



Independent observer
of the Global Fund

Global Fund Observer

NEWSLETTER

Issue 239: 11 March 2014

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[2. NEWS: Global Fund Board approves Secretariat operating expenses](#)

The Global Fund Board approved operating expenses for the Secretariat in the amount of \$298.8 million for 2014, including \$20.5 million for the Office of the Inspector General.

[3. NEWS: Board approves amended comprehensive funding policy to align with new funding model](#)

The Global Fund Board has approved substantial reforms to its financial systems to align its amended comprehensive funding policy (CFP) with the principles and aims of the new funding model (NFM) for grant management.

[4. NEWS: Global Fund Board approves \\$100m for special initiatives and \\$200m for regional programs](#)

The Global Fund Board has approved up to \$100 million for use on special initiatives and \$200 million for regional programs during the 2014-2016 period, a sum that excludes the \$116 million already committed to early applicants under the new funding model (NFM).

[5. NEWS: Global Fund Board announces country band assignments](#)

The Global Fund Board has assigned grant-eligible countries to four bands ahead of announcing

individual allocations for 2014. Total band allocations have also been approved.

[6. NEWS: Transition to new funding model and fourth replenishment approved by Global Fund Board](#)

The Global Fund Board has approved a policy framework to guide the transition from the third replenishment of rounds-based funding to the fourth replenishment and full roll-out of the new funding model (NFM). The debate prior to the decision was the most contentious at the 31st Board meeting in Jakarta.

[7. NEWS: Under revised disclosure policy, all core OIG reports to be published](#)

The Global Fund's revised disclosure policy will make all reports on the assurance and investigation work of the Office of the Inspector General public, including future reports on internal Global Fund Secretariat processes.

[8. NEWS: New policy covers all grant extensions](#)

The Global Fund Board has adopted a new streamlined policy on grant extensions, replacing a patchwork of 10 different policies.

[9. NEWS: Appointments announced for two Board committees: AEC and SIIC](#)

Appointments for the next two years to the Audit and Ethics and the Strategy, Investment and Impact committees were announced and approved. A new call for nominations was issued for the Finance and Operational Performance Committee.

See [section](#) near the end of this newsletter listing additional articles available on GFO Live.

ARTICLES:

1. NEWS: Decision points approved by the Global Fund Board during 31st Board meeting

The language below is the exact wording of each decision point taken by the Board

Lauren Gelfand

Decision Point GF/B31/04

Based on the recommendation of the Finance and Operational Performance Committee (the “FOPC”), the Board approves the 2014 operating expenses budget in the amount of USD 298.8 million, as set forth in GF/B31/3 Part A (the “2014 Operating Expenses Budget”), which includes USD 20.5 million for the Office of

the Inspector General's 2014 operating expenses.

As previously decided by the Board (GF/B22/DP18), the Secretariat will manage the 2014 OPEX Budget's exposure to foreign-exchange rate volatility and include in its periodic reporting to the FOPC on budget matters any measures taken to minimize such exposure.

Decision Point GF/B31/05

1. Based on the recommendation of the Finance and Operational Performance Committee, the Board approves the amended and restated Comprehensive Funding Policy, as set forth in GF/B31/04 – Annex 1 (the "Amended and Restated CFP").
2. The Amended and Restated CFP supersedes all prior versions of the Comprehensive Funding Policy, and any related decisions previously adopted by the Board or its Committees that are inconsistent with the Amended and Restated CFP.

Decision Point GF/B31/06

1. The Board notes that a portion of sources of funds may be excluded from the allocation to Country Bands for future utilization towards initiatives that are not adequately accommodated through the allocation of resources to Country Bands (Annex 1 to GF/B27/DP7) (the "Special Initiatives").
2. Based on the recommendation of the Strategy, Investment and Impact Committee (the "SIIC"), the Board decides that up to USD 100 million will be available over the 2014 – 2016 for the following Special Initiatives, as described in GF/B31/08A and in the amounts listed below:
 - i. USD [30] million for the Humanitarian Emergency Fund;
 - ii. USD [17] million for Country Data Systems;
 - iii. USD [29] million for Technical Assistance for Strong Concept Notes; and PR grant making capacity building
 - iv. USD [15] million for Technical Assistance on Community, Rights and Gender.
 - v. USD [9] million enhancing VFM and financial sustainability of GF supported programs

The remaining balance of the total funds available for Special Initiatives may be used by the Secretariat for the following Special Initiatives, as set forth under paragraph 2a above, upon the SIIC's approval in consultation with the Finance and Operational Performance Committee FOPC of an updated budget and plan to implement such initiatives.

3. The Secretariat shall recover investments towards Special Initiatives from funding provided through grant programs whenever possible.
4. With respect to the use of funds available for the Special Initiatives, the Board requests the Secretariat to report to the Finance and Operational Performance Committee on the financial implications and to the SIIC on the operational and strategic implications.

Decision Point GF/B31/DP07

1. The Board notes that a portion of sources of funds may be excluded from the allocation to Country Bands for future utilization towards investments that are not adequately accommodated through the allocation of resources to Country Bands (Annex 1 to GF/B27/DP7).
2. Based on the recommendation of the Strategy, Investment and Impact Committee, as set forth in GF/B31/07, the Board:
 - a. Decides that USD 200 million will be available for new Regional Programs over the 2014 – 2016 allocation period;
 - b. Recognizes that Regional Programs will be presented to the Board for funding approval throughout the 2014 – 2016 allocation period; and
 - c. Acknowledges funding applications that are submitted by a group of small island economies or other small countries that typically would not apply as individual countries due to inherent administrative inefficiencies (the “Multi-Country Applications”) will be funded from amounts allocated to the individual disease components participating in each Multi-Country Application.

Decision Point GF/B31/DP08

1. The Board acknowledges:
 - a. The Finance and Operational Performance Committee’s recommendation on the amount of announced replenishment results for the 2014 – 2016 Replenishment Period, net of certain adjustments and qualifying deductions, that will be allocated to Country Bands at the start of the Allocation Period (the “Initial Allocation”), as set forth in GF/B31/06, in accordance with the Comprehensive Funding Policy, as amended and restated under decision point GF/B31/DP05; and
 - b. The Board’s approval of the Strategy, Investment and Impact Committee’s recommendation to apportion USD 100 million to finance Special Initiatives and USD 200 million to finance Regional Programs over the 2014 – 2016 period (GF/B31/DP06 and GF/B31/DP07, respectively).
2. Accordingly, the Board decides the Initial Allocation for the 2014 – 2016 Replenishment Period is USD 10.22 billion.

Decision Point/GF/B31/DP09

1. The Board notes its prior decision to approve the Amended and Restated Comprehensive Funding Policy (GF/B31/DP05) (the “CFP”) as a standard financial management framework, and acknowledges unique measures are required to facilitate the 2014 allocation of resources to Country Bands, the first under the allocation-based funding model, to manage the transition from the rounds-based system.
2. Accordingly, based on the joint recommendation of the Finance and Operational Performance Committee (the “FOPC”) and the Strategy, Investment and Impact Committee (the “SIIC”), the Board adopts the following transition framework:
 - a. The total amount that will be allocated to Country Bands (the “Total Allocation”) using the allocation methodology will be comprised of the following amounts:

- i. The Initial Allocation, in the amount of USD 10.22 billion, as approved under decision point GF/B31/DP08; which will determine the amount of incentive funding; and
 - ii. The amount of Sources of Funds, as defined in the CFP, originating from the Third Replenishment Period (2011 – 2013), or earlier, which have not been disbursed as at 31 December 2013 (the “Existing Funds”), in the amount of USD 5.55 billion, as recommended by the FOPC.
- b. While each grant applicant’s portion of the Total Allocation must be requested by the applicant and approved by the Board prior to 31 December 2016, it may be utilized beyond such date in accordance with the terms of the relevant grant agreement;
- c. The Total Allocation will address the remaining pipeline of grant funding due to Board-approved proposals or other Board decisions originating from the Third Replenishment Period, or earlier, as at 31 December 2013, (the “Existing Grants Pipeline”) while taking a comprehensive approach such that performance and strategic impact are reflected in the investment of the entirety of funds;
- d. While each disease component's portion of the Total Allocation will typically cover a period of four years starting from 1 January 2014, the secretariat, working together with countries or regions has the operational flexibility to structure longer or shorter grant implementation periods while applying the principles of the allocation model to guide funding levels towards the amounts devived from the allocation formula.
- e. Accordingly, a 25-percent target minimum reduction compared to the most recent available four-year disbursement levels (the “Graduated Reduction”) will be applied across the portfolio of disease components that have funding levels above their notional shares under the allocation methodology; and
- f. If a disease component’s Existing Grants Pipeline exceeds the amount that would result from applying the Graduated Reduction described in paragraph 2.e. above, then instead of applying the Graduated Reduction, the disease component’s Existing Grants Pipeline will serve as a basis to determine its total allocation starting from 1 January 2014.
3. The Board notes the transition framework established under this decision represents measures tailored to address the unique circumstances and challenges of transitioning from the rounds-based system to the allocation-based funding model and shall not apply to subsequent allocations and Replenishment Periods.

Decision Point/GF/B31/DP10

1. Based on the recommendations of the Strategy, Investment and Impact Committee (the “SIIC”), the Board approves the composition of Country Bands for the 2014 – 2016 allocation period, as defined and set forth in Annex 1 to GF/B31/09 – Revision 1.
2. In accordance with its decision to approve the transition framework recommended by the Finance and Operational Performance Committee and the SIIC (GF/B31/DP09), the Board acknowledges USD [15.8] billion is available for allocation to Country Bands for the 2014 – 2016 allocation period, consisting of the following:
 - a. USD [14.8] billion for indicative funding; and
 - b. USD [950] million for incentive funding.

3. The Board approves the following allocation of indicative funding for the 2014 – 2016 allocation period:

- a. Country Band 1: USD [11,250] million;
- b. Country Band 2: USD [915] million;
- c. Country Band 3: USD [1,530] million; and
- d. Country Band 4: USD [1,105] million.

4. The Board also decides incentive funding, in the amount of USD [950] million, will be apportioned across and within Country Bands 1, 2 and 3 in accordance with the methodology approved by the SIIC under authority delegated by the Board (GF/SIIC09/DP2).

Decision Point/GF/B31/DP11

1. Based on the recommendation of the Audit and Ethics Committee, the Board approves the Policy for Disclosure of Reports Issued by the Inspector General, as revised and set forth in Annex 1 to GF/B31/12, which supersedes and replaces the disclosure policy adopted by the Board under GF/B20/DP23.

2. Accordingly, the Board approves the following revision to Section 15 of the Charter of the Office of the Inspector General (the “OIG Charter”) to align the OIG Charter with the revised Policy for Disclosure of Reports Issued by the Inspector General: [On]Reporting: Final reports of Office of the Inspector General regarding its assurance and investigations work will be posted on the Global Fund’s public internet site in accordance with the Board-approved ‘Policy for Disclosure of Reports Issued by the Inspector General’

Decision Point/GF/B31/DP12

Extension Approach Under The New Funding Model

1. The Board decides:

a. The Secretariat is authorized to extend a grant’s implementation period by a maximum of 12 months beyond the end date set forth in the relevant grant agreement:

i. When the extension does not require funding in addition to the amounts approved by the Board for such implementation period ; or

ii. When any portion of the extension requires funding in addition to the amounts approved by the Board for such implementation period, provided the period of additional funding does not exceed six months and the amount of additional funding does not exceed USD 10 million.

b. Any other circumstances warranting an extension will be recommended by the Secretariat to the Board for approval.

c. The Secretariat will develop a framework for exercising the authority delegated under this decision, and report to the Board the extensions approved by the Secretariat under such authority through the monthly Grant Approvals Committee Report on funding recommendations.

d. The Secretariat will review the implementation of this decision and present any recommended

modifications to the Strategy, Investment and Impact Committee for approval.

2. The Board also decides that as of the date of this decision, the extension framework adopted under this decision supersedes all prior policies and decisions concerning extensions whether in whole or with respect to relevant parts, including Board Decision Points:

- a. B24/EDP/5: Procedure for Rolling Continuation Channel Mid-Term Performance Reviews and Extensions;
- b. GF/B20/DP31: Architecture Review – Transition Provisions;
- c. GF/B16/DP7, GF/B14/DP27 and GF/B13/DP2: Phase 2 Decision-Making Policies and Procedures; and
- d. GF/B26/DP5: Delegation of Authority to Secretariat for Grant Operations.

Decision Point GF/B31/DP13

1. The Board acknowledges the recommendations set forth in GF/B31/10 outlining the membership appointment recommendations for the Board’s Audit and Ethics Committee (AEC).

2. Accordingly, the Board approves the appointment of the following individuals to the AEC for a term that will expire on 9 March 2016 or the appointment of their respective successors:

- a. Graham Joscelyne as independent Chair of the AEC;
- b. Mohammed Abdellatif as independent member of the AEC;
- c. Gabor Amon as independent member of the AEC;
- d. Wendy Harrison as independent member of the AEC;
- e. Christopher Kassami as a constituency-nominated member from the Eastern and Southern Africa Constituency.

Decision Point GF/B31/DP14

1. The Board acknowledges the nominations for membership of the Strategy, Investment and Impact Committee set forth in GF/B31/10

2. Accordingly the board approves the appointment of the following individuals to serve as voting members of the SIIC, representing the board constituencies listed by their name, for a term that will expire on 9 March 2016, or until appointment of their respective successors:

Aida Kurtovic: Eastern Europe Central Asia

Vinand Nantulya: East and Southern Africa

Abdallah Osman: Eastern Mediterranean Region

Mirta Roses: Latin America and the Caribbean

Asia Russell: Developed Country NGO

Helga Fogstad: Point 7

Jason Lane: UK/Australia

Julia Martin: USA

Philippe Meunier: France

Jan Paehler: European Commission

3. Noting that the Chair of the Technical Review Panel and the Technical Evaluation Reference Group serve as non-voting members of the SIIC, the Board appoints the following individuals to serve as additional non-voting members of the SIIC, representing the Board constituencies listed by their name, for a term that will expire on 9 March 2016, or until the appointment of their respective successors:

a. Lucica Ditiu, Partners; and

b. Mbulawa Mugabe, UNAIDS.

4. The Board decides to launch a new call for nominations for the Finance and Operational Performance Committee (the “FOPC”) with a due date for nominations by 26 March 2014. The Chair and Vice-Chair of the Board will present its recommendation of candidates to the Board for approval by 15 April 2014.

5. The Board notes that qualified candidates that have already been nominated, but not appointed, for a Committee role will remain in consideration for FOPC membership.

6. The Board urges constituencies to nominate additional candidates that clearly demonstrate the competencies and skills that are required to perform the responsibilities of FOPC members.

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[This article first appeared on GFO Live on 11 March 2014]

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2. NEWS: Global Fund Board approves Secretariat operating expenses

Board also approves decision point asking for monitoring and management of foreign exchange fluctuations

Lauren Gelfand

DECISION POINT: GF/B31/DP04

The Global Fund Board approved operating expenses for the Secretariat in the amount of \$298.8 million in 2014, including \$20.5 million for the Office of the Inspector General. The Board also approved a decision point requesting monitoring by the Secretariat of foreign exchange fluctuations.

In the first decision made during its 31st meeting, held 6-7 March in Jakarta, the Global Fund Board approved operating expenses for the Secretariat for 2014 in the amount of \$298.8 million. The budget includes \$20.5 million for the Office of the Inspector General.

Board approval was based on recommendations from the Finance and Operational Performance Committee.

Approval of operating expenses was contingent on a review by the FOPC of the Secretariat's workplan and key performance indicators.

The operating expenses cover all of the functions for the Secretariat and OIG during 2014, including personnel, operating and travel costs for the institution's 686 full-time staff members. Other costs include support for the country coordinating mechanisms in the 140 Global Fund grant recipient countries; services provided by local fund agents; and governance support functions including the Technical Review Panel and the Technical Evaluations Reference Group.

Staff costs represent some 42% of the annual operating expenses of the Secretariat, a decline of 0.8% over 2013 even though the number of full-time staff increased by 59 people to shoulder the demands of the roll-out of the new funding model (NFM).

Even with a decrease of nearly 10% from a year earlier, the costs associated with the local fund agents represented some 20%, or \$60 million, of the annual operating expenses. Other high value items include professional fees of \$45.8 million and office infrastructure and travel, with budgets of \$23.3 million and \$21.5 million respectively.

Costs for control and assurance functions – including the OIG, LFAs and the Secretariat's own risk department – are responsible for approximately 30% of the total operating expenses.

Monitoring fluctuations in the international currency market have been added to the responsibilities of the Secretariat, in line with the decision approved by the Board.

Read the article [in French](#). Lire l'article [en français](#).
[This article was first posted on GFO Live on 11 March 2014.]

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3. NEWS: Board approves amended comprehensive funding policy to align with new funding model

The amended CFP establishes the financial framework and systems for the Fund

Kate Macintyre

DECISION POINT: GF/B31/DP05

The Global Fund Board approved an ‘amended and restated’ comprehensive funding policy (CFP) during its 31st Board meeting on 6-7 March in Jakarta. The decision was based on recommendations from the Finance and Operational Performance Committee (FOPC), which called the new CFP the “most important document”

being voted on during the meeting.

The Fund's CFP sets financial principles for the management and allocation of donor resources to the grant-eligible countries as well as for operating expenses of the Secretariat. It also sets out the appropriate timing for the disbursement of resources in order to maximize their impact and ensure that there is always enough funding to carry out necessary activities. The CFP also provides a policy justification for financial safeguards that ensure the best possible stewardship of the money contributed by donors to the Global Fund.

The new CFP supersedes all previous documents and establishes a new financial framework going forward for the smooth implementation and maintenance of the new funding model (NFM). The need to amend and substantially reform the policy complements the transformation of the historical rounds-based approach to grant funding to the new funding model, the full roll-out of which is expected before the beginning of April.

The CFP establishes the Fund's policies in support of funding processes including access to funds, grant-making and payment to implementers, as well as fund-raising activities. The amended CFP aims to streamline all of these policies into a cohesive framework that would align replenishment, allocation and implementation periods.

This is important because under the previous rounds-based approach to grant-making, there was the potential for delays due to 'insufficient asset definition' or an 'imbalance between assets and liabilities' that could influence the disbursement schedule. There were also risks associated with the Fund's approval of grants under the previous model for which there was only the potential for budget, not available assets on-hand. This built liabilities into the system that could have compromised programming. Now, cash commitments are made up-front based on available resources, which should assuage concerns about cash transfer delays while also ensuring continuity in programming.

The evolution of grant-making under the NFM drove the majority of the amendments to the CFP. Financial safeguards to ensure that the potential for risk is mitigated were also core reforms to the policy.

To implement the amended CFP, the Fund has approved three important financial safeguards as shown below, where ALM stands for asset and liability management:

These measures show a progressively ascending degree of financial control and oversight, designed to ensure financial controls are in place for both implementers and donors, and to protect the interests of all those being served by the Fund.

The three tiers of safeguards are:

- i). **Tier 1 Safeguard:** Balanced forecast of Sources and Uses of Funds based on the notional asset/liability management approach, over a defined (fixed) three-year Allocation Period.
- ii). **Tier 2 Safeguard:** Balanced one-year rolling and cumulative cash flow forecast based on eligible assets (e.g., cash on hand, promissory notes etc.) and eligible liabilities (e.g., formally approved annual funding or other financial decisions) with underlying cash flows one year periods.
- iii). **Tier 3 Safeguard:** Day-to-day liquidity management supported by minimum liquidity reserve and back-up liquidity instruments.

Read the article [in French](#). Lire l'article original [en français](#).

[This article was first posted on GFO Live on 10 March 2014.]

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4. NEWS: Global Fund Board approves \$100m for special initiatives and \$200m for regional programs

The funds approved will be supplementary to the resources allocated to countries under the new funding model

Lauren Gelfand

DECISION POINT: GF/B31/DP06 and GF/B31/DP07

The Global Fund Board on 6 March approved some \$300 million in funding to be set aside for special initiatives and regional programs for 2014-2016, in excess of the \$10.22 billion that will be allocated to countries during the same period.

The decisions made during the 31st Board meeting in Jakarta should provide a sufficient evidence base for support of these special programs in subsequent allocation periods, Aidsplan understands from Board sources.

Special initiatives are those projects that are cross-cutting and add value not just for an individual country's programs and operations but for the Fund as a whole. By investing in special initiatives, the Secretariat has maintained, resources allocated at the country level will have an added impact.

The breakdown for special initiatives approved by the Board included some \$79 million in immediately approved initial investments:

- \$30 million for a humanitarian emergency fund
- \$17 million for improving in-country data systems
- \$29 million for technical assistance to support the development of concept notes
- \$15 million for technical assistance on community, rights and gender

The remainder (worth an estimated \$21 million) will be spent over the period on enhancing value for money and financial sustainability at the country level for Global Fund-supported programs and work to improve the skill sets and capacity within the principal recipients of various grants.

Aidsplan understands from the Secretariat that the humanitarian emergency fund will not be used to support programs that are better-served by humanitarian actors already used to working in emergency settings; rather, the fund will be used to improve flexibility within existing activities already underway in fragile states that receive Global Fund money. So, for example, if a conflict in a country where the Fund is supporting a commodities distribution program makes the cost of moving commodities more expensive, resources from the humanitarian emergency fund would cover the additional distribution costs.

The Secretariat has also acknowledged the need for a more strategic framework with guidelines for use of funds in humanitarian settings and emergencies, and has solicited input and guidance from humanitarian actors. These guidelines will be at the core of a review of the Fund's activity in fragile states by the Technical Evaluation Reference Group, expected by mid-2014.

Improving country-level data systems has been highlighted as a priority emergent need for grant-making, as too many countries have poor data collection and analysis capacity. As the Fund moves towards a more evidence-based approach to measuring its impact as well as the value for money of its programs, better data will be critical.

Regional programs will be allocated an additional \$200 million with the expectation that, should there be other quality regional programs proposed, and further resources available through efficiency cost savings or future donor commitments, high quality regional proposals will be considered.

The \$200 million for regional programs does not account for the \$116 million in funds already committed to regional programs that were early applicants under the new funding model (NFM). Already, \$100 million has been approved for a program in the Mekong region to avert the spread of artemisinin resistance; another \$10 million has been allocated to Meso-Hispaniola for a regional malaria program and the Eurasian Harm Reduction Network will receive a total of \$6 million for work in Eastern Europe and Central Asia.

There are two opportunities for regional initiatives to apply for a share of the \$200 million in funding: by end of March 2014 and a year later. It is anticipated that the March 2014 deadline will be extended by at least a month to accommodate proposals.

Board delegations in remarks to Aidsplan separately expressed concerns that the regional program set-asides would become slush funds to enhance country-level programs or pay for workshops and conferences that ultimately would have minimal programmatic impact.

The Secretariat has, however, emphasized that regional programs are less about service delivery than they are about cohesion, cross-border promotion of behavior change and integration. Equally, the outcome indicators – assessing program impact instead of money spent – that will be applied to country-specific programs will also be applied to regional initiatives.

Read the article [in French](#). Lire l'article [en français](#).
[This article was first posted on GFO Live on 10 March 2014.]

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5. NEWS: Global Fund Board announces country band assignments

Band funding allocations revealed

David Garmaise

DECISION POINTS: GF/B31/DP08 and GF/B31/DP10

The Global Fund has approved \$14.82 billion in indicative funding for grant-eligible countries assigned to

each of the four bands for the next funding cycle, as well as the allocations for each band.

Composition of the bands

The four bands are depicted below:

Band 1 Lower income High burden	Band 3 Higher income High burden
Band 2 Lower income Low burden	Band 4 Higher income Low burden

Band assignments were based on calculated income and burden thresholds. Income thresholds topped out at a gross national income per capita of \$2,000. Total disease burden is assessed at 0.26%

The index aggregates disease burden scores for HIV, TB and malaria as part of the income/burden formula to determine allocations to individual countries.

Of the 123 eligible countries, 39 are assigned to Band 1; 18 to Band 2; 11 to Band 3; and 55 to Band 4.

Funding allocations to country bands

A total of \$14.82 billion in indicative funding will be available across the bands. It will be allocated as follows:

- \$11.27 billion for the 39 countries in Band 1
- \$915 million for the 18 countries in Band 2
- \$1.53 billion for the 11 countries in Band 3
- \$1.105 billion for the 55 countries in Band 4

An additional \$950 million will be available in incentive funding to the countries in Bands 1-3.

These allocations will include both funds committed during the fourth replenishment conference held in December 2013 in Washington, DC as well as existing funds from the previous replenishment.

Table 1 provides details for each band.

Table 1: Indicative funding allocations to country bands

Band	Indicative funding allocation	% of the total
1	\$11.250 billion	76.0%
2	\$0.915 billion	6.2%

3	\$1.530 billion	10.3%
4	\$1.105 billion	7.5%
Total	\$14.800 billion	100%

The Board fixed the allocation of indicative funding resources for Band 4 at 7%. Breakdowns for the other three bands were determined by aggregating notional funding allocations across each band. (Notional funding allocations are the amount of indicative funding for each country, which will be communicated to countries before the end of March. During the country dialogue and concept note development process, some adjustments will be made to the country allocations.)

The amount of available incentive funding is \$950 million, 87% of which will be directed towards countries in Band 1.

Table 2 provides incentive funding details for each band.

Table 2: Incentive funding allocations to country bands

Band	Indicative funding allocation	% of the total
1	\$826.5 million	87%
2	\$47.5 million	5%
3	\$76.0 million	8%
4	NIL	N/A
Total	\$950.0 million	100%

Band 4 countries are not eligible for incentive funding.

Read the article [in French](#). Lire l'article [en français](#).

[This article was first posted on GFO Live on 10 March 2014.]

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6. NEWS: Transition to new funding model and fourth replenishment approved by Global Fund Board

The debate proved the most contentious at the Board meeting, drawing concerns from a number of delegations

Lauren Gelfand

DECISION POINT: GF/B31/DP09

The Global Fund Board has approved a framework and roadmap for transition between the rounds-based approach and the new funding model (NFM), aiming to align timelines for grant funding with replenishment of the Global Fund's coffers.

The goal of the transition is to streamline the funding channels so that, going forward, countries can budget and plan more effectively with a one-time disbursement that dovetails with the length of the grant period. This is at the core of the 'Investing for Impact' philosophy being promoted by the Fund and will be one of the key indicators against which performance will be measured.

Under the rounds-based model in place since the Fund's inception in 2002, proposals for use of funds were approved for 5- or even 6-year periods, even though the replenishment of resources only occurred over three-year periods. This disconnect contributed to problems at the country-level, causing some countries that were better able to absorb and program money to be over-allocated resources at the expense of others with weaker systems who often had difficulty absorbing the funds they were given. .

Aidspan understands from conversations with representatives of both the Board and the Secretariat that the new alignment of the timelines is supposed to help countries with their planning and implementation of activities across the response to each of the three diseases as well as for the strengthening of health systems.

With one upfront allocation period for each grant cycle, which should closely follow the replenishment conference for each cycle, applicants will benefit from greater predictability in what they can expect to receive from the Fund and greater flexibility in how they plan to spend it.

For subsequent cycles, it is likely to be less convoluted than during the transition, as the process has been complicated by the existing funds that remain from the rounds-based approach.

Here the Finance and Operational Performance Committee (FOPC) has recommended that the 'existing' funds be added to the 'initial allocation': those resources that were committed by donors in December 2013 during the fourth replenishment.

The below figure illustrates this recommendation, which was adopted by the Board.



The alignment of the allocation period with the replenishment cycle also reflected the Secretariat’s need to incrementally decrease the allocation to those countries that have received more than what they will under the parameters of the NFM. The parameters of the NFM try to make sure that countries with the highest disease burdens and the least ability to pay get the greatest share of donor money. This process of reduction will stagger the decrease in resources over four years.

Where it began to break down for some delegations, was in the recommendation from the FOPC that funds allocated for the cycle be used to support programming for four instead of three years during this transition. The need to expand the cycle to four years was flagged by the Secretariat as a response to the planning and dialogue process that will be more involved and more demanding than countries are used to. Proposal development will be more complex as the requirements for the pre-proposal/concept note stage for countries are more comprehensive than before, and require more input from the relatively small country teams based at the Secretariat.

Their concerns, highlighted in a decision by the Communities delegation to abstain from the vote, centered around the implications of spreading investments out over a longer period of time, which could limit the effectiveness and impact of programs supported with Global Fund resources. In a widely disseminated news release received by Aidspan, the delegation expressed concern about how “countries would be able to utilise the resources beyond essential services and commodities, allowing resources to be allocated to key populations and communities” with a longer implementation period.

In promoting the three-year implementation period, the delegation said that countries would be able to devote resources “beyond essential services and commodities” – suggesting that such activities would be impossible within the four-year period.

Responses from the Secretariat emphasized that there would be flexibility built into the implementation model, responding to the strengths and capacities demonstrated by individual countries, and their ability to absorb and effectively program funds to achieve the maximum impact. The Grant Management team within the Secretariat (or just The Secretariat) envision of the total four years, many countries may take one year to plan and develop a strong concept note and gain approval, and then use three years to spend and report on the

grant obtained.

Read the article [in French](#). Lire l'article [en français](#).

[This article was first posted on GFO Live on 11 March 2014]

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7. NEWS: Under revised disclosure policy, all core OIG reports to be published

The revised policy will cover a series of 2013 reports on internal Secretariat processes that remain sealed from the public

David Garmaise

DECISION POINT: GF/B31/DP11

All reports on the assurance and investigation work of the Office of the Inspector General (OIG) will be made public under a revised disclosure policy adopted by the Global Fund Board at its 31st meeting in Jakarta, Indonesia.

This will include OIG functional reviews of processes at the Global Fund Secretariat, as well as reports on in-country audits and investigations.

The OIG's [previous disclosure policy](#), dated November 2009, envisioned this level of transparency but was over-ridden by a clause in the [OIG Charter](#), adopted in March 2013 that approved publication only of reports on OIG's external assurance and investigation work. Internal assurance findings would be reported to the executive director and the Audit and Ethics Committee (AEC) only.

The clause in the OIG Charter has left reports on functional reviews of Secretariat processes over 2013 with limited disclosure, including reports the practice of embedding specialists in country teams; the recoveries process; procurement and supply management quality control; and the Fund's external communications. These reports will not be released retroactively despite the amendment of the Charter and the complementary complement the revised disclosure policy.

The revisions spell out exceptional circumstances that could produce delays or modifications of reports prior to publication. Among them are the potential exposure of a whistleblower to retaliation, and the potential impediment of an investigation undertaken by the OIG or other entities. In these instances, the Inspector General makes a request to the leadership of the AEC and the Board to restrict the publication of a report. .

The output of "consulting and other services" provided by the OIG will remain sealed. This refers to cases where the OIG is asked for advice (as opposed to the OIG deciding on its own to review something).

Additional articles about the OIG's report to the Board during the 31st meeting are [here](#) and [here](#).

Read the article [in French](#). Lire l'article [en français](#).

[This article was first posted on GFO Live on 10 March 2014]

8. NEWS: New policy covers all grant extensions

David Garmaise

DECISION POINT: GF/B31/DP12

The Global Fund has approved a new policy covering all grant extensions, replacing a patchwork of 10 different policies created by past Board decisions.

No-cost extensions can now be approved for up to 12 months. The Secretariat also has the authority to approve costed extensions of up to \$10 million for up to six months and to recommend costed extensions exceeding \$10 million or exceeding six months to the Board.

The Board instructed the Secretariat to develop a framework for exercising its authority under the new policy. Extensions will now only be granted in “strongly justified and exceptional circumstances”:

- to facilitate the submission of single concept notes for multiple disease components (e.g. joint TB-HIV concept notes)
- to address challenges in timely submission of concept notes due to circumstances that are beyond the control of the applicants (e.g. force majeure events)
- to compensate for delays in the review and processing of applications, or when the Global Fund Board objects to funding recommendations from the Secretariat
- to compensate for delays in grant-making and signing due to force majeure, matters related to the work of the Office of the Inspector General or changes to nominated principal recipients
- to ensure continuation of essential services when there are insufficient Global Fund resources to commit to a new grant

Any funds made available for costed extensions will be deducted from the funding available for the grant’s next implementation period. Extensions will no longer be considered as the first response to timing challenges resulting from alignment issues. The Secretariat will now have the authority to discuss options available to applicants to address these types of challenges.

Read the article [in French](#). Lire l'article [en français](#).

[This article first appears on GFO Live on 10 March 2013]

9. NEWS: Appointments announced for two Board committees: AEC and SIIC

New call for nominations issued for the FOPC

David Garmaise

DECISION POINT: GF/B31/DP13 and GF/B31/DP14

The Global Fund Board approved the appointment of new members for two-year terms on the the Audit and Ethics Committee (AEC) and the Strategy, Investment and Impact Committee (SIIC). Insufficient nominations to the Finance and Operational Performance Committee (FOPC) resulted in a reopening of the process.

Nominations and approval for membership of the AEC was fairly straightforward, but discussions around the SIIC’s composition through 2016 were ongoing in the hallways and among various delegations throughout the

6-7 March meeting of the Board in Jakarta. A paucity of qualified nominees for the FOPC resulted in the decision by the Board leadership to reopen the nominations process, and conduct a shortened cycle with an eye towards seating the committee before 1 May.

Audit and Ethics Committee

The AEC seats eight, with three seats reserved for members of Board delegations (including the vice-chair) and five for non-Board delegations from independent institutions. Four returning external members will remain for a final two-year term: Graham Jocelyne (chair), Mohammed Abdellatif, Gabor Amon and Wendy Harrison.

The fifth external seat, replacing Veronica Charlesworth, will be filled by the Board's chair and vice-chair from a pool of candidates reviewed in first quarter 2012 and should be seated by 1 May. Charlesworth has agreed to remain on the committee until her replacement is seated.

Board delegates joining the committee are Christopher Kassami from the Eastern and Southern Africa delegation. At its meeting in November 2013, the Board had already appointed Claude Rubinowicz (from the France delegation) to the position of vice-chair as well as Marc De Santis of the Canada/Switzerland delegation to fill the third seat for a Board delegation.

For more information about the AEC report to the Board, please see article [here](#).

Strategy, Impact and Investment Committee

Ten of the 16 seats on the SIIC are reserved for voting members of Board delegations. An additional six seats are reserved for non-voting members, including: the chair and vice-chair; two representative from partner organizations; and the chairs of the Technical Review Panel (TRP) and Technical Evaluation Reference Group (TERG). Membership in the SIIC is for two years for all but the representatives of TRP and TERG.

There was a preponderance of nominations for the SIIC due to its central role in the decision-making and agenda setting for the Global Fund. Both prior to and on the margins of the Board meeting, Aidspan understands that there were intensive discussion sessions between and among delegations to steer the nominations process to ensure that all constituencies would be well-represented among the committee's members.

Appointments announced by the Board leadership and approved to join chair David Stevenson (Canada/Australia) and vice-chair Anita Asimwe (Eastern and Southern Africa), who had been appointed in November 2013 during the 30th Board meeting, were:

Aida Kurtovic – Eastern Europe and Central Asia

Vinand Nantulya – Eastern and Southern Africa

Abdalla Osman – Eastern Mediterranean

Mirta Roses – Latin America and the Caribbean

Asia Russell – Developed Country NGOs

Helga Fogstad – Point 7 (Sweden, Denmark, Luxembourg, Ireland, Netherlands, Norway)

Jason Lane – UK/Australia

Julia Martin – USA

Philippe Meunier – France

Jan Paehler – European Commission (Belgium, Italy, Portugal, Spain)

Non-voting representatives from the partners constituency appointed for two-year terms were Lucica Ditiu of STOP TB and Mbulawa Mugabe of UNAIDS.

Finance and Operational Performance Committee

A shortage of candidates qualified to join the 10-member FOPC necessitated an extension of the nominations window for the committee. Nominations for candidature are due by 26 March, with an aim to be seated by 1 May. Those qualified candidates who were already nominated will be retained until this time. The chair and vice-chair of the Board will present recommendations for the 10 voting seats to the full Board by 15 April.

At its meeting in November 2013, the Board had already appointed Soltan Mammadov (Eastern Europe and Central Asia delegation) as chair and Jason Lawrence (US delegation) as vice-chair of the FOPC. These are non-voting positions.

Read this article [in French](#). Lire l'article [en Français](#).

[This article first appeared on GFO Live on 11 March 2014]

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NEWS : [Global Fund confident it will recover \\$103 million in losses](#)

The Global Fund is confident it will be able to recover \$103 million in funds lost under 47 separate incidents in 41 countries and, going forward, will have an appropriate risk management strategy in place to mitigate future losses.

NEWS : [OIG sets course for 2014 with 14 planned country audits](#)

The Office of the Inspector General expects to conduct audits in 14 countries in 2014, according to its report to the Global Fund Board.

NEWS : [New OIG strategy sets timelines for audits and investigations](#)

A new communications strategy released by the Office of the Inspector General (OIG) sets an 18-week timeline for audits and a 20-week timeline for investigations. Training for country stakeholders is planned for the third quarter of 2014.

NEWS : [Global Fund to develop ethics and compliance framework](#)

The need for ethical leadership and a unified organizational culture with a set of overarching values and principles poses a challenge for the Global Fund, according to a consultant hired to develop an ethics and compliance framework.

This is issue 239 of the GLOBAL FUND OBSERVER (GFO) Newsletter.

We welcome suggestions for topics we could cover in GFO. If you have a suggestion, please send it to the Editor of GFO (see contact information below).

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Aidspan Editor-in-Chief: Lauren Gelfand (lauren.gelfand@aidspan.org).

Aidspan Executive Director: Kate Macintyre (kate.macintyre@aidspan.org).

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