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# The Global Fund

To Fight AIDS, Tuberculosis and Malaria

**5<sup>th</sup> Portfolio Committee Meeting  
Geneva, 21-22 September 2006**

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**GF/PC5/05**

## **REPORT ON FUNDING FOR GREEN LIGHT COMMITTEE ACTIVITIES**

**Outline:** This report updates the Portfolio Committee on steps undertaken by the Secretariat to implement the Board Decision of the Thirteenth Board Meeting on Funding for Green Light Committee activities.

## **Part 1: Introduction**

1. At the Thirteenth Board Meeting of April 2006, the Board recognized the essential services provided by the Green Light Committee (GLC) to recipients of Global Fund grants to ensure the quality of multidrug-resistant tuberculosis (MDR-TB) programs. The Board reaffirmed its decision of the Third Board Meeting which requires Global Fund recipients to procure second-line anti-TB drugs through the GLC. The decision also acknowledges that services provided by the GLC constitute a "package" which cannot be disaggregated. Costs for GLC services should therefore be borne in part by grant recipients of the Global Fund based on cost-sharing principles.
2. The Board specified that applicants for Round 6 grants and grants of future rounds with MDR-TB control components incorporate costs for GLC services in proposals and budgets when submitting proposals to the Global Fund. The Board decided that applicants which submit a Request for Continued Funding (RCF) for grants with MDR-TB control components (i.e., a request for Phase 2 funding) also incorporate costs for GLC services in their Phase 2 submissions and annual budgets. These budgets, however, cannot exceed the lifetime amounts approved by the Board based on recommendations of the TRP. The amount to be budgeted would be calculated as a flat rate per grant per year of a grant based on the funding gap of the GLC in a given year and the number of Global Fund grants, however, at an amount not exceeding US\$ 50,000 per grant per year.
3. The Secretariat was requested by the Board to explore the possibility of incorporating costs for GLC services in existing grants of Rounds 1 to 5 which are not covered by the paragraph above. This would essentially include Rounds 1 to 5 grants which will have already submitted a request for funding for Phase 2 by end 2006. The Secretariat was asked to report back to the Board on possible mechanisms at the Fourteenth Board Meeting.
4. The Secretariat has since deliberated on how best to implement this decision point, taking into account the Portfolio Committee (PC) instruction to minimize transaction costs for Principal Recipients (PRs) and the Secretariat. Certainty of funding support for the GLC is also an important consideration. The issue has been addressed and mechanisms for implementation agreed by the Secretariat's Operational Policy Committee (OPC).

## **Part 2: Implementation of the Board Decision by the Secretariat**

1. Discussions on and decisions to incorporate costs for GLC services in budgets of existing and future grants have been addressed according to the three categories of grants as detailed in the Board decision and described above:

### **Round 6 grants and beyond**

2. Although the Secretariat recognized that the intent of the PC and the Board in adopting the decision point was to encourage the GLC to pursue a proactive resource-mobilization effort to attract other donor funding and have the Global Fund cover a funding gap, implementing the decision accordingly would be most difficult. The GLC would initially need to fundraise with other donors, and then communicate to the Global Fund what the funding gap for a given year is. The specified amount would then be covered by relevant Global Fund grants but to an amount not exceeding \$US 50,000 per grant per year. The amount could be different every year depending on the funding gap and the number of Global Fund grants with MDR-TB components.

3. Calculating the relevant amount per grant per year would lead to high transaction costs for both PRs and the Secretariat and result in continuing uncertainty for the GLC. Estimating accurate funding gaps will prove to be challenging for the GLC as other donors wait to make definite pledges before they learn what costs are borne by other donors. The Business Plan for the Green Light Committee 2006–2008, finalized in February 2007 and provided to the PC for its deliberations at the 4th PC Meeting in April 2006 (included in Annex 9 of the PC Report to the Board for the Thirteenth Board Meeting), projects a funding gap of US\$ 13 to US\$ 25 million according to two different scenarios for growth of activities of the GLC. These figures are estimates for a three-year period rather than annual amounts. Calculating an amount to be built into annual budgets for relevant grants would be difficult. The funding gaps specified by the GLC may be moving targets as other donors may provide additional funding during this period. Gauging when the GLC could provide an accurate estimate of a funding gap in the year prior to or during a given year would also prove problematic. The process for establishing a funding gap would thereby be fraught with difficulty.

4. The OPC therefore decided to require PRs of grants with MDR-TB components to budget for and pay the GLC a flat rate of US\$ 50,000 per year of the grant lifecycle. As applicants have been/are requested to budget this amount into annual budgets for proposals in advance, i.e., from Round 6 and beyond, accommodating this amount for GLC services will not cause PRs any financial hardship. The Round 6 guidelines already include relevant guidance for CCMs to incorporate US\$ 50,000 for each year of grants with MDR-TB components. The simplest method for execution is to require PRs to pay the GLC directly at the beginning of each year of a grant lifecycle. The PR would submit a disbursement request, requesting the Secretariat to pay the GLC US\$ 50,000 directly on its behalf.

5. To ensure that Global Fund grantees do not pay more than the funding gap of the GLC for a given year, the Global Fund will request that the GLC provide information of its funding gap at the end of a given year and ascertain whether funds provided through Global Fund grants exceed the amount.

6. While the Secretariat acknowledges that this method of implementation was not originally intended by the PC or by the Board at its Thirteenth Board Meeting to simplify procedures and minimize transaction costs for PRs and the Secretariat and uncertainty for the GLC, it requests the PC to consider this alternate method for implementing the Board decision.

#### **Grants where a Phase 2 request will be submitted as of January 2007**

7. The Secretariat has decided that the same principles as set out above for Round 6 grants and beyond should apply to grants where a Phase 2 request will be submitted as of January 2007. This point in time provides a workable entry point in the grant lifecycle to include costs for GLC services. Although preliminary figures for Phase 2 budgets are provided in original proposals for funding, detailed budgets for the Phase 2 period are developed at a later stage for the Phase 2 review process. Relevant PRs will be advised to incorporate US\$ 50,000 in budgets for each year of Phase 2 for GLC services.

8. Invitations to submit a RCF for Phase 2 sent to CCMs as of 1 November 2006 will include details of this requirement. Budget submissions for Phase 2 review will need to include an annual amount of US\$ 50,000 for GLC services. As with Round 6 grants and beyond, PRs will be requested to submit a disbursement request to the Secretariat at the beginning of each relevant year for direct payment of US\$ 50,000 to the GLC.

9. There are 17 grants which fall within this category. Please see Annex 1 for a list of relevant grants. The Secretariat is currently completing an analysis of these grants and implications of incorporating an amount of US\$ 50,000 into each annual budget for the Phase 2 period. As budgets for Phase 2 are normally not strictly defined until workplans and budgets are developed for Phase 2 review, incorporating these amounts should be feasible. However, where grants have small budgets and accommodating US \$50,000 per annum would be significant, PRs may not be able to budget for these amounts without major reprogramming. The Secretariat will consider an alternative amount to be paid to the GLC in such cases.

**Rounds 1 to 5 grants which have/will already have submitted a request for Phase 2 funding by 1 January 2007**

10. In its decision, the Board requested the Secretariat to explore possible mechanisms to apply cost-sharing principles for GLC services to Global Fund grants not covered by the two categories described above. Twenty-six (26) grants fall within this category. Please see Annex 1 for relevant grants.

11. The Secretariat has decided that it is simply not feasible to recover costs from PRs for services undertaken by the GLC for 2006 and years prior.

12. An analysis of existing grants is currently being undertaken to gauge whether or not US\$ 50,000 could be incorporated into existing budgets of relevant grants without requiring major reprogramming for the years 2007 and beyond. In many cases, current budgets are small and budget lines and amounts are fixed for defined activities and to achieve specific targets. In these cases, reprogramming may not be feasible as budgets and work plans would need to be revised, targets would need to be renegotiated and the TRP may be required to review cases where revising budgets requires major reprogramming.

13. The Secretariat will conclude its analysis of the 26 grants before reaching a definitive conclusion on possible mechanisms for GLC costs to be built into existing budgets for future years. However, preliminary findings based on information provided by Fund Portfolio Managers (FPMs) suggest that it will not be feasible to require PRs of existing Rounds 1 to 5 grants with MDR-TB components which will have already submitted a request for Phase 2 funding before 1 January 2007 to incorporate US\$ 50,000 into existing budgets per year. In any case, transaction costs for PRs and the Secretariat to reprogram existing budgets and workplans would be too high.

14. The maximum amount that the GLC could theoretically receive through these grants if PRs were required to incorporate US\$ 50,000 into budgets for each year of the remaining grant lifecycle as of 2007 would be:

- US\$ 1.3 million during 2007 (26 grants)
- US\$ 950,000 during 2008 (19 grants)
- US\$ 250,000 during 2009 (five grants)

This amounts to an estimated total of US\$ 2.5 million over three years.

### **Part 3: Next steps**

1. The Secretariat has had high-level discussions with WHO/GLC to ensure a common understanding of the Board decision and challenges with its implementation. Further discussions will be pursued to finalize specific details.
2. The Secretariat will take the necessary steps to ensure an amount of US\$ 50,000 is budgeted for each relevant grant per year for Round 6 proposals and beyond and for applicants submitting a RCF for Phase 2 as of 1 January 2007. This will include timely communication with PRs and monitoring by FPMs at the Secretariat. A mechanism to monitor transactions to the GLC will also be developed.
3. The analysis of potential back-fitting of costs for GLC services into Rounds 1 to 5 grants will be concluded in the near future. While incorporating costs may be feasible in a small number of grants, due to the transaction costs involved for both PRs and the Secretariat to reprogram existing work plans and budgets and renegotiate grant agreements, the preferred approach of the Secretariat is for the relevant short fall of US\$ 2.5 million over three years to be assumed by donors through active resource mobilization efforts by the GLC.

This document is part of an internal deliberative process of the Global Fund and as such cannot be made public.  
Please refer to the Global Fund's documents policy for further guidance.

## Annex 1

### Global Fund Programs with MDR-TB Components and GLC support

	Round	Country	Disease Component	Budget in USD			Start date	End Phase 1	Expected Phase Submission <sup>2</sup>	Board Classification
				Phase I	Phase II	Total Lifetime				
1	1	Honduras	Tuberculosis	3,790,500	2,806,514	6,597,014	1-May-03	1-May-05	1-Dec-04	Backfitting
2	1	Moldova	HIV/TB	5,257,941	6,461,106	11,719,047	1-May-03	1-May-05	1-Dec-04	Backfitting
3	2	DR Congo	Tuberculosis	6,408,741	1,217,032	7,625,773	1-Aug-03	1-Aug-05	1-Mar-05	Backfitting
4	2	Philippines	Tuberculosis	3,434,487	8,003,577	11,438,064	1-Aug-03	1-Aug-05	1-Mar-05	Backfitting
5	2	Kenya	Tuberculosis	4,928,733	3,832,672	8,761,405	1-Nov-03	1-Nov-05	1-Jun-05	Backfitting
6	2	El Salvador	Tuberculosis	1,918,344	1,455,615	3,373,959	1-Dec-03	1-Dec-05	1-Jul-05	Backfitting
7	2	Peru	Tuberculosis	20,153,818	2,160,316	25,601,450	1-Dec-03	1-Dec-05	1-Jul-05	Backfitting
8	2	Lesotho	Tuberculosis	2,000,000	3,000,000	5,000,000	1-Jan-04	1-Jan-06	1-Aug-05	Backfitting
9	1	South Africa	HIV/TB	26,741,529	35,735,007	62,476,536	1-Jan-04	1-Jan-06	1-Aug-05	Backfitting
10	2	Romania	Tuberculosis	16,870,000	(126,359)	16,743,641	1-Feb-04	1-Feb-06	1-Sep-05	Backfitting
11	2	Kyrgyzstan	Tuberculosis	1,212,835	1,558,235	2,771,070	1-Mar-04	1-Mar-06	1-Oct-05	Backfitting
12	2	Nicaragua	Tuberculosis	1,271,820	1,535,744	2,807,564	1-Mar-04	1-Mar-06	1-Oct-05	Backfitting
13	2	Egypt	Tuberculosis	2,480,219	1,551,795	4,032,014	1-Jul-04	1-Jul-06	1-Feb-06	Backfitting
14	3	Bolivia	Tuberculosis	2,381,646	3,307,250	5,688,896	26-Jul-04	26-Jul-06	26-Feb-06	Backfitting
15	3	Haiti	Tuberculosis	8,131,836	6,533,334	14,665,170	1-Aug-04	1-Aug-06	1-Mar-06	Backfitting
16	3	Dominican Republic	Tuberculosis	2,636,816	1,975,044	4,611,860	1-Oct-04	1-Oct-06	1-May-06	Backfitting
17	3	Swaziland	Tuberculosis	1,348,400	1,158,600	2,507,000	1-Nov-04	1-Nov-06	1-Jun-06	Backfitting
18	3	Paraguay	Tuberculosis	1,194,902	2,799,545	2,799,545	1-Dec-04	1-Dec-06	1-Jul-06	Backfitting
19	3	Russian Federation	Tuberculosis	6,036,869	4,729,617	10,766,486	1-Dec-04	1-Dec-06	1-Jul-06	Backfitting
20	3	Serbia and Montenegro	Tuberculosis	2,428,986	1,658,993	4,087,979	1-Dec-04	1-Dec-06	1-Jul-06	Backfitting
21	4	Rwanda	Tuberculosis	5,946,347	4,617,255	10,563,602	1-Dec-04	1-Dec-06	1-Jul-06	Backfitting
22	2	Namibia	Tuberculosis	904,969	627,634	1,532,603	1-Jan-05	1-Jan-07	1-Aug-06	Backfitting
23	4	Georgia	Tuberculosis	1,829,218	3,707,747	5,536,965	1-Apr-05	1-Apr-07	1-Nov-06	Backfitting
24	4	India	Tuberculosis	6,819,000	19,726,000	26,545,000	1-Apr-05	1-Apr-07	1-Nov-06	Backfitting
25	4	Mongolia	Tuberculosis	1,958,259	2,125,505	4,083,764	1-Apr-05	1-Apr-07	1-Nov-06	Backfitting
26	4	Uzbekistan	Tuberculosis	6,056,522	7,741,154	13,797,676	1-Apr-05	1-Apr-07	1-Nov-06	Backfitting
27	4	Kosovo	Tuberculosis	2,122,401	1,830,050	3,952,451	1-Jul-05	1-Jul-07	1-Feb-07	Paragraph (a) (ii)
28	4	Angola*	Tuberculosis	7,350,590	3,813,173	11,163,763	1-Aug-05	1-Aug-07	1-Mar-07	Paragraph (a) (ii)
29	4	Ecuador	Tuberculosis	8,901,456	7,451,863	16,353,319	1-Nov-05	1-Nov-07	1-Jun-07	Paragraph (a) (ii)

### Global Fund Programs with MDR-TB Components and GLC support

	Round	Country	Disease Component	Budget in USD			Start date	End Phase 1	Expected Phase Submission <sup>2</sup>	Board Classification
30	4	Nepal	Tuberculosis	3,354,080	6,772,626	10,126,706	1-Nov-05	1-Nov-07	1-Jun-07	Paragraph (a) (ii)
31	4	Russian Federation	Tuberculosis	49,436,016	38,729,432	88,165,448	1-Dec-05	1-Dec-07	1-Jul-07	Paragraph (a) (ii)
32	5	Azerbaijan	Tuberculosis	3,978,637	5,917,807	9,896,444	1-May-06	1-May-08	1-Dec-07	Paragraph (a) (ii)
33	5	Bangladesh	Tuberculosis	9,644,425	35,993,246	45,637,671	1-May-06	1-May-08	1-Dec-07	Paragraph (a) (ii)
34	5	Namibia	Tuberculosis	7,222,753	10,554,630	17,777,383	1-Jun-06	1-Jun-08	1-Jan-08	Paragraph (a) (ii)
35	5	Peru	Tuberculosis	13,603,065	11,528,008	25,131,073	1-Jun-06	1-Jun-08	1-Jan-08	Paragraph (a) (ii)
36	5	Jordan	Tuberculosis	1,072,864	1710000	2,782,864	1-Jul-06	1-Jul-08	1-Feb-08	Paragraph (a) (ii)
37	5	Kenya	Tuberculosis	7,913,655	12,003,472	19,917,127	3-Jul-06	3-Jul-08	3-Feb-08	Paragraph (a) (ii)
38	5	Armenia	Tuberculosis	3,625,140	3,456,229	7,081,369	1-Oct-06	1-Oct-08	1-May-08	Paragraph (a) (ii)
39	5	China	Tuberculosis	17,814,000	35,075,000	52,889,000	1-Oct-06	1-Oct-08	1-May-08	Paragraph (a) (ii)
40	5	DR Congo	Tuberculosis	14,598,934	21,635,631	36,234,565	1-Oct-06	1-Oct-08	1-May-08	Paragraph (a) (ii)
41	5	Indonesia	Tuberculosis	18,587,491	50,847,285	69,434,776	1-Oct-06	1-Oct-08	1-May-08	Paragraph (a) (ii)
42	5	Philippines	Tuberculosis	14,710,562	32,724,957	47,435,519	1-Oct-06	1-Oct-08	1-May-08	Paragraph (a) (ii)
43	5	Botswana	Tuberculosis	5,515,900	3,440,358	8,956,258	1-Oct-06	1-Oct-08	1-May-08	Paragraph (a) (ii)