



# THE GLOBAL FUND

## to Fight AIDS, Tuberculosis and Malaria

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### Guidelines for Performance-Based Funding

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#### Part 1: Introduction

1. The Global Fund makes funding decisions based on performance to ensure that investments are made where impact in alleviating the burden of HIV/AIDS, tuberculosis and malaria can be achieved. For this purpose, the Global Fund initially approves grant proposals for two years and decides on continued funding based on performance. During the grant period, the Global Fund links disbursements of tranches of the grant to periodic demonstrations of programmatic progress and financial accountability. The Global Fund's system for Performance Based Funding is designed to:
  - i. Provide incentives to encourage grant recipients to focus on results rather than on inputs;
  - ii. Serve as a management tool for Principal Recipients (PRs) of grants to identify early opportunities to expand effective efforts and to address potential issues;
  - iii. Furnish the Global Fund with the necessary performance information to decide on further disbursements of funds;
  - iv. Provide performance information to the Country Coordinating Mechanism (CCM) for its oversight and monitoring purposes; and
  - v. Communicate periodic progress updates to the Global Fund's Board and wider constituency.
2. The Global Fund's arrangements for Performance Based Funding are intended to be flexible rather than prescriptive, responsive to local conditions, and aligned

with donor harmonization efforts and best practices.<sup>1</sup> Principal Recipients are encouraged to, as far as possible, use their existing systems for monitoring, reporting and accounting for the purposes of the Global Fund, and to avoid duplicating reporting to other donors.

3. The current *Guidelines for Performance Based Funding* will be reviewed based on experiences with Round 1 and 2 grants. Lessons learned will be used to improve upon the current *Guidelines* for the benefit of future grants.

## Part 2: Overview

4. The Global Fund enters into **Grant Agreements** with Principal Recipients nominated through the Country Coordinating Mechanisms that submitted approved grant proposals. The Grant Agreement specifies the program budget and intended program results to be measured by key indicators with periodic targets.
5. Disbursement and reporting arrangements may be agreed between a Principal Recipient and the Global Fund based on e.g., a PR's existing reporting systems or common donor arrangements. Where the Global Fund co-finances a program with other donors (e.g., as part of a Sector Wide Approach (SWAp) arrangement, the timing frequency, contents and format of financial and programmatic reports should be coordinated with the PR and other donors, and the reporting for Global Fund purposes could be aligned with common reporting arrangements.
6. Unless another arrangement for disbursement and reporting is reached between a Principal Recipient and the Global Fund, the Fund normally disburses tranches of the grant to PRs on a quarterly basis for at least the first year of the grant. Subsequently, the Global Fund and a PR may agree that disbursements should be made on a semi-annual basis.
7. Unless another arrangement is agreed between the Global Fund and a PR, disbursements are based on projected program cash requirements and performance as reported by PRs in **Disbursement Requests and Progress Updates**. Disbursements normally cover program cash requirements for the next disbursement period (e.g., the next quarter)<sup>2</sup> plus one additional quarter to allow PRs to always have adequate cash on-hand while their *Disbursement Requests and Progress Updates* are being considered by the Global Fund. The Fund uses the *Disbursement Requests and Progress Updates* for decisions to disburse further funds to a program, and to identify early "success stories" as well as grant recipients that may need assistance.
8. Unless another reporting arrangement is agreed between the Global Fund and a Principal Recipient, PRs submit a **Fiscal Year Progress Report** to the Global Fund with consolidated programmatic and financial information at the end of their fiscal year.

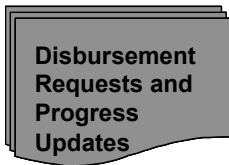



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<sup>1</sup> According to e.g., the work of the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) *Task Force on Donor Practices* on Financial Management and Accountability

<sup>2</sup> A *disbursement period* is defined as the periodic interval for which a Principal Recipient receives a disbursement of funds from the Global Fund and provides a progress update.

9. The financial statements of a program supported by the Global Fund must be audited on an annual basis. A Principal Recipient submits its **Audit Report** for the fiscal year to the Global Fund.
10. When a Principal Recipient transfers all or part of the grant to **sub-recipients**, the PR must have its own appropriate systems in place to assess and monitor sub-recipient implementation and use of grant proceeds, including reporting and audit requirements similar to those of the Global Fund.
11. Before the end of the initial two-year grant period, the Global Fund decides whether to continue funding a program for up to three additional years. The Fund's discretionary decision is based on a **Request for Continued Funding** from the CCM, a review of overall program performance and financial accountability of the Principal Recipient(s), and subject to the availability of funds.

### Performance Based Funding: Basis for Global Fund decisions\*

	Content	Timing/Frequency	Responsible
	<ul style="list-style-type: none"> <li>• Disbursement request with funding requirements for the next disbursement period plus one additional quarter</li> <li>• Programmatic and financial progress updates:               <ul style="list-style-type: none"> <li>– Actual results achieved vs. plans</li> <li>– Actual expenditures vs. budget</li> </ul> </li> <li>• Statement of Sources and Uses of Funds</li> </ul>	<i>First year:</i> within 45 days after the end of PR fiscal quarters <i>Future years:</i> may be provided on a semi-annual basis based on agreement between the Global Fund and a PR	<b>PR(s)</b>
	<ul style="list-style-type: none"> <li>• Consolidated programmatic and financial information for program for PR's fiscal year</li> </ul>	Within 90 days after the end of a PR's fiscal year	
	<ul style="list-style-type: none"> <li>• Report by qualified auditor covering all PR program expenditures during the fiscal year</li> <li>• Copies of audit reports covering sub-recipients' program expenditures during the fiscal year</li> </ul>	Within six months after the end of a PR's fiscal year	<b>PR(s)</b>
	<ul style="list-style-type: none"> <li>• Assessment of implementation progress for first 18 months</li> <li>• Complementary information including:               <ul style="list-style-type: none"> <li>– Country indicators on disease status</li> <li>– Description of functioning of CCM and partnerships</li> <li>– Description of linkages with other relevant national programs</li> <li>– Level/distribution of total national financial resources to the three diseases and broader purposes related to program</li> </ul> </li> <li>• Request for continued funding including:               <ul style="list-style-type: none"> <li>– Funding period, budget, objectives and intended results</li> <li>– Proposed changes in implementation arrangements (if any)</li> </ul> </li> </ul>	Before the end of the 20 <sup>th</sup> month of the program	<b>CCM</b>

\* Unless another agreement is reached between the Global Fund and a Principal Recipient, e.g., based on the PR's existing reporting systems or common donor arrangements

### Part 3: The Grant Agreement: Intended Program Results and Budget

12. The Global Fund and Principal Recipients enter into a **Grant Agreement** that defines their respective legal obligations. An essential part of the Grant Agreement negotiations is agreement on intended program results to be achieved during the grant period as linked to the main program objectives specified in the

approved grant proposal. For monitoring purposes, progress towards each main program objectives should be measurable by a small number of easily verifiable indicators with periodic targets.<sup>3</sup>

13. The main program objectives and the agreed-upon key indicators and periodic targets are included in the Grant Agreement and used as a management tool to monitor program progress: for a Principal Recipient's own management purposes, for the PR's progress updates to the Global Fund, and for the Fund's review of program progress and decisions on further disbursements.
14. Unless the Global Fund and a Principal Recipient agree otherwise, e.g., based on the PR's existing reporting system or common donor arrangements, the Grant Agreement should contain intended program results on a quarterly basis for the first year of the grant period as well as intended results by the end of the two year grant period. The indicators selected to measure these results *need not* be the same for each period (e.g., quarter). One or two indicators per main program objective per period is usually adequate. Where relevant, and at appropriate intervals, the selected indicators should include some widely-used public health indicators that can measure progress towards affecting the course and impact of the disease, with baseline data.<sup>4</sup> In case verified baseline data for the selected public health indicators cannot be obtained, or is not recent, baseline surveys should be carried out as part of the initial activities of the program.
15. If the Global Fund grant will finance an expansion of an existing program, or is part of a co-finance arrangement with other donors, e.g., a SWAp arrangement, the indicators to be included in the Grant Agreement should be selected to demonstrate the *additional* results made possible through the *additional* funds.<sup>5</sup> If the grant will finance a pilot initiative, the indicators should be selected to demonstrate a successful progression from establishing the initiative towards achieving the objectives of the approved proposal (i.e., from *process indicators* in

#### **Indicators to Measure Results**

- **Process** – the activities, systems, actions and other outputs that need to be completed in the near term to achieve improvements or increases in coverage or delivery of services to target groups;
- **Coverage** – the changes in key variables in the medium term that demonstrate that larger numbers of individuals in identified target groups are being reached by and benefit from improved services or interventions;
- **Impact** – the changes over a longer period in sickness and death, or the burden of disease, in the target population that indicate that the fundamental objectives of the interventions have been achieved.

<sup>3</sup> E.g., *Planned target* end quarter 4 year 1: 1000 HIV+ women receiving antiretroviral therapy to prevent mother-to-child transmission of HIV; *Planned target* end quarter 4 year 2: 6000 HIV+ women receiving antiretroviral therapy to prevent mother-to-child transmission of HIV.

<sup>4</sup> The Global Fund has developed a menu of key public health indicators which may be used for monitoring program performance at appropriate intervals. This menu will be updated in consultation with partners based on harmonization progress. See the Global Fund's *Guidelines for a Principal Recipient's Plan for Monitoring and Evaluation*.

<sup>5</sup> E.g., additional districts or groups covered by a national DOTS program

the short term, to *coverage indicators* in the medium term, to *impact indicators* over the long term<sup>6</sup>).

16. In the Grant Agreement, the Principal Recipient and the Global Fund also agree on the total amount of funding for the two-year grant period and the amounts to be disbursed at periodic intervals.
17. For their management purposes, Principal Recipients are expected to have their own work plans and budgets, a basic plan for procurement and supply management, and a plan for monitoring and evaluation (the M&E plan). The indicators and periodic targets selected to monitor program progress and the plan for periodic disbursements from the Global Fund should be based on the PRs' plans. In case a PR has not yet completed its implementation plans at the time of Grant Agreement negotiations, the PR and the Global Fund may agree on certain specific outputs based on the planned activities for the first one or two quarters while implementation plans are being completed.
18. Based on implementation progress, a Principal Recipient may need to periodically update its plans for the results to be achieved and the periodic disbursements needed from the Global Fund. To harmonize planning and reporting with the PR's normal annual planning, the PR may also chose to update its plans at the time of its regular fiscal year planning. The updated plans must be agreed with the Global Fund. At the latest, plans for the second year of the grant must be agreed between the Global Fund and a PR at the time of the last disbursement of funds for the first year.

## **Part 4: The Global Fund's Performance Based Funding Decisions**

### **Part 4.1: Disbursement Requests and Progress Updates**

#### **4.1.1. Content**

19. In its *Disbursement Request and Progress Update*, a Principal Recipient estimates its cash requirements for the next disbursement period (e.g., one quarter) plus one additional quarter and, taking into account the cash on hand remaining from the previous disbursement from the Global Fund and other sources, calculates the disbursement required from the Fund.
20. The *Disbursement Request and Progress Update* also contains a progress update with actual results achieved as compared to targets and total expenditures incurred as compared to budget during the disbursement period (e.g., one quarter). If program results or expenses differ significantly from plans, the Principal Recipient should explain the reasons for these deviations. The PR may also provide an overview of other program results achieved, potential issues, and lessons learned, as well as any planned changes in the program and forecasted budget.

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<sup>6</sup> E.g., *Process*: Training program for HIV life-skills education established; *Coverage*: Knowledge of HIV/AIDS prevention among age 15-24 (% target against baseline); *Impact*: HIV prevalence among age 15-24 (% target against baseline).

21. Along with its *Disbursement Request and Progress Update*, a Principal Recipient submits a *Statement of Sources and Uses of Funds (Cash Flow Statement)* for the disbursement period, as derived from its normal accounting and reporting systems. This Statement of Sources and Uses of Funds *is not* intended to include a consolidation of the sub-recipients' expenditures with those of the PR
22. Where the Global Fund co-finances a program with other donors in a Sector-Wide Approach (SWAp) or other arrangement, the *Statement of Sources and Uses of Funds (Cash Flow Statement)* could reflect the entire program. In such cases, the Principal Recipient *need not* submit a *separate Statement of Sources and Uses of Funds* for the Global Fund grant as long as the joint *Statement of Sources and Uses of Funds* clearly identifies the grant proceeds and expenditures for program purposes. The Disbursement Request would in this case reflect the Global Fund's *portion* of the overall cash requirements for the entire program.

***Disbursement Request and Progress Update: Contents<sup>1</sup>***

- 1. Request Summary** – The Principal Recipient's USD-equivalent disbursement request
  - 2. Programmatic and Financial Progress Update** – (1) Actual results achieved vs. targets, (2) actual total expenditures vs. budget, (3) an explanation of potential programmatic or financial deviations from plans, (4) other program results, issues and lessons learned, (5) planned changes in program and/or budget
  - 3. Cash Reconciliation and Requirement** – Calculation of the USD cash requirement from the Global Fund for the next disbursement period plus one additional quarter
- Appendix: Statement of Sources and Uses of Funds (Cash Flow Statement)** – Actual versus planned expenditures, derived from the PR's normal budgeting and accounting systems using the currency in which the PR maintains its accounts and line items/format normally used by the PR

<sup>1</sup> See the Global Fund's template *Disbursement Request and Progress Update*

#### **4.1.2. Roles and Responsibilities**

23. A Principal Recipient forwards its *Disbursement Requests and Progress Updates* to the Global Fund through the Local Fund Agent (LFA), who reviews and validates the *Disbursement Request and Progress Update*, performs ad hoc verifications of program performance and financial accountability as deemed necessary by the Global Fund, and advises the Fund on the next disbursement. As a basis for its advice, a LFA should highlight key achievements and potential issues, and may identify certain performance gaps that need to be addressed.
24. A Principal Recipient provides the CCM with copies of its *Disbursement Requests and Progress Updates*. CCM members may comment on the progress of implementation based on their local knowledge and experience through the LFA or directly to the Global Fund Secretariat.
25. The Global Fund decides on the Disbursement Request, including the level of disbursement and possible actions that may need to be undertaken by a Principal

Recipient, and instructs the Fund's Trustee (the World Bank) to make the next disbursement to the PR.

26. Initial implementation difficulties should not result in a permanent discontinuation of funding, except when there is evidence of misuse of funds. When difficulties arise, Principal Recipients must provide mechanisms to improve performance. The Global Fund with advice from the LFA determines the appropriate level of funding as improvements are made.

#### **4.1.3. Timing, Frequency and Disbursements**

27. Unless another agreement regarding the *disbursement period* is reached between the Global Fund and a Principal Recipient, the Fund normally expects PRs to submit their *Disbursement Requests and Progress Updates* on a quarterly basis, usually within 45 days after the PR's fiscal quarter, at least for the first year of the grant period. As deemed appropriate on the basis of negotiations between a PR and the Global Fund, *Disbursement Requests and Progress Updates* may subsequently be submitted on a semi-annual basis.
28. Disbursements from the Global Fund normally covers the identified cash flow needs of a Principal Recipient for the next disbursement period (e.g., one quarter) plus one additional quarter. This allows PRs to always have adequate cash on-hand while their Disbursement Requests are being considered by the Global Fund.
29. When the grant starts in the middle of a Principal Recipient's fiscal quarter, the first *Disbursement Request and Progress Update* may cover either a shorter (i.e., the remainder of the quarter) or longer period (i.e., combine the remainder of the quarter with the next quarter), as preferred by the PR.
30. A Principal Recipient may request additional disbursements outside of the usual timeframe, with appropriate justifications. The *Disbursement Request and Progress Update* template may be used also for this purpose.

## **Part 4.2: Fiscal Year Progress Reports**

### **4.2.1. Content**

31. Unless another reporting arrangement is agreed between the Global Fund and a Principal Recipient, PRs submit a *Fiscal Year Progress Report* to the Global Fund at the end of their fiscal year. This Report contains aggregate information on programmatic progress and consolidated information on the use of the grant according to key program areas and implementing parties. Much of the information for the *Fiscal Year Progress Report* may be aggregated from the progress up-dates provided in the *Disbursement Requests and Progress Updates*.
32. If a Principal Recipient prepares an annual report at the end of its fiscal year as part of its regular management activities or for the purpose of other donors, this report may be used to incorporate the information for the Global Fund grant.
33. The summary information in the *Fiscal Year Progress Report* on the uses of grant proceeds should be easily obtained from a Principal Recipient's regular program

information and records of disbursements to sub-recipients (i.e., *not* require separate accounting for these items). For example, if a public sector PR implements 30% of the program and the remaining 70% is implemented by Community Based Organization sub-recipients, then 30% of the grant would be reported as having been implemented by the public sector and 70% by CBOs. The PR should *estimate* the *portion* of the grant supporting different program areas (e.g., Prevention 50%, Treatment 30% and Care and Support 20%). A PR decides how different program activities should be classified into program areas, as consistent with national standards and/or the approved grant proposal.

### ***Fiscal Year Progress Report: Contents***

**Programmatic information:**

- a) Aggregate actual program results for the fiscal year;
- b) “Success stories”, issues, lessons learned and implications for future program design and operations.

**Financial information:**

- The approximate portion of the Grant that supported each of the following program areas:
  - Prevention
  - Treatment
  - Care and Support
- The approximate portion of the Grant that supported capacity building and program administration
- The approximate portion of the Grant implemented by each of the following types of entities:

○ Academic/Educational Sector	○ Private Sector
○ Government	○ Religious/Faith-Based Organizations
○ NGOs/Community-Based Organizations	○ Multilateral and Bilateral Development Partners in-country
○ People living with HIV/AIDS, TB and/or Malaria	

- Aggregate information on the cost of key pharmaceutical products purchased under the Grant

34. The Global Fund will introduce a mechanism to collect information on the prices of certain key pharmaceutical products procured under its grants on an on-going basis. For the *Fiscal Year Progress Report*, a Principal Recipient will compile the relevant price information. The Global Fund will also provide a menu of indicators to measure the effectiveness of procurement and supply management on a periodic basis. The Global Fund will provide further information on this mechanism and these indicators in due course.

#### **4.2.2. Roles and Responsibilities**

35. A Principal Recipient collects information as necessary from its sub-recipients for the purpose of the *Fiscal Year Progress Report* to the Global Fund. The PR submits this Report to the Global Fund through the Local Fund Agent and provides the CCM with a copy. The LFA reviews and validates the report contents. The Global Fund reviews the report and the LFA’s advice. The information provided in the *Fiscal Year Progress Report* may influence the



Global Fund's next disbursement decision, and/or the decision to continue funding beyond the initially approved two years. CCM members may forward their comments on the report through the LFA or directly to the Global Fund.

#### **4.2.3. Timing**

36. The *Fiscal Year Progress Report* is due no later than 90 days after the end of the Principal Recipient's fiscal year.

### **Part 4.3: Fiscal Year Audit Reports**

#### **4.3.1. Content**

37. The financial statements of a program supported by a grant from the Global Fund must be audited on an annual basis. The key features of the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) Task Force on Donor Practices *Good Practice Reference Paper on Reporting on Financial Aspects and Auditing* form the foundation of the Global Fund's policy framework for annual audits. While applicable international audit standards should be used for conducting the audit, national standards are acceptable where these are consistent with the international standards in all material respects. Where the Global Fund co-finances a program with other donors, a single *Audit Report* for the fiscal year is acceptable as long as the Global Fund grant and expenditures for program purposes can be clearly identified. If a PR's existing auditor is acceptable to other donors, the audit will generally be acceptable to the Global Fund. For public sector entities, this may be a country's Supreme Audit Institution. The Global Fund's *Guidelines for Annual Audits of Program Financial Statements* provide further details on the Fund's audit policies.

#### **4.3.2. Roles and Responsibilities**

38. It is the responsibility of a Principal Recipient to arrange for an independent audit of the program financial statements for the fiscal year. A PR forwards its *Audit Report* to the Local Fund Agent, who reviews its content and provides advice to the Global Fund. The LFA *does not* itself perform the audit of the program financial statements. The PR provides the CCM with a copy of its *Audit Report*, as relevant for the program supported by the Global Fund.
39. If a PR transfers all or part of the grant to sub-recipients, it must have audit requirements similar to those of the Global Fund vis-à-vis the sub-recipients. The Global Fund does not require a consolidated financial statement for the expenditures of PR(s) and sub-recipients for audit purposes. The PR forwards copies of the audit reports it receives from sub-recipients to the LFA. The findings of the *Audit Report* may influence the Global Fund's next disbursement decision and/or decision to continue funding beyond the initially approved two years.

#### **4.3.3. Timing**

40. The *Audit Report* is due within six months after the end of a PR's fiscal year.

## Part 4.4: Request for Continued Funding

41. The *Request for Continued Funding* for up to three additional years of a program should come from the CCM as the result of a broad, consultative process among country-level stakeholders. The *Request for Continued Funding* should be linked to the original approved proposal, and contain (i) a CCM self-assessment of progress for the first 18 months of the program based on the Principal Recipient(s)' *Disbursement Requests and Progress Updates, Fiscal Year Progress Report(s)* and *Audit Report(s)*, (ii) provide certain complementary information beyond the responsibilities of the PR(s), as relevant for the program, and (iii) indicate the proposed objectives, targets and requested funding from the Global Fund for up to three additional years of the program. The *Request for Continued Funding* may include as annexes any independent evaluation performed on the program, and other relevant documentation as appropriate.
42. The *Request for Continued Funding* must be submitted by the CCM to the Global Fund before the end of the 20<sup>th</sup> month of the program to allow sufficient time for the Fund's review and decision and avoid program disruptions. The Global Fund will provide further guidance and information on the Fund's review and decision process in due course.

### ***Request for Continued Funding: Contents***

**1. CCM self-assessment of progress for the first 18 months of the program** based on the information prepared by the Principal Recipient(s) (*Disbursement Requests and Progress Updates, Fiscal Year Progress Report(s), Audit Report(s)*)

**2. Complementary information**

- a) A country profile on key health indicators related to the three diseases, as relevant for the program, extracted from the country's routine disease surveillance data compared to the baseline at the start of the program;
- b) A description of the functioning of the CCM, including partnerships brought about among different constituencies as a result of the program;
- c) A description of linkages between the program and other national initiatives/programs;
- d) Information on the level of and distribution of overall national financial resources to the three diseases and broader purposes related to the program.

**3. Request for continued funding**

- a) The proposed funding period and total amount requested from the Global Fund;
- b) Objectives and performance targets, with appropriate baseline data;
- c) Information on any planned changes in existing implementation arrangements; and
- d) Funding available from other sources for the program.