

GF/B31/07

Board Decision

EXTENSION POLICY UNDER THE NEW FUNDING MODEL

PURPOSE:

This paper requests Board approval of the streamlined policy for extending grant implementation period under the new funding model.

PART 1: INTRODUCTION

1.1 The process for extending the implementation period of Global Fund grants, as set forth in the relevant grant agreement, derives from several Board decisions aimed to prevent potential service disruptions due to: (i) the grant renewals process; (ii) exceptional circumstances (e.g., force majeure); (iii) operational concerns (e.g., change of PR in the middle of implementation, Board approval and signing delays, alignment of grants with the national reporting cycle); or (iv) transitions to new grant architecture or policy (e.g., consolidation of grants into single streams of funding (SSFs), transition to the new funding model).

1.2 While the underlying intent of creating various types of extensions has been to provide the Secretariat with flexibility to prevent implementation delays or disruptions at the end of or between grant implementation periods, the manner in which such extensions have been designed and authorized have created operational challenges for the Secretariat. For example, each available extension has been designed to address specific concerns encountered in the rounds-based system thus creating limitations when factual circumstances vary from those captured by existing rules. Administering and tracking the available extensions has also been burdensome because the available extensions are spread across several Board decisions and policies.

1.3 The Board, based on the Strategy, Investment and Impact Committee's (SIIC) prior recommendation, delegated broader authority to the Secretariat to grant extensions under GF/B26/DP5. Nevertheless, this delegated authority continues to operate within the existing framework deeply rooted in processes and issues specific to the rounds-based system. As previously underscored by the Secretariat in its biannual reporting to the SIIC on the exercise of the aforementioned delegated authority, and in anticipation of the need for flexibility to facilitate the full implementation of the new funding model, the Secretariat recommends a streamlined approach to extensions as outlined in this paper.

1.4 The proposed streamlined approach was presented to the SIIC at its meeting on 4-6 February 2014. Following discussions, the SIIC endorsed the proposal for Board approval¹.

PART 2: DISCUSSION

Types of Extension Policies

2.1 The Global Fund currently has 10 different types of grant extensions that are derived from seven Board decisions. These extensions are financed from savings/remaining cash balance (Non-Costed Extension) or by advancing funding from the next implementation period (Costed Extension).

2.2 The specific types of extensions and the sources of the Secretariat's delegated authority to approve them are presented below:

- i. The Phase 2 Decision-Making Policies and Procedures contains the following four types of extensions, as adopted under the Board decision GF/B16/DP7:
 - a. Extension of the Phase 1 term to ensure continued implementation while the Board is making its funding decision for the next implementation period;
 - b. Extension of the Phase 1 term when the Secretariat is considering a "No Go Intent" or "Revised Go" recommendation to the Board;

¹ Please refer to the GF/B31/14. "SIIC Report to the Board".

- c. Extension of the Phase 1 term due to exceptional circumstances (e.g., force majeure); and
 - d. Extension of the Phase 1 term for alignment purposes.
- ii. A fifth type of extension outlined in the Phase 2 Decision-Making Policies and Procedures under Board decisions GF/B13/DP2 and GF/B14/DP27 extends the Phase 2 term due to exceptional circumstances (e.g., force majeure).
 - iii. The sixth and seventh types of extensions, derived from Board Decision GF/B26/DP5 (Delegation of Authority to Secretariat for Grant Operations), permit extending the Phase 1 term, or first implementation period of SSFs, as well as the Phase 2 term/grant end date provided the overall extension does not exceed 12 months.
 - iv. The eighth type of extension for the alignment of RCC grants is derived from Board decision B24/EDP/5 (Procedure for Rolling Continuation Channel Mid-Term Performance Reviews and Extensions).
 - v. The ninth type of extension for SSF and RCC grants that receive a 'No Go', 'Revised Go' or 'Resubmission Requests' recommendation is derived from Board decisions GF/B20/DP31 (Architecture Review – Transition Provisions and B24/EDP/5).
 - vi. The tenth type of extension has been developed to operationalize the flexibilities delegated to the Secretariat by the Board, under the oversight of the SIIC, to facilitate the transition to the new funding model under Board decision GF/B28/DP5 (Evolving the Funding Model).

Challenges with Existing Extension Policies:

2.3 The Secretariat has encountered a number of challenges in the management and implementation of the multiple Board decisions and policies on extensions. As a result, it can be challenging to identify the appropriate type of extension to apply to specific situations, as well as track how such extension is applied and monitored.

2.4 In addition, extension policies are narrowly defined to capture specific circumstances and have constrained the Secretariat to respond to critical grant challenges that have not been previously considered in the policy design. This has often led to high transactional costs and the need to process multiple types of consecutive extensions. For example, a grant that experienced a 12 month delay in Phase 1 implementation due to a force majeure event would require the processing of at least three types of extensions: (i) a three month extension of Phase 1 under GF/B16/DP7, (ii) a further three month extension for force majeure under GF/B16/DP7, and (iii) a further six months exceptional extension under GF/B26/DP5.

2.5 Lastly, these extensions were developed under the Rounds-based funding model and designed for grants under the old structure (i.e., grants with either a two or three year first implementation period and then a renewals process to decide on the funding for the next period). The design of these extensions is no longer relevant under the new funding model.

Extensions Within the Context of the New Funding Model

2.6 The new funding model replaces the rounds-based system with key features including flexible timing, predictability and simplicity of processes with respect to when and how an applicant accesses their funding allocation for a given period. Within this broad framework, the Secretariat is in the process of simplifying its tools and processes to ensure that the new funding model promotes more strategic investments for greater impact. As a result, the full roll-out of the new funding model will render many existing types of extensions obsolete, while others will need to be tailored in order to remain relevant.

2.7 Experience from administering and monitoring the existing types of extensions, which have been detailed and prescriptive, have shown that such an approach can be difficult to identify in advance of all the implementation scenarios where an extension may be required. A more flexible approach would be less prescriptive upfront and provide the Secretariat greater discretion and authority to apply extensions as appropriate. As such, it is important to establish a streamlined, comprehensive extension policy that serves as a broad framework of strategic principles to guide the Secretariat's operational determinations of when and how to grant extensions to implementation periods.

2.8 The proposed policy is modelled after the operational flexibilities granted to the Secretariat under the GF/B26/DP5, which gave the Secretariat flexibility to accommodate diverse challenges. To remain relevant for application under the new funding model, GF/B26/DP5 and all the other types of extensions should be consolidated and streamlined into one decision to serve as the single authority with respect to extension policy.

PART 3: RECOMMENDATIONS AND DECISION

3.1 Given the complexities and operational challenges of existing extension policies, and taking into consideration the context in which extensions will be used under the new funding model, the Secretariat recommends replacing all existing extension policies with one extension approach. The new approach would allow the current implementation period of grants to be extended by up to a maximum of 12 months in strongly justified and exceptional circumstances, such as:

- i. to facilitate the submission of single concept notes for multiple disease components (e.g., joint HIV and TB concept notes for high co-infection countries);
- ii. to address challenges in timely submission of concept notes due to circumstances that are beyond the control of the applicants (e.g., force majeure events);
- iii. to compensate for delays in Global Fund review and processing of applications, such as delays caused by the Grant Approvals Committee (GAC) or Technical Review Panel (TRP) review of concept notes, or when the Global Fund Board objects to funding recommendations from the Secretariat;
- iv. to compensate for delays in grant making and signing due to force majeure, matters related to the work of the Office of the Inspector General or changes to nominated Principal Recipients;
- v. to ensure continuation of essential services when there are insufficient Global Fund resources to commit to a new grant.

3.2 Extensions should not be considered as the first response to timing challenges resulting from alignment issues. The Secretariat will discuss options available to applicants to address these types of challenges with operational mechanisms.

3.3 The financial implications of extensions to grant implementation periods are subject to the availability of funding and the Comprehensive Funding Policy, as amended from time to time. To the extent possible, the activities conducted during extension periods shall be financed with grant funds allocated for the grant's current implementation period and in accordance with rules governing annual funding decisions ("Non-Costed Extension"). To the extent additional funding is required ("Costed Extension"), funds that may be made available for such extension period will be deducted from the incremental funding available for the grant's next implementation period. Costed Extensions could only be granted once the Global Fund has communicated the country's allocation for the next implementation period.

3.4 Given the operational nature of granting extensions, the Secretariat seeks the following delegated authority:

- i. to approve up to a maximum of 12 month Non-Costed Extensions (i.e., financed from uncommitted funds or cash balances remaining with the grant), informing the Board through the monthly Grant Approvals Committee Report on funding recommendations.
- ii. to approve up to six months of additional funding to a maximum of USD10 million for Costed Extensions (i.e., additional to the amounts allocated for the current implementation period, which will reduce any future allocation for the next implementation period), informing the Board through the monthly Grant Approvals Committee Report on funding recommendations.
- iii. to recommend Costed Extensions over USD10 million or more than six months of additional funding up to a maximum of 12 months to the Board for approval. Board approval will be done through the established process for Grant Approvals Committee funding recommendations. This will involve Board approval on a no-objection basis through the monthly Grant Approvals Committee Report process.

3.5 Following endorsement by the Strategy, Investment and Impact Committee, the Board is requested to adopt the proposed decision point below:

Decision Point: GF/B31/DP12: Extension Approach Under The New Funding Model

1. The Board decides:

- a. ***The Secretariat is authorized to extend a grant's implementation period by a maximum of 12 months beyond the end date set forth in the relevant grant agreement:***
 - i. ***When the extension does not require funding in addition to the amounts approved by the Board for such implementation period ; or***
 - ii. ***When any portion of the extension requires funding in addition to the amounts approved by the Board for such implementation period, provided the period of additional funding does not exceed six months and the amount of additional funding does not exceed USD 10 million.***
- b. ***Any other circumstances warranting an extension will be recommended by the Secretariat to the Board for approval.***
- c. ***The Secretariat will develop a framework for exercising the authority delegated under this decision, and report to the Board the extensions approved by the Secretariat under such authority through the monthly Grant Approvals Committee Report on funding recommendations.***
- d. ***The Secretariat will review the implementation of this decision and present any recommended modifications to the Strategy, Investment and Impact Committee for approval.***

2. The Board also decides that as of the date of this decision, the extension framework adopted under this decision supersedes all prior policies and

decisions concerning extensions whether in whole or with respect to relevant parts, including Board Decision Points:

- a. B24/EDP/5: Procedure for Rolling Continuation Channel Mid-Term Performance Reviews and Extensions;**
- b. GF/B20/DP31: Architecture Review – Transition Provisions;**
- c. GF/B16/DP7, GF/B14/DP27 and GF/B13/DP2: Phase 2 Decision-Making Policies and Procedures; and**
- d. GF/B26/DP5: Delegation of Authority to Secretariat for Grant Operations.**