

Electronic Report to the Board

Exceptional Extension and Approval of Funding

GF/B35/ER08
Board Decision

PURPOSE: this electronic report presents the Board with an electronic decision point to provide exceptional extensions to and additional funding for existing TB and HIV grants in Bosnia and Herzegovina.

1. GF/B35/EDP10: Approval of Extension and Additional Funding for TB and HIV grants in Bosnia and Herzegovina

This document is part of an internal deliberative process of the Global Fund and as such cannot be made public.

I. Decision Point

1. Based on the rationale described below, the following electronic decision point is recommended to the Board:

Decision Point: GF/B35/EDP10: Approval of Extension and Additional Funding for TB and HIV grants in Bosnia and Herzegovina

1. The Board notes:

- a. ***Its request during the 35th Board Meeting in April 2016 for the Secretariat to review certain existing grants that are ineligible for further funding under the Eligibility Policy to understand potential challenges and progress regarding the transition process for these grants; and***
- b. ***The Strategy Committee's (the "SC") initial discussions in June 2016 of such challenges and progress, as well as its direction to the Secretariat with respect to presenting the Board with possible interim recommendations before further deliberations can be completed, as described in GF/B35/ER08.***

2. Based on the recommendation presented by the Secretariat in GF/B35/ER08, the Board approves the extension of the following tuberculosis and HIV grant programs in Bosnia and Herzegovina until 31 December 2016 with the upper-ceiling amounts of additional funding as follows:

- a. ***USD 900,000 for BIH-T-UNDP; and***
- b. ***EUR 700,000 for BIH-910-Go3-H.***

3. Accordingly, the Board directs the Secretariat to continue its engagement and monitoring of the domestic uptake of activities critical for programmatic and financial sustainability for the tuberculosis and HIV grant programs in Bosnia and Herzegovina, including the inclusion of such expenditures in relevant government budgets as well as signed government commitments to facilitate sustainable responses and successful transition from Global Fund financing.

II. Relevant Past Decisions

1. Pursuant to the Governance Plan for Impact as approved at the Thirty-Second Board Meeting,¹ the following summary of relevant past decision points is submitted to contextualize the decision point proposed in Section II above.

¹ GF/B32/DP05: Approval of the Governance Plan for Impact as set forth in document GF/B32/08 Revision 2.

Relevant past Decision Point	Summary and Impact
GF/B35/DPo8: Sustainability, Transition and Co-financing Policy (April 2016).²	The Board approved the Sustainability, Transition and Co-financing Policy (the “STC Policy”) based on the recommendations of the Strategy, Investment and Impact Committee, as set forth in GF/B35/04 – Revision 1. Under the STC Policy, the Secretariat will consider any exceptions, where needed, taken into account relevant contextual factors. Furthermore, outcomes from regular monitoring and evaluation of the transition process will be presented regularly to the Strategy Committee to inform further development of related policies and practices.
GF/B35/DPo7: Revised Eligibility Policy (April 2016).³	The Board approved the Revised Eligibility Policy. In doing so, it maintained the scope of Transition Funding, which provides up to three-years of funding for priority transition needs to existing grants in the allocation period immediately following their change in eligibility, as adopted by the Board in November 2013 (GF/B30/DPo5) for initial application for the 2014 – 2016 allocation period.
GF/FOPC17/DPo2: Validation of Available Funding for Portfolio Optimization (March 2016)	Based on its review and discussion of the Secretariat’s risk-adjusted analysis of sources and uses of funds, as presented in GF/FOPC17/10 (i.e., the updated Mid-Term Plan), the Finance and Operational Policy Committee (FOPC) validated US\$700 million as the amount of available funding for portfolio optimization. This amount of available funding will serve as the source of funds to finance the funding recommendations for priority areas arising from the 2014 to 2016 allocation period.

III. Background

01 Request from the Board in April 2016

2. At the 35th Board Meeting in April 2016, the Board approved a new Sustainability, Transition and Co-financing Policy (the “STC Policy”) together with a revised Eligibility Policy. The approved policies did not change the scope of Transition Funding, as initially adopted by the Board in November 2013. These policies provide for up to three-years of funding for priority transition needs for existing grants that become ineligible from one allocation period to the next.

3. As part of the approval of the STC Policy, the Board asked the Secretariat to review existing grants that are ineligible for further funding under the Eligibility Policy. The intent of this review was to understand and potentially act on challenges to successful transition within these grants. The Strategy, Investment and Impact Committee, while recommending the STC Policy to the Board, asked that the Secretariat should bring challenges to sustainable responses and successful transition to the Strategy Committee for future consideration.

² <http://www.theglobalfund.org/Knowledge/Decisions/GF/B35/DPo8/>

³ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B35/DPo7/>

4. In June 2016, the Strategy Committee received an update on this issue noting their oversight role vis-à-vis the STC policy and, while not providing recommendations on the individual grants, the Strategy Committee noted the timing of these decisions and the need for clear criteria to determine whether or not a recommendation funding for these grants should be made to the Board.

02 Proposed Process and Interim Recommendation

5. Based on its initial review, and as shared with the Strategy Committee, the Secretariat has identified 7 country components with active, existing grants⁴ as well as two grants that are in closure⁵ that are currently ineligible for further funding under the Eligibility Policy and did not receive an allocation for the 2014 – 2016 allocation period due to their ineligibility. As these country components became ineligible prior to the allocation-based funding model (i.e., Rounds system), they are scheduled to end throughout 2016, with one as early as 31 July 2016.

6. The Secretariat proposes to review each grant against clear criteria in order to assess the impact of ending the grants according to current timelines. Grants will be reviewed against the following criteria and an extension will only be considered if:

- a) There was no allocation, Transition Funding⁶ or otherwise, provided as part of the 2014-2016 allocation; and
- b) Cessation of funding according to current timelines will reverse impact and stop funding for key populations, critical commodities or interventions addressing key barriers to successful transition; and
- c) Additional time will result in realistic likelihood of successful transition by the end of a specified extension period; and
- d) Additional funding is conditional on signed government commitments and disbursements will be conditional upon achievement of key/critical transition-specific milestones; and
- e) Grant can be managed through simplified processes; and
- f) The Global Fund has not put in place strong efforts to support a successful transition; or
- g) WAMBO could assist with procurement challenges.

7. Given there are no currently authorized sources of funds for such extensions, the Board could consider authorizing the use of funds from the 2014-2016 allocations that are validated for portfolio optimization. Decisions on these grants, including any associated funding implications, would not change a country component's eligibility status or result in 2017-2019 allocations.

8. Noting that any additional time and funding for ineligible grants does not change their eligibility status and is outside the allocation process, extensions may be for less than three years and will not be tied to the allocation period. As noted in 6d. any additional funding recommendations will be conditional on the achievement of specific government commitments, and disbursements will be directly tied to the achievement of key milestones.

9. The Secretariat notes that the majority of these grants have sufficient funds to request a no-cost extension until 31 December 2016 in the event that additional implementation time would benefit the transition process.

10. Bosnia and Herzegovina's ("BiH") existing tuberculosis and HIV grants are ending on 31 July 2016⁷ and 30 September 2016 end dates, respectively. These grants have already had no-cost extensions for

⁴ Bosnia and Herzegovina HIV, Bosnia and Herzegovina TB, Macedonia HIV, Macedonia TB, Ecuador TB, Colombia TB, Iran Malaria

⁵ Bulgaria HIV and Tunisia TB

⁶ Since the determination of the 2014 eligibility list, the Eligibility Policy provides up to one additional allocation (i.e. up to 3 years) for ineligible country components with existing grants for the allocation period immediately following their change in eligibility. Paragraph 13 GF/B35/06 – Revision 1.

⁷ An additional no-cost extension of one month was approved by the Secretariat on 30 June 2016 to enable grant continuation while the Board considers the request for a costed extension until 31 December 2016.

nine and ten months, respectively, and there are no remaining funds to extend beyond a few weeks. There has been significant work carried out to date to ensure a responsible transition. The country has developed costed transition plans, and there are emerging commitments to pick up key program costs, including health products from the respective government counterparts⁸. However, there have been no concrete commitments made and systemic issues in national procurement systems to allow for the procurement of health products, including first and second line tuberculosis drugs and opioid substitution medications, have not been completely addressed. The Secretariat notes that the government budgeting processes for 2017 health needs will occur in September 2016. Due to these extremely short timelines, this electronic report presents a decision point to the Board for the approval of interim extensions to the following grants, in the amounts listed until 31 December 2016 to enable the process described in paragraph 6 to proceed:

- a. BIH-T-UNDP– USD 900,000; and
- b. BIH-910-Go3-H – EUR 700,000.

11. An extension of these grants until 31 December 2016 would allow for additional time to advocate and monitor government commitments for critical interventions, including treatment and diagnostic services and programs for key and vulnerable populations, which may otherwise cease.

12. The Secretariat will consider any potential additional funding from the current allocation period as part of its review of the full sub-set of existing grants that are ineligible for further funding and did not receive an allocation in the 2014 - 2016 allocation period, and provide recommendations to the Board if needed.

03 Financial Implications and Source of Funds

13. In March 2016, the Finance and Operational Performance Committee (the “FOPC”) validated USD 700 million as the amount of funding available for portfolio optimization. Portfolio optimization is an operational mechanism to address remaining funding priorities from the 2014 – 2016 allocation period upon an endorsement of the amount of funding available by the committee responsible for financial oversight. At the time, the identified priorities were:

- a. the portfolio of country components with grants funded by the 2014 – 2016 total allocation that end prior to 31 December 2017 based on operational flexibility provided in the Board’s March 2014 approval of the 2014 – 2016 total allocation (the “Shortened Grants”)⁹; and
- b. those applicants that participated in the concept note development process as part of the 2013 transition to the allocation-based funding model, prior to the Board’s March 2014 approval of the 2014 – 2016 total allocation (the “Early Applicants”).¹⁰

14. The March 2016 discussions also recognized that any additional surplus of funds identified through updated financial forecasts could be considered for funding appropriate items on the register of unfunded quality demand (“UQD”) upon confirmation that the potential 2017 funding needs of Shortened Grants and Early Applicants would be addressed.

⁸ The State of Bosnia and Herzegovina is divided into two entities and a self-governing administrative unit. Each entity has its own political structure and administration, with an overarching but relatively weak central government. Financing, organization and provision of health services are under the responsibility of the entities. The health system of one of the entities is further decentralized, with ten cantonal ministries responsible for financing and health service provision.

⁹ GF/B31/DP09

¹⁰ GF/B28/DP05

15. To date, USD 461 million of the USD 700 million validated in March 2016 have been approved by the Board or recommended to the Board for Shortened Grants and Early Applicants. The additional funding proposed for BIH-T-UNDP and BIH-910-G03-H would come from the remaining balance of the initially-validated USD 700 million. Based on latest F2 forecasts presented to AFC in June 2016, doing so would not adversely affect the Secretariat's management of the potential funding needs in 2017 due to Shortened Grants and Early Applicants.

IV. Recommendation

16. Based on the rationale described above, the Secretariat recommends that the Board approve the decision point accompanying this electronic report.

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