

# Electronic Report to the Board

## Report of the Secretariat's Grant Approvals Committee

GF/B39/ER06

### Board Decision

Purpose of the paper: This document proposes the decision point as follows:

- <sup>1</sup> GF/B39/EDP07: Decision on the Secretariat's Recommendation on Funding from the 2017-2019 Allocation<sup>1,2</sup>

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

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<sup>1</sup>Armenia TB, Djibouti Malaria, Djibouti TB/HIV, Madagascar Malaria, Suriname TB/HIV. Total recommended amount to the Board is **US\$ 66,005,299** of country allocation funding.

<sup>2</sup> In addition, the integration of **US\$ 3,000,000** of matching funds (catalytic investments) into the existing Mozambique HIV grant is recommended.

## Decisions

A summary of relevant past decisions providing context to the proposed Decision Point can be found in Annex 1.

### **Decision Point: GF/B39/EDPO7: Decision on the Secretariat's Recommendation on Funding from the 2017-2019 Allocation**

*The Board:*

- 1. Approves the funding recommended for each country disease component, and its constituent grants, as listed in the Tables 1a and 1b to GF/B39/EDPO7 (“Table 1a” and “Table 1b”);*
- 2. Acknowledges each country disease component’s constituent grants will be implemented by the proposed Principal Recipients listed in Table 1a and Table 1b, or any other Principal Recipient(s) deemed appropriate by the Secretariat in accordance with Global Fund policies;*
- 3. Affirms the funding approved under this decision (a) is subject to the availability of funding, and (b) shall be committed in annual tranches; and*
- 4. 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 operating expenses.***

## Executive Summary

### Context and Input Received

- The Secretariat recommends the approval of funding up to an amount of US\$ 66,005,299 of country allocation funding. The recommended investments are translated into 6 grants in 4 countries. In addition, the Secretariat recommends the approval of US\$ 3,000,000 of matching funds to be integrated into the Mozambique HIV grant, which was approved by the Board in December 2017.
- The grants in Table 1a have been found to be disbursement-ready by the Global Fund Secretariat following a thorough review process and in consultation with Partners.
- The funding request for each country component was reviewed by the Technical Review Panel (TRP) and determined to be strategically focused and technically sound. The TRP, upon its review and when relevant, highlighted issues for the applicant to clarify or address during grant-making and/or grant implementation.

- During grant-making, the applicant refined the grant documents, addressed relevant issues raised by the TRP and Grant Approvals Committee (GAC) and sought efficiencies where possible. For each grant the GAC reviewed: the strategic focus of the program; operational issues, risks and implementation challenges; domestic contributions; and the final grant documents for disbursement-readiness. The GAC also confirmed that the applicant addressed issues requested for clarification by the TRP or the Secretariat to its satisfaction.

## Input Sought

1. The Board is requested to review the request and agree on a 'no objection' basis, the decision point GF/B39/EDP07: Decision on the Secretariat's Recommendation on Funding from the 2017-2019 Allocation Period.
2. A list of documents per disease component to substantiate the Board decision is provided below.
  - Funding request;
  - Funding request Review and Recommendation Form;
  - Grant-making Final Review and Sign-off Form;
  - Grant Confirmation; and
  - TRP Clarification Form (applicable only if the TRP requested clarifications).
3. The GAC has reviewed the materials associated with each grant in Table 1a and has deemed the grants disbursement-ready. All relevant documents containing the Secretariat's reasons for its recommendations to the Board have been posted on the Governance Extranet available at [this](#) link.

**Table 1a: Secretariat’s Funding Recommendation on Funding from the 2017-2019 Allocation - Please note that each country name is linked to the extranet site where supporting documents are available for review**

N	Applicant	Disease Component	Grant Name <sup>3</sup>	Grant End Date	Currency	Total Program Budget	Catalytic Funds in Grant	Domestic Commitment <sup>4</sup>	Unfunded Quality Demand
1	<a href="#">Armenia</a>	TB	ARM-C-MOH <sup>5</sup>	30/09/2021	USD	3,138,925	N/A	13,900,000	0
2	<a href="#">Djibouti</a>	Malaria	DJI-M-UNDP	31/12/2020	USD	2,322,022	N/A	4,093,787	716,828
3	<a href="#">Djibouti</a>	TB/HIV	DJI-C-UNDP	31/12/2020	USD	4,916,424	N/A	5,755,961	1,115,325
4	<a href="#">Madagascar</a>	Malaria	MDG-M-MOH	30/06/2021	USD	12,308,882	N/A	7,958,486	13,724,403
5		Malaria	MDG-M-PSI	30/06/2021	USD	41,518,651	N/A		
6	<a href="#">Suriname</a>	TB/HIV	SUR-C-MOH	31/12/2021	USD	1,800,395	N/A	10,304,510	55,500

**Table 1b: Secretariat’s Funding Recommendation on Integrating Matching Funds into Board Approved Grants from the 2017-2019 Allocation - Please note that each country name is linked to the extranet site where supporting documents are available for review**

N	Applicant	Disease Component	Grant Name	Additional Funding Source	Currency	Previously Approved Program Budget	Recommended Additional Funding	Revised Program Budget	Strategic Priority Areas For Investments
1	<a href="#">Mozambique</a>	HIV/AIDS	MOZ-H-MOH	Catalytic Funds (Matching funds)	USD	251,124,911	3,000,000	254,124,911	RSSH: Data systems, data generation, data use

<sup>3</sup> The Grant names are subject to change based on the ISO code.

<sup>4</sup> Domestic commitments pertain to the disease programs and exclude other specific commitments for RSSH, unless otherwise specified. Commitments for disease specific programs and RSSH are subject to local currency value fluctuation against US dollar and Euro currencies.

<sup>5</sup> This grant includes funding for the TB component only. The HIV component will be integrated at a later date, subject to Board approval.

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

1.1 Unless otherwise specified below, each applicant has met the willingness-to-pay requirements for the 2014-2016 allocation period and the co-financing requirements for the 2017-2019 allocation period as set forth in the Sustainability, Transition, and Co-Financing (STC) Policy. Domestic commitments for disease-specific and health-related spending are subject to local currency value fluctuations against US dollars and Euro currencies.

## **Armenia TB/HIV grant: Ministry of Health of the Republic of Armenia (ARM-C-MOH)**

1.2 The CCM submitted funding requests for TB and HIV for TRP review during Window 4 in March 2018. The HIV request was recommended for iteration. As such, the TB grant has been negotiated whilst TRP review and recommendation of the HIV component is expected to follow in September 2018. Once approved, the HIV funding and activities will be merged into this grant. The Grant Confirmation will be amended accordingly.

1.3 The proposed TB investments will focus on reducing the country's TB burden by ensuring universal access to quality diagnosis and treatment of all forms of TB including Multidrug/Extensively Drug Resistant (M/XDR)-TB. This will be done through the implementation of sustainable patient-centered community-based approaches, addressing the needs of high-risk groups and the strengthening management, monitoring and evaluation of the national TB program.

1.4 Co-financing and domestic commitment: Armenia's co-financing commitments for the 2017-2019 allocation period (US\$ 13.9 million) are based on its Medium Term Expenditure Framework (2018-2020), and meet the co-financing requirements. The Government will maintain the TB program's operational costs as well as outpatient and inpatient care of TB patients and is also planning on contributing US\$ 412,000 for the procurement of TB drugs over the course of the implementation period, which is a fivefold increase compared to the 2014-2016 allocation period.

### 1.5 GAC Review and Recommendations

- The GAC noted that Armenia is newly classified as an Upper-Middle Income country by the World Bank. As a result, the HIV and TB component are now eligible for a final allocation of Transition Funding<sup>6</sup>.
- The GAC Partners welcomed the Government of Armenia's commitment for increased domestic funding for the TB program, with specific reference to the country's commitments to significantly increase public spending for the procurement of TB drugs. However, they noted that significant support is still provided by external donors for financing of other programmatic inputs. The GAC Partners encouraged the country's ongoing TB and overall health reform activities, which are expected to generate both operational and financial efficiencies that are likely to facilitate the delivery of the Ministry of Health's (MOH) commitments. They also welcomed the country's efforts to ensure full transition from in-patient services to ambulatory care for the majority of TB and MDR-TB patients. Partners emphasized the need to ensure further expansion of the health reform activities as well as the need for continued financial and political support from the Government. The GAC inquired about the challenges with local procurement of TB drugs linked to the country's legislative barriers and the small market volumes, which resulted in failed local tenders for procurement of the first line TB drugs in 2016 (with very high prices and no offers received for some drugs) and 2017 (where no offers were received at all).
- The Secretariat clarified that work with the MOH to address the procurement challenges is ongoing. The MOH has already taken the following steps to address the challenges related to domestic procurement and demonstrate its commitment to gradual takeover of the TB medicines. In particular,

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<sup>6</sup> [https://www.theglobalfund.org/media/7214/core\\_eligiblecountries2018\\_list\\_en.pdf?u=636658541070000000](https://www.theglobalfund.org/media/7214/core_eligiblecountries2018_list_en.pdf?u=636658541070000000)

the MOH has: (i) completed registration of most TB drugs in 2016; (ii) allocated funds under the state budget for the centralized procurement of pharmaceuticals; (iii) revised the centralized health products procurement mechanism resulting in participation of international suppliers; and (iv) eliminated barriers related to drug registration through regulatory changes allowing bidders to participate in tenders without prior registration of TB drugs (under the new system, successful bidders are automatically designated pre-registration status and the fees associated with the drugs registration are covered by domestic funds). In addition, in April 2018, the country adopted a decree on procurement of pharmaceuticals (ARVs and TB drugs) and vaccines, which allows single-source-procurement from internationally recognized suppliers if the local tender fails or if the price quotes received as a result of local tenders exceed prices offered by the United Nations Children's Fund (UNICEF) or Global Drug Facility (GDF), for example. Currently, the MOH is testing the new regulations through the tender announced for first line TB drugs to cover partial needs in 2018 and 2019.

- While the MOH is already committed to procuring only quality assured TB drugs, it will be formally required through an addendum to the adopted decree on procurement to reinforce quality assurance systems. In this regard, the GAC Partners encouraged the Government to consider further increasing the up-take of the procurement of first and second line TB medications, as well as laboratory equipment and supplies through GDF.
- The GAC remarked on and welcomed the flexibility demonstrated in the management of the portfolio given failed tender processes of TB drugs. In this regard, the existing Global Fund grant was reprogrammed to cover gaps and address immediate needs for first line TB drugs resulting from the failed tenders, while continuing working with the Government to take over other critical programmatic costs.

**Djibouti TB/HIV and Malaria grants: United Nations Development Programme (DJI-C-UNDP and DJI-M-UNDP)**

1.6 HIV is a major public health problem in Djibouti with a generalized epidemic. HIV prevalence is estimated at 1.3 percent. TB remains a major public health problem in Djibouti, which is one of the countries with the highest levels of TB incidence. It is ranked 5<sup>th</sup> in the world in terms of TB incidence and has a high incidence of TB/HIV co-infection.

1.7 The Global Fund-supported TB and HIV programs will focus on reducing new infections in the general population, with a specific focus on youth and adolescents. The TB/HIV grant aims to scale-up diagnostic and treatment targets, for both HIV and TB, such that (i) new HIV infections are reduced by 50 percent by 2022; and (ii) TB prevalence is reduced by 25 percent by 2025. The grant will support the decentralization process that the MOH started in 2016. This includes the expansion of diagnostic and treatment services up to the health posts and support to mobile teams deployed to the most remote areas to provide prevention and treatment services, with a major focus on the populations most in need, pregnant women and children in remote areas, people living with HIV and TB patients. The proposed grants will also establish an overarching mechanism to coordinate HIV and TB interventions with other Partners.

1.8 Djibouti has been witnessing a resurgence in malaria cases since 2013. Although the country had reached a pre-elimination level in 2012 with just 24 confirmed malaria cases (< 1 case per 1,000 inhabitants), the number of confirmed malaria cases reached 1,674 in 2013, 9,439 in 2014 and 13,804 in 2016.

1.9 The malaria program aims to strengthen the malaria control program to reduce the number of cases to less than 1 case per 1,000 inhabitants in order to reach malaria pre-elimination by 2020. The program will focus on national-level case management, surveillance (including monitoring of insecticide resistance) and epidemic detection and response, as well as targeted vector control focused on specific communes in Djibouti Ville, which give rise to the majority of malaria cases.

1.10 Co-financing and domestic commitment: Despite the current economic situation and limited fiscal space, the Government of Djibouti is expected to maintain the level of co-financing commitment from the 2014-2016 allocation period as well as take on additional spending. The country has committed to spend US\$ 3,142,356 on HIV to contribute to ARVs, laboratory consumables and reagents, human resources costs for 12 health workers and the building of a storage unit at the central medical store 'Centrale d'Achat des Médicaments et Matériels Essentiels' (CAMME). For TB, the government's commitment of US\$ 2,613,605 will contribute to second line anti-TB medicines administrative costs, care of TB patients and support of the Directly Observed Treatment Strategy (DOTS) program as well as X-ray machines for 5 clinics and

consumables for TB. For malaria, the country has committed to spend US\$ 4,093,787 to contribute to human resources costs, antimalarial medicines, insecticide treated nets (ITNs), diagnostic testing as well as the building of the CAMME storage unit.

#### 1.11 GAC review and recommendations

- The GAC noted the TRP's concerns with respect to the proposed indoor residual spraying (IRS) strategy given the lack of epidemiological information. The Secretariat clarified that IRS implementation would be concentrated in Djibouti where malaria is most prevalent (Djibouti Ville) in place of the LLIN mass campaign previously implemented (2017). TRP recommended that the IRS strategy be reviewed once more information becomes available to ensure the feasibility, sustainability and potential impact of the proposed IRS investment going forward.
- The GAC acknowledged that the change of vector control from LLINs to IRS is appropriate given that the areas of Djibouti Ville with the highest malaria burden are largely migrant neighbourhoods. In this context, many adult individuals share a household and there is significant mobility, making LLIN distribution (and coverage) limited and inefficient. Partners have agreed to provide support in planning and implementation.
- Following the 2012 OIG Investigation, Djibouti is managed under Additional Safeguard Policy (ASP) with the UNDP as a Principal Recipient (PR). Although costs have been negotiated downwards, the GAC highlighted that program management costs associated with UNDP remain high.
- While acknowledging on-going capacity building efforts in view of transferring the program to national authorities, the GAC noted that the appointment of a new or additional PR for potential uptake of all or part of implementation of the program is subject to the satisfactory results of a capacity assessment to be conducted during grant implementation.
- The GAC noted that there are still outstanding recoveries from the OIG investigation in 2012. An amount of US\$ 792,999 is yet to be repaid taking into account the 2:1 reduction that was applied to the 2014-2016 allocation. The Secretariat will continue to follow up with the country to ensure that the outstanding payment is settled.

#### **Madagascar Malaria grants: Ministry of Public Health of the Republic of Madagascar (MDG-M-MOH) and Population Services International (MDG-M-PSI)**

1.12 The proposed grants will support the implementation of the country's National Strategic Plan (NSP) 2018-2022 to reduce the malaria-related mortality to zero, increase the number of districts in the pre-elimination phase from 3 to 64 and the number of districts in the elimination phase from 5 to 13 by 2022. The investments will be focused on (i) distributing 13 million bed nets through a mass campaign to help achieve the national objectives of 80 percent of the population at risk and 84 percent of children under 5 sleeping under a net; (ii) testing 95 percent of suspected cases by 2020; and (iii) treating 95 percent of confirmed cases by 2020. The grants will also invest in strengthening health systems (RSSH) through (i) procurement and supply chain strengthening; (ii) data systems strengthening; and (iii) community systems strengthening. The RSSH component of this grant was developed in strong collaboration with Partners, namely GAVI and the World Bank.

1.13 Co-financing and domestic commitment: The Government of Madagascar has committed the required amount for the 2017-2019 allocation period. Based on a commitment letter from March 2017, the Government committed to invest the minimum requirement of US\$ 5,758,915 to access the full Global Fund allocation amount. This is separate to the Government's commitments to absorb health workers' salaries at health centers during 2019-2021. An additional US\$ 19 million is also anticipated through the investment budget of the MOH to support RSSH.

#### 1.14 GAC review and recommendations

- The GAC Partners commended the advancements in the malaria program as well as the strong collaboration with Partners. They also welcomed the progress in the implementation of the 2018 LLINs mass campaign.
- The GAC Partners noted the need to strengthen the financial management and accountability of the PR (Ministry of Health (MOH)) and the introduction of mechanisms to safeguard and prevent mismanagement and misuse of funds. The Secretariat clarified that a fiscal agent is in place at the MOH to strengthen financial management systems and build capacity. The fiscal agent will also have co-signatory authority on payments. In addition, there are accountants placed at the regional level to

enhance financial reporting and accountability at the regional and district level. Furthermore, the Global Fund led project called ‘co-link’ involves the installation of a new high performing software and includes management actions on training, monthly reconciliation and the update of a financial procedures manual, among others. The system has been installed and most of the agreed management actions have been implemented.

- The GAC welcomed the strategic collaboration and alignment with GAVI and the World Bank on RSSH interventions such as Health Management Information Systems (HMIS) and community health strengthening. Collaboration is fostered through the sharing of a PR and a fiscal agent. Furthermore, ongoing knowledge sharing, communication and strategic coordination are taking place through joint missions and investment mapping. To ensure the long-term success of the program’s implementation, GAC Partners also highlighted the need to further engage communities. The Secretariat is already working with local NGOs to promote the link with local facilities and will continue to work with GAVI, the World Bank and other Partners to gather and share lessons-learned on the grants implemented in Madagascar.
- The GAC Partners acknowledged the country’s fragile political and security environment. The Secretariat will continue to monitor the situation and has already put in place risk mitigation measures, such as international technical support for the MOH to ensure continuation of implementation and a functioning fiscal agent, should the situation escalate.
- The GAC noted that while the TB and HIV Global Fund grants are aligned with the national fiscal cycle, the current malaria grants are not. The GAC acknowledged the challenges that this poses for the planning and implementation of some programmatic activities, notably the LLIN mass campaign. The Secretariat noted that it will continue to work with the country on identifying the best solution to overcome this challenge during the implementation period resulting from the 2017-2019 allocation period.
- The GAC notes that an OIG audit is currently underway and is likely to conclude by the end of Q3 2018. Although no draft report has been issued yet, initial findings were communicated to the country. The OIG noted that access to health care remains a major challenge in Madagascar especially in remote areas due to significantly limited access to health facility and community level services. Although good practices were also identified, the OIG found evidence of challenges in the supply chain. In addition, the OIG noted some weaknesses in financial and procurement processes, however no evidence of fraud was identified. In line with standard practice, the Secretariat will follow up on the implementation of agreed management actions resulting from audit report recommendations.

### **Suriname TB/HIV grant: Ministry of Health of the Republic of Suriname (SUR-C-MOH)**

1.15 Suriname received Transition Funding for TB. However, an inclusive multi-stakeholder transition preparedness approach was adopted for the whole TB-HIV portfolio during the funding request and grant-making process.

1.16 Co-financing and domestic commitment: The Government of Suriname’s commitments for the 2017-2019 allocation period meet the minimum co-financing requirements. However, the country is currently facing a financial crisis leading to high rates of inflation and currency depreciation, which has significantly eroded the value of past government investments. With severe fiscal constraints, the MOH budget funded from domestic resources was revised downwards by 40 percent in 2015, which led to a 25 percent cut in earmarked domestic budget for HIV, TB and malaria under ‘Policy Area 3102’. For the national budget allocations for TB, HIV and malaria, the Government has committed US\$ 3,453,002 for 2018, and US\$ 3,620,986 for 2021. The MOH will continue funding ARVs and most HIV-related laboratory tests, and part of diagnosis and treatment (including medication of TB). From 2019, the Government of Suriname will be gradually absorbing the costs of key interventions for the TB program such as DOTS support, purchase of laboratory commodities and staff paid by donors.

#### 1.17 GAC review and recommendations

- The GAC noted the Government’s commitments to transition and welcomed the country’s progress while acknowledging the current financial crisis. The GAC commended the timely and inclusive transition preparedness work, including the completion of a readiness assessment and the resulting transition work plan. The GAC also noted that transition planning stemmed from a strong and sustained collaboration amongst key national stakeholders and Partners to ensure that any residual sustainability challenges are addressed.



## 2. Grant Revisions

### Integration of Matching Funds into a Board Approved Grant

2.1 Mozambique submitted their joint TB/HIV allocation funding request under the TRP Review Window of June 2017 and exercised the flexibility of submitting their matching funds requests separately. The Board approved the MOZ-H-MOH grant in December 2017. In collaboration with Partners, the GAC assessed the Mozambique matching funds requests for the RSSH data systems, data generation and data use catalytic priority to be integrated into the MOZ-H-MOH grant. The country was not able to meet the allocation condition which requires that the 2017-2019 allocation amount invested in the priority area is higher than in the previous allocation period (2014-2016) because of previous high level of capital investments in the development of DHIS2. Based on TRP recommendations and noting the operating environment as well as the potential catalytic effect or impact of the investments, the GAC approved a waiver to this condition for Mozambique.

## 3. Privileges and Immunities

3.1 Of the applicants for which funding recommendations are currently being made, Mozambique has signed and ratified the Global Fund Agreement on Privileges and Immunities. The others have not yet signed the Global Fund Agreement on Privileges and Immunities.

## Annex 1 – Relevant Past Decisions

1. Pursuant to the Governance Plan for Impact as approved at the Thirty-Second Board Meeting,<sup>7</sup> 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/B38/EDP02: Decision on the Secretariat's recommendation for funding the Mozambique HIV grants in December 2017	This decision point approved the Mozambique HIV grants, including MOZ-H-MOH

<sup>7</sup> 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/>)