Electronic Report to the Board

Report of the Secretariat’s Grant Approvals Committee

GF/B35/ER12
Board Decision

PURPOSE: This document proposes two decision points as follows:

1. GF/B35/EDP15: Decision on the Secretariat’s Recommendation on Additional Funding from the 2014 Allocation[1]
2. GF/B35/EDP16: Decision on the Secretariat’s Recommendation on Grant Extensions[2]

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

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[1] Angola TB and RSSH, Ecuador HIV, Guinea Bissau HIV, Kenya malaria (shortened grant), RedTraSex HIV. Total incremental amount is US$33,029,710 and €4,831,435.
[2] Syria HIV, Syria TB, Thailand malaria, Yemen HIV and Yemen TB. Total incremental amount is US$529,652.

The Global Fund

I. Decision Points

1. Based on the rationale described in Section IV below, the following electronic decision points are recommended to the Board:

1.1 Set forth below is the Secretariat's recommendation to approve additional funding up to an amount of US$33,559,362 and €4,831,435.

<u>Decision Point: GF/B35/EDP15: Decision on the Secretariat's Recommendation on Additional Funding from the 2014 Allocation</u>

The Board:

1. *Approves the incremental funding recommended for each country disease component, and its constituent grants, as listed in Tables 1.a. and 1.b. of Section IV to GF/B35/ER12 ("Table 1");*

2. *Acknowledges each country disease component's constituent grants will be implemented by the proposed Principal Recipients listed in Table 1, or any other Principal Recipient(s) deemed appropriate by the Secretariat in accordance with Global Fund policies;*

3. *Acknowledges the original grant duration, manifested in the form of either the implementation or budgeted period, of each country disease component and its constituent grants listed in Table 2 of Section IV ("Table 2") is shortened according to the operational flexibility granted to the Secretariat pursuant to GF/B31/DP09;*

4. *Approves the additional incremental funding and implementation period recommended for the Kenya malaria disease component, and the component's constituent grants, as listed in Table 2, based on the available funding that the Finance and Operational Performance Committee (the "FOPC") validated pursuant to GF/FOPC17/DP02;*

5. *Affirms the (additional) incremental funding approved under this decision (a) increases the upper-ceiling amount that may be available for the relevant implementation period of each country disease component's constituent grants, (b) is subject to the availability of funding, and (c) shall be committed in annual tranches; and*

6. *Delegates to the Secretariat authority to redistribute the overall upper-ceiling of funding available for each country disease component among its constituent grants, provided that the Technical Review Panel (the "TRP") validates any redistribution that constitutes a material change from the program and funding request initially reviewed and recommended by the TRP.*

This decision does not have material budgetary implications for the 2016 Operating Expenses Budget.

1.2 Set forth below is the Secretariat's recommendation to approve grant extensions.

<u>Decision Point: GF/B35/EDP16: Decision on the Secretariat's Recommendation on Grant Extensions</u>

The Board:

1. *Approves extension of the relevant implementation period for each grant listed in Table 3 of Section IV to GF/B35/ER12.*

This decision does not have material budgetary implications for the 2016 Operating Expenses Budget.

II. Relevant Past Decisions

1. Pursuant to the Governance Plan for Impact as approved at the Thirty-Second Board Meeting,[3] the following summary of relevant past decision points is submitted to contextualize the decision points proposed in Section I above.

Relevant Past Decision Point	Summary and Impact
GF/FOPC17/DP02: Validation of Available Funding for Portfolio Optimization	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 Performance Committee (FOPC)[4] 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.
GF/B31/DP12: Extension Policy under the New Funding Model[5]	This decision point establishes the current policy, based on which the extensions described in this report are granted and reported by the Secretariat or otherwise recommended to the Board for approval.
GF/B31/DP09: Transition from the Third to the Fourth Replenishment Period[6]	This decision point granted operational flexibility to the Secretariat, which has resulted in shortening the duration over which certain grant programs may utilize their 2014 total allocation so that grant terms end prior to 31 December 2017.[7]
GF/B33/EDP15: Decision on the Secretariat's Recommendation on Additional Funding from the 2014 Allocation	This decision point refers to the funding recommendation with regards to the Kenya program approved by the Board on 11 September 2015.
GF/B33/EDP29: Decision on the Secretariat's Recommendation on Policy Exceptions for Processing HIV and TB Funding Applications from Certain Countries in the Middle East Region.	This decision point granted policy exceptions for processing HIV and TB funding applications from these countries to access relevant 2014-2016 funding allocations: (i) waiver of the CCM eligibility requirements; (ii) waiver of the counterpart financing requirement; and (iii) waiver of the "willingness-to-pay" requirement.

[3] GF/B32/DP05: Approval of the Governance Plan for Impact as set forth in document GF/B32/08 Revision 2 (http://www.theglobalfund.org/Knowledge/Decisions/GF/B32/DP05/)
[4] As of 28 April 2016, the Audit and Finance Committee succeeded the FOPC.
[5] GF/B31/DP12: Extension Policy under the New Funding Model (http://www.theglobalfund.org/Knowledge/Decisions/GF/B31/DP12/)
[6] GF/B31/DP09: Transition from the Third to the Fourth Replenishment Period (http://www.theglobalfund.org/Knowledge/Decisions/GF/B31/DP09/)
[7] The said decision point states: "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 and/or regions, has the operational

III. Action Required

1. The Board is requested to consider and approve the decision points recommended in Section I above.

2. Please find here a list of documents provided per disease component to substantiate the Board decision. All relevant documents containing the Secretariat's reason for its recommendations to the Board and the Funding Requests/comments have been posted on the Governance Extranet available at this link.

   a. Concept Note
   b. Concept Note Review and Recommendation Form
   c. Grant Confirmation
   d. TRP Clarification Form (applicable only if the TRP requested clarifications)

flexibility to structure longer or shorter grant implementation periods while applying the principles of the allocation model (GF/B28/DP4) to guide funding levels towards the amounts derived from the allocation formula."

IV. Summary of the deliberations of the Secretariat's Grant Approvals Committee

Table 1a: Secretariat's Funding Recommendation on Additional Funding from the 2014 Allocation (Country Applicants)

N	Applicant	Disease component	Proposed Principal Recipient (Grant Name)	Grant end date	Currency	Total Program Budget	Sources		Recommended Total Incremental Funding	Incentive Funding included in Total Incremental Funding	Unfunded Quality Demand	Domestic Commitment
							Existing Funding	Recommended Incremental Funding				
1	Angola	TB and RSSH	AGO-T-MOH	31 December 2018	US$	20,074,781	6,588,507	13,486,274	13,486,274	3,876,506	2,819,345	14.4 million
2	Ecuador	HIV/AIDS	ECU-H-KIMI	31 December 2019	US$	7,319,490	2,305,428	3,396,323	3,396,323	n/a	0	51.3 million
			ECU-H-MCDS	31 December 2019			1,617,739	0			0	
3	Guinea-Bissau	HIV/AIDS	GNB-H-SNLS	31 December 2017	€	7,175,592	2,344,157	4,831,435	4,831,435	0	0	1.97 million

Table 1b: Secretariat's Funding Recommendation on Additional Funding from the 2014 Allocation (Regional Applicants)

N	Applicant	Disease component	Currency	Proposed Principal Recipient (Grant Name)	Grant end date	Total Program Budget	Sources		Recommended Total Incremental Funding	Incentive Funding included in Total Incremental Funding	Unfunded Quality Demand	Domestic commitment
							Existing funding	Incremental amount for Board approval				
1	RedTraSex	HIV/AIDS	US$	MAT-011-G01-H	31-Jan-18	2,869,270	1,652,074	1,217,196	1,217,196	n/a	n/a	n/a

Table 2: Secretariat’s Funding Recommendation on Shortened Grants

N	Applicant	Disease Component	Grant Name	Currency	Period of Extension (Months)	Previously Approved Grant Budget	Revised Budget for Board Approval	Original Existing Funding	Additional Existing Funding	Incremental Funding Already Approved	Additional Incremental Funding for Board Approval	Total Additional Incremental Funding for Board Approval	Revised Unfunded Quality Demand
1	Kenya	Malaria	KEN-M-AMREF	US$	6	8,836,261	11,586,301	4,435,788	0	4,400,473	2,750,040	14,929,917	0
			KEN-M-TNT		6	68,437,630	80,617,507	49,352,995	0	19,084,635	12,179,877		

Table 3: Secretariat’s Recommendation on Grant Extensions

N	Applicant	Disease Component	Grant name	Currency	Period of Extension (Months)	Additional Funding	Rationale
1	Yemen	HIV/AIDS	YEM-T12-G08-H	US$	6	529,652	See paragraphs 1.21 to 1.24 below
2	Syria	HIV/AIDS	SYR-011-G02-H	US$	6	0	
3	Syria	TB	SYR-607-G01-T	US$	6	0	

01 Summary of the Deliberations of the Secretariat's Grant Approvals Committee (GAC) on Funding Recommendations

The following grants resulting from three concept notes have been found to be disbursement-ready by the Global Fund Secretariat in a thorough review process and in consultation with partners.

The concept note for each country component was submitted for review, reviewed by the TRP and determined to be strategically focused and technically sound. The TRP, upon its review, highlighted issues for the applicant to clarify or address during grant-making.

The GAC considered and endorsed the TRP's recommendations and provided an additional level of review. At the time of its first review, the GAC set the upper-ceiling funding amount for grant-making, awarded incentive funding bearing in mind TRP recommendations on the prioritization of the above allocation request, and identified other issues for the applicant to consider as the grant was prepared to be disbursement-ready.

During grant-making, the applicant refined the grant documentation, addressed issues raised by the TRP and GAC and sought efficiencies where possible. In its second review, the GAC reviewed the final grant documentation for disbursement-readiness and confirmed that the applicant addressed issues requested for clarification by the TRP to its satisfaction. Additionally, the GAC endorsed the reinvestment of efficiencies in one of the following: (i) the areas recommended by the TRP; (ii) in other disease components of the same applicant – in the case that the TRP did not provide such recommendations; or (iii) into the general funding pool.

Each applicant has met the counterpart financing requirements as set forth by the Eligibility and Counterpart Financing Policy. Domestic commitments for disease-specific and health-related spending are subject to local currency value fluctuations against US dollars and Euro.

Angola TB and RSSH Grant: Ministry of Health of the Government of the Republic of Angola (AGO-T-MOH)

1.1 Country context. Angola endured a three-decade long civil war until 2002, with devastating effects on the country and consequently in the health sector in terms of infrastructure, human resources and provision of health care in general. In the last twelve years, Angola has seen increasing stability and made some impressive development gains, focusing on improving access to health care and education. Though Angola has one of the fastest growing economies in the world and the recent improvements following the civil war, Angola faces the paradox of having some of the poorest health and development indicators in the world, with 37 percent of Angolans live below the poverty line. Angola has also shown limited progress in the UN Millennium Development Goals related to health, and remains the country with the highest child mortality rate in the world and one of the highest maternal mortality rates in the world. Life expectancy at birth has increased from 43 in 1990 to 52 years in 2013. Access to public health services is around 44 percent, and Angola is estimated to have two or less physicians and about 16 nursing and midwifery personnel per 10,000 population, the majority of whom work in urban areas.

1.2 Strategic focus of the program. The TB burden in Angola is high, with an incidence rate of 370 per 100,000 and a prevalence rate of 490 per 100,000 in 2014. The trend in case notifications for all forms of TB shows a progressive increase from 2007 to 2013 but TB case detection rates remain low, reflective of the inadequate number of microscopy laboratories, which cover only 20 percent coverage of the population. The coverage of treatment is also low at 43 percent, mainly due to inadequate number of human resources in the health services. Rates of loss to follow-up, treatment failure and death are also substantial concerns. Strengthening the efficiency and effectiveness of the national health system remains challenges, with gaps in areas such as health information systems, procurement and supply of health commodities, human resources for health at all levels, and service integration. The goals of the Global Fund-financed program are to:

- Reduce the TB incidence rate from 370 per 100,000 in 2014 to 317 per 100,000 in 2018, and the TB mortality rate from 52 per 100,000 in 2014 to 46 per 100,000 in 2018;

- Reduce the under 5 mortality rate per 1,000 live births from 167 in 2013 to 149 in 2018; and
- Reduce maternal mortality ratio per 100,000 population from 460 in 2015 to 420 in 2018.

Context-specific strategies and activities to support these goals include:

- Supporting the expansion of case notifications for all forms of TB to 72,685 cases in 2017 and 77,774 in 2018;
- Covering treatment and diagnostic equipment needs for multidrug resistant TB in coordination with the Government of Angola;
- Strengthening the epidemiological routine surveillance system, the health information system and program monitoring and evaluation; and
- Strengthening the national procurement, storage and supply chain systems.

Planned achievements of the proposed programming include:

- Increasing the treatment success rate of bacteriologically confirmed TB cases from 66.2 percent in 2014 to 85 percent in 2018;
- Decreasing the percentage cases with drug resistant TB started on treatment for multidrug resistant TB who were lost to follow up after six months from 12.8 percent in 2014 to 4 percent in 2018; and
- Increasing the proportion of health management information systems or other routine reporting units submitting timely reports according to national guidelines from 45.1 percent in 2015 to 100 percent in 2018.

1.3 Implementation arrangements and risks. The Secretariat has identified several major risks for the Angola TB and RSSH programs and have put in place the following mitigation measures:

- Weak program management capacity and poor absorption: A technical support unit is being established to provide technical assistance, build capacity and drive implementation of the new grants implemented by the Ministry of Health, to replace the existing program management unit with the help of a transition team.
- Risk of treatment disruptions due to a weakness in the national storage system and supply chain: Global Fund-financed commodities will be distributed using a private sector service provider who also stores and distributes Global Fund-financed HIV health commodities, in order to assure their delivery to end users at beneficiary facilities.
- Recurrent stock outs of TB first- and second-line drugs and forecasting for MDR-TB drugs: The TB program is supported by the WHO to provide drug forecasting estimates. To ensure that government commitments for financing first- and second-line drugs, the Global Fund is working with the government to channel procurement through the Global Drug Facility as well as to ensure that sufficient technical support is received to ensure efficient and timely procurement processes.
- Weak systems and poor coordination in the public health supply chain: The Secretariat will continue consultations with the other partners and seek opportunities towards enterprise re-set of the central medical store to catalyze transformation of the public health supply chain.
- Poor TB data quality: Long-term technical assistance will be provided to the national TB program throughout the duration of the grant, particularly for community-based DOTS, diagnostics strengthening, MDR-TB, and TB/HIV integrated services. The grant budget includes funds to train TB focal point officers at provincial level in all 18 provinces monitoring on evaluation and statistical analysis. This will be periodically reinforced by routine supervision to ensure strengthening of capacity, and improve decision-making processes.
- Weak routine reporting, surveillance and capacity for data analysis: The RSSH component of this grant includes technical assistance to review data collection tools at primary level and routine surveillance systems.
- Community-level reporting system: The national TB program does not presently have a reporting system at the community level and the integration of community-level data collected by community health workers is still under discussion. The Ministry of Health will integrate community-based DOTs indicators into the new national TB monitoring and evaluation framework and the national TB program will validate the reporting tools at all levels.

1.4 Investigation by the Office of the Investigator General (OIG). In its report released in January 2016, the OIG identified US$4 million of ineligible expenditures by the Ministry of Health in 2013 under the

malaria program as recoverable through procurement fraud. To date, US$2.8 million has been recovered and in order to prevent such fraud occurring in the future, new measures for the use of program funds are being enforced including engaging a fiscal agent financed by the Ministry of Health, and provisioning for a fiscal agent to oversee the financial management and procurement of non-health good and services. In the meantime, Angolan authorities have arrested and indicted the officials involved and criminal proceedings are ongoing. The repayment of the outstanding US$1.2 million has been included as a condition in the new malaria grant and the Secretariat will continue to engage the Government of Angola on this subject.

1.5 Domestic contributions. Total domestic financial commitments for TB amount to 14.4 million, which represents 59 percent of total resources available for the next implementation period. Sustainability of domestic financing of the disease programs was a key issue discussed during grant-making involving both the Ministries of Health and Finance. The Secretariat worked with partners throughout 2015 when, due to the fiscal crisis related to the fall in oil prices, the health budget suffered significant cuts. The 2016 budget, approved in March, showed an increase of 24 percent for health and, furthermore, the national budgeting director disclosed TB-related budget lines through which expenditures will be tracked. Despite the worsening fiscal crisis that has resulted in a devaluation of the local currency and US dollar currency restrictions, as well as yellow fever and malaria outbreaks during the first half of 2016, the Government provided written commitment to procure all first-line TB drugs and their share of other TB health commodities as well as absorbing the costs associated with second-line TB drugs by December 2018. These procurements will be closely monitored by the Secretariat.

1.6 GAC review and recommendations. The GAC and partners acknowledged the challenging circumstances under which the Angola grants operate. The GAC called on partners to invest in high-level dialogue to ensure sustained increase and delivery of domestic financial commitments for health, with specific reference to the TB program and building resilient and sustainable systems for health, In addition, GAC highlighted the need for partners' collaboration to ensure long-term technical support to the country, noting that support is already provisioned for in some areas, such as procurement and supply chain management systems, including forecasting and quantification of commodities as well as community-level strategies to increase the coverage of TB and other critical health interventions. GAC partners commented on the restructuring of the Ministry of Health and potential impact of capacity-strengthening activities included in the grant, highlighting the need for support at the community level and long-term technical assistance to improve effectiveness and performance of national health programs. GAC partners also brought attention to the new Minister of Health and the new director of the TB program, who brings strong and much leadership and governance, with plans to address the capacity of the national program's staff as well as the low TB treatment success rates. The Secretariat highlighted that the grant seeks to scale up TB treatment and significantly expand national coverage noting that, as per discussions with WHO, though targets appear ambitious, current coverage is extremely low giving even modest investments the potential to achieve major improvement. The GAC took into account that meeting the defined targets depends on governmental leadership and ownership, and follow-through on funding commitments, for which the Secretariat continues to engage a range of stakeholders, particularly on the government's commitment to procure first-line TB drugs, MDR-TB drugs, and microscopy and laboratory consumables.

Ecuador HIV Grant: Corporación Kimirina (ECU-H-KIMI)

1.7 Strategic focus of the program. Ecuador's HIV epidemic is concentrated in men who have sex with men and transgender women, with respective prevalence rates of 11 percent and a 31.9 percent in urban areas. The goal of the Global Fund-supported program is to contribute to achieving the 90-90-90 goals by intensifying HIV prevention and reducing access barriers to services for key populations in Ecuador. Context-specific strategies and activities to support this goal include:

- Prevention programs for key populations including men who have sex with men, transgender women and sex workers through community system interventions;
- Improvement of treatment, care and support services with the implementation of the national norm of universal access to HIV treatment and the comprehensive HIV attention model; and
- Health system strengthening with the development of an integrated Ministry of Health information system for routine reporting.

Planned subnational achievements of the proposed program include:

- Increasing the percentage of men who have sex with men who are reached with a defined package of HIV prevention services up to 95 percent in 2019 in the 8 priority regions through the interventions managed by the civil society principal recipient; and
- Increasing the percentage of transgender people who are reached with a defined package of HIV prevention services up to 92 percent in 2019 in the 8 priority regions through the interventions managed by the civil society principal recipient.

1.8 Domestic contributions. Total domestic financial commitments for HIV amount to US$51.3 million, which represents 63 percent of total resources available for the next implementation period. The government plans to use this funding to strengthen the national comprehensive HIV response, assure health promotion and HIV prevention, and guarantee comprehensive healthcare attention and human rights.

Guinea-Bissau HIV Grant: National Secretariat to Fight AIDS of the Government of Guinea-Bissau (GNB-H-SNLS)

1.9 Background. The TRP initially reviewed the Guinea-Bissau HIV grant in Window 8 in November 2015 and found that while the applicant demonstrates use of the available but limited epidemiological data and makes a candid presentation of significant health system weaknesses including a barrier analysis and the concept note contains some technically sound interventions, it is not fully strategically focused and lacks comprehensive analysis of the HIV epidemic. However, recognizing the challenging operating environment in Guinea Bissau and weak health system capacities, the TRP applied flexibilities and a differentiated approach to managing the Guinea Bissau concept note and recommended that the concept note proceed to grant-making contingent upon the applicant adequately addressing technical issues to the satisfaction of the TRP before the grant proceed to the Board for approval. The objective of the approach was to facilitate iterative engagement between the applicant and the TRP in line with the principles of the new funding model, while also allowing a differentiated and phased approach to managing the critical technical issues that need to be addressed by the applicant in light of the challenging operating environment. The proposed approach also considers the need to rapidly scale up, and further maximize opportunities for deployment of technical assistance to support the country in addressing the identified technical issues during grant making and grant implementation while mitigating the potential risk of a protracted concept note development phase and risk of program disruption in light of weak health system capacity. For example, the TRP requested the applicant (i) to revisit the strategic priorities to focus on key priority and high impact interventions including key populations in line with the HIV epidemic and country context; (ii) to develop a plan to conduct a biological and behavioral study among key populations and validate size estimates of key populations and hot spot or geographical mapping of the epidemic to help inform future targeting of the national response; (iii) to develop a time-bound plan with associated budget to strengthen the procurement and supply chain management system, to be implemented during grant implementation. Prior to the GAC's review and recommendation of the grant for Board approval, the applicant submitted responses outlining actions taken against the technical issues raised by the TRP, which the TRP found to be satisfactory.

1.9 Strategic focus of the program. Guinea-Bissau, a challenging operating environment, has a generalized HIV epidemic with a prevalence rate of 3.3 percent among the general population. It is also one of the few countries were both HIV-1 and HIV-2 viruses are present. The Global Fund-supported program's goal is to help the country start its transition towards a prosperous, mutually supportive society that guarantees universal access to HIV prevention and AIDS treatment services, in a manner that respects gender and human rights, with leadership and national ownership confirmed through funding for the national response. Context-specific strategies and activities to support this goal include:

- Ensuring essential prevention services for key populations at higher risk of HIV exposure and infection;
- Ensuring a continuity of essential services for adults and children living with HIV according to their specific needs; and
- Providing complete and reliable strategic information on epidemic trends for decision-making and resource allocation.

Planned achievements of the proposed programming include:

- Increasing the percentage of adults and children with HIV known to be on treatment 12 months after initiation of ART from 73.6 percent in 2014 to 81 percent in 2017;
- Increasing the percentage of men who have sex with men who are reached with a defined package of HIV prevention services from 35.7 percent in 2015 to 78 percent in 2017; and
- Increasing the proportion of expected facility reports received during the reporting period to 100 percent by 2017.

1.10 Human resource costs and performance incentives. Currently, the Global Fund finances 100 percent of all human resource costs of the Principal Recipient, the National AIDS Secretariat. In order to pursue the objective of increased country ownership and sustainability, a condition has been included in the grant agreement that a human resources and sustainability plan level must be submitted by December 2016, with the minimum contribution from the government to cover the salary of the executive secretary of the National AIDS Secretariat by December 2017. In addition, prior to the signature of the grants in the 2014 to 2016 allocation period, performance incentives for a selected number of staff at sub-recipient and implementation level had been misaligned across the active Global Fund grants in Guinea-Bissau. In order to harmonize top-up levels across the grants, with an aim to phase them out, the CCM submitted a proposal for standardized top-ups to be applied to all grants in Guinea-Bissau. The Global Fund has approved this plan and it will be in effect through December 2017, after which point incentives will no longer be paid. It should be noted that the new incentive scheme being implemented is performance-based.

1.11 Operational issues and implementation challenges. Political instability and fragility continue to affect Guinea-Bissau and may impact government contributions to health. Strikes in the health and education sectors have seriously affected the delivery of health and other key services. The recurrent instability and crisis that the country experiences could set back economic growth, revenues and commitment to key reforms. To mitigate the risk that the Government of Guinea Bissau may not fill its health commitments, there is an ongoing dialogue and engagement with the CCM and the Ministry of Public Health.

1.12 Domestic contributions. Total domestic financial commitments for HIV amount to €1,968,461, which represents 16 percent of total resources available for the next implementation period. The government plans to use this funding mainly for recurrent costs, such as health worker salaries, and program management costs for ART sites.

1.13 GAC review and recommendations. The GAC and partners commended the grant-making process considering the very challenging operating environment, noting the need to capitalize on lessons learned in the next funding cycle. GAC partners requested information on the CCM, highlighting its reliance on external donors, and was informed by the Secretariat that the CCM has come a long way in the last two years and the intention going forward is to maintain these gains, particularly with the support of the technical assistance provided by the French government. GAC partners noted the opportunity to achieve synergies with other donor initiatives and the Secretariat responded that, though there are few donors in the country, planning for the use of RSSH funds from the Global Fund has served as a catalyst to engage all stakeholders productively, a precursor to country dialogue in the next funding cycle. Recognizing the commitment from the Government of Brazil to provide ART stocks to Guinea Bissau, the GAC partners commended the country for the achievement of keeping people on HIV treatment ongoing in this environment and endorsed the reinvestment of unit cost savings into buffer stocks to mitigate risks of stock-out. Lastly, GAC partners provided encouragement on the effort underway to harmonize and transition human resource costs, which will allow the program to focus on HIV treatment and reaching more key populations.

02 Summary of the Deliberations of the GAC on Shortened Grants

Introduction

In this report, the Secretariat recommends to the Board additional funding for, and extension of, one of the grants[8] with an implementation period ending prior to 31 December 2017 (the "Shortened Grants"). As reported to the FOPC and the Board, Shortened Grants are a sub-set of the grant portfolio where the Secretariat has applied operational flexibility provided by the Board to shorten (or lengthen) the duration of certain grants (GF/B31/DP09). The result of exercising this flexibility, together with countries that were early applicants during the 2013 transition to the allocation-based funding model, is that several grants have end dates before 31 December 2017, which marks the end date of the typical four-year period over which the total funds allocated in March 2014 were to be utilized (GF/B31/DP09).

The Secretariat applied the operational flexibility for Shortened Grants based on an evaluation of the need to maintain the scope and scale of certain disease component programs. These considerations factored in coverage levels of essential programmatic interventions previously funded by the Global Fund, including gains achieved in controlling or reversing the epidemics, and recognized that certain countries had LLIN mass campaign cycles that resulted in having to use their total allocation to cover two LLIN mass campaigns.

Once disease components were prioritized as Shortened Grants, the TRP reviewed the relevant concept notes based on the understanding that technically sound and strategically focused elements of the request for funding beyond the planned shortened implementation period would be treated as quality demand that could not be funded within the amounts initially allocated to the country components. The GAC approved the final grant amounts for funding recommendation to the Board based on a systematic and robust process of validating programmatic assumptions and funding gaps as submitted in the concept notes and confirmed by the TRP. In its review of the disbursement-ready extension to the grants, the GAC took into account risk assurance mechanisms, program progress made to date and the fulfillment of TRP and GAC clarifications during implementation.

Shortened Grants are submitted to the Board for approval on a case-by-case basis. This is determined by the timing of when additional funding would be needed, by quarter and month, in line with estimated delivery lead times for commodities, timing of implementation of key programmatic activities, such as mass long-lasting insecticidal net campaigns, and engagement of in-country stakeholders, including CCMs, Principal Recipients and in-country technical partners. This is to ensure program budgets and availability of funds for 2017 are aligned with the most up-to-date programmatic information.

The additional resources for investment in Shortened Grants, requested for approval by the Board, are derived from the amount of available funding validated by the FOPC at its 17th meeting in March 2016. This available funding has been managed within the limits of the 2014 to 2016 allocation, based on the operational mechanism put in place to leverage forecasted unspent funds across the portfolio through portfolio optimization, as most recently presented to the Audit and Finance Committee (the "AFC"), the successor committee to the FOPC, in June 2016.[9]

Kenya Malaria Shortened Grants: African Medical and Research Foundation (KEN-M-AMREF) and the National Treasury (KEN-M-TNT)

1.14 Rationale for costed extension. The GAC recommends for Board approval the extension of Kenya's malaria shortened grants to continue implementation through 31 December 2017, and to sustain the scope and scale of essential malaria services in 2017.

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[8] Disease components with Shortened Grant implementation periods include the following: Kenya Malaria, Mozambique Malaria, Mozambique HIV, Sudan Malaria, Tanzania HIV, Uganda Malaria, Uganda HIV, Zimbabwe Malaria, Congo (Democratic Republic) Malaria, Nigeria Malaria, and Ghana Malaria. These will be presented for approval by the Board for additional funding or grant extension over the coming months, the timing of which will be aligned to programmatic and funding needs, on a case-by-case basis.

[9] As set forth in GF/AFC01/05.

1.15 Background of the shortened grant duration. Under GF/B33/EDP15, the grants for the Kenya malaria program were exceptionally authorized to have a shortened grant duration until 30 June 2017 for KEN-M-AMREF and KEN-M-TNT. The Kenya malaria funding request was submitted to the TRP in window 5 in March 2015 to reprogram the phase 2 grants signed in May 2014, in addition to integrating US$25 million available to the country through the 2014-2016 allocation. The reprogramming request took into account the recently revised national strategic plan, with a focus on contributing to the 2017 national goal of reducing the morbidity and mortality attributable to malaria by two thirds of the 2007 to 2008 levels. The GAC endorsed the TRP's recommendations and, as part of the GAC recommendation to the Board, the GAC acknowledged that while the program was fully covered with a nine-month buffer for commodities through mid-2017, a gap of 6.8 million LLINs was anticipated for the 2017 to 2018 mass campaign to maintain Global Fund contribution in the campaign (the full gap being 10.3 million LLINs). The GAC confirmed the need to prioritize the Kenya 2017 to 2018 LLIN mass campaign in line with the shortened grant. The elements of the program registered as a gap beyond the shortened grant end date were described in the reprogramming request and considered in line with the TRP and GAC review. The GAC requested the Secretariat to actively monitor implementation and to proactively reprogram any identified savings towards funding essential malaria services during the period of grant extensions, where appropriate, before further scale-up of programs in 2017.

1.16 Programmatic and Funding gap. The total LLIN need to undertake the remaining 2017 LLIN mass campaign in Kenya is 15,198,259 nets. The Secretariat, with support of partners, negotiated a decrease in the size of the nets to standard recommended specifications, resulting in savings that have enabled procurement of an additional 3,501,845 LLINs within the current grant. The total number of nets funded through existing funds is 10,120,056 which corresponds to 67 percent of the total LLINs needed to achieve universal coverage. The GAC endorsed an incremental amount of US$14,929,917 as an exceptional one-off request for additional funds (i) to sustain the scope and scale of Global Fund contributions to essential services through the end of 2017 estimated at US$12,400,000 in line with the February 2016 programmatic assumptions agreed by the TRP and GAC, and the criteria for shortened grants; and (ii) to mitigate the risk of reversal of gains due to changes in the funding landscape, invest in covering the remaining LLIN gap of 5,078,203 nets to ensure gains achieved in malaria control are sustained. These funds will allow for the procurement of the LLINS to be committed in quarter 1 of 2017 in order for the procurement to be launched and disbursed to the Principal Recipient by quarter 2 of 2017. Out of the overall outstanding gap of US$28,391,802 for the 2017 to 2018 mass campaign, the remaining US$13,461,885 for distribution costs and micr0-planning activities is expected to be covered through domestic funding, the 2017 to 2019 allocation, or mobilization of additional resources through other sources.

1.17 Strategic focus of the program. Kenya has four malarial epidemiological zones with 70 percent of the Kenyan population at risk of malaria and 66 percent of the population at risk of malaria in endemic, highland epidemic-prone and seasonal transmission areas. The estimated number of malaria cases reported in 2010 was 3.5 million and parasite prevalence among children under five years was 8 percent. Over the last decade, Kenya has made significant progress in reducing malaria mortality. Inpatient malaria mortality showed a 47 percent decline between 2000 and 2010. In the malaria endemic and epidemic-prone zones, malaria still mainly affects children and pregnant women and interventions such as routine distribution of LLINs and intermittent preventive treatment are designed to primarily target these two groups. With existing funding and this incremental funding request, the country will achieve the following until he end of the extension period:

- Procurement of LLINs, supporting the goal of universal coverage in Kenya;
- The provision of treatment to 100 percent of diagnosed malaria patients as per national guidelines;
- The administration of a parasitological test to 80 percent of suspected malaria cases at public sector health facilities; and
- The operation of 735 functional community units.

1.18 Progress on key issues raised by the TRP, GAC and Board. In its review of the Kenya malaria program, the TRP, GAC and Board raised several concerns that were addressed by the applicant:

- Devolution: The Principal Recipient developed a risk mitigation plan to address the challenges arising from devolution, including guidelines to enhance accountability and efficient use of resources at the national- and county-level. The implementation of this plan is currently underway.

- Stratification and targeting, including key populations: The malaria program is currently updating the county profiles using data from the recently published Kenya malaria indicator survey 2015 and routine health information systems. The updated profiles will be used to inform the malaria policy and strategy beyond 2017 including areas that will have potential for pre-elimination and set the investment patterns.
- Incentive payment to community health workers: The community health strategy department of the Ministry of Health leads the process of developing a sustainability plan in which the malaria program and counties will participate. The Ministry of Health works with key stakeholders towards ensuring that counties take over. The county of Siaya has already taken over these payments and the Secretariat anticipates that the other counties will gradually take over this function as well. Additionally, a US$500,000 special initiative through the Bill and Melinda Gates Foundation will finance advocacy workshops and sensitization activities with parliamentarians, county executives and active engagement of the Secretariat, to encourage increased domestic financing and putting more funding into the county and national health budgets.
- Data disaggregation: Malaria data is reported through the health management information system and DHIS, through which the program will continue negotiations to consider the extent to which sex/age disaggregated data can be reported through the national systems.

1.19 Operational issues, risks and implementation challenges. Key risks in this operating environment include absorption and procurement and supply chain management. Risk of low absorption of funds is limited, as 88 percent of the costed extension budget is related to procurement and LLINs. Procurement and supply chain risks are adequately mitigated by using the Kenya Medical Supplies Authority as the procurement agent, with historically good performance in the procurement of nets. Distribution, transportation and payment arrangements have been reviewed by the Secretariat and Local Fund Agent and were considered adequate. The last OIG Audit took place in Kenya in 2015. As of August 2016, only one Secretariat-level Agreed Management Action remains outstanding related to the portfolio assurance plan, which is under development and expected to be completed by 30 November 2016. There are no outstanding OIG recoveries for the Malaria grants in Kenya.

1.20 Domestic contributions. The Kenya government has contributed counterpart financing and wiliness-to-pay over the last two consecutive financial years of 2015 to 2016 and 2016 to 2017 has been US$26 million and US$28 million, respectively, out of which approximately US$6 million was committed to fund the malaria component for procurement of health commodities. The Government of Kenya is committed to increasing the share of health in total government expenditure and is in the process of implementing a number of initiatives to improve domestic financing and address financing gaps for health programs. These include development of a health financing strategy, phased implementation of a health insurance subsidy program for the poor, scaling up coverage of the national hospital insurance fund, and the free maternal health care program.

1.21 GAC review and recommendations. The GAC and partners expressed support for the Secretariat's approach to covering the remaining LLIN gap and acknowledged that through a collaborative effort among stakeholders and negotiations with the country, distribution costs could be successfully funded. GAC partners noted the significant achievement that a universal campaign would represent, commending the program for shifting to use of standard size and shaped nets. GAC partners also highlighted the role of the universal net campaign in preventing an upsurge in cases in Kenya in the context of regional weather patterns. Partners questioned whether multiple data sources for the malaria program are burdensome, to which the Secretariat responded that the data sources are complementary rather than overlapping. The Secretariat acknowledged concerns about the co-dependence of purchasing nets without confirmed funding for distribution, while noting that the lead time needed for procurement is longer than that needed to mobilize funds for operationalization of the campaign. Lastly, the Secretariat clarified the need to consider alignment of disbursements with procurement cycles, when calculating absorption rates, which are considered reasonable.

03 Summary of the Deliberations of the Secretariat's Grant Approvals Committee (GAC) on Extensions

Middle East Response: United Nations Development Programme (SYR-011-G02-H, SYR-607-G01-T, YEM-T12-G08-H and YEM-911-G07-T)

1.21 Background. In November 2015, the Board approved the decision to provide essential HIV, TB, and malaria services to eligible country populations in Syria and Yemen and Syrian refugees in Jordan and Lebanon under a multi-country integrated management platform and governance framework, known as the Middle East Response initiative (GF/B33/ER18). The Middle East initiative is an innovative approach that will provide essential HIV, TB, and malaria services to eligible country populations in Syria, Yemen and Syrian refugees in Jordan and Lebanon, with the aim being to improve responsiveness to the three diseases in the context of emergencies in the aforementioned countries. With a view of aligning the grant start date with the next grant reporting cycle, the Middle East Response grant start date is currently planned for as 1 January 2017. Taking into account these circumstances, the grant extension requests outlined below aim to ensure that there are no gaps in service delivery and drug procurement in Syria and Yemen during the period leading to the start of the Middle East Response grant as the current TB and HIV grants ended on 30 June 2016.

1.22 Rationale for extension of HIV and TB grants in Syria. The GAC recommends for Board approval non-costed extensions for Syria grants SYR-011-G02-H and SYR-607-G01-T until 31 December 2016, to ensure the continuity of HIV and TB services. Existing funds under these programs will be used to close out the existing grants to facilitate the transition to the Middle East Response program as well as for:

- HIV: The provision of essential activities and services and avoid treatment disruption, including through the procurement of ARTs
- TB: First- and second-line TB drugs, case management of multidrug resistant TB, infection control and improved diagnosis, with an emphasis on support for mobile and displaced populations.

1.23 Rationale for extension of HIV and TB grants in Yemen. The GAC recommends for Board approval a costed extension of the Yemen HIV grant YEM-T12-G08-H until 31 December 2016 to allow the Secretariat to finalize the grant making of the Middle East Response grant and facilitate Yemen's access to the country allocation, with the national AIDS program acting as sub-recipient. The Yemen HIV grant was previously extended for 16 months through to 30 June 2016 due to delayed grant making after the concept was approved by the TRP in March 2015. The initial extension was granted due to the ongoing conflict, which escalated in March 2015, hampering any significant progress in the finalization of grant documents to meet the projected start date of 1 July 2016. This extension includes activities related to procurement of pharmaceuticals and other health products as well as costs for treatment and care sites. Additionally, the GAC notifies the Board of the approval of a non-costed extension for the rounds-based Yemen TB grant YEM-911-G07-T with that the national TB control program acting as sub-recipient. This extension will ensure the continuity of TB services in Yemen, including activities related to procurement of pharmaceuticals and other health products to cover 9,660 TB cases with first-line medicines (including a 50 percent buffer stock), 41 drug-resistant cases with MDR-TB medicines, as well as related diagnostic products, ancillary medicines and costs of closing out the existing grants.

1.24 Operational issues and implementation challenges. Grant implementation in Syria and Yemen occurs in a context of protracted emergency due to the ongoing civil war. These grants are currently managed under the Additional Safeguard Policy.

RedTraSex regional HIV grant: International Organization for Migration (MAT-011- G01-H)

1.25 Funding recommendation for Board approval. The GAC endorsed and recommended for Board approval the proposed extension of up to 12 months for RedTraSex regional grant MAT-011- G01-H with a total budget of US$2,869,270, of which an incremental funding amount of US$1,217,196 is requested. The budget is consistent with previous funding levels and the funding request reflects reinvestment of savings identified in the final year of the current grant.

1.26 Background. When the TRP reviewed regional expressions of interest in March 2015, not all regional programs currently financed by the Global Fund through rounds-based grants were recommended to continue. In order to allow existing grants to close pursuant to the Global Fund policies, to mitigate risks of abrupt program disruption and sustain the gains achieved though program implementation, the GAC, in consultation with the TRP and the Strategy, Investment and Impact Committee,[10] agreed to a transitional costed extension mechanism. The mechanism is to be funded through resources remaining from the funding that the Board approved in 2014 for new regional programs,[11] and aims to ensure the continuation of essential services and responsible transition for rounds-based regional programs whose expressions of interest were not recommended by the TRP.

1.27 Strategic focus of the program. This multi-country initiative, operating in 1 countries in the Latin American and Caribbean region, aims to strengthen advocacy and legal reform initiatives, improve institutional capacities of national sex worker organizations, and improve services provided to sex workers in targeted national health centers while reducing stigma and discrimination. The grant covers the countries of Argentina, Belize, Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay and Peru. This regional grant compliments national grants operating in 10 out of the 14 countries in the region and aims to build on the prevention activities being implemented nationally. To date, some of the key achievements include the formal recognition and regulation of sex work and ability for sex workers to organize in unions (to varying degrees in the different countries), an increased presence and influence in key decision making processes both nationally and regionally, the strengthening of national sex worker chapters, and the implementation of best practice guides for sex worker health care provision in over 50 targeted health centers in the region. This costed extension will enable the grant to continue building on Phase 1 and Phase 2 achievements within the same goals and objectives, namely:

- Strengthening sex worker advocacy work in national and regional forums;
- Strengthen institutional capacities of national sex worker organizations; and
- Decreasing stigma and discrimination amongst key actors while improving services provided to sex workers in targeted national health centers.

1.28 Sustainability and transition. A few new activities proposed for this final year will assist in the transition from Global Fund financing. These include the following:

- Development of organization-specific and regional sustainability plans;
- Specific training to national sex worker organizations on sustainability and resource mobilization, including supporting them in the development and submission of proposals; and
- Development of a new strategic plan 2018-2022 for the regional RedTraSex network.

In addition, the CT notes that during this final year, national chapters of RedTraSex are already taking on some costs previously born by the grant. These include 25 percent of the running costs previously paid by the grant, and 50-75 percent of the costs associated with national assemblies, development and presentation of new legislation, and the training of national health center staff.

1.29 Investigation by the Office of the Investigator General (OIG). Over the past year, there were concerns related to the misuse of funds by two sex worker organizations that were flagged to the OIG. In one of these instances, after investigation, changes were made to implementation arrangements by removing an implicated organization and in the other case, the allegations proved to be unfounded. Going forward, the Secretariat will continue conducting programmatic and financial spot checks to mitigate this type of risk.

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[10] Discussions on the potential funding of existing regional programs occurred with the SIIC prior to the Strategy Committee succeeding the SIIC in the existing three-committee governance structure, which became effective 28 April 2016.

[11] Under GF/B31/DP07, the Board decided US$ 200 million would be available for new regional programs over the 2014 – 2016 allocation period.

V. Additional Matters

01 Extensions Approved by the Secretariat Pursuant to Its Delegated Authority

The Secretariat hereby notifies the Board that it has approved extensions to the grants listed in Table X below in accordance with the Board decision GF/B31/DP12.

Thailand malaria grant: THA-M-DDC

1.30 Background. The GAC approved a 12-month non-costed extension for the THA-M-DDC grant from 1 October 2016 to 30 September 2017 with the Ministry of Public Health as Principal Recipient, in order to continue key interventions by using undisbursed funds and in-country cash balance in order to bridge the gap between the current grant and the next allocation period. The current malaria grant in Thailand started from 1 October 2013 as a Phase 2 single stream of funding grant. It is complemented by the Regional Artemisinin Initiative (RAI) grant, which operates in different geographic zones of Thailand.

1.31 Purpose and rationale. The extension of 12 months will ensure that service delivery at facilities is not interrupted. The extension will further provide sufficient time for the development of a new concept note and the signing of a new grant using funds from the 2017 to 2019 allocation, allowing Thailand to prepare for eventual transition from the Global Fund as per request of the Ministry of Public Health by December 2020.

1.32 Strategic focus. The grant focuses on border areas of Thailand and in areas with evidence of artemisinin resistance. The implementing areas cover 27 provinces which include seven provinces along the Thai-Cambodian border, 10 provinces along Thai-Myanmar border, three provinces along Thai-Malaysian border, four provinces with high endemic and influx of migrants, and three new active foci provinces in the north-eastern part of Thailand. In line with the 2015 programmatic review of Thailand's national malaria program, the extension will support several critical areas such as exhaustive mapping (facilities and vector) and reporting in time of all forms of malaria currently incomplete, reinforcement of community participation in terms of its ability to conduct rapid testing, and understand and address the high malaria case load in the resident Thai population. The extension will further the integration of the malaria program in general service delivery and financing starting with the current malaria posts, and identification of challenges in ACT implementation and delivery. It will continue essential support to migrant populations which are not covered by the national malaria control program nor the refugees in camps. The extension will correct the lack of early warning system for outbreak detection and response. The indicators and targets for the extension period will remain at the same level as of the last quarter of the current grant to ensure continuation of vector control and case management services currently provided.

1.33 Operational issues and implementation challenges. The risk of interruption of services will be addressed as a priority through this extension. There will be no changes in the current implementation arrangements during the extension period and no anticipated changes in risk level nor control measures put in place.

Annex 1

Table 1: Grant Extensions Approved by the Secretariat

N	Applicant	Disease Component	Grant name	Currency	Period of Extension (Months)	Additional Funding
1	Thailand	Malaria	THA-M-DDC	US$	12	-
2	Yemen	TB	YEM-911-G07-T	US$	5	-

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