the

Principal Recipient is advised to discuss the issue with the country team and the Global Fund Treasury department.

55. 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 U.S. dollar-equivalent costs at the time of payment of expenditures.

56. The exchange rate to be used to report expenditures in annual financial reporting should ideally be actual exchange rates applicable on the date of payments of expenditure if known and practical, 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, Oanda.com, etc.).

57. For expenditure reporting, it is not permissible for implementers to simply 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.

2.4 Taxes

58. For the purpose of these Guidelines, “taxes” can be understood as a financial charge (e.g., value-added tax or “VAT”, custom duties, etc.) or other levy upon a taxpayer (an individual or legal entity) by a government or public entity and mandatorily imposed by law.

59. As stipulated in Section 3.5 of the Global Fund Grant Regulations (2014) applicable to new funding model grants, Global Fund funding is made available based on the principle that grant funds shall be exempt from relevant taxation imposed by the Host Country concerned, so that all of the 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 mainly includes (but not limited to): (a) customs duties, import duties, taxes or fiscal charges of equal effect levied or otherwise imposed on the “Health Products”¹⁷ 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.

60. Furthermore, 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 the Global Fund programs implemented partially or wholly by any Principal Recipient or sub-recipient¹⁸ that is not a “Government Entity”¹⁹. In the situation where the proposed Principal Recipient is not a Government Entity, such Principal Recipient shall use its best effort to facilitate and secure relevant

¹⁷ As such term is defined in the Global Fund’s “Guide to Global Fund’s Policies on Procurement and Supply Management of Health Products” (2012, as may be amended from time to time).

¹⁸ 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.

¹⁹ 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.

tax exemption from the government of the Host Country concerned. To ensure the coverage of relevant tax exemption is sufficient, it is important that relevant tax exemption granted by the Host Country covers all layers of recipients (including the Principal Recipient, sub-recipients, etc.) who are involved in implementing the grant in question. In administering the tax exemption, if needed, the Principal Recipient should ensure that an adequate follow-up of taxes paid and recovered at sub-recipient level is done. The tax exemption certificate or official notification of tax exemption should clearly state the type of taxes the Principal Recipient and sub-recipients are exempt from when implementing the grant.

61. When tax exemption has been granted, 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 in order for the relevant information to be verified.

62. 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 of the proposed implementation arrangement in order to avoid the loss of grant funds through taxes. These modifications may include, for example, shifting responsibility for procurement to alternative organizations which hold tax exemption. Alternatively, the Global Fund (at its own discretion) may deduct the taxes payable from the country allocation or withholding disbursement on grants to the country (especially in the case of government-implemented grants).

63. 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 should 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 ineligible expenditures as described in Section 4.4 below. The Global Fund shall have the right to request reimbursement of such unrecovered taxes.

64. Furthermore, where tax exemption is obtained on a reimbursement basis, the 1st year budget may include a provision related to the cash flow needs if required. 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.

65. Where national legislation does not provide exemptions for personal income taxes for national staff working on the grants provided by the Global Fund, 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 salary when making disbursement out of the grant budget, and declaration of earning to such tax or other appropriate authorities.

2.5 Treatment of salary top-ups and travel-related costs

66. There is an urgent need for rationalization of salary incentives, top-ups, travel per diems and transportation practices for Global Fund-supported programs. The Global Fund is committed to harmonizing allowance practices with donor partners and aligning these around the country's own system. However, no allowances shall be payable from grant funds other than those exceptionally and explicitly provided for in the concept note and grant agreement as approved by the Grant Approvals Committee and the Board.

67. Governments have pledged and should continue to devise a sustainable incentive program as part of a broader civil/public service reform to enhance motivation/retention schemes. The Global Fund may participate in financing such broader schemes designed and supported by the government and in-country partners that enhance the overall efficiency and effectiveness of service delivery interventions for Global Fund grants.

68. Where grants are already paying for such allowances, the country team should develop a transitional plan for cessation and/or payments should be directly linked to grant performance and impact instead of additional monthly income. In the event such schemes are indispensable for service delivery, applicants are encouraged to include a valid funding rationale for such incentives as part of the health systems strengthening interventions within a disease-specific concept note or as part of a dedicated health systems strengthening concept note.

2.6 Treatment of shared costs

69. For purposes of the Global Fund budgeting and expenditure reporting, shared costs can be defined as expenses that can be allocated to two or more funding sources (government, the Global Fund, other donors etc.) or different Global Fund grants on the basis of shared benefits and administrative efficiency. Cost sharing is allowable in Global Fund grants under the following circumstances:

- Apportionment method clearly stipulated in the budget assumptions;
- verifiable from implementers' records with evidence on "fair share"²⁰ principle;
- necessary and reasonable for proper and efficient accomplishment of grant and program objectives;
- included in the approved budget when required; and
- expensed during the grant implementation period.

70. The same assumptions and methodology used for apportionment of budgets of shared activities in the latest approved budget should be applied for expenditure apportionment. The actual shared costs expended and reported to the Global Fund should be based on the actual expenditure incurred by the implementer and not the budgeted amount.

²⁰ Fair share means, the proportion of the costs that can be attributed to the Global Fund grant (s) based on transactions value, space, funding level etc.

2.7 Differentiation of budgeting and expenditure reporting

71. In very specific instances and as part of the differentiated approach, some low risk²¹/low investment grants (below US\$15 million), implementers may be authorized to budget and report using the broad categories by intervention and cost groupings²².

72. Differentiated reporting may also be acceptable in cases where a significant component (at least 75%) of the approved budget is implemented by the PR and main sub-recipients with the full capability to report at the cost input level.

73. The Principal Recipient must receive pre-approval from the Global Fund on the budgeting and reporting mechanism and format to be used prior to submission and approval of the detailed budget. The standard requirement is budgeting and reporting by interventions and cost inputs, and variance reports are accordingly generated at the same level of classifications.

74. Such differentiations are formally approved by the Global Fund and must be explicitly stated in the grant agreement and/or a performance letter no later than six months after the grant agreement start date. The approved differentiated mechanism is generally valid for the duration of the implementation period.

2.8 Capacity building to enhance financial systems and reporting

75. As part of the implementation of the new funding model, the Global Fund has made available funding to support capacity building for grant recipients.

76. During the grant application process, applicants and Principal Recipients are encouraged to assess the impact of the new budgeting and reporting requirements on the existing financial management and accounting systems. This assessment will also be an integral part of the Global Fund capacity assessment mechanism.

77. In certain instances, the process would require a comprehensive re-mapping of the existing chart of accounts and cost structures in the accounting system of the implementer to the revised interventions and costing dimension required for the grant. In other instances, the current financial management/accounting system of the Principal Recipient may need to be enhanced through an upgrade or acquisition of a new system in order to be able to comply with the relevant budget monitoring and expenditure reporting requirements in an accurate and timely manner.

78. This analysis of needs should be done as part of the Principal Recipient capacity assessment prior to grant signing and a costed action plan established on the required enhancements for the financial management systems and/or acquisition of accounting software. The cost of the action plan could be fully or partially incorporated into the detailed budget of the grant. Such costs could also be considered in the pre-financing²³ request of eligible Principal Recipients to ensure implementation of the core actions prior to grant signing. The Global Fund's Financial Development team is available to support country teams and

²¹ As indicated in the fiduciary risk classification of the QUART approved by the Operational Risk Committee and/or the capacity assessment tool (CAT).

²² The PR may also be authorized to report certain sub-recipient expenditures at the cost grouping level, where a significant component (at least 75%) of the approved budget is implemented by the PR and main sub-recipients with the full capability to report at the cost input level.

²³ New implementers without access to existing funds to participate in Global Fund programs, unless flexible funds are available to support grant making and start-up including short-term capacity building measures to ensure a smooth transition to implementation could apply for a pre-financing approval by the Global Fund.

Principal Recipients in this needs assessment or mapping exercise in validating the budgeting and financial reporting structure.

79. The cost of building implementers' capacity to enhance financial systems and reporting capabilities may be eligible under some of the Global Fund donors' capacity building funds (e.g. U.S. government and French government 5% initiatives; Gates Foundation, etc...). In collaboration with partners and the Global Fund country team, the most appropriate technical assistance provider and funder should be identified early in the access to funding process (prior to grant-making finalization) for effective implementation and reporting.

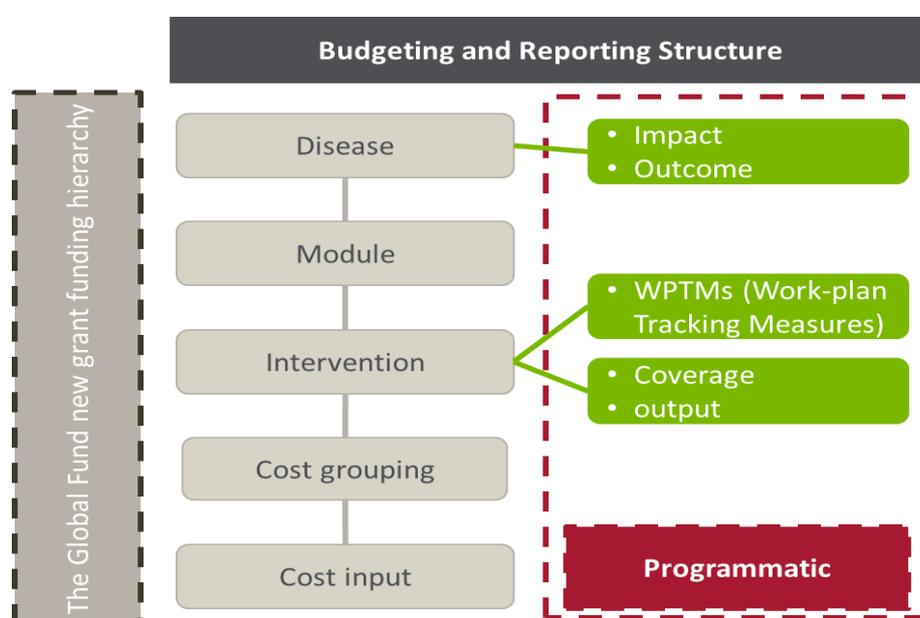
80. All implementers that will require capacity building to fulfil the new requirements are expected to be fully compliant no later than the financial reporting due for the second year of the implementation period.

3. The Budgeting Mechanism

81. The modular approach is used to manage Global Fund investments in the three diseases and is defined by a standardized hierarchy of the modular approach and costing dimension. Each module is linked to a specific disease and each intervention is linked to a module. Modules principally provide broad definitions of the main types of disease-related programmatic initiatives for Global Fund-supported programs.

82. Each module contains a list of specific disease interventions funded by Global Fund grants, and these have been listed in Appendix 1. The interventions provide a description of the specific nature of programmatic initiative to which a particular budget item relates. Again, the interventions are disease-specific (including HSS), and not all interventions are applicable for every disease and every grant.

83. The diagram below illustrates the Global Fund modular approach and costing dimension under the new funding model and its alignment to the strategy to invest for impact and demonstrate efficiency and value-for-money.



84. This revised approach provides applicants and implementers with a standardized costing approach that incorporates the cost inputs as an integral part of the modular approach in order to further enhance the standardized modules and interventions. This integrated approach will allow for strengthened tracking of budget vs. expenditure data and facilitate alignment/harmonization to partners' and countries' data systems.

85. In submitting a funding request, the applicant must give adequate consideration to the items below during the country dialogue, concept note development and grant-making stages:

- preparation of budgets for all significant activities of the Principal Recipient, 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 qualified individuals and represents 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 with reasonable frequency, and explanations required for significant variations from budget;
- ascertain if pre-approvals of budgetary adjustment will be required and under which circumstances.

3.1 Budget granularity

86. The diagram below provides a high-level summary of the granularity of the budget to be submitted by applicants/Principal Recipients at different stages of the new funding model processes and the level that needs to be costed for Global Fund purposes. Taking into account the country context and program scope, applicants have the flexibility to create sub-interventions (activities) if this enhances program implementation and budget monitoring. This level, if included by the applicant/Principal Recipient will not be part of the reporting framework to the Global Fund.

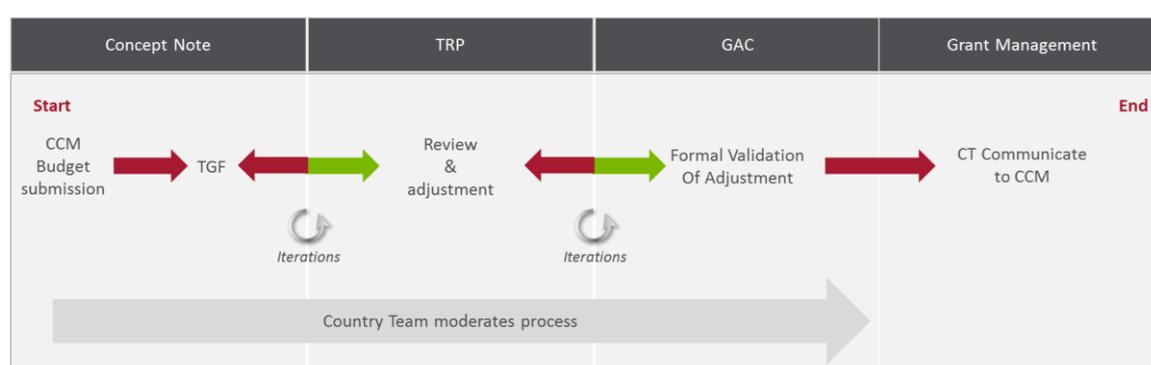
Table 2 – Diagram on budget granularity

		Concept Note	Grant Making	Grant Implementation
Modular dimension	Disease	Pre-determined list	Pre-determined list	Pre-determined list
	Modules	Pre-determined list	Pre-determined list	Pre-determined list
	Interventions	 Budget Data Entry	Pre-determined list	Pre-determined list
Costing dimension	Cost Grouping	Not required	 Budget Data Entry	 Budget Data Entry
	Cost inputs	Not required	 Budget Data Entry	 Budget Data Entry

3.2 Concept note budget

87. The development of a concept note is a collaborative and iterative process under the new funding model. There needs to be active involvement and feedback of all stakeholders, including in-country partners, the Country Coordinating Mechanism and the Technical Review Panel. The Global Fund Secretariat provides the 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 the submission of the concept note budget to the Global Fund.

88. As part of the simplification and differentiated approach of the new funding model processes, initial “best estimate” budgets by intervention are the minimum requirements for the submission of concept note. The concept note will be submitted for a disease component. For example, there could be a concept note for TB, HIV, joint TB/HIV, malaria and HSS. The diagram below provides a summary of the stages of the budgeting process for the concept note.



89. The budget at the concept note stage serves to provide the strategic investment and intervention choices made by the applicant. A detailed budget (covering individual activities) is not necessary at this stage, to avoid over-complicating the review and the strategic decisions required. 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. 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.
- The annual funding required for each intervention, including the following qualitative details (if available):
 - cost assumptions (e.g. latest historical cost, quotations provided by vendors etc.);
 - reference to development partners costing tools (where applicable) [such as Roll Back Malaria (RBM) costing for malaria, World Health Organization (WHO) TB costing tool, One Health Tool, etc...]
 - outline of additional sources and amounts of funding available for each intervention, with a distinction of the requests by:
 - “*Within the allocation*” - which is based on total approved program split of the country for a specific disease);and the

- “Above-allocation” - which covers the full expression of need for effective disease program implementation in the country, covering all existing funding gaps.
- Proposed implementing Principal Recipient(s) and sub-recipients (if available)

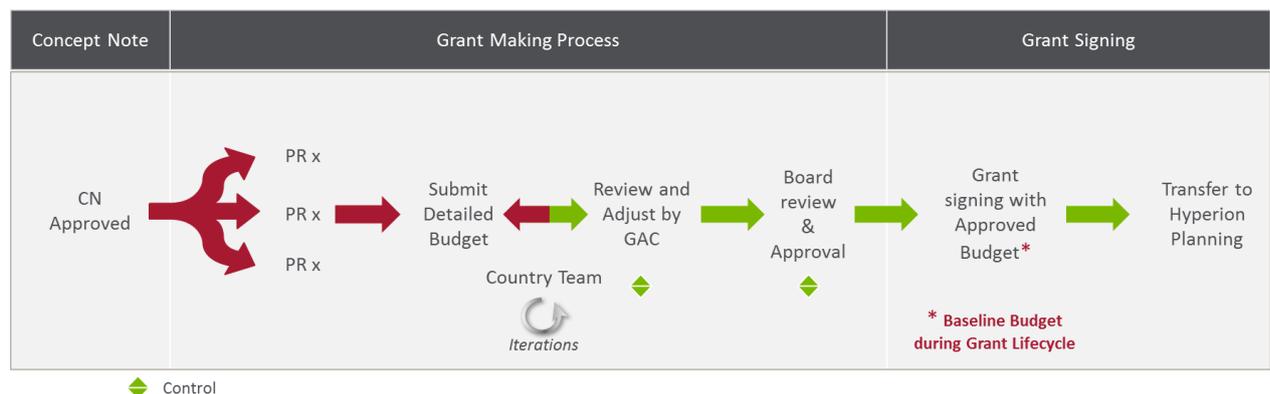
90. It is understood that some countries might find it more convenient²⁴ to prepare a more detailed budget at the concept note stage, which can then be consolidated into an intervention-based budget for submission to the Global Fund.

91. 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 concept notes, the detailed budget templates could be used. The detailed budget option if desired, is entirely discretionary and based on country preference.

3.3 Grant-making budget

92. Upon the final approval of a concept note, the nominated Principal Recipients²⁵ are required to develop a detailed budget using as their basis the full modular approach and costing dimension.

93. Each Principal Recipient would submit a detailed budget for review and approval, as indicated in the diagram below.



94. This budget would be based on the cumulative funding approved for the concept note, including any above-allocation funding and any projected in-country cash balance available for the new funding model grant. The budget will provide the following information and justification:

- alignment of the detailed budget to the approved concept note, taking into account any adjustments communicated by the Global Fund following Technical Review Panel and Grants Approval Committee reviews.
- quantitative assumptions used for unit costs based on historical data and/or pro forma invoices when necessary.

²⁴ Especially when the time between concept note approval and anticipated Board approval is intended to be short, countries could gain efficiency in starting with a detailed budget.

²⁵ This is subject to the completion of the capacity assessment and minimum standards for each Country Coordinating Mechanism-nominated Principal Recipient.

95. The detailed budget should be submitted using the Global Fund standard template, which includes the following core information:

- modules – selected from a prescribed list (see Appendix 1 for examples)
- interventions – related to the module selected from the prescribed list
- activity²⁶ – this is not mandatory and is at the discretion of the Principal Recipient
- implementer – the entity that would implement and manage²⁷ the associated budget line.
- cost input²⁸ – selected from a prescribed list (see Appendix 2)
- payment currency – this could be in the grant currency, local currency or U.S. dollars for euro-denominated grants. The payment currency is the currency that would be used to pay for goods and services. For example, salaries will usually be paid in local currency²⁹, health products are paid for in U.S. dollars, etc..
- unit cost³⁰ at the start of the budget, and annual inflation/ increase factor
- quantities required for each period
- period (quarter) – this should be the estimated period of payment and disbursement requirement from the Global Fund. 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.

96. The total budget must be within the available funding – that is, the allocation amount as adjusted with any above-allocation funds and projected in-country cash balance communicated by the Global Fund. All disbursements between the allocation announcement and the new grant period should be taken into consideration and not included in the budget.

3.4 Budget approval mechanism

97. The concept note budget and the detailed budget prepared for the grant-making process should be uploaded to the Global Fund Grant Management Portal (Salesforce) in a prescribed format. The applicant has two options:

- entering the budget directly into the Grant Management Portal using the designed online budget template; or
- downloading an offline version of the budget template, then uploading it for submission.

98. Under both functionalities, the summary budget is automatically produced by the application tool budgets for all the stages of the budgeting mechanism (concept note, grant-making, reprogramming, etc.).

²⁶ Sub-intervention level is discretionary.

²⁷ The entity that would receive the funding associated with this budget line, undertake the procurement and ensure payment of the relevant good and services.

²⁸ As part of the differentiated approach, some low risk/low value grants (below US\$15 million) may be authorized to provide the detailed budget using the broad cost category. The Principal Recipient must receive a prior approval of the country team and this should be clearly stipulated in the capacity assessment and grant management plan. In the absence of such prior approval, all budgets should be prepared using the cost inputs as a default.

²⁹ With the exception of expatriate staff members who may be paid in other currencies.

³⁰ Please 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). Pro forma invoices (at least three quotations when necessary).

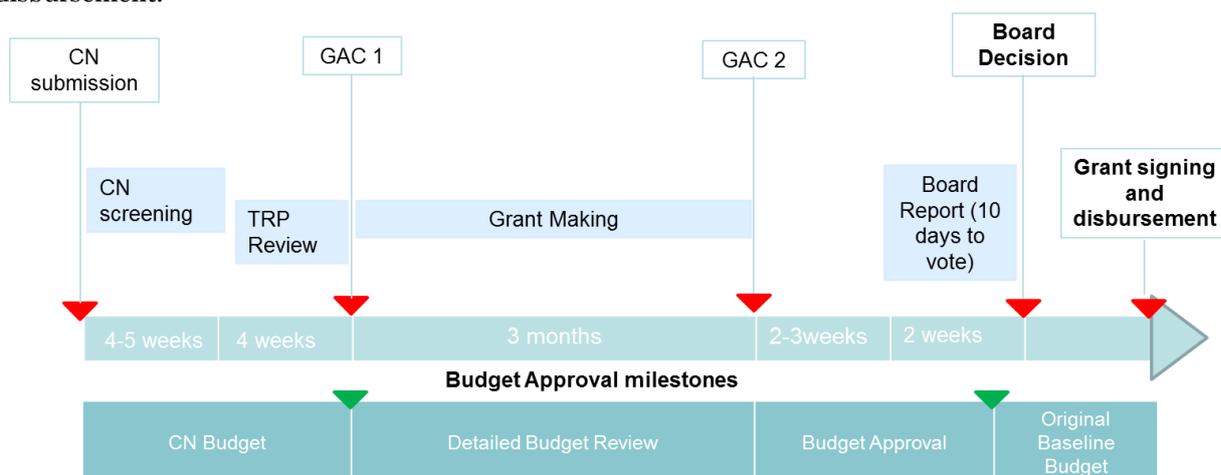
The summary budget reflects the costs of each intervention (modular approach) and cost grouping using standard budget classifications provided in the costing dimension (cost inputs/cost grouping).

99. The Global Fund is responsible for the overall review and approval of the budget. The Local Fund Agent may be tasked by the Global Fund to perform a budget review and provide the analysis directly to the Global Fund. Such analysis may be taken into account by the Global Fund in the review and final approval of the budget.

100. When submitting a budget for approval and in order to ensure efficient and timely review and approval, the Principal Recipient should include all unit cost assumptions and upload all relevant supporting documents in the tool. The Global Fund or the Local Fund Agent may request additional information and such should be made available by the Principal Recipient in a timely manner.

101. The estimated time for the review and approval of the detailed budget submitted by the Principal Recipient is between 30 to 90 days, depending on the stage of the process. The country team will keep the Principal Recipient informed throughout the review process. Additional clarifications and/or budgets that do not comply with the principles outlined in these guidelines could encounter additional delays in the approval process.

102. The diagram below provides an indication of the approval timelines for budget and first disbursement.



Corporate KPI: the overall process is expected to take 8 months from CN submission to 1st disbursement

103. Once approved, 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 the grant agreement after any material budget adjustments. This is also the “baseline budget” and all budget adjustments will be compared against this version for the establishment of materiality thresholds.

104. The regular budget vs. actual variance analysis for the annual financial reporting will be based on the most recent approved budget (revised approved budget) that has been approved through a legally binding agreement (grant agreement or implementation letter) between the Principal Recipient and the Global Fund. 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.

3.5 Budgetary adjustments – Grant Implementation

105. In the normal course of grant implementation, a Principal Recipient should undertake periodic budget reviews to identify necessary budget changes. The Principal Recipient may undertake budgetary adjustments to respond to program realities – to, for example, reflect changes in unit costs of items being purchased (up to the threshold which is considered not material, as indicated in Table 3).

106. In order to streamline, simplify and provide general flexibility during grant implementation, Principal Recipients are not systematically required to go through a process of formal pre-approval by the Global Fund of all adjustments to the original approved budget. Budget adjustments have been classified as “material” and “non-material” for the purpose of establishing a precise and clear mechanism for processing and approval of budget adjustments.

107. The table below provides the guiding principles and applicable thresholds for budgetary adjustments. It should be noted that these thresholds are cumulative for the entire implementation period and are always compared to the original approved budget at the time of grant signing³¹ to establish the materiality level.

Table 3 – Guidelines on budgetary adjustments

	Standard interventions	Discretionary categories ³²	Prior-approval
Material budgetary adjustments*	> +/- 15% of total budget for any intervention (including either the “increasing” and/or “decreasing” interventions) ³³ Inclusion of new modules & intervention on the official approved budget	> 5% of total budget of recipient cost grouping	Required

* In specific cases, based on country risk assessment, the country team could specifically define principles for determining materiality of budget changes, which might partially or entirely differ from the above-mentioned³⁴ principles, determining materiality.

³¹ This is the budget presented at Grant Approvals Committee 2 and is the basis for Board approval of the grant and the first annual funding decision.

³² The discretionary categories may be pre-defined taking into account country context and grant-associated risks. The general definition for Global Fund grants includes: human resources, vehicles, travel-related costs (per diems, etc.) indirect costs/overheads, and any other pre-defined activities, at the discretion of the Global Fund.

³³ As an indication, country teams could set a minimum of US\$100k or such other applicable amounts, taking into account country context and associated risks.

³⁴ This threshold should not be increased without the prior approval of the Head of Department and Head of Program Finance and Control within the Finance division of the Global Fund.

3.5.1 Material and non-material budgetary changes

108. Material budgetary adjustment is generally defined as budget changes to the official approved budget based on the maximum threshold of +/-15 percent of any approved intervention. All material adjustments (see Table 3) for the grant should be submitted to the country team for pre-approval prior to the initiation of the activity and the related payment. The submission should be in the form of a revised detailed budget incorporating the proposed adjustments within the overall ceiling of the initial approved budget. It should be noted that the indicated threshold for “material adjustment” for an intervention (i.e. +/-15 percent) is the maximum flexibility allowed and should not be increased without specific approval by the Global Fund.

109. Taking into account program and grant context - including but not limited to heightened risk ratings - the Global Fund may determine grant-specific thresholds³⁵ to defining “material” adjustments. Where such thresholds deviates from the guidance provided in table 3, the grant-specific definition of “material budget adjustments” must be stipulated in the grant agreement or communicated to the Principal Recipient through a performance letter or other official legal notifications. In the absence of such a stipulation, the principles outlined in table 3 are applicable.

110. In cases where such approvals are not obtained, it should be clearly noted that such post-incurrence reporting of material variances, their approval/ acceptance or otherwise is purely at the discretion of the Global Fund, based on the nature of the expenditure and the programmatic and financial context. In the event such expenditures are not accepted by the Global Fund, they will be classified as ineligible³⁶ expenditures, and the Global Fund will request from the Principal Recipient reimbursement of the associated costs. Accordingly, payment of expenditures by the Principal Recipient with material variances without the Global Fund pre-approval (through a revised detailed budget) is not permissible.

111. Budget changes that could potentially require pre-approval by the Global Fund may include:

- where a Condition Precedent in the grant agreement specifically requests prior approval.
- activities that are not included in the approved detailed budget;
- budget changes, such as those related to salaries and salary top-ups which may cause special concerns over sustainability of the program. Indicative examples³⁷ may include:
 - increases in the grades, numbers or levels of effort of expatriate staff charged to the grant;
 - 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;
- any other changes to budget which the country team determines should be pre-approved. Indicative examples may include:
 - 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, fuel rates, etc.

112. The above examples are indicative and not exhaustive and will be applied at the discretion of the country team based on the context of the grant and/or associated risks.

³⁵ In special and warranted instances, the Global Fund may determine pre-approval for all budget changes irrespective of the amount.

³⁶ See section 4.4 below on the classification of ineligible expenditures

³⁷ The examples are indicative of which situations country teams may wish to apply, based on the context of the grant and/or risk concerns.

113. All other changes to the activities in the approved detailed budget unless specifically notified in writing can therefore be considered as “non-material” and thus not be subject to pre-approval by the Global Fund. Implementers would have the flexibility to make the adjustments³⁸ and incur expenditures relating to such non-material budgetary adjustment. The PR as part of the annual financial reporting would report these as regular expenditures and provide comments in the budget variance analysis.

114. All considerations of materiality mentioned here are for the purposes of determining which adjustments to the approved detailed budget require pre-approval by the Global Fund. Accordingly, for Global Fund purposes it would not be mandatory for implementers to have the revised budget approved by the Country Coordinating Mechanism before submitting it to the Global Fund for approval. If adjustments to the detailed budget involve corresponding adjustments to the programmatic targets, the [Operational Policy Note on Reprogramming](#) should be followed.

3.5.2 Revising the summary budget

115. The summary budget forms part of the grant agreement. As such, it is considered a reference point and only needs to be revised in exceptional circumstances, as agreed between the Global Fund and the Principal Recipient. In situations where a grant has been extended, has fundamental reprogramming of activities, and/or material budgetary adjustments, such changes translate into modifications of the summary budget and should be made through an implementation letter signed by both parties.

³⁸ Such modifications would be subject to the internal approval processes with the PR and should be included in the PR Manual of Procedure.

4. Financial reporting

116. The purpose of the Global Fund is to invest additional resources to fight AIDS, TB and malaria. To fulfill these functions, the Global Fund needs a minimum set of reliable financial information regarding the implementation of grants. This financial reporting information is important to:

- assist grant management: Having financial breakdowns and variance analyses, and being able to link financial information to programmatic performance, strengthens the ability to make informed funding and investment decisions (e.g. allocations, annual funding decisions and disbursements);
- pinpoint areas of financial risk: Tracking expenditures against budgets also enables an analysis of financial risks across the grant portfolio. For example, where is the largest proportion of funds being allocated and used? Are the funds being spent in the planned areas? Are there any financial bottlenecks (such as in procurement)? etc.;
- for external reporting and resource mobilization: Being able to demonstrate the efficiency of Global Fund investments and clearly demonstrate that funding is spent in line with the approved Global Fund grant agreement to achieve maximum impact in the Disease Program is critical for external reporting and resource mobilization; and
- transparency and accountability: Being able to accurately report on the use of funds to donors, the general public and other stakeholders in an efficient and timely manner is one of the core principles of the Global Fund.

117. In order to enhance the understanding of overall strategic investments, all grants' should follow the mutually exclusive and collectively exhaustive (MECE) principle of budgeting and financial reporting. This will provide the Global Fund and its stakeholders (including applicants and donors) robust budgeting and expenditure data for financial analysis which is also appropriately linked to the relevant programmatic indicators and results.

118. In order to easily comply with the expenditure reporting classifications of the Global Fund, the classifications of the modular approach and costing dimension should be included as entry fields or mapped in the accounting system of implementers (especially the Principal Recipient and main sub-recipients) for better expenditure tracking. Implementers are strongly encouraged to have a system capable of tracking the approved detailed budget (including individual activities), and expenditures against 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 as per the Global Fund classifications for interventions and cost grouping/cost inputs.

4.1 Financial reporting principles and periods

119. The Principal Recipient(s) should select an annual reporting cycle for Global Fund programmatic and financial reporting³⁹ for each grant. This annual reporting cycle should be aligned to the country or 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, so as to facilitate reporting across the disease portfolio.

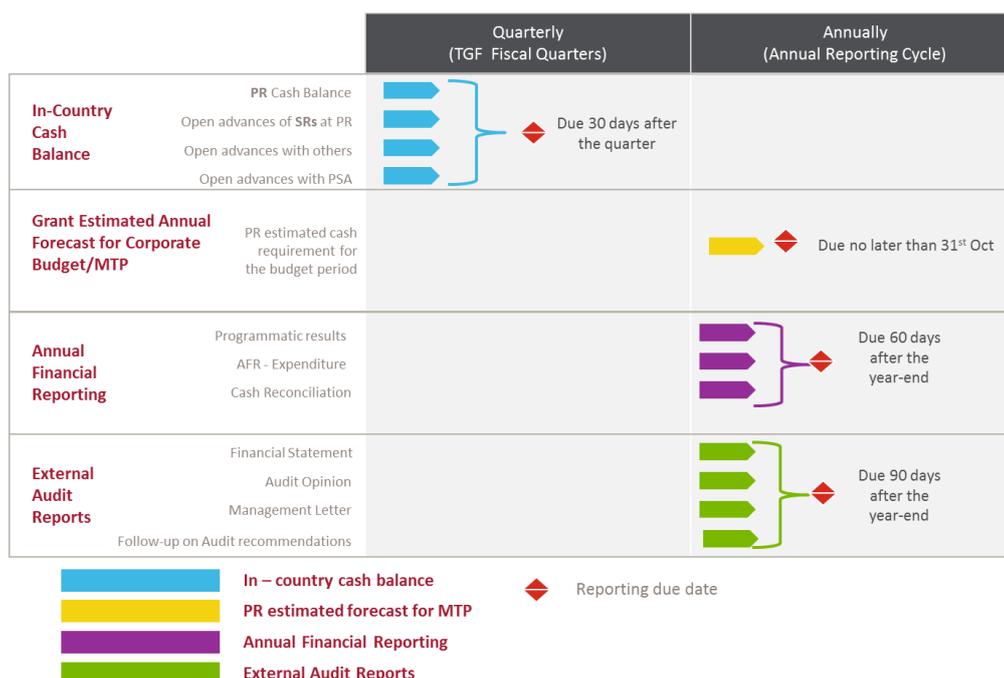
³⁹ This could start at any month of the year for a 12-month period.

120. 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 six 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 period⁴⁰ should cover the period from April to December (i.e. nine months). The Global Fund at its own discretion may allow PRs to combine the first and second period annual reports when the first period is shorter than 6 months.

121. 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.

122. In order to streamline the overall annual reporting cycle for a country/implementer, the Global Fund allows additional flexibility to shorten or extend the grant implementation period to the annual reporting cycle. In the example above, a grant start date of 1 April with an annual reporting cycle of January to December could have a grant implementation period of two years and nine months or three years and nine months, depending on the available funds. The grant should be planned to end in the closing month of the annual reporting cycle (i.e. December).

4.2 Reporting scope and frequency



⁴⁰ The associated first annual funding decision and disbursement schedule will also be aligned, plus a buffer period.

4.2.1 Quarterly financial reporting

123. The purpose of the quarterly financial report is to provide the updated in-country cash balance for pre-selected country portfolios⁴¹ and should inform the decision on the release of funds by the Global Fund. The regular information to be collected includes the:

- Principal Recipient's bank balances as per the bank reconciliation statement⁴²;
- open advances at sub-recipient/procurement agent level⁴³ as per the Principal Recipient's accounting records.

4.2.2 Annual financial reporting⁴⁴

124. The purpose is to enhance the overall expenditure analysis on Global Fund investments. The report covers in-country expenditures and variance analysis against the approved activity plan and funding for Principal Recipients and sub-recipient. In line with the approved detailed budget for grants, the new annual financial reporting requirement provides a standardized reporting approach that incorporates the costing dimension (cost grouping/inputs) as an integral part of the overall modular approach, which further enhances the standardized modules and interventions.

125. This integrated approach and standardized menu for cost and modular classification removes the ambiguity and provides greater alignment with partners, country data systems, and national health accounts. It also provides analytical granularity for both budgeting and expenditure reporting and would thus enhance strategic and operational information in the management of Global Fund investments. The annual financial reporting is thus fully aligned to the modular approach and costing and will provide additional visibility to better understand in-country expenditures. It also provides information on Global Fund investments and their linkages to programmatic results and impact.

126. The figures in the annual financial reporting must be fully aligned and reconciled to the financial statements of the Principal Recipient; any adjustments and modification in the expenditures of the financial statements should also be incorporated in a revised annual financial reporting⁴⁵, in accordance with the final audited statements. The revised annual financial reporting (if applicable) would then be submitted, along with the external audit report.

127. Principal Recipients should submit the annual financial reporting for each grant at least annually from the agreed grant start date (i.e. month 12, month 24, etc.). The first annual financial reporting for any grant, depending on the start date and alignment to country/Principal Recipient reporting cycles, could cover a period of six to 18 months, and every 12 months thereafter. The selection of the annual reporting cycle is covered under section 4.1 below.

128. The financial information reported should include the approved budgets, expenditures and variance analysis by (a) modules and interventions; (b) cost grouping and cost inputs; and (c) implementers

⁴¹ The Global Fund, at its own discretion, would determine the list of countries and/or grants where quarterly financial updates will be mandatory.

⁴² The PR should attach a copy of the bank statement or in cases pre-approved by the Global Fund, the duly certified bank reconciliation or fund statement.

⁴³ Technically, this represents the unliquidated funds from sub-recipients and/or procurement agents.

⁴⁴ The annual financial reporting will be applicable for grants that have transitioned to the new funding model. For grants under the rounds-based funding channel, the Enhanced Financial Reporting will still apply.

⁴⁵ Such adjustments may include the reconciliation of accruals vs actual cash outflows.

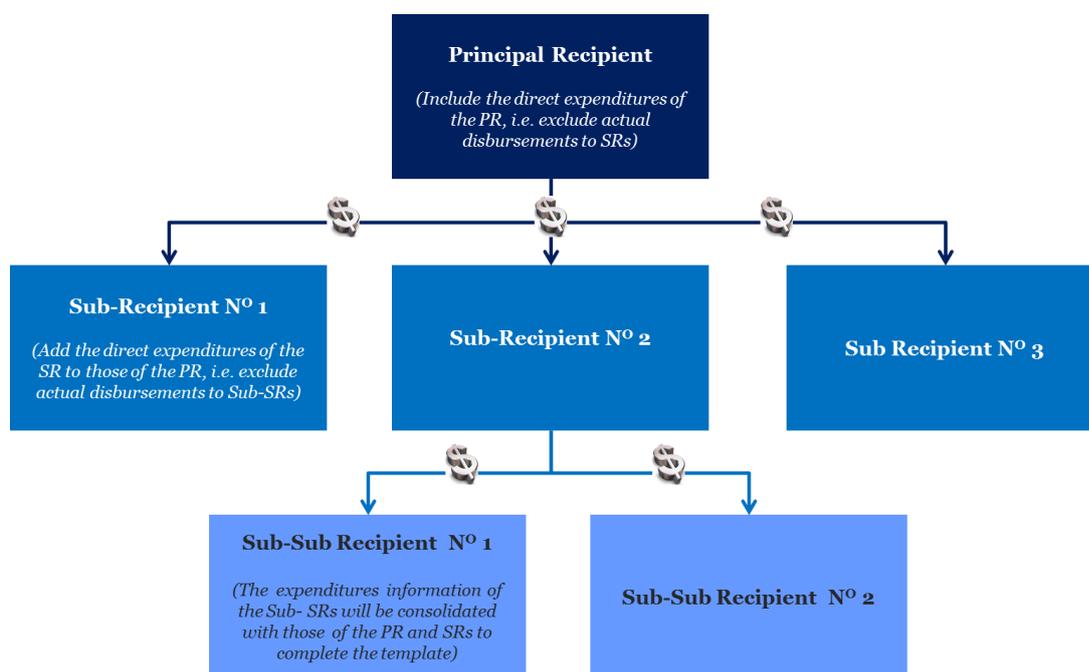
(Principal Recipients and sub-recipients). The total budget and expenditure amounts across all three breakdowns should be the same.

129. The reporting by costing dimension grouping is based on the new cost grouping and cost inputs (these are outlined in Appendix 2). Principal Recipients are encouraged to provide financial reporting using cost inputs and applying the following guiding principles for each category of reporting.

130. The reporting by implementing entity should include both the name and the type of implementing entity. This reporting should be done on the Principal Recipient and sub-recipient levels (it is not necessary to report at the sub-sub-recipient level).

131. Financial information should be reported for the current grant cycle year and cumulatively from the beginning of the implementation period. Reporting should cover the entire grant implementation period budget and expenditure information.

132. The consolidated approach for producing annual financial reporting is identical to the assumption and process that Principal Recipients should use in preparing consolidated financial statements for Global Fund grants, which can then be audited to generate a consolidated audit report for the grant. Thus, where financial statements and annual financial reporting dates are aligned and financial statements are also prepared on a cash basis of accounting, expenditures as reported in the annual financial reporting financial statements should be exactly equal. This would be part of the Global Fund verification during the review of the financial statements and audit reports. Related details of consolidation requirements for consolidated financial statements are covered in the [Global Fund Audit Guidelines](#).



4.2.3 Illustration of the annual financial reporting mechanism

133. If the grant budget for the year is US\$5 million, this amount is under the control of the Principal Recipient, who either spends it as direct expenditure or disburses it to sub-recipients. The Principal Recipient's direct expenditures should be included in the annual financial reporting. The disbursements to sub-recipients are not direct expenditures and thus are not automatically included in the annual financial reporting.

134. Upon receipt of a disbursement from the Principal Recipient, the sub-recipient will incur direct expenditures and such expenditures must be reported to the Principal Recipient and must be included in the annual financial reporting. Sub-recipients may also disburse funds to sub-sub recipients. Only direct expenditures incurred by the sub-sub-recipients are treated and included in the annual financial reporting.

135. The table below shows this type of arrangement. It is important to remember that the budget and the actual expenditures incurred by the Principal Recipient, sub-recipients and sub-sub-recipients combined will be consolidated to form the overall information to be entered in the template.

Entity	Detailed Budget (Year 1)	Direct Expenditure Incurred	Disbursements to Principal Recipient, Sub-recipients and Sub-sub-recipients
Principal Recipient	2,500,000	1,000,000	6,000,000
Sub-recipients	4,000,000	3,300,000	4,000,000
Sub-sub-recipients	500,000	500,000	700,000
Total	7,000,000	4,800,000	6,000,000

136. It is the consolidated actual expenditures made by the Principal Recipient, sub-recipients and sub-sub-recipients that will be reported to the Global Fund as in-country expenditures in the annual financial reporting.

137. However, implementers should note that only Principal Recipient- and sub-recipient-level implementers are specified in the annual financial reporting. Thus, in the example above, Principal Recipient expenditures would be US\$1 million while the amount reported for sub-recipient expenditures would be US\$3.8 million, which includes the direct expenditures of the sub-recipient and its sub-sub-recipients, but this amount is not based on disbursement by the sub-recipient to its sub-sub-recipient.

4.2.4 Treatment of budget variances

138. The annual financial reporting will be used to explain all variances from the most recent approved budget for each module/intervention and cost grouping/cost input. What constitutes “material” variances has been defined in detail in section 3.5.1 above.

139. As a general principle, even in the case of non-material budgetary adjustments, detailed variance analysis for expenditures is required for variances that are +/-10 percent of the official approved budget for the specific intervention, or the agreed granularity of reporting using the modular approach costing dimension under the differentiated reporting requirement.

140. Based on automated controls, an annual financial reporting would not be fully compliant if a variance exceeds the above-mentioned threshold and the relevant variance analysis has not been provided by the Principal Recipient.

4.2.5 Adjustments to reported expenditures

141. All adjustments to Principal Recipient and sub-recipient expenditures in annual financial reports which have already been reported and approved (prior period annual financial reporting) should be made in the current reporting period and explained in the variance analysis of the most current reporting cycle.

142. It is not possible to change expenditure data in the reports which have already been submitted to and approved by the Global Fund, because prior period expenditure data is locked for further changes. Such changes may be as a result of finalization of expenditure verification, refunds received from suppliers/procurement agents or other audit adjustments for Principal Recipient/sub-recipient/sub-sub-recipient activities. Consequently, the adjustment would need to be captured as part of the current annual financial reporting and not as a re-statement of the previous annual financial reporting to which the adjustment relates.

4.3 Other ad hoc Financial Reporting

143. Country teams may consider other, more frequent ad hoc reporting cycles (such as every semester) as part of risk mitigation measures and to demonstrate improved absorption of funding for high-risk grants, country context and/or low absorption rates.

144. Such reporting should be differentiated from the annual 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).

4.4 Eligible expenditures

145. Under Global Fund grants, expenditures incurred by implementers are classified as “eligible” or “ineligible”. The initial classification is usually done by the Local Fund Agent and/or assurance providers (i.e. the Office of the Inspector General, internal and external auditors, country teams), with the final classification of the expenditure confirmed by the Global Fund.

146. Eligible expenditures are those that have been validated by the Global Fund Secretariat and/or assurance providers based on credible documentary evidence that they were in line with the Global Fund approved budget and used solely for program purposes consistent with the terms and conditions of the grant agreement.

147. Eligible expenditures⁴⁶ are: (1) incurred during the implementation period⁴⁷ as stipulated in the grant agreement, (2) in line with the Global Fund-approved detailed budget, and/or (3) pre-approved in writing by the Global Fund prior to the expenditure being incurred. They should comply with competitive and transparent procurement/tendering processes and the appropriate application of the relevant financial and procurement procedures.

148. At the end of the implementation period, the Global Fund may approve a close-out budget for the administrative grant closure if no additional funding has been allocated to the Principal Recipient for

⁴⁶ This includes expenditures incurred by implementers within the non-material threshold as stipulated in table 3 of these guidelines and/or a specific provision in the Grant Agreement not requiring pre-approval.

⁴⁷ This may include pre-financing expenditures as approved in writing by the Global Fund prior to commencement of the Program implementation period.

subsequent periods. Expenditures incurred as part of approved close-out plans are considered eligible subject to the application of the grant regulations and the relevant financial/procurement procedures.

149. Ineligible expenditures are those expenses incurred which have been found to be not compliant with the signed grant agreement and/or the appropriate financial and procurement procedures of the implementer/grant. The non-exhaustive list of expenditures that could potentially be classified as ineligible by the Global Fund may include:

- expenditures for goods and services not included in the approved detailed budget⁴⁸
- expenditures incurred outside of the grant implementation period, close-out period, and/or not included in an approved close-out budget;
- expenditures not duly authorized by the appropriate authority as stipulated in the Manual of Procedures and/or signature authority and approval procedure of the implementer (i.e. missing and/or wrong signatory on the payment voucher or instruction to the bank)⁴⁹;
- prices in excess of the prevailing market prices for goods and services without proper rationale/justification;
- expenditures on services for which a report is expected but not received (e.g. headquarters' fees, consultancies);
- fraudulent expenditures (as verified by Global Fund assurance providers), such as expenditures with falsified/fake receipts, contracts with fictitious suppliers, contracts involving collusion or nepotism between implementer and suppliers, other procurement irregularities;
- recoverable taxes not recovered by the implementer within a reasonable period of time (six to nine months after incurring the actual expenditure); and
- use of interest income and/or other revenues⁵⁰ (such as those from income-generating projects) by implementers to incur expenditures without the prior approval of the Global Fund.

150. When expenditures are initially classified as ineligible by the Local Fund Agent and/or assurance providers, the Global Fund at its discretion may request additional justification from the Principal Recipient and/or directly seek reimbursement from the Principal Recipient.

151. In the event the Global Fund decides to seek additional justification on ineligible expenditures, the Principal Recipient has 30 days from the date of the official notification by the Global Fund (through a performance letter or a notification letter) to provide the relevant justification with appropriate supporting documents for review by the Global Fund (copying the Local Fund Agent).

152. Upon receipt and review of the additional justification and supporting documentation, the Global Fund may fully or partially⁵¹ re-classify the expenditure as eligible for funding, or may confirm ineligibility. If the expenditure is confirmed as ineligible, a refund request will be communicated for the amount

⁴⁸ Except in cases where the implementer has obtained a written approval from the Fund Portfolio Manager to incur expenditures outside of the approved budget using savings or realignment mechanism.

⁴⁹ This may include expenditures incurred with the original invoice/receipts missing. Such expenditures may remain unsupported; however, the Global Fund may decide not to seek reimbursement for these ineligible expenditures.

⁵⁰ Income generated from Global Fund grant investments (cash and commodity sales).

⁵¹ Partial reclassification will 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 ineligible.

considered as ineligible in the grant currency, using the exchange rate applicable on the date of the original expenditure transaction or the date of first notification of ineligibility.

153. When expenditures are confirmed as ineligible by the Global Fund, it means that grant resources may not be used to cover such expenses (even if already incurred).

154. The amount should be fully refunded by the Principal Recipient directly to the grant bank account (unless specified otherwise by the Global Fund) within 60 days of notification of the reimbursement request⁵². The Global Fund will no longer deduct ineligible expenditures from future disbursements as a corrective measure, and, at its own discretion, the Global Fund may freeze all disbursement releases to the Principal Recipient until evidence of the actual refund is provided by the Principal Recipient.

155. In the event that the Principal Recipient is not able to refund the ineligible expenditure within the stipulated 60 days, the Principal Recipient may submit a formal request to enter into a repayment plan with the Global Fund. The repayment plan may be for a maximum period of 6 to 12 months, depending on the nature of ineligibility and subject to the approval of the Global Fund Recoveries Committee. Disbursement will be maintained if the provision of the payment plan is adhered to by the Principal Recipient.

⁵² The transaction costs associated with the reimbursement of ineligible expenditures are borne by the Principal Recipients using proper the Principal Recipient's own funds and not grant funding.

5. Specific budgeting and costing guidance

5.1 Human resources

156. The Global Fund can finance human resources costs directly related to the implementation of a grant and Country Coordinating Mechanism-funded activities necessary to ensure that the objectives of the programs funded by Global Fund grants are implemented by competent and motivated individuals. This section provides guidance to stakeholders on Global Fund requirements for such costs. The Global Fund will not replace or duplicate existing funding arrangements and only additional payments may be funded where employees who are already employed and paid by a government, an existing Principal Recipient or through any other funding source.

157. Human resource costs include any payment for employment services rendered including: salaries, wages and other direct costs of employment. Remuneration costs for staff should be budgeted at the most cost-efficient level to achieve the objectives of the program.

158. Principal Recipients and relevant sub-recipients are solely responsible for complying with applicable labor and other laws (including without limitation, occupational health and safety, minimum wages, separation payments, social security and health insurance, and income taxes).

159. Levels of remuneration should be based on the relevant national remuneration levels, as provided in national or interagency salary frameworks. Remuneration levels in general should be consistent with local market practice to enable sufficient and appropriate staff to be recruited to manage the grant(s).

160. Remuneration costs paid through the same Principal Recipient/sub-recipient should be harmonized across Global Fund grants. Remuneration levels created especially for Global Fund grants and which are different from a country's existing levels are highly discouraged, as they are inconsistent with Global Fund's model and commitment to aid effectiveness and further risk creating a "two-tier" remuneration system in the country. Any exception should be fully justified.

161. The Country Coordinating Mechanism should ensure the proposed remuneration levels are consistent with the relevant remuneration levels in the country when submitting a concept note to the Global Fund. Any deviation from relevant remuneration levels in the country should be justified in the in the concept note.

162. The Global Fund will review and approve remuneration levels during the grant-making process through approval of the budget. A Country Coordinating Mechanism and/or Principal Recipient/sub-recipient should be able to provide the relevant salary framework and any additional information requested by the Global Fund justifying all human resources costs. **Appendix 3A** contains an indicative list of remuneration level documentation considerations.

163. 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.

164. The Principal Recipient should maintain on file a biographical data sheet for each employee paid under the grant. The template in **Appendix 3B** provides an example and minimum data requirement.

5.2 Types of remuneration and requirement for budgeting

5.2.1 Salaries

165. The full cost of salaries may be charged to the Global Fund grant for newly created positions necessary to directly support implementation of Global Fund-supported grant activities. There must be no funding duplication with other Global Fund grants and 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 also be disclosed in the budget.

5.2.2 Allowances

166. Allowances which are paid outside of the basic salary are included as part of salaries if they are part of a country's standard remuneration package. A detailed breakdown of such allowances should be provided in the detailed budget. The regular incentive paid to community health workers for services provided to Global Fund grants in the local communities should be classified as allowances (salaries) for budgeting and reporting purposes.

167. Allowances which can be funded through Global Fund grants commonly fall under the following eight categories while applying the necessary controls and check on selection and payment:

- employer's social security contributions - minimum and legislated amounts may be budgeted as required under local labor law. Health insurance may also be budgeted as required under local labor law or if it is common market practice.
- housing allowances – may only be budgeted if part of an employee's standard remuneration package and a common local labor practice. 13th month salary – may also only be budgeted if part of standard practice in the local labor market.
- 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.
- termination indemnity/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 Legal unit of the Global Fund shall be consulted.
- Other fringe payments⁵³: minimum amounts may be budgeted as required under local labor laws or local market practice.
- Allowances for health workers⁵⁴ for the number of patients examined and correctly diagnosed. Such allowances should produce increased results; however, the Principal Recipient/sub-recipient must ensure that the quality of the service is maintained.

⁵³ This may include expatriate benefits for INGO or other multilateral organizations.

⁵⁴ Examples of existing reimbursement of services within Global Fund grants include allowances to community child protection workers, stipends for caregivers and substituting costs for transportation to peer educators.

5.2.3 Accrued severance entitlements and salary bonuses

168. The Global Fund may authorize the inclusion of accrued severance entitlements in the budget if the Principal Recipient will incur the associated costs by the end of the implementation period of the grant.

169. 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 this entitlement payable to the staff based on the applicable human resources policies, procedures and/or national legislation. The Global Fund fair share of the overall entitlement should be calculated and appropriately budgeted. Unless the implementer is required by international accounting standards (e.g. IPSAS, IFRS etc.) to expense such accrual on an annual/regular basis, implementer should include charge such expenditures as part of grant closure liabilities.

170. The Global Fund does not allow the payment of salary bonuses using grant resources, and these are systematically classified as “ineligible expenditure” for Global Fund purposes.

5.2.4 Salary top-ups and other incentive payments

171. As stipulated in section 2.5, salary top-ups or incentives aligned to country systems and transparently presented in concept notes may be financed by a Global Fund grant in extremely exceptional circumstances. Funding of salary top-ups or incentives are only possible with the endorsement of the Grant Approvals Committee and the prior approval of the Global Fund Board through the grant approval process where:

- the issue is clearly presented, including a justification of how the payment of such amounts links to the objectives of the grant⁵⁵;
- information is available on the sustainability of funding, with an explanation of how the costs will be funded after the termination of the Global Fund grant;
- there should be no actual or perceived conflict of interest between positions recommending an incentive to be paid and positions receiving a benefit.
- any such payments are paid directly to the relevant employee and not a general bonus pool.

172. Incentive payments which can be funded through Global Fund grants fall into two categories:

- Performance-based incentives – supplemental base salaries for staff members who have a direct and essential influence over grant performance that is measurable and verifiable prior to actual payment. The incentives should be motivational and not be excessive – as a guide a maximum limit of 20 percent of base salary should apply⁵⁶. Exceptions to this range should be justified and approved by the Global Fund.
- Retention-based incentives - may be payable where there is a high risk of losing key staff which would significantly and adversely affect grant implementation, for example, to retain medical staff in difficult locations or where remuneration is not sufficiently competitive to prevent the risk of significant staff turnover.

⁵⁵ Linked to individual and grant performance or based on satisfactory completion of contract for retention objectives.

⁵⁶ The payment can be higher if there is an established framework approved by the government and practiced for all donor funded projects in the country. This framework must be in place, fully functional and not be applicable to Global Fund grants only.

5.3 Travel-related costs

173. Global Fund grants may be used to finance the cost of travel and subsistence. This section provides guidance to stakeholders on the Global Fund requirements for such costs linked to trainings, technical assistance, supervision/ other data collection, meetings/advocacy and other transportation costs.

174. Travel-related costs include payment for the direct cost of travel and the direct cost of expenses incurred by the Principal Recipient, sub-recipient, or within the Country Coordinating Mechanism funding request⁵⁷ for their members or employees to remain away from home for work purposes directly related to implementation of the Global Fund grant. Typically most such costs would be for training, monitoring and evaluation supervision visits, and advocacy/meetings but could also include program planning and management visits and coordination meetings.

175. Travel-related costs should be based on existing policies of the Principal Recipient/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 which are created especially for Global Fund grants and which are different from the Principal Recipient's or country's normal policies are unacceptable. Travel-related cost policies for Global Fund grants must be fully aligned with government and other donor practices for the administration of such payments.

176. 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 in the relevant country.

177. 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 airfares 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 which are consistent with the price of fuel and average fuel consumed based on the distance of the journey.

178. A Daily Subsistence Allowance (DSA) or per diem 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:

- where meals or accommodation are provided, the amount of the DSA should be reduced accordingly;
- DSA 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 should be available to validate the participant's attendance at the workshop or meeting. It is not acceptable to partially attend an event and claim a DSA for all days of the event;
- DSA rates and procedures should be benchmarked to be consistent with government regulations for applicable government or state-funded/established entities. Local nongovernmental

⁵⁷ Country Coordinating Mechanism funding may not be used for international travel.

organization rates should be benchmarked against government rates. The Country Coordination Mechanism reviews planned T&S rates when submitting a funding application;

- Multilateral organizations may apply their existing travel and subsistence policies to their own staff;
- For international travel of participants funded by Global Fund grants, government or UN DSA rates should be budgeted;
- It is not acceptable to claim a DSA paid under a Global Fund grant, if the DSA or subsistence costs are also covered by another source of funding including fully hosted events.

5.3.1 Training plans

179. Training could be a major component of travel-related costs in some grants. As part of the overall management of travel-related costs and capacity-building activities, the Global Fund may request Principal Recipients to develop comprehensive training plans in certain circumstances. The training plan translates the training needs referred to in the concept note and/or the training needs assessment into a detailed action plan which supports the reasonableness of budgeted costs, demonstrates value-for-money, ensures proper planning, and prevents any potential mismanagement of the funds intended for training purposes during implementation.

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

181. 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 which should be consistent with the detailed budget⁵⁸. The training list should be extracted from the detailed budget with the required budget assumption details⁵⁹. **Appendix 3D** provides additional guidance on the development of a training plan.

182. **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 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 strictly laid out procedures to ensure proper reconciliation and validation of payment to participants at all times. Implementers should consider other innovative mechanisms and use of modern technology (e.g. mobile money) now available in developing countries to pay participants' per diem and other costs.
- suppliers (i.e. room rental, catering services, etc.) should be paid either by 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).

⁵⁸ 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, group consultations etc., 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.

⁵⁹ The Local Fund Agent review of training activities should be an integral part of the Local Fund Agent review of the detailed budget.

Implementation, monitoring and reporting on training plan

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

- the following documents must be available prior to each training event:
 - well-structured training agenda or curriculum;
 - training materials;
 - tentative list of participants, simple profiles of participants which confirm their eligibility, and which demonstrates consistency with the training plan, and per diem amounts (including reimbursable expenses).
- facilitators and venue providers should be selected through a competitive process, in compliance with the relevant article on contracts for goods and services of the grant regulations of the Global Fund. Staff employed by the Principal Recipient and other grant implementer are not eligible to be paid facilitation fees during trainings, and payment should be limited to per diems and travel-related costs.
- mechanisms should be put in place by the Principal Recipient to ensure the verification of participants' attendance during training events.
 - after the training is conducted, the Principal Recipient should prepare and retain the attendance list of all participants and their contact details for potential verification by the assurance providers.
 - the pertinence and structure of the training delivered should be evaluated and reports well documented by the Principal Recipient.

184. Verification and spot checks: Verification of training activities may be part of the LFA's verification of implementation. The scope of the LFA verification will be determined by the Country Team using a risk-based approach.

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

5.3.2 Travel-related costs: Monitoring & Evaluations

186. Monitoring and evaluation modules and interventions are intended to ensure that there are strong programmatic data to provide evidence of achievement of program targets and ultimately program goals and objectives. Global Fund grants may be used to finance monitoring and evaluation costs. The travel and per diems paid specifically for data collection, reporting and/or data validation activities are part of travel-related costs and should be included under cost input 2.3.

187. 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.

188. 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 for such evaluation, survey and studies, as well as the expected results.

189. 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 Standard Terms and Conditions of the Global Fund grant agreement as referred to in section 5.4 on External Professional Services. 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.

5.3.3 Travel-related costs: Program management and supervisions

190. 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 (interventions: policy coordination & management or grant management) instead of the module monitoring and evaluations. Such costs are also included under cost input 2.3.

191. The overall program supervision budget should be supported by a supervision strategy described in the annual operational plan or other separate document, as appropriate. 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;
- expected outcome of the supervision.

192. 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 attentions should be paid (i) not to duplicate with existing systems; and (ii) ensuring that the supervisions done are optimized and combined 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.

5.4 External professional services

193. The Global Fund may finance external professional activities that directly or indirectly contribute to Global Fund grant implementation and management, and Country Coordinating Mechanism governance and oversight functions (in the case of Country Coordinating Mechanism funding). The direct or indirect association with accrual of eventual benefit to Global Fund grants should be clearly demonstrable for any item budgeted in and charged to a Global Fund grant. In cases where an external benefit indirectly benefits a 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.

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

195. The main elements of such costs include fees, travel, and per diems payable to 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; and for local and/or regional consultants' fees should not exceed the UN standard local rates.
- Fiduciary and fiscal agent fees⁶⁰: 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.
- External auditor fees: the costs associated with the hiring of an independent auditor to provide an opinion and assurance on the financial statements and control mechanisms of Global Fund grants.
- 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.

5.4.1 Other issues on financial management and monitoring of external professional services costs

196. Selection process: Technical assistance providers should be selected through a competitive process, in compliance with the relevant article on Contracts for Goods and Services of the Standard Terms and Conditions of the Global Fund grant agreement. Please see an extract of the relevant article below:

- all solicitations for contract bids must be clearly notified to all prospective bidders, who shall be given a sufficient amount of time to respond to such solicitation.
- 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 contract bid shall be limited to those that are essential to ensure the participant's capability to fulfill the contract in question and compliance with domestic procurement laws.
- contracts shall be awarded only to responsible 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 of the practices described in the relevant article on Conflict of Interests in relation to such procurement.
- the Principal Recipient shall maintain records documenting in detail the receipt and use of goods and services acquired under the agreement by the Principal Recipient, the nature and extent of solicitations of prospective suppliers of goods and services acquired by the Principal Recipient, and the basis of award of Principal Recipient contracts and orders.

⁶⁰ 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.

197. Based on the risk and significance of individual procurements, the Global Fund may request a Local Fund Agent to either conduct spot-checks on compliance with Principal Recipient procurement policies, or to 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.

198. 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 short-list 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.

199. Applications and expressions of interest from consultants should include completed biographical data and the candidate’s CV. 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.

200. Reporting: The service provider should provide a report on the activities as stated in the terms of references and the contract.

5.5 Pharmaceutical, non-pharmaceutical health products and health equipment

201. The implementer is expected to procure products of assured quality in accordance with the Global Fund Quality Assurance policies, following a competitive and transparent process to achieve the lowest price possible for the required specifications. As a general rule, the budgeting for health products is no different from any other budget category. In particular the need for the budget to demonstrate value for money applies.

202. The total budget for health products should be identical to and consistent with that contained in the list of health products, quantity and costs.

203. When the budget is prepared, the health procurements are intended to be used within the term of the grant and not beyond the end date. Nevertheless, an appropriate level of buffer stock that may be included, which should be accounted for in accordance with the Global Fund policy on grant closure. The Global Fund policy on grant closure⁶¹ states that all programmatic activity related to the budget of a particular grant (including a single stream of funding) should cease by the end date of the grant (with allowances for extensions in certain situations⁶²). [See the Operational Policy Note on Grant Closure](#). In preparing the budget, it is therefore important that the Principal Recipient plan the cash flow requirements around the programmatic needs (reflected in the targets), taking into account the procurement lead times and quantities required in the supply chain to ensure a seamless supply of health products, including the appropriate level of buffer stocks.

⁶¹ Refer to Operational Policy Note on Grant Closure [ref]

⁶² Refer to Operational Policy Note on Extensions [ref]

204. Price references are an important source of information to support the budgeting Pharmaceutical and Non-Pharmaceutical Health Products. Reference sources include recognized international websites and publications, past procurement invoices, and The Global Fund's Pooled Procurement Mechanism (PPM). For Principal Recipients already procuring through PPM or those that intend to procure through PPM in the upcoming implementation period, the unit costs for PPM eligible commodities should be used. When preparing the health products' budget, the implementers should always provide the price references used. It is understood that there may be differences in unit costs due to regional or income-level pricing strategies and/or country-specific laws. The Global Fund may limit the budgeted unit costs to the negotiated Pooled Procurement Mechanism prices for all grants, even those not procuring via the Pooled Procurement Mechanism.

205. One dimension of a product's unit cost is the INCOTERMS applied. Failure to understand the terminologies and cost structures used through the various INOCTERMS may lead to incorrect budgeting. A reference guide to the INCOTERMS (trading terms) used in procurement is available at <http://www.iccwbo.org/incoterms/id3040/index.html>. When preparing a budget containing health procurements the assumptions as to the cost structuring (INCOTERMS) should be clearly shown.

206. In general, the country chooses the desired products to be procured based on a technical determination of needs and preferences, STG. This choice is approved through the list of health products, quantities and costs. The Global Fund would not, as a general rule, insist on a change of health product unless there were clear evidence-based recommendations from a recognized technical authority such as WHO.

207. The country is, however, expected to be mindful of the relative cost of interventions and to seek best value for money. The Global Fund may request the country to submit a technical specification for the selection of a particular health product, which will include but not be limited to an analysis of the cost effectiveness of the proposed selection.

5.5.1 Buffer stock

208. 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 uncertainties in supply and demand. 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. It can be calculated using a relatively standard statistical calculation based on the forecast variability in lead-times, forecast variability in consumption, acceptable level of stock-out risk and approach taken to re-ordering. Simplistically, for each item, it should be no more than the product of maximum credible lead time less the average lead time in months (being the time between placing of an order and delivery of the order) and the maximum credible consumption less the average consumption of the item per month. 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.

209. It is critical to ensure that buffer stock is adequately planned and managed during the current implementation period, as it usually is necessary to allow transition from the current implementation period to the next implementation period without risk of stock-out. When budgeting for the next implementation period, the country needs to take into account existing stocks at country level or in the pipeline from suppliers.

5.5.2 Health equipment costs

210. In common with the guidelines on infrastructure and non-health equipment typically items of health equipment enjoy a useful life in excess of the grant implementation period. Despite this, for assets procured under the grants, the Global Fund maintains a cash accounting approach, 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.

211. From a budgeting perspective, the rationale for any health equipment must be presented, either during the concept note process and/or through the grant-making process, taking into account the total cost of ownership (TCO). The budgeting of all Health Equipment maintenance and service costs should be considered as part of the TCO (see para 248). The health equipment budget should be identical to, and consistent with, that in the list of health products, quantities and costs.

212. In general the chosen strategy for the purchase of health equipment, as laid down in the concept note or described during the Grant Making process, is acceptable if technically sound and economical. However, 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. The Global Fund may then request the country to submit a technical specification for the selection of particular health equipment, which will include but not be limited to an analysis of the cost effectiveness of the proposed selection.

5.5.3 Procurement and supply management costs

213. The Global Fund may finance procurement and supply management costs which are associated with the procurement and supply chain activities under the grant related to pharmaceuticals, health products and health equipment, starting from procurement until distribution to the lowest level the implementer.

214. As with any other item, procurement and supply mechanism costs (i) must in principle be budgeted at cost using actual operational data and current costs; (ii) should represent good value for money; and 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, future cost changes may be projected in the budget with strong narrative justifications.

215. When a private sector procurement agent is engaged, the fees are assumed to include a profit margin based on the negotiated terms. The breakdown of procurement and supply mechanism 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.

216. For convenience, procurement and supply management costs are often charged as a percentage of the value of the goods. Despite using a percentage approach, in principle the budget should be based on actual cost. The types of costs listed below should be considered. 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 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.

217. Procurement agent and handling fees⁶³: Most procurement agents charge on a percent fee basis, based on the value of the goods being procured. The fee is assumed to include their direct running costs, a contribution towards overheads and in some cases a profit margin..

218. Freight and insurance costs. This should be based on prices quoted by the supplier, previous invoices or other credible pricing reference.

219. Warehouse and storage costs. Such costs are commonly charged on a percent of value basis depending on distance and weight. The fees charged and paid to private providers for warehouse and storage services are included under this cost input.

- 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 documentations should include (but are not limited to) 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 the throughput of goods for the same period. Pure estimates of costs with no clear basis are unacceptable.

220. In-country distribution costs: is the cost of in-country transportation of the commodities and equipment from one location to the other.

221. Customs duties and clearance costs. These should be based on the correct locally imposed costs supported by previous invoices or other credible references. As a general principle, implementers should request exemption from the relevant government authorities for such costs if paid to the government. The cost of transit and clearance agents should be included in this cost input.

222. Quality assurance and quality control costs. As a component of procurement and supply management costs, costs for quality assurance activities are allowable. For convenience, as with other PSM costs, QA/QC costs are often budgeted as a percent on the value of the goods, which should be supported by assumptions and/or evidence on how the percentage was arrived at. The costs may include any reasonable test (physical or visual inspection or chemical tests) that needs to be undertaken to assure and monitor the quality of procured health products throughout the supply chain.

223. Cost over-recoveries, whether used to build capacity or not, are unacceptable, and if budgeted, would be regarded as ineligible for funding. Capacity-building activities should be budgeted under the cost category for external professional services or travel-related costs.

224. Logistics Management Information Systems (LMIS) are budgeted under infrastructure and equipment costs, and included in the intervention “supporting procurement and supply management”.

⁶³ 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.

5.5.4 Other issues on financial management and monitoring of procurement and supply management costs

225. Selection process: Where non-government 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 Standard Terms and Conditions of the Global Fund grant agreement, the Global Fund Procurement and Supply Management Policies, 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.

226. 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 (e.g. when expenditures charged to the grant are actually exceeding actual costs incurred) will be treated as ineligible costs.

5.6 Infrastructure and non-health equipment

227. 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. This module provides guidance on the Global Fund's budgeting requirements such costs in grants.

228. The budget for infrastructure and non-health equipment should build on the detailed needs assessment developed in support of the concept note. 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 would 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.

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

- rehabilitation, renovation and enhancement costs for health infrastructure⁶⁴;
- non-health equipment such as generators, water purification systems, etc.;
- information technology (IT) systems and software, website creation and development;
- logistic management information systems (LMIS costs);
- vehicles, motorcycles, bicycles, boats⁶⁵; and
- office equipment, furniture, audiovisual equipment, related maintenance, spare parts and repair costs.

230. 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

⁶⁴ The Global Fund may finance small scale construction projects but not large scale health infrastructure projects, such as an entire hospital.

⁶⁵ This is not applicable for Country Coordinating Mechanism funding

and depreciated (or amortized) over the useful life. As Global Fund grants are on a cash basis of accounting, the budget is fully impacted at the time of purchase (payment) of the asset. The Principal Recipient/sub-recipient is expected to have clear policies on maintenance, disposal and/or replacement of assets, and costs of such activities should be clearly budgeted if applicable.

231. Transfer of capital items purchased from previous Global Fund grants should be well planned and budgeted during grant-making process. At the time of grant closure, the close-out plan and budget should set out the details on the Principal Recipient's proposal for use, transfer or sale of all remaining non-cash assets. This should be approved by the Secretariat. See the [Operational Policy Note on Grant Closure](#).

232. From a budgeting perspective, the commercial rationale for any asset budgeted should be presented, either during the concept note 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.

233. In general, assets should be budgeted according to the strategy laid down in the concept note as part of health systems strengthening 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.

234. 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 (normally tax exempt), quantities, and freight and insurance costs should be budgeted for in accordance with the terms of the underlying transactions.
- 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, etc.

235. The timing of budgeting should fit clearly with the goals and objectives in the approved concept note. Assets purchased under this category should in general be managed in line with local regulations/standards for management, e.g. the local standards for vehicle maintenance and replacement. If different regulations/standards are used, a strong rationale should be provided.

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

5.6.1 Vehicles⁶⁶

237. The vehicles covered in these guidelines include all types of vehicles 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, etc.). Any other vehicles are included under cost input "9.3 - other non-health equipment".

⁶⁶ Not applicable in Country Coordinating Mechanism funding agreements.

238. Budgeting for vehicles should build on the goals and objectives of the concept note and the supporting documentation. Where it is not included as part of the concept note and the amount of funding requested for vehicles is considered significant, a Principal Recipient may 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).

239. There is no strict definition of significance level of the vehicle budgets. The Global Fund country team may determine the significance level based on the country context and circumstances, and on 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 plan. See **Annex 3** for an example of the plan.

240. Based on the needs analysis performed, the implementing entities should be able to justify the need for certain types and quantities of vehicles required to achieve the goals and objectives of the program.

241. 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, spare parts, etc.

5.6.2 Maintenance cost of equipment

242. Maintenance can also be incorporated into the budgets for Global Fund grants. This helps in ensuring that equipment and other assets (health and non-health equipment) procured using the Global Fund grant resources are maintained effectively to support the strategic objectives and investment for impact in a sustainable manner.

243. Maintenance costs can generally be budgeted under category 9 (non-health equipment) referred to as “9.4 Maintenance and service costs for equipment”. In cases where the implementer needs to separately track maintenance costs for health equipment and non-health equipment with a proper accounting mechanism to separate the expenditures, the maintenance costs for health equipment at the discretion of the implementer may be budgeted and reported under category 6 (health products – equipment) referred to as “6.5 Maintenance and service costs for health equipment”.

244. The Global Fund would accept the budgeting of all equipment maintenance and service costs under 9.4 for the purposes of grants.

5.6.3 Rehabilitation, renovation & enhancement for health infrastructure

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

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

247. In selecting implementers for the management of Global Fund programs, the selected entity should normally have adequate facilities for the implementation of the program and therefore the building/leasing of office premises for the implementation of Global Fund programs are generally not funded by Global

Fund. In exceptional circumstances, as outlined in the concept note, the Global Fund may consider certain aspects of these costs in post-conflict and post-disaster situations.

248. Rehabilitation and enhancement projects should be completed within the initial implementation period of the grant and timed to have maximum impact on the grant goals and objectives. Completion of such activities should not be dependent on a Global Fund review/decision on continuity of funding. This requirement should, however, be secondary to the Principal Recipient's prudent contract management, e.g. if retention of final payments are a best practice in the country/sector then the holdback of the retention amount would be the overriding consideration.

249. Based on the advice of an architect as to the planned project, the budget should include a detailed cost estimate certified by a qualified professional (e.g. quantity surveyor). As a general rule, contingencies or provisions should not be budgeted.

5.7 Communication material and publications

250. The Global Fund may finance communication material and publication expenditures intended to ensure that the objectives of programs funded by the Global Fund are achieved. Communication material and publications may include any printed material and other communication costs associated with program-related campaigns, TV spots, radio programs, advertising, media events, education, dissemination, promotion, promotional items. These costs generally include payments to external suppliers for services related to design, content, production and placement of online, printed, audio and video materials.

251. Communication material 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. Communication material and publications used for capacity building, planning and administration may also be funded within the 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.

252. To avoid duplication of costs, communication material and publications already developed, whether internally or externally, should always be considered before budgeting for new communication material 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. The level of significance will be determined by the country team based on the country context and risk analysis. As an indication, the budget may be considered significant when exceeding US\$0.5 million over the implementation period.

253. For a significant budget, the Principal Recipient will be requested to provide the following additional information to mitigate risks of poor planning and subsequent management of the associated budget:

- a 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;

- 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 from scratch.
- Overview of the internal controls and management systems the Principal Recipient will be used to ensure quality of communication material and publications, competitive procurement, and prevent any potential mismanagement of the communication material and publications inventory and funds intended for such purposes.

254. Internally produced communication material 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 Global Fund grant, e.g. machine depreciation, print-shop workers’ costs, etc.

5.7.1 Printed materials

255. Unit costs for printed materials should demonstrate economy, as represented by the best available price in the market for the specifications (e.g. 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. Because 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 (e.g. color, number of pages, paper format).

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

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

5.7.2 Visual, audio and video materials

258. Behavioral change communication messages may be delivered via the means of billboards, radio and TV advertisements. Sufficient justification should be included, e.g. 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.

5.7.3 Other issues on financial control and monitoring

259. When production of communication material and publications is outsourced, commercial companies 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.

260. Based on the risk and significance level of individual procurements the Global Fund may request the Local Fund Agent to either conduct spot-checks on compliance with Principal Recipient procurement policies, or to 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.

261. 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 works 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, company experience, and proposed fee, the latter being the decisive factor.

262. The Principal Recipient is ultimately responsible for managing printed materials, and ensures 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 etc.

5.8 Indirect and overhead costs

263. The Global Fund may finance indirect and overheads costs associated with the implementation of grants. This section provides guidance to stakeholders on the Global Fund's budgeting requirements for such costs. These costs by nature are normally "direct" in the sense that they can be directly attributable to the grant and may include office- related costs (e.g. rent, electricity, utilities, mail, telephone, and internet, insurance⁶⁷, fuel, security, cleaning etc.)

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

- 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;
- not be charged with a view to income generation; and
- not include any risk premium which is not based on actual cost.

265. When a Principal Recipient manages multiple Global Fund grants or other donor funded project, only incremental administrative costs deriving from the additional level of activity 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.

266. 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.

⁶⁷ Risk-based insurance costs" for the safeguarding and protection of grant assets (tangible or not) may be eligible costs to be budgeted/expended in Global Fund programs. Country context and risk is a key determining factor on insurance costs.

267. 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 (e.g. 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.
- ensure that the Global Fund should 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.

268. Human resources costs for grant management and administration (e.g. salaries of program managers, financial officers, monitoring and evaluation officers, etc.), whether direct or indirect, should be costed under the human resources cost category. For more guidance, see section 5.2.

5.8.1 Management fees and indirect cost recovery

269. 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 therefore be budgeted. Any item presented as a management fee would be ineligible for funding⁶⁸.

270. In the case of grants managed by international nongovernment 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 [Operational Policy Note on Headquarters Support Costs/Indirect Cost Recovery Policy for International NGO Implementers](#).

271. Local nongovernmental organizations should include all costs associated with the implementation of the grant as “direct” changes and percentage-based indirect cost recovery is generally not applicable when Global Fund is the main funder of the sub-recipient’s operations. This is due to the fact that all costs to be incurred for the grant would be locally generated without any headquarter-based support.

272. In exceptional circumstances, and at the sole discretion of the Global Fund⁶⁹, where the Local NGO is implementing programs and activities from several donors and has the financial system and capability to demonstrate transparent cost recovery, the Global Fund may authorized charging a percentage of direct costs as ICR under similar conditions stipulated for International NGOs and Multilateral Organizations (including provisions related to eligible and non-eligible costs for cost recovery).The maximum percentage chargeable by local NGOs are covered in the updated [OPN on Support Costs/Indirect Cost Recovery \(ICR\) Policy for Implementers](#) and as a guiding principle could range from 1% to 5% depending on the nature of the activity and implementer (procurement and non-procurement related activities).

⁶⁸ Except for UN agencies and multilateral organization where specific arrangements with the Global Fund may apply based on the respective agreement between the Global Fund and the agencies.

⁶⁹ The recommendation to the GAC should explicitly make reference to the application of the ICR mechanism for local NGOs.

273. 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 where the Principal Recipient can clearly demonstrate that indirect costs have increased incrementally as a result of the Global Fund grants. No percentage-based costing for indirect cost is allowable for government and public entities.

274. 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 should be able to provide, upon the request of 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 such entities are international nongovernmental organizations, the relevant indirect cost recovery policies on sub-recipient costs apply. For further guidance, see [Operational Policy Note on Headquarters Support Costs/Indirect Cost Recovery Policy for International Nongovernmental Organizations Implementers](#)

5.9 Living support to client/target population

275. 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.

276. 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 costs. The assumptions should be consistent with approved concept note 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 (micro-credit/micro-finance institutions) should be requested.

277. 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 micro-finance program, food safety certifications).

278. 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 the support reaches its intended beneficiaries;
- control over storage and distribution; and

- verification, supervision and accounting of the relevant monetary or in-kind support activities.

279. In general, the use of vouchers and innovative cash transfers mechanisms (banking institutions, Mobile Money, etc.) should be used instead of actual food packages distribution or other in-kind contributions should only be implemented where effective control mechanisms exist. The control mechanisms ensure that only the target populations receive the support and to minimize subsequent distribution and on-selling activities.

280. 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.

281. 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.

282. Food supplement schemes such as food care packages⁷⁰ should follow, where possible, recognized feeding regimes and pricing, such as those provided by the World Food Program, adjusted to local contexts and conditions. Standard contents for the packages to be provided should be developed and approved by appropriate experts. The contents should be costed at the lowest possible price which meets the required standards. Benchmarking to standard pricing of specialized agencies for basic food packages is strongly recommended.

283. 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).

5.9.1 Micro-loans⁷¹ and micro grants

284. For schemes involving revolving funds or micro-finance 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.

5.9.2 Cash incentives

285. Any schemes involving the payment of incentives using Global Fund monies to patients, counselors and mediators should involve reasonable unit costs considering the country context and for example, time required per day, expected results, transportation costs etc. 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.

⁷⁰ Examples of existing food care packages provided by Global Fund programs include free food packages to TB patients (including for example: rice, beans and vegetable oil), and food supplements to HIV patients.

⁷¹ Examples of existing reimbursement of services within the Global Fund grants might include a micro-loans program for individuals supporting petty trade, small animals purchase or gardening projects and training.

286. Particular care should be taken to classify incentives and allowances paid to staff and volunteers as allowances under cost input 1.2 (salaries – outreach workers, medical staffs and other service providers) under human resources as stipulated in section 5.2.2 below. Consequently, incentives paid to community health workers are thus not to be classified under “living support”.

287. 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 to make adjustments.

Appendix 1

The Global Fund Modular Approach

Appendix 1A - Malaria

Module	Intervention	Scope and Description of Intervention Package (Includes human resources required under each intervention)
Vector control	Long-lasting insecticidal nets - Mass campaign	Includes activities related to planning and implementation of mass net distributions, whether targeted to specific population groups or for universal coverage. It includes coordination, planning and budgeting, procurement, logistics, communication, implementation, training, etc.
	Long-lasting insecticidal nets - Routine distribution	This intervention encompasses efforts to start, strengthen or scale up continuous delivery of nets through antenatal care clinics, the Expanded Programme on Immunization, or other routine services at public and private health facilities, to sustain high net coverage. It includes activities related to coordination and planning, training, logistics, communication, supervision, etc.
	Indoor residual spraying	It includes planning and implementation of indoor residual spraying campaigns as well as enumeration of households to be sprayed. Activities include procurement of insecticides, equipment, other commodities, information/education/communication materials for indoor residual spraying campaigns, trainings, etc.
	Other vector control measures	This includes environmental management strategies that can reduce or eliminate vector breeding grounds through improved design or operation of water resources development projects; and the use of biological controls (e.g. bacterial larvicides and larvivorous fish) that target and kill vector larvae. In addition it includes chemical larvicides and adulticides that reduce disease transmission by shortening or interrupting the lifespan of vectors.
	Entomological monitoring	Includes activities to determine and characterize the dominant mosquito species in the area, vector density, biting behavior as well as test mosquitoes' susceptibility to insecticides. The activities range from planning for entomological monitoring and implementation, mosquito collection and testing to procurement of entomological equipment, training, maintenance of insectary, etc.
	Information, education, communication/ Behavior change communication	Includes advocacy, communication and social mobilization activities related to vector control. Preparation of advocacy kits (including kits for community-based organizations and nongovernmental organizations); sensitization and mobilization events targeting the policy-makers and key players; periodic multimedia campaigns, radio and TV instructional series, jingles, billboards and community radio, etc.; development and distribution of information/education/communication materials; training of community health workers and community volunteers on effective behavior change communication and community mobilization on malaria; periodic sensitization meetings for opinion leaders at the community and village levels.
Case management	Facility-based treatment	Includes activities related to testing and treating malaria cases, ranging from procurement of diagnostic equipment, rapid diagnostic tests, reagents and anti-malaria drugs to quality assurance of laboratories, training of health care providers and technical assistance.
	Epidemic preparedness and response	Includes refining an epidemic response strategy, providing support to epidemic detection, management of health commodities and supplies, and recruitment and salary support.
	Integrated community case management	Includes activities related to testing and treating malaria cases at the community level: procurement of rapid diagnostic tests and anti-malaria drugs, , training of health care providers and technical assistance.
	Active case detection and investigation (elimination phase)	Includes activities to conduct active case detection / foci investigations, training and technical assistance.
	Therapeutic efficacy surveillance	Including activities to conduct therapeutic efficacy surveillance including any required technical assistance
	Severe malaria	Includes activities related to treating severe malaria cases from procurement of antimalarial drugs, support to blood transfusion services, training of health care providers and technical assistance.
	Private sector co-payment mechanism	Includes activities related to the private sector co-payment mechanism, including the co-payments and supporting interventions
	Private sector case management (other)	Includes activities related to testing and treating malaria cases in the private sector: procurement of diagnostic equipment, rapid diagnostic tests, reagents and antimalarial drugs, quality assurance of laboratories, training of health care providers and technical assistance.

Module	Intervention	Scope and Description of Intervention Package (Includes human resources required under each intervention)
	Ensuring drug quality	Includes activities related to the removal of artemisinin monotherapies, removal of substandard or counterfeit medicines, training and technical assistance
	Information, education, communication/ Behavior change communication	It includes advocacy, communication and social mobilization activities related to malaria case management: preparation of advocacy kits (including kits for community-based organizations and nongovernmental organizations); sensitization and mobilization events targeting the policy-makers and key players; periodic multimedia campaigns, radio and TV instructional series, jingles, billboards and community radio, etc.; development and distribution of information/education/communication materials; training of community health workers and community volunteers on effective behavior change communications and community mobilization on malaria; periodic sensitization meetings for opinion leaders at the community and village levels.
	Other	

Appendix 1B - HIV and AIDS

Module	Intervention	Scope and description of intervention package (Includes human resources required under each intervention)
Prevention - general population	Behavioral change as part of programs for general population	Designing, developing and implementing behavioral change programs: including planning, human resources, training, information/education/communication material, targeted mass media campaigns, outreach and peer education. Include programs tailored for the different needs of men, women and girls in the general population, to support male and female condoms, gender norms, testing and counseling and male circumcision. This includes workplace policies and programs. It excludes programs for key and vulnerable populations and youth.
	Condoms as part of programs for general population	Promotion and distribution of female and male condoms for HIV prevention, including links to behavior change programs. Exclude condoms included as part of prevention of mother-to-child transmission (PMTCT) Prong 2. Excludes programs for key and vulnerable populations and youth.
	Male circumcision	Promotion and provision of medical male circumcision for adults, adolescents and youth, including links to behavior change programs, HIV testing and counseling and diagnosis and treatment of sexually transmitted infections.
	Diagnosis and treatment of sexually transmitted infections as part of programs for general population	Designing, developing and implementing syndromic and clinical management programs for sexually transmitted infections. Exclude programs for key and vulnerable populations.
Prevention of mother-to-child transmission	Prong 1: Primary prevention of HIV infection among women of childbearing age	Designing, developing and implementing programs aimed at primary prevention of HIV among women of reproductive age within services related to reproductive health such as antenatal care, postpartum/natal care and other health and HIV service delivery points, including working with community structures.
	Prong 2: Preventing unintended pregnancies among women living with HIV	Designing, developing and implementing reproductive health programs targeting women living with HIV including linkages and referrals.
Treatment, care and support	Pre-antiretroviral (ARV) care	Designing, developing and implementing comprehensive pre-ARV therapy interventions, including confirmation of HIV infection status, staging of the disease, baseline clinical assessment and monitoring before treatment initiation including treatment preparedness.
	ARV Therapy	Designing, developing and implementing ARV therapy programs for all populations, with the exception of prophylaxis under Options A and B which are included in the PMTCT module. This includes first-, second- and third-line treatments for both adults and children, treatment as prevention and provisions for expansion to Option B+, as well as pre- and post-exposure prophylaxis (PrEP and PEP). This includes links and referrals to care and support.
TB/HIV	TB/HIV collaborative interventions	This intervention refers to implementation of the 12 elements of TB/HIV collaborative activities that are aligned with the HIV program. These include setting up and strengthening a coordinating body for collaborative TB/HIV activities functional at all levels, joint TB and HIV planning to integrate the delivery of TB and HIV services; HIV testing of TB patients and early initiation of ARV therapy and CPT for co-infected patients; It also includes screening of people living with HIV for TB and rapid molecular tools for TB diagnosis among people living with HIV with presumptive TB; IPT, infection control measures. It includes procurement of consumables and drugs which are not covered by the HIV program.
Program management	Policy, planning, coordination and management	For the three diseases, it could include national program activities at the administrative level outside the point of health care delivery, such as development of national strategic plans and annual operational plans and budgets; oversight, technical assistance and supervision from national to subnational levels; human resource- planning/ staffing and overheads, operational costs; coordination with district and local authorities; quarterly meetings, training, and office/IT equipment; partnering process including advocacy and public awareness and communication carried out by partners and the national program; mobilizing leaders to support implementation and sustainability of the program. etc... In addition, for TB, it could include cross-sector policy and planning on TB social determinants and protection (e.g. justice, housing, labor, poverty and social welfare); involvement of key populations in planning. For health systems strengthening, it could include activities at the local, district, regional and national levels aimed at integrated planning, programming, budgeting and financing health and disease-control programs, integrating national disease strategies and budgets into the broader health sector strategy, development of comprehensive national strategic plans, health sector budget and annual operational plan; oversight, technical assistance and supervision from national to subnational levels.
Results-based financing	Results-based financing	

Appendix 1C - Tuberculosis

Module	Intervention	Scope and description of intervention package (Includes human resources required under each intervention)
TB care and prevention	Case detection and diagnosis	<p>This intervention includes early detection of all forms of TB among all ages. It includes diagnosis of TB using sputum smear microscopy (ZN and/or LED-FM) and rapid molecular tools for early and rapid diagnosis (e.g. Xpert MTB/RIF) and also culture and DST; It also includes other tools such as X-rays to support diagnosis among smear-negative and extra-pulmonary TB cases, children and people living with HIV;</p> <p>Additionally it includes activities related to strengthening the delivery of TB services, such as renovating and equipping laboratory infrastructure and specimen referral mechanisms from lower to higher-level laboratories for additional tests.</p> <p>Support for access to diagnosis for poor.</p>
	Treatment	<p>It includes standard, supervised treatment with first line drugs, including pediatric preparations, with social support for patients with drug-sensitive TB and innovative patients-centered care. Clinical and/or laboratory tests to monitor treatment responses. Additionally, it includes activities related to strengthening the delivery of TB services, such as renovating and equipping service delivery infrastructure (health facilities).</p> <p>Active pharmacovigilance (in the case of use of drugs which have not yet completed Phase III trials)</p>
	Prevention	Provision of INH preventive therapy for children in contact with bacteriologically confirmed TB cases, administrative controls for infection control
	Community TB care delivery	Capacity building for community-level service delivery. This includes training and capacity-building of TB service providers, TB patients, community-based interventions and outreach services for TB patients.
TB/HIV	TB/HIV collaborative interventions	This intervention refers to implementation of the 12 elements of TB/HIV collaborative activities that are aligned with the HIV program. These include setting up and strengthening a coordinating body for collaborative TB/HIV activities functional at all levels, joint TB and HIV planning to integrate the delivery of TB and HIV services; HIV testing of TB patients and early initiation of ARV therapy and CPT for co-infected patients. It also includes screening of people living with HIV for TB and rapid molecular tools for TB diagnosis among people living with HIV with presumptive TB; intermittent preventive treatment, infection control measures. It includes procurement of consumables and drugs which are not covered by the HIV program.
	Key populations	This includes active case finding among key populations such as prisoners, displaced people, migrants and ethnic minorities/indigenous populations, miners, children, urban poor and the elderly and adapting models of TB/HIV care for key populations, such as people who inject drugs. This includes adapting services to the needs of specific groups to make services people-centered and improve accessibility, appropriateness, and availability. Adapt diagnostic and treatment structures to meet the needs of key populations, e.g. through community-based TB care and prevention, mobile outreach to remote areas, community-based sputum collection, sputum transport arrangements, etc.
	Collaborative activities with other programs and sectors*	This intervention includes collaboration with other service providers for patients with co-morbidities including reproductive, maternal, neonatal and child health (RMNCH), diabetes co-morbidities and collaborative activities for TB /HIV prevention and care with other sectors beyond health
Multidrug-resistant TB	Case detection and diagnosis: multidrug-resistant TB	Early detection, including the use of rapid molecular diagnostics at decentralized settings and culture and DST in at least reference labs (if not included under community-based TB care and prevention module)
	Treatment: multidrug-resistant TB	Provision of supervised second-line treatment for multidrug-resistant TB patients delivered through appropriate models of care, with social support, management of adverse drug effects, and monitoring of treatment response by clinical and lab services for patients on treatment; coordination of ARV therapy for patients with HIV co-infection. Active pharmacovigilance (in the case of use of drugs which have not yet completed Phase III trials)
	Prevention for multidrug-resistant TB	Implementation of infection control measures at all levels, including appropriate administrative measures, coordination of information and communication activities, personal protection and environmental control measures.
	Improving service delivery infrastructure	Interventions aimed at supporting the scale-up, accessibility, availability and quality of health services, whether in health facilities or in community based organizations, by upgrading or scaling-up service delivery infrastructure including facilities, equipment, furniture, vehicles, etc. It may also include necessary operational inputs that are essential for uninterrupted service delivery (limited to low-income countries and fragile states, please refer to the Health Systems Strengthening Information Note for more information). These activities should benefit more than one of the three disease outcomes (HIV, TB, malaria) and may also have broader reach to other health outcomes (e.g. RMNCH). Similar activities benefitting only one disease outcomes within HIV, TB and malaria should be included in relevant disease grants. Large-scale construction projects (e.g. building a multifunctional hospital) are not funded by the Global Fund.

Appendix 2
The Global Fund Costing Dimension

Analytical grouping	Cost category ⁷²	Description	Applicable Cost Inputs
Human Resources	1 Human Resources	Grants may finance the human resources costs of the Principal Recipient and any sub-recipients necessary to ensure that the objectives of the programs funded by Global Fund grants are implemented by competent and motivated individuals	1.1 Salaries - program management 1.2 Salaries - outreach workers, medical staff and other service providers 1.3 Performance-based supplements, incentives 1.4 Other human resources costs
Program-related Costs	2 Travel-related Costs	Travel-related costs typically include payment for the direct cost of travel and the direct cost of expenses incurred by the Principal Recipient, sub-recipient, or within the Country Coordinating Mechanism funding request for their members or employees to remain away from home for work purposes directly related to implementation of the Global Fund grant program	2.1 Training related per diems/transport/other costs 2.2 Technical assistance-related per diems/transport/other costs 2.3 Supervision/surveys/data collection-related per diems/transport/other costs 2.4 Meeting/advocacy-related per diems/transport/other costs 2.5 Other transportation costs
Program-related Costs	3 External Professional Services	Costs for external professional services should be budgeted at the most economic level, based on the scope and duration of the assistance needed to achieve the program's objectives. In cases of consulting services, the unit cost rates should be aligned with United Nations (UN) standard international or national rates, whichever is applicable. All international external professional services costs should firmly adhere to principles of value for money, and should be budgeted and expended only after demonstrably (based on documented evidence) exploring all local options providing similar services, and if such options are found to be programmatically unviable or financially more expensive. All hiring of external professional services should be fully compliant with indigenous procurement policies of the Principal Recipient(s)/sub-recipients(s)/sub-sub-recipient(s), as well as commonly practiced best practices and procurement principles of transparency, avoidance of conflicts of interest, quality and cost considerations dictating the procurement methodology selected (e.g. QCBS, QBS, single source selections etc.)	3.1 Technical assistance/consultancy fees 3.2 Fiscal/fiduciary agent fees 3.3 External audit fees 3.4 Other external professional services
Health Products and Commodities-related Costs	4 Health Products- Pharmaceutical Products	Pharmaceutical products are products used to treat the three diseases which include an active pharmaceutical ingredient in its finished dosage form. These are derived from the list of health products, quantities and costs and are automatically integrated in the budget as part of the Principal Recipient submission.	4.1 ARVs 4.2 Anti-tuberculosis medicines 4.3 Antimalaria medicines 4.4 Opioid substitutes medicines 4.5 Medicines for opportunistic infections and sexually transmitted infections 4.6 Private sector subsidies for artemisin-based combination therapies (ACT) (co-payments) 4.7 Other medicines
Health Products and Commodities-related Costs	5 Health Products - Non-Pharmaceuticals	All health products that cannot be classified as pharmaceutical products or health equipment would fall under this category. Health products- non-pharmaceutical products include items used to prevent, diagnose or treat the three diseases but which do not contain an active pharmaceutical ingredient. These are derived from the list of health products, quantities and costs and are automatically integrated in the budget as part of the Principal Recipient submission.	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
Health Products and Commodities-related Costs	6 Health Products - Equipment	Health equipment covers a vast range of health technical, equipment that are necessary/helpful for program implementation and their purchase is financed out of the Global Fund grant. These are generally items which have a useful life of more than one year, and they should be classified as fixed assets in the primary/subsidiary assets record of the implementers.	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 ⁷³ 6.6 Other health equipment

⁷² The costing elements of the Global Fund modular approach

⁷³ 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.

Analytical grouping	Cost category ⁷²	Description	Applicable Cost Inputs
		Logistics Management Information Systems should be included in the health products – equipment category.	
Health Products and Commodities-related Costs	7 Procurement and Supply Chain Management Costs	Procurement and supply management costs, which are associated with the procurement and supply chain activities under the grant related to pharmaceuticals, health products and medical equipment starting from procurement until distribution to the lowest level the of the distribution chain	7.1 Procurement agent and handling fees 7.2 Freight and insurance costs (health products) ⁷⁴ 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
Infrastructure and Non-Health Equipment	8 Infrastructure	Infrastructure 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. The budget for infrastructure and non-health equipment should build on the detailed needs assessment developed in support of the concept note. The needs assessment shall include the review of the existing assets and infrastructure in possession by the implementing entities, and provide evidence of any replacement or new procurement needed.	8.1 Furniture 8.2 Renovation/constructions 8.3 Infrastructure maintenance and other infrastructure costs
Infrastructure and Non-Health Equipment	9 Non-health Equipment	**all health-related infrastructure/ health equipment should be budgeted and charged to the health products - equipment category ***operational costs relating to infrastructure items, including repairs and maintenance, and additional items necessary for keeping the items operational are budget under the cost input 8.3.	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
Program-related Costs	10 Communication Material and Publications	Communication materials include any printed material and other communication costs associated with program-related campaigns, TV spots, radio programs, advertising, media events, education, dissemination, promotion, promotional items. Any human resources and/or technical assistance component of the communications materials and publications costs should be budgeted under human resources and/or external professional services categories, respectively.	10.1 Printed materials (forms, books, guidelines, brochure, leaflets...) 10.2 Television/radio spots and programs 10.3 Promotional material (t-shirts, mugs, pins..) and other communication material and publications costs
Indirect and Overhead Costs	11 Indirect and Overhead Costs	Indirect and overhead costs are normally “direct” in the sense that they can be directly attributable to the grant and may include office-related costs, (e.g. rent, electricity, utilities, mail, telephone, and internet, insurance, fuel, security, cleaning etc.).	11.1 Office-related costs 11.2 Unrecoverable taxes and duties 11.3 Indirect cost recovery - % based 11.4 Other PA costs
Program-related Costs	12 Living support to client/ target population	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	12.1 Support to orphans and other vulnerable children (school fees, uniforms, books etc.) 12.2 Food and care packages 12.3 Cash incentives to patients/counselors/mediators 12.4 Micro-loans and micro-grants 12.5 Other costs related to living support to client/target population
Program-related Costs	13 Results-based Financing	Innovative investment model for cash on delivery mechanism. This investment model is available at the discretion of the Global Fund under specific circumstances.	The aspect of the results-based financing grant related and paid on performance. If there are other fixed costs not directly linked to performance, the regular cost inputs above should be used for those components.

⁷⁴ (if the tender specifically expects the product to be quoted Free on Board (FOB) and so freight charges are required to be paid)

Appendix 3

Specific budgeting and costing guidance

Appendix 3A

Indicative documentation concerning remuneration levels

For entities receiving Global Fund resources for the remuneration of staff, a PR 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 (USD/EURO), 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 top-ups for existing staff. In cases where existing staff are seconded to a Program Management Unit (*PMU*) of the PR, 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 etc.;
- (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, etc.;
- (ix) A description of the future sustainability of funding for HR costs beyond the term of the Global Fund grant.

Appendix 3B
Template Employee biographical data sheet

1. Name		2. Contractor Name		3. Position Under Contract	
3. Employee's address		4. Contract Number (or RFP number)		5. Proposed Salary	
		6. Citizenship		7. Duration of Assignment	
8. Telephone Number		9. Email		10. Languages	
				11. Background check⁷⁵ <input type="checkbox"/> No issues <input type="checkbox"/> Issues	
12. Education (include all college or university degrees)					
Name and Location of Institution		Major	Degree		Date
13. Employment History					
a. Give last three years only . List salaries separate for each year.					
b. Salary definition: Base salary. Exclude bonuses, profit sharing arrangements, commissions, overtime, post differential, cost of living or dependent allowance, consultant fees...					
Position	Employer's name and address		Dates of employment		Annual Salary
Title	Point of contact and telephone		(mm/yyyy)		(US Dollars)
			From	To	
14. Specific Consultant Services					
(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&A fees.					
Position	Employer's name and address		Dates of employment		Number of days
Title	Point of contact and telephone		(mm/dd/yyyy)		at rate
			From	To	Daily Rates in
					US Dollars
15. Certification To the best of my knowledge, the above facts as stated are true and correct.					
Signature of Employee/consultant				Date	
Signature of contractor's Representative (if any)				Date	

⁷⁵ The employ 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 on impact the proper use of global fund resources under the grant.

Appendix 3C

Developing training plans

The objective of the training plan is to translate the training needs referred to in the concept note and/or the training needs assessment into a detailed budget which supports the reasonableness of budgeted costs following the general principles outlined above, 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: i) a table of general information on the grant and training plan; ii) a narrative description of the training framework; and iii) a list of the training activities/schedules for the full implementation period of the grant.

Section 1: General information

Program Number:	
Principal Recipient:	
Grant start and end date (indicate which implementation period):	
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 provide answer to the following questions on the training design:

- (i) How 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 on:

- (i) how training logistics service providers will be selected?
- (ii) how participants' travel, accommodation and per-diem distribution will 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 risks associated with cash transaction will be minimized and mitigated?

2.3 Post-training follow-ups

How the assessment of the knowledge and skills of the trainees will 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 have been agreed with the Country Team/Fund Portfolio Manager).

The PR 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 3D

Vehicle needs assessment and management plan

1. Scope of the Plan

2. 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, etc.)? 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 Programs?
- **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/reimbursing the use of personal cars; in cases of long-term needs and frequent uses, the purchase or lease options should be considered.

3. 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, etc.

- **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?

4. 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 the following:

- Vehicle purchase decisions;
- Vehicle replacement decisions;
- Maintenance decisions;
- Repair decisions;
- Vehicle assignment and use decisions;
- Disposal decisions; and
- Review of reported inappropriate uses of vehicles.

5. Operational policy and procedure

The PR 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 PR.

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;
- Responsibilities of drivers;
- Vehicle assignment or motor pool procedures;
- Appropriate use of grant vehicles.

6. Acquisition policy

The PR should define the acquisition policy, the procurement and tendering process and be aware of and approve that 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 PR 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.

7. Use and maintenance policy

Vehicle assignment

The PR 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

PR 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 may need to explain and incorporate the fuel allocation policy and practice in the manual of procedure.

8. Replacement and disposal policy

In general, PRs 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

PRs should define the procedure for disposal (sale and/or other forms of disposal)

Relevant Templates



TGF Costing
Dimension_Grants_M



Consolidated
modular template 201



Global Fund Budget
Template 2014-05-30