

Electronic Report to the Board

Report of the Secretariat's Grant Approvals Committee

GF/B39/ER16

Board Decision

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

1. GF/B39/EDP19: Decision on the Secretariat's Recommendation on Funding from the 2017-2019 Allocation¹
2. GF/B39/EDP20: Decision on the Secretariat's Recommendation on Financing Unfunded Quality Demand from the 2017-2019 Allocation Period²

Document classification: Internal.

Document Circulation: Board Members, Alternate Board Members, Board Focal Points and Committee Members. This document may be shared by the Focal Points within their respective Board Constituency. This document must not however be subject to any further circulation or otherwise be made public.

¹ Belarus TB/HIV, Belize TB/HIV, Bolivia HIV, Bolivia malaria, Botswana malaria, El Salvador HIV, Guatemala malaria, Guyana TB, Montenegro HIV, Nicaragua TB, Niger TB/RSSH, Panama TB/HIV, Paraguay TB, Sri Lanka TB. The total recommended amount to the Board is **US\$78,346,480** and **€17,704,756** of country allocation funding; **US\$13,000,000** of funding to be contributed by the government of El Salvador under the Debt2Health arrangement for El Salvador HIV; and **US\$12,499,577** of catalytic investments for multi-country HIV MENA IHAA and multi-country TB Asia UNDP grants.

² The integration of **US\$13,626,690** of Portfolio Optimization funds into the existing Rwanda malaria grant is recommended.

Decisions

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

Decision Point: GF/B39/EDP19: 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 Table 1 to GF/B39/ER16 (“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. *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.*

Decision Point: GF/B39/EDP20: Decision on the Secretariat’s Recommendation on Funding Unfunded Quality Demand from the 2017-2019 Allocation Period

1. *Notes the Secretariat’s review of the items on the 2017- 2019 allocation period’s register of Unfunded Quality Demand (“UQD”) in accordance with the prioritization framework approved by the Strategy Committee through GF/SCO4/DP02;*
2. *Approves the additional incremental funding recommended for certain UQD of the following country disease component: (i) Rwanda malaria, as listed in Table 2 of GF/B39/ER16, based on available funding approved by the Audit and Finance Committee;*
3. *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*
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 from the 2017 – 2019 allocation for (i) 14 grants in Belarus, Belize, Bolivia, Botswana, El Salvador, Guatemala, Guyana, Montenegro, Nicaragua, Niger, Panama, Paraguay and Sri Lanka up to an amount of **US\$78,346,480 and €17,704,756** of country allocation funding; (ii) up to the amount of **US\$13,000,000** to be contributed by the government of El Salvador pursuant to the Debt2Health arrangement for El Salvador HIV; and (iii) 2 multi-country grants in South Asia and the Middle East and North Africa up to an amount of **US\$12,499,577** of catalytic investment. The Secretariat also recommends the approval of additional funding to be integrated into the following grant that has already been approved by the Board in 2017: **US\$13,626,690** of Portfolio Optimization funding for the Rwanda malaria grant.
- The grants in Table 1 have been found to be disbursement-ready by the Global Fund Secretariat following a thorough review process and in consultation with Partners.
- The funding requests for each country component were 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.
- 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).
- The GAC has reviewed the materials associated with the grants in Table 1 and has deemed the grants disbursement-ready. All relevant documents containing the Secretariat's reasons for its recommendations to the Board have been made available on the Governance Extranet and are accessible through [this](#) link.
- Funding recommendation in Table 2 have been developed in accordance with the Prioritization Framework for Funds that Become Available for Portfolio Optimization and Financing Unfunded Quality Demand approved by the Strategy Committee under GF/SC04/DPO2.

Input Sought

- The Board is requested to review the request and agree on a 'no objection' basis, the decision points GF/B39/EDP19: Decision on the Secretariat's Recommendation on Funding from the 2017-2019

Allocation Period; and GF/B39/EDP20: Decision on the Secretariat's Recommendation on Funding Unfunded Quality Demand from the 2017-2019 Allocation.

Table 1: 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	Country	Disease component	Grant name	Grant end date	Currency	Total program budget	Catalytic Funds in Grant	Domestic commitment	Unfunded Quality Demand
1	Belarus	TB/HIV	BLR-C-RSPCMT	31/12/2021	USD	15,840,452	N/A	263,600,000	-
2	Belize	TB/HIV	BLZ-C-UNDP	31/12/2021	USD	1,916,278	N/A	6,870,590	590,000
3	Bolivia	HIV/AIDS	BOL-H-HIVOS	31/12/2021	USD	9,175,449	N/A	44,593,562	155,808
4		Malaria	BOL-M-UNDP	31/12/2021		3,807,860	N/A	8,858,017	709,743
5	Botswana	Malaria	BWA-M-BMOH	30/09/2021	USD	1,287,500	N/A	40,943,791	-
6	El Salvador	HIV/AIDS	SLV-H-MOH	31/12/2021	USD	27,481,816*	N/A	147,041,223	-
7	Guatemala	Malaria	GTM-M-MSPAS	30/06/2021	USD	5,582,629	N/A	18,228,483	-
8	Guyana	TB	GUY-T-MOH	31/03/2022	USD	499,495	N/A	1,704,237	-
9	Montenegro	HIV/AIDS	MNE-H-MoH	31/12/2021	EUR	556,938	N/A	390,000	406,000
10	Multi-country HIV MENA IHAA	HIV/AIDS	QMZ-H-IHAA	31/12/2021	USD	7,499,577	7,499,577	0	903,390
11	Multi-country TB Asia UNDP	TB	QMZ-T-UNDP	31/12/2021	USD	5,000,000	5,000,000	0	3,525,000
12	Nicaragua	TB	NIC-T-INSS	31/12/2021	USD	4,129,716	N/A	18,507,146	-
13	Niger	TB/RSSH	NER-T-MSP	31/12/2021	EUR	17,147,818	N/A	4,198,217	-
14	Panama	TB/HIV	PAN-C-UNDP	31/12/2021	USD	2,685,891	N/A	138,959,775	376,500
15	Paraguay	TB	PRY-T-AV	31/12/2021	USD	2,915,321	N/A	14,469,910	1,228,274
16	Sri Lanka	TB	LKA-T-MOH	31/12/2021	USD	3,024,073	N/A	5,430,890	-

*The grant budget for El Salvador includes US\$14,481,816 of country allocation funding and US\$13,000,000 of funding from a Debt2Health debt swap agreement between Germany (KfW), the Republic of El Salvador and the Global Fund. This will be used to finance activities on the Register of Unfunded Quality Demand.

Table 2: Secretariat’s Funding Recommendation on Funding Unfunded Quality Demand from the 2017-2019 Allocation Period

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	Rwanda	Malaria	RWA-M-MOH	Portfolio Optimization	USD	41,460,255	13,626,690	55,086,945	These funds will be used to cover the gap in Indoor Residual Spraying (IRS).

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, with the exception of Bolivia malaria. While Bolivia has not yet made sufficient co-financing commitments for the malaria program, the Secretariat has been working closely with the government and is confident that the country will meet its co-financing commitments. The Secretariat will monitor the finalization and realization of commitments over the implementation period. Domestic commitments for disease-specific and health-related spending are subject to local currency value fluctuations against US dollars and Euro currencies. For the following grants, the GAC provided additional guidance or made specific observations to inform the investment decision:

Belize TB/HIV: United Nations Development Programme (BLZ-C-UNDP)

1.2 With the highest HIV prevalence rate in Latin America (1.8 percent), the HIV program in Belize, an upper-middle income country, remains eligible to receive Global Fund financing. However the TB program, with an incidence rate of 38 cases per 100,000 persons, is transitioning away from Global Fund financing. Despite this, a Transition Readiness Assessment and work-plan were developed for both TB and HIV programs. The country is working well to bring TB and HIV programs together and to build a stronger program that responds to the epidemics in a more comprehensive way. The work-plan objectives focus on: scaling up and advancing a human rights framework for key populations; building political will through an investment case that demonstrates the national economic cost/benefit of investing in the public-sector response; and supporting sustainable HIV and TB responses by strengthening and building systems and collaboration between the Government and community.

1.3 Co-financing and domestic commitment:

Belize has made co-financing commitments that meet the requirements for the 2017-2019 allocation period. Considering overall trends of the Government's health expenditure, including prioritization of expenditures for medical supplies, as well as programmatic results in the previous allocation period, there is confidence that with the demonstrated political will and national support, the co-financing commitments could materialize. However, the economy continues to face several challenges including its longer term macroeconomic outlook and as such, there is a risk these commitments will not be realized.

1.4 GAC review and recommendations:

- Following the TRP review of the funding request, the Secretariat sought GAC's steer on prioritization of TRP recommendations given the smaller size of the allocation relative to the previous allocation. The GAC, noting the transition context, recommended that the applicant focus on: improving the ART cascade; improving TB outcomes; building national capacity; and ensuring there are no legal barriers for social contracting. The GAC noted that the grant presented for approval envisages supporting the development of a Civil Society Organization (CSO) hub, a platform for bringing CSOs together to support a more comprehensive and coordinated CSO response, and to test the concept of social contracting. The GAC welcomed this initiative, whilst appreciating the inherent complexity of coordination and the need for more focus on capacity building especially for smaller NGOs, some of which is ongoing through the Community Rights and Gender (CRG) Strategic Initiative. The GAC encouraged the country to continue to strengthen efforts in this area.
- The GAC noted the concerns around the economic and fiscal context in-country and recommended that the Government of Belize report to the Global Fund on its co-financing commitments with respect to the scale up of treatment, absorption of human resources and domestic commitments for targeted prevention programs, on a yearly basis. In addition, the GAC noted that Belize will report to the Secretariat on Government funding for scaling up of testing (including for key populations), as well as

support for social contracting for NGOs through provision of human resources, capacity building, infrastructure, commodities such as condoms, lubricants and rapid diagnostic tests.

- The GAC noted that program management costs associated with UNDP remain high. The GAC emphasized the importance of developing a plan to transfer implementation capacity to national implementers. The GAC noted that whilst Belize is planning for a transition away from Global Fund financing for TB, UNDP is still the Principal Recipient receiving the Transition Funding. The GAC acknowledged that this was due to the limited number of alternative high-capacity implementers who could continue program implementation in this last grant. The GAC stressed the strategic importance of UNDP leveraging their staff and their overall linkages in-country to proactively support the in-country transition process. The Global Fund will rely on its partnership with UNDP to ensure that the transition outcomes, including transferring capacity to national implementers that has been negotiated and agreed to in this grant are realized, given UNDP's standing in Belize and its strong implementing capacity.

Botswana malaria: Ministry of Health the Republic of Botswana (BWA-M-BMOH)

1.5 While this grant represents Botswana's final allocation for malaria, Botswana's malaria disease burden classification changed from 'Moderate' in the 2017 to 'High' in the 2018 Eligibility List, resulting in one determination of eligibility.³ Botswana malaria has only had one other previous allocation (US\$5 million) in the 2014-2016 allocation period and will have one of US\$1.2 million in the 2017-2019 allocation period.

To facilitate transition planning for the program activities, the country undertook a Transition Readiness Assessment and developed a transition plan with close engagement of country stakeholders. Whilst the country welcomed the allocation, the Government is progressively taking over financing activities. Given the epidemiological context, the program is more focused on elimination with the aim to achieve zero local malaria transmission in Botswana by 2020. Country stakeholders are working in close collaboration with partners on an elimination strategy, especially in view of recent outbreaks of malaria due to changes in rain patterns.

1.6 Co-financing and domestic commitment:

Botswana will be submitting its HIV and TB grants for GAC Recommendation in November 2018. Compliance with the willingness-to-pay requirements for the previous allocation period will be assessed along with the review of the HIV and TB components. In order to access the co-financing incentive of US\$193,125 for malaria, the Government of Botswana needs to invest the same amount (15 percent of the malaria allocation) in 2019-2021, over and above its malaria spending in 2016-2018. The country has submitted indicative commitments of additional investments amounting to more than US\$22 million, which exceeds the minimum requirements. The macroeconomic environment is stable and in the medium term, higher public spending is expected. There is low risk for Botswana to not realize their co-financing commitments. In order to mitigate the potential risk, the Secretariat will continue to work with the Government to get clarity on accurate spending levels for the next allocation period.

1.7 GAC review and recommendations:

- The Botswana malaria funding request was originally submitted for TRP review in June 2017 and the TRP recommended it for iteration. This grant was recommended for grant-making in September 2018, following TRP review of the resubmitted request. The GAC acknowledged the considerable work resulting from the iteration, the responses to TRP recommendations and the overall process for grant-making for a focused portfolio with a limited allocation. The GAC recommended to draw lessons from this example in designing more innovative or streamlined review and approval processes in the next allocation period for countries receiving limited funding.
- The GAC noted the high budget for program management and oversight. They recognized that this was due to the large size of the country and the envisioned case management. Whilst it looks unbalanced in the budget, the GAC acknowledged that this is justified and necessary for the success of the grant.

³ Country components must be eligible for two consecutive eligibility determinations to be classified as eligible on the Eligibility List.

El Salvador HIV: Ministry of Health (SLV-H-MOH)

1.8 El Salvador's HIV epidemic is concentrated among key populations – men who have sex with men, sex workers and transgender women - with the national HIV prevalence remaining stable at 0.42 percent between 2014 and 2017. The proposed grant aims to reduce new HIV infections in key populations by i) the provision of comprehensive HIV prevention services to key populations; ii) strengthening and expanding comprehensive services for people with HIV/AIDS, with emphasis on the key population, in the different institutions that provide health services; and iii) strengthening the healthcare system in its resilience and sustainability, through a human rights, gender and multi-sectoral participation approach.

The grant presented for approval will also be used to support the relocation and refurbishment of the National Reference Laboratory, an RSSH project that will be funded through the Debt2Health swap between the Global Fund, the Government of El Salvador and the Government of Germany (KfW, represented by the Ministry of Finance). Under this debt swap, the Government of Germany will waive equivalent bilateral official development assistance claims for every dollar that El Salvador, through the Global Fund, provides towards the National Reference Laboratory project, up to the equivalent of US\$13 million.

1.9 Co-financing and domestic commitment:

In order to access the co-financing incentive of US\$2.2million for HIV, the Government needs to invest a minimum of US\$1.6 million in priority areas within the HIV program in 2019-2021. The Minister of Health has made a written commitment, which exceeds the required amount to comply with the co-financing requirement. One hundred percent of the additional investments are invested in priority areas within the disease program and the investments are aimed to facilitate the country's transition away from Global Fund financing. Additionally, the Government has been increasingly taking over human resources, antiretroviral drugs and reagents, and plans to continue this approach.

1.10 GAC review and recommendations:

- The GAC noted that whilst the El Salvador HIV allocation for the 2017-2019 allocation period is US\$ 14.5 million, the grant presented for approval reflects both El Salvador's activities, funded by the 2017-2019 HIV allocation and cross-cutting RSSH activities representing an additional US\$13 million to be financed from the Debt2Health. The GAC endorsed the inclusion in the SLV-H-MOH grant of this additional US\$13 million to be funded through the Debt2Health initiative.⁴
- With the aim of streamlining the management of a Focused Portfolio, and also to start the process of the country's preparation for transition and facilitating the engagement of the Government with Civil Society Organizations, the Secretariat encouraged the CCM to present a single recipient for the HIV component funding. This also ensures that the consolidated grant presented for recommendation is in line with requirements needed under the Comprehensive Funding Policy and the Amended and Restated Policy on Restricted Financial Contributions to receive the Debt2Health funds.

Montenegro HIV: Ministry of Health of Montenegro (MNE-H-MOH)

1.11 Montenegro's Round 9 HIV grant ended in June 2015 after becoming ineligible in 2010. The country has become newly eligible for funding in the 2017-2019 allocation period, due to a high HIV prevalence among key populations (12.5 percent among men who have sex with men). Noting that HIV prevention services for key and vulnerable populations remained largely unfunded following the transition, the new grant was designed and tailored to maximize Global Fund investments. This grant focuses on:

(i) Maximizing the additionality of Global Fund financing: Although Montenegro's allocation is limited, coverage with the basic package of prevention services will aim to reach 45 percent among men who have sex with men, 63 percent among female sex workers and 75 percent among people who inject drugs. In addition, it is foreseen that 80 percent of all clients reached with preventive services will be tested. This maximum use of a limited investment is possible because 100 percent of grant funds are directed towards service delivery, with minimum management and operational costs;

⁴ The Secretariat is currently finalizing the Debt2Health-related agreements. The additional US\$13 million to be received through contribution payments from El Salvador will be included in the grant upon finalization of the agreements. The amount in the funding table above represents the total upper ceiling amount for the program budget, including the additional funds to be received through the Debt2Health initiative.

(ii) Aligning to national system and processes: The grant was designed in such a way that the Government and Global Fund funds for key population services will be jointly distributed through the newly developed NGO contracting mechanism and managed by the National AIDS Programme, without parallel procedures or structures required. In this way, the grant aims to use existing country systems, including assurance mechanisms, and strengthen the functioning of the contracting mechanism; and

(iii) Shifting to a service-provider approach: Montenegro opted to shift away from an input-based budgeting towards basing the resource distribution of the national response on the *unit costs per client reached*. This approach has several benefits: a) to enable the country to better link resources to targets and to focus on results; b) to transition from grant-based support towards the procurement of health services delivered by NGOs; and c) to allow for simplified reporting to the Global Fund.

1.12 Co-financing and domestic commitment:

Given that Montenegro became re-eligible for Global Fund financing under the 2017-2019 allocation period, the country is not subject to previous willingness-to-pay requirements.

In order to access its 15 percent co-financing incentive, Montenegro is required to invest an additional €83,541 to the HIV program through 2019-2021, with 100 percent of funds focused on services for key and vulnerable populations. With its annual planned spend of €130,000 for 2019-2021, Montenegro exceeds the minimum co-financing requirement.

1.13 GAC review and recommendations:

The GAC commended the applicant and the Secretariat for the innovative and strategic design of the grant. The GAC noted that this grant aims to re-catalyze prevention services in the country in an impactful and sustainable manner. The GAC viewed this as a good example of how grants receiving limited funding can be designed to achieve maximum impact and that lessons drawn from this grant could also be applicable to other grants receiving a final allocation or planning a transition away from Global Fund financing.

Nicaragua TB: Instituto Nicaragüense de Seguridad Social – INSS (NIC-T-INSS)

1.14 Nicaragua aims to reduce the TB incidence rate by 20 percent and the TB mortality rate by 35 percent by 2020. However, since April 2018 the country has been facing civil unrest, which has impacted all Global Fund-supported programs, including the TB grant. Between April and August there were situations of violence and roadblocks across the country that impeded a normal implementation of program activities. Since mid-August 2018 the program has been gradually returning to normal, however tensions in the country persist.

1.15 Co-financing and domestic commitment:

The Government of Nicaragua has made sufficient indicative commitments to meet co-financing requirements for the current allocation period. However, given the political risk and economic challenges that the country is currently facing, there is a risk that commitments might not be fully realized. The Secretariat is working with the country to ensure that appropriate mitigation measures will be implemented and that the co-financing commitments are monitored to maximize the likelihood of their realization.

1.16 GAC review and recommendations:

The GAC noted that the current political climate has already led several donors to withdraw financial support to the country. Whilst noting the importance of the Global Fund's support to the TB program to ensure continued treatment and to maintain gains achieved thus far in Nicaragua, the GAC recommended a continuous monitoring of the grant and the overall country context. The GAC further recommended that the Secretariat should continue to discuss the most effective implementation arrangements to safeguard the Global Fund resources and maximize the health outcomes of the grant as the situation in country evolves.

Niger TB/RSSH: Ministry of Health (NER-T-MSP)

1.17 The TB/RSSH grant in Niger aims to i) reduce the TB incidence rate from 93 per 100,000 population in 2016 to 78 per 100,000 population in 2021; ii) reduce the mortality rate from 20 per 100,000

population in 2016 to 15 per 100,000 population in 2021; and iii) strengthen demand and offer of quality health services to the population.

1.18 Co-financing and domestic commitment:

To fully access the co-financing component of the 2017-2019 allocation period, the Government needs to invest an additional €5.6 million in 2018-2020, over and above its spending level in 2015-2017. The Ministry of Economy and Finance has made a commitment to increase the funding for the disease programs by €29.6 million over the next implementation period, which exceeds the minimum co-financing requirement.

Niger has been facing significant macroeconomic and fiscal challenges, however, amidst its multifaceted humanitarian crisis, which has constrained the Government's capacity to mobilize internal resources and has undermined budget execution in 2015 and 2016. Despite the positive economic outlook, as the humanitarian crisis continues, it is anticipated that resources will be stretched and that the sustainability of health financing and the Government commitment to co-financing will face significant constraints.

The Secretariat will continue to work with the Government and has put in place mitigation measures to address the risks. The following mitigation measures have been undertaken to monitor co-financing commitments: i) the Ministry of Economy and Finance has provided a commitment letter dated 24 November 2017; ii) a specific requirement to capture annual reporting of all domestic public resources allocated to the national response for the fight against HIV, tuberculosis and malaria, as well as the overall health sector, has been included in the Grant Confirmation; and iii) key financial partners will be engaged to advocate for respecting co-financing commitments.

1.19 GAC review and recommendations:

- The GAC acknowledged that historically, the Principal Recipients in Niger for the TB/HSS grant have always been international NGOs, but that the grant proposed for approval will be implemented by the Ministry of Health. Whilst the GAC acknowledged that this represents an opportunity to foster leadership, ownership and accountability of the Government of Niger over the Global Fund supported programs, it might also present some risks, including weaker financial management capacity and a potential slower launch of grant activities. The GAC therefore stressed that robust risk mitigation measures should be maintained to safeguard and prevent mismanagement and misuse of funds, including the use of the fiscal agent who is already active with supporting the other grants in Niger. The Secretariat noted that in addition to supporting the PR and sub-recipient in improving their financial systems and providing financial controls, the fiscal agent will also support capacity building on program planning, management and monitoring. The GAC appreciated that additional technical assistance is envisioned in the field of procurement, supply chain improvement and data availability and use.
- GAC Partners noted the challenges around supply chain in Niger, which were also highlighted in the report of the Office of the Inspector General. The Secretariat clarified that technical assistance has been put in place to support activities in this sector and will be maintained. The procurement of health products has been managed by the Global Drug Facility and this arrangement will remain for the next implementation period. Non-health products will be procured by an external agent.
- The GAC partners also noted the change in migration pattern and the impact this had on the response to the disease within populations at the border. The Secretariat expressed appreciation for the close collaboration with Partners, who have been instrumental in ensuring that services and commodities are made available where migrants and Internally Displaced Persons are located.

Panama TB/HIV: United Nations Development Programme (PAN-C-UNDP)

1.20 The HIV epidemic in Panama is concentrated among key populations (13 percent for men who have sex with men and 15 percent for Transgender populations) and remains eligible for Global Fund financing. The TB program, with an incidence rate is between 40 and 50 cases per 100,000 inhabitants, is transiting away from Global Fund. Panama received a transition funding allocation for TB. Panama was classified as a high income country by the World Bank in July 2018 and as such is likely to not be eligible for HIV funding in the 2020-2022 allocation period.⁵ Given the context, Panama developed a joint TB/HIV funding request

⁵ The Global Fund uses the latest three-year average of gross national income (GNI) per capita (World Bank Atlas method) to determine income classification.

based on the Transition Plan developed by the country, which foresees that the Government will progressively increase investment and take over activities currently supported by the Global Fund. The program focuses on addressing the main transition risks and aims to strengthen partnerships and multi-sectoral collaboration at the national level. Particular attention is given to the continuity of community-based strategies that have proven effective for the sustainability of the HIV and TB response.

1.21 Co-financing and domestic commitment:

Panama has experienced a rapid economic growth, which has translated into high health spending levels. Data indicate that public health spending continued to increase in the current grant implementation period (2016-2018) and it is expected to continue growing in parallel to the growth in the economy during the next few years (2019-2023), an indication that Panama is able and willing to prioritize domestic health spending in their budgets.

The Ministry of Health and the Ministry of Finance of Panama have jointly submitted a letter agreeing to invest at least US\$402,884 in the following areas: i) Support community-outreach programs for key populations; ii) HIV free testing for all populations, including key populations; iii) Maintenance cost of the eight CLAM (public “welcoming” clinics); iv) Cost of ART and monitoring of the attention of all persons who are detected positive for HIV through the community-based approach program; v) TB community promoters; and vi) Cost of the DOTS and monitoring of the attention of all the personnel that are detected with TB to travel from the community boarding program.

1.22 GAC review and recommendations:

- While acknowledging the current strong commitment from the Government, with elections next year there is a risk that the country’s priorities might change. Furthermore, despite notable recent progress, the TB response continues to face significant challenges both in case detection and treatment. Therefore, the GAC stressed the importance of continued engagement, jointly with Partners, at the highest levels of Government to ensure commitments made are fulfilled and both the HIV and TB program continue receiving strong political support.
- UNDP is the Principal Recipient for this grant as local entities with strong capacity were not identified. The GAC noted the high management costs associated to overhead, capacity building budget and audit fees but acknowledged that these are in line with the agreement with UNDP. The GAC acknowledged that this was due to a limited number of other high-capacity implementers who are well-suited to continue program implementation in this last grant. The GAC stressed the strategic importance of UNDP leveraging their staff and their overall linkages in-country to proactively support the in-country transition process. The Global Fund will rely on its partnership with UNDP to ensure that the transition outcomes, including transferring capacity to national implementers that has been negotiated and agreed to in this grant are realized, given UNDP’s standing in Panama and its strong implementing capacity.

Paraguay TB: Altervida (PRY-T-AV)

1.23 Paraguay TB received Transition Funding for the 2017-2019 allocation period as they are an upper-middle income country with less than high disease burden. The grant was developed based on an independent Transition Readiness Assessment and a Transitional work-plan for HIV and TB. The work-plan is structured on 5 pillars, with the aim to: strengthen leadership/governance and the national health response for TB; improve the strategic planning whilst increasing national funding; address social determinants for health and social protection; and improve strategic data/information for TB. The grant aims to: i) guarantee the political commitment toward a sustainable TB response; and ii) strengthen an integrated approach toward TB treatment focusing on patients’ needs.

1.24 Co-financing and domestic commitment:

In order to access the co-financing incentive of US\$437,298 for TB, Paraguay needs to invest the same amount (15 percent of the TB allocation of US\$2.9 million) in 2019-2021, over and above its TB spending in 2016-2018. The country has submitted indicative commitments of additional investments of more than US\$1.6 million, which exceed the minimum requirements. Paraguay is an Upper Middle Income country and in line with Sustainability Transition and Co-financing policy, additional domestic investment should focus on disease components and RSSH activities to address roadblocks to transition, with a minimum of 50 percent invested in specific disease components targeting key and vulnerable populations. Whilst

discussions with the Government have been in line with this investment approach, the Secretariat will request a revised joint letter of commitment from the Government to formalize this investment approach.

1.25 GAC review and recommendations:

- The GAC recognized that the TB program is underfunded and would still need between US\$11-13 million a year in additional funds to fill the gap for the period 2019-2023.
- The GAC appreciated the fact that Paraguay has a National TB body for better integration of services and greater inter-program and cross sectorial coordination. They noted the limitations of the work possible for this body to undertake and the challenges to the TB program that will remain in the absence of the approval and ratification of specific laws.
- The GAC noted the progress in transition planning and transition preparedness during funding request development and grant-making for Paraguay TB grants. Despite this progress, the GAC emphasized that the country should continue advocacy efforts during grant implementation and that there should be a continued engagement with the highest levels of the Government beyond the Minister of Health.

2. Grant Revisions – Integration of Additional Funding into Board Approved Grants due to Portfolio Optimization

Operationalization of Prioritization Framework for Portfolio Optimization

2.1 The Secretariat has operationalized the Strategy Committee-approved ‘Prioritization Framework for Funds that Become Available for Portfolio Optimization and Financing Unfunded Quality Demand’ (Prioritization Framework) through a rigorous and comprehensive process with inputs from Partners and in line with the Strategy Committee decision (GF/SCo4/DPO2).⁶ Through this process, the GAC has recommended US\$127.7 million for immediate awards through US\$150 million of funding approved by the Audit and Finance Committee (AFC) pursuant to GF/AFCo7/03 and GF/AFCo4/DPO1 for Portfolio Optimization and US\$27.6 million for in-country optimization to fund high impact interventions from the Register of Unfunded Quality Demand. The additional funds will be integrated into existing grants through grant revisions to increase each grant’s upper ceiling, subject to Board approval as per standard procedures. The Portfolio Optimization exercise will be repeated when additional resources are made available by the AFC. The GAC will continue to recommend grant revisions integrating additional funds awarded to countries through Portfolio Optimization in the GAC reports to the Board. Additionally, the Secretariat will continue to report on progress to the relevant Committees of the Board.⁷ The following section contains further details around one specific recommendation contained in this report.

2.2 In this report, the Secretariat recommends to the Board additional funding for the second set of grants⁸ identified to receive additional funding through Portfolio Optimization (Rwanda Malaria - RWA-M-MOH).

Rwanda malaria: Ministry of Health (RWA-M-MOH)

2.4 Rwanda experienced a quadrupling of malaria incidence from 93 per 1,000 in 2011-2012 to 418 per 1,000 in 2016-2017. This increase was observed in all districts including those that were previously in pre-elimination. Consequently, the Government of Rwanda re-oriented the entire country back to malaria control under the National Malaria Contingency Plan of January 2016. The Plan recommended expanding IRS coverage to 13 endemic districts. Historically Global Fund resources covered 3 districts, however the current funding only covers 1 district for 2018. The additional investment through Portfolio Optimization will expand IRS coverage to a total of 5 districts through Global Fund support in 2019 and 2020.

⁶ Available [here](#). Please note this document is part of an internal deliberative process of the Global Fund and as such cannot be made public.

⁷ For further details on the approach to operationalize the Strategy Committee-approved ‘Prioritization Framework for Funds that Become Available for Portfolio Optimization and Financing Unfunded Quality Demand’ please refer to the GAC report to the Board GF/B39/EDP15.

⁸ These will be presented for approval by the Board for additional funding over the coming months, the timing of which will be aligned to programmatic needs, on a case-by-case basis.

3. Additional Matters

3.1 The Board is hereby notified that the Secretariat, in order to prevent program disruption during grant-making, approved extensions in Table 3 as follows:

Table 3: Extensions Approved by the Secretariat

Applicant	Disease Component	Grant Name	Currency	Total Extension Budget	Additional Funding	Proposed Extension Duration (Months)	Proposed End Date
Multi-country West Africa ALCO	HIV/AIDS	QPF-H-ALCO	EUR	1,591,713	0	12	31/03/2019

4. Privileges and Immunities

4.1 Of the applicants for which funding recommendations are currently being made, Rwanda and Niger have signed and ratified the Global Fund Agreement on Privileges and Immunities. Montenegro has signed but not yet ratified 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,⁹ 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/EDP09: Decision on the Secretariat's recommendation for funding the Rwanda malaria grant	This decision point approved the Rwanda malaria grant (RWA-M-MOH)
GF/SCo4/DP02: Approval of the Prioritization Framework for Funds Becoming Available for Portfolio Optimization and Financing Unfunded Quality Demand	This decision point approved the prioritization framework to guide investments in the register of unfunded quality demand using funds available for portfolio optimization.
GF/AFCo4/DP01: Approval of Available Sources of Funds for Portfolio Optimization and Financing Unfunded Quality Demand for the 2017-2019 Allocation Period	This decision point approved US\$ 50 million to be made available for portfolio optimization.
GF/AFCo7/DP03: Decision on the amount of additional funding available for investment through portfolio optimization	This decision point approved an additional US\$ 100 million to be made available for portfolio optimization.
GF/B39/EDP15: Decision on the Secretariat's recommendation on Funding Unfunded Quality Demand from the 2017-2019 Allocation Period	This decision point notes the Secretariat's review of the items on the 2017- 2019 allocation period's UQD register in accordance with the prioritization framework approved by the Strategy Committee.

⁹ 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/>)