

Guidelines for Grant Budgeting

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Introduction

1. This document sets out the Global Fund's grant funding principles and guidelines for the development and review of the budget for Global Fund-supported programs¹. The Global Fund Guidelines for Grant Budgeting, which are integrated in their entirety into Global Fund grant agreements comprise the following sections:

- [Grant Funding Principles and Budgeting Guidelines](#) which include key grant funding principles (the **Funding Principles**) and budgeting guidelines (the **Budgeting Guidelines**) that are fundamental to the operations of Global Fund grants;
- [Operational Guidance for Grant Budgeting](#) which include detailed costing guidance and related appendices for budgeting in Global Fund grants

2. This document is intended to support: (a) the Global Fund's grant implementers, including Principal Recipients (**PRs**), Sub-recipients (**SRs**) and other implementing entities, such as Sub-sub-recipients (together, referred to in this document as **implementers**); (b) Country Coordinating Mechanisms (**CCMs**)²; (c) [Local Fund Agents \(LFAs\)](#); (d) the [Technical Review Panel](#) (TRP); (e) other suppliers, agents and technical assistance providers; (f) any other Global Fund assurance providers, and (g) the Global Fund Secretariat, in the effective budgeting of Global Fund-supported programs. This document:

- Allows implementers and other stakeholders to understand the Global Fund's funding principles, financial policies and procedures and implement them in a consistent manner.
- Enhances clarity in financial investment decision-making.
- Strikes the right balance between effectiveness, agility, efficiency, transparency and accountability for optimal investment decisions for Global Fund grants.
- Establishes broad requirements for Global Fund grants to meet their budgeting obligations.
- Establishes clear criteria for compliant and non-compliant grant expenditures.

3. PRs shall disseminate these principles and guidelines to their relevant personnel and other implementers suppliers, agents and technical assistance providers. To ensure compliance, implementers are required to provide regular training on the Guidelines for Grant Budgeting to all staff involved in implementing Global Fund-supported programs. LFAs and any Global Fund assurance providers shall use this document to inform their work on the implementers' capacity assessment, budget review, expenditure verification and as a complement to other Global Fund tools and guidelines. PRs and CCMs shall submit

¹ Including catalytic investment funding incorporated into Global Fund grants and special purpose program/initiatives.

² May be a Regional Coordinating Mechanism (RCM), a Regional Organization (RO) or other application coordinating mechanisms. Refer to [CCM Policy Including Principles and Requirements](#) for more information. Also, this document applies to matters related to CCM funding.

expenditure reporting to the Global Fund in accordance with the requirements of this document.

4. This document should be consulted in conjunction with the following:

- The Global Fund [Grant Regulations \(available on the Global Fund’s website\)](#), (the **Grant Regulations**). Unless defined or the context otherwise required, terms defined in the Grant Regulations shall apply to these guidelines.
- The [Operational Policy Manual](#), which provides the operational framework for managing Global Fund grants.
- Country Resources on [Country Dialogue](#), [Applying for Funding](#) and [Grant Making](#).
- Pertinent clauses of the relevant grant agreement.³

5. The provisions of each relevant grant agreement (including this document as incorporated therein) are legally binding⁴. In case of conflict between the provisions set out in the relevant grant agreement and this document, the specific clauses of the grant agreement shall take precedence. All references in this document to the Grant Regulations and any other Global Fund regulations, policies, manuals, templates, reporting requirements, handbooks, models, instructions, guidelines and notes are to such documents as may be amended or replaced.

6. With effect from date of publication on the cover page of this document, this document amends and replaces the previous version of the Global Fund Guidelines for Grant Budgeting published on 1 February 2023⁵ and includes the following key changes:

Section/Content	Key Changes
General	<ul style="list-style-type: none"> • Ensured alignment with Operational Policy Notes (OPNs), Funding Request/Grant-making documents and updated Modular Framework and Costing Dimensions. • Clarity on content, structure and flow of information.
Use of grant resources	<ul style="list-style-type: none"> • Introduction of integration and sustainability considerations
Value for Money	<ul style="list-style-type: none"> • Update to Value for Money consideration during grant budgeting
Financial safeguard principles	<ul style="list-style-type: none"> • Introduction of financial safeguards governing grant commitments and disbursements

³ References to “grant agreement” and “grant,” include CCM funding agreements, as applicable. References to “grant funds” include funding provided under a CCM funding agreement, as applicable.

⁴ Please consult with your respective Global Fund Country Team Legal Counsel to determine whether the relevant grant agreement(s) include any deviations to this document.

⁵ This version was updated on 1 December 2023

Strengthening Financial Sustainability and Accountability through National PFM Systems	<ul style="list-style-type: none"> • Expectations on how grant financial management should be progressively aligned with national PFM systems
Results-based Financing	<ul style="list-style-type: none"> • Expanded section on RBF budgeting
Foreign exchange management	<ul style="list-style-type: none"> • Updated guidelines on foreign exchange management
Budget Revision	<ul style="list-style-type: none"> • Thresholds and process updated for Budget Revisions
Discretionary Cost Categories	<ul style="list-style-type: none"> • Update to the specific budget requirements for some of the discretionary cost categories
Indirect and Overhead Costs	<ul style="list-style-type: none"> • Removal of Shared Costs budgeting option
Other key changes or updates	<ul style="list-style-type: none"> • Update to Cost Inputs • Update to Focused Portfolios models and underlying budgeting requirements • Introduction of Integrated review of Training Activities appendix • Removal of Monitoring and Evaluation Plan and Value for Money appendices • Update to scope of non-compliant expenditures

Grant Funding Principles and Budgeting Guidelines

1. Grant Funding Principles

1.1. Comprehensive funding policy

7. The Global Fund's amended and restated [Comprehensive Funding Policy \(CFP\)](#), dated 16 November 2016 (GF/B36/02 – Revision 1) provides the basis for the management of Global Fund sources and uses of funds. This includes overarching principles to attract, manage and disburse additional resources to fight HIV, TB and malaria and to build resilient and sustainable systems for health and special purpose programs / initiatives.

1.1 Allocation-based funding model

8. **Country Allocation.** The Global Fund allocation-based funding model enables strategic investment for maximum impact, by focusing resources on countries based on their income level and disease burden. The Global Fund allocates funding to [eligible countries](#) to support HIV, TB and malaria programs, and to build resilient and sustainable systems for health in accordance with the [Allocation Methodology](#).

9. The Country Allocation may be supplemented⁶ by other sources of funds (for example, through "[Catalytic Investments](#)" or "Portfolio Optimization"⁷). Funds allocated to countries may be reduced due to, among others, outstanding recoveries, co-financing requirements not being met as well as risks related to donor pledge conversion (please refer to Section 1.7 Financial safeguards governing grant commitments and disbursements).

10. **Special purpose program/initiative.** In addition to the Country Allocation, the Global Fund may allocate funds for initiatives or funding categories authorized by the Global Fund Board, which may be subject to specific rules, principles and guidelines.

1.2. Allocation utilization

11. **Country Allocation:** The Global Fund Eligibility Policy sets forth eligibility criteria which determine which disease components (i.e. HIV, TB, or malaria) for which countries are eligible to receive an allocation from the Global Fund. The Country Allocation is the initial upper ceiling of funding made available by the Global Fund for disease components for the applicable grant cycle. Unused funding from a previous grant cycle (e.g., undisbursed funds, in-country cash balances, cash balances at the procurement agent level), and any recovered funds relating to disbursements made with grant funds cannot increase a Country Allocation. Refer to [OPN: Design Funding Requests and Sign Quality Grants](#) for further details

⁶ Refer to [Funding Model page](#) of the Global Fund website and the [Operational Policy Manual](#) Section 1: Access to Global Fund Financing.

⁷ Refer to [OPN on Portfolio Optimization](#).

on timeframe to access and use the Country Allocation amount.

12. Country Allocation amounts approved for a specific disease component cannot be reallocated or transferred to another disease component without the Global Fund Board's approval. Refer to the [OPN on Revise Grants](#) for further details.

13. Catalytic investments (such as Matching Funds) must remain invested in activities relating to the catalytic investment priority area and may only be reinvested for other activities supporting that catalytic investment priority area, unless otherwise approved in writing by the Global Fund. With respect to Matching Funds, the requirement to ensure continued investment in the catalytic investment priority area applies to both, (a) the total catalytic Matching Funds award; and (b) the portion of the Disease Allocation Amount that has been programmed towards the same catalytic investment priority area to access the award.

1.3. Use of grant resources

14. **Integration:** The revision of the Global Fund Guidelines for Grant Budgeting reflects evolving programmatic and operational priorities, including the integration of HIV, TB and malaria responses, a stronger focus on health systems strengthening and community health, and an increased emphasis on efficiency, effectiveness, and sustainability. The revised guidelines also take into account changes in country contexts, implementation modalities, and accountability requirements, as well as lessons learned from previous grant cycles and audit findings. In addition, the revision supports enhanced alignment with results-based financing, value-for-money considerations, and the strategic use of catalytic investments, while reinforcing the roles of PRs, SRs, and other implementers in ensuring sound financial management and oversight.

15. **Sustainability:** The Global Fund places a strong emphasis on sustainability, self-reliance and effective transitions from external financing across all grant cycles. This includes supporting countries to maximize Value for Money (VfM), increase domestic resource mobilization and make strategic investments in resilient and sustainable systems for health. Approaches are differentiated by country income level, disease burden and operating context, reflecting variations in fiscal capacity, health system maturity and reliance on external financing. These objectives are advanced, inter alia, through the use of innovative and blended financing, a greater focus on results-based financing (RBF) modalities, and the progressive transition of recurrent health investments to domestic sources, enabling governments to assume greater responsibility for delivering and sustaining essential health services for their populations, in line with Universal Health Coverage⁸ objectives and such initiatives as the Accra Reset. Detailed guidance on is provided in [Sustainability, Transition and Co-financing Policy](#) as well as the [Transition and Co-Financing Technical Brief](#) and should be read in conjunction with these Budgeting Guidelines.

⁸ Universal Health Coverage means that all individuals and communities receive the quality health services they need—across health promotion, prevention, treatment, rehabilitation and palliative care—without suffering financial hardship

16. **Financial governance:** Implementers are, further, responsible for ensuring compliance with the provisions of the relevant grant agreement, including the approved budget, and any amendments thereto as contained in subsequent implementation letters or approved pursuant to this document, and applicable local laws and regulations.

17. Implementers are responsible for ensuring the effective management of Global Fund-supported program assets. This includes appropriate safeguarding, operational costs, insurance and warranty, maintenance, maintaining asset records and regular physical count or verification in accordance with the applicable requirements of the Grant Regulations, [Health Products Guide](#) (as relevant) as well as the [Global Fund Guidelines for Fixed Assets Management](#). Significant infrastructure and capital equipment investments (health and non-health), whenever approved by the Global Fund, must, amongst other matters, incorporate sustainability considerations. For large infrastructure investments: implementers shall provide the estimated life span of the equipment as well as cost estimates for annual recurrent expenses and demonstrate credible funding sources, including confirmed government or partner commitments, to ensure that the infrastructure is adequately operated, maintained and remains fully functional throughout its entire useful life⁹.

18. Grant financial reporting¹⁰ scope, frequency and requirements are generally determined by the Global Fund based on the Global Fund's [portfolio categorization](#) (High Impact, Core and Focused). Considering program and grant context, the Global Fund may require other ad-hoc reports or more frequent reporting cycles.

19. The Global Fund has zero-tolerance for [fraud and corruption](#), and therefore swift and appropriate action is taken when misuse of funds is identified, or non-compliant expenditure is reported. A recoveries process is triggered when there is a decision by the Global Fund that expenditures incurred under the grant are non-compliant, as defined in Paragraph 50 and in accordance with this document.

1.4. Value for Money

20. Budgets must represent VfM, maximizing and sustaining quality and people-centered health outputs, outcomes and impact for the level of investment. Please refer to [Value for Money Technical Note](#) for further guidance.

21. All Global Fund grants contribute to the broader financing of health systems, with a particular focus on primary healthcare. Therefore, in addition to ensuring VfM within individual grants, it is important to consider how these funds align with other financing sources and how overall system resources can be allocated to achieve the greatest impact, leveraging an integrated approach. The most effective way to achieve VfM is for grants to be budgeted and reported using the same national systems and timing that are used for

⁹ Refer to Appendix 4 in the Operational Guidance for Grant Budgeting for detailed guidance.

¹⁰ Grant financial reporting may be different from the statutory financial reporting requirements in the country.

public funds for health, recognizing the comparative advantage of Global Fund grants for some activities and inputs. Without doing so, there is an increased risk of duplication and/or funding gaps, which drives inefficiency and consequently reduces overall impact.

22. Revisions to the discretionary cost categories listed in paragraph 61 (below) require Global Fund prior written approval following the materiality thresholds as outlined in paragraph 54. These categories receive heightened scrutiny because they typically entail higher risk and ensure strong VfM. Over time and across grant cycles, these cost categories are expected to decline – as a proportion of the total grant budget and in absolute amounts allocated.

1.5. Alignment to Global Fund Modular Framework and costing dimensions

23. Budgets are expected to be aligned to the Modular Framework and costing dimensions¹¹. The Modular Framework and costing dimensions offer a structured, standardized approach that links programmatic and financial data across budgets and Performance Frameworks. The Modular Framework organizes work into broad program modules, each broken down into defined interventions, illustrative activities, and associated impact, outcome, and coverage indicators. Complementing this approach, the costing dimension uses uniform cost inputs and cost groupings to ensure consistent, transparent financial planning. If grants use national budgeting and reporting classifications, those classifications must be mapped to the Global Fund's costing dimensions.

1.6. Financial risk management and assurance

24. The Global Fund uses a combined assurance approach to ensure grant resources are used efficiently and effectively, including management of financial risks:

- Implementers are responsible for putting in place adequate financial control environments¹² for effective management of grant financial risk(s)¹³. Where the Global Fund Country Team identifies that the residual risk is above an acceptable threshold, the Global Fund may require other risk management mechanisms to be implemented in accordance with the Global Fund's [OPN on Country Risk Management](#) and [Guidelines on Financial Risk Management](#).
- Implementers are responsible for ensuring the efficient and effective implementation of a financial assurance plan, including submission of audit reports as per the requirements of the relevant grant agreement as well as in accordance with the [Guidelines for Annual Audit of the Global Fund Grants](#).

¹¹ Defined under Section 1. Costing Guidance in the Operational Guidance to the Budgeting Guidelines

¹² Refer to [Financial Management Handbook](#) for further guidelines on internal controls and management oversight including internal audit function

¹³ Financial risks include, but are not limited to, inadequate flow of funds arrangements; inadequate internal controls; financial fraud, corruption, and theft; inadequate accounting and financial reporting; limited VfM – financial management; and inadequate auditing arrangements.

1.7. Financial safeguards governing grant commitments and disbursements

25. The Global Fund's ability to fully fund approved grant commitments depends on the availability of the relevant funding from donors and cash flow needs. As the Comprehensive Funding Policy (CFP) does not permit borrowing, donor resources remain the sole source of funds for grant disbursements.

26. Funding made available by the Global Fund under each grant agreement is committed in tranches on an annual basis, unless otherwise approved in writing. The amount of each tranche is determined by the Global Fund at its sole discretion. This ensures that Uses of Funds remain aligned with Sources of Funds, consistent with the CFP, and Grant Regulations and/or Framework Agreement, as applicable. This principle is further outlined in the Grant Regulations, as applicable, in Article 3.2 (Funding Commitment) and Article 3.3 (Disbursement) which allows the Global Fund to de-commit the whole or part of previously committed but undisbursed funds upon the expiry of the Implementation Period or as otherwise deemed appropriate by the Global Fund, including during the Implementation Period.

1.8. Exemption from Taxation

27. Grant funds made available by the Global Fund for the purposes of implementing a grant agreement must be exempt from all taxation applicable in the Host Country in which such grant agreement is implemented. The requirement for tax exemption extends to all program activities (including the purchase and/or import of any goods, assets, health products or services under the grant agreement or any related SR or supplier contract). The relevant taxation includes, but is not limited to, (a) customs duties, import duties, taxes or fiscal charges of equal effect, and (b) value-added taxes.¹⁴

1.9. Strengthening Financial Sustainability and Accountability through National PFM Systems

28. Strong public financial management (PFM) is essential for ensuring effective financial governance, strengthening accountability, and supporting long term financial sustainability. Integrating Global Fund grants' financial management into national PFM systems supports alignment with national priorities, health sector strategies and budget cycles. It strengthens government ownership, improves long-term resource planning, enables integration across funding sources, and enhances transparent and efficient fund management, contributing to greater VfM. Reducing reliance on parallel systems promotes coherence, sustainability, and effective transition. The use of national PFM systems—across the budget cycle—is therefore essential to sustain high-impact investments in HIV, TB, and malaria programs

¹⁴ Refer to Section 2.3 for further detailed guidance on management of taxes.

(refer to the [Global Fund Sustainability, Transition and Co-financing Policy](#) as well as to the [Transition and Co-Financing Technical Brief](#)). Implementers are encouraged to support a phased and context-appropriate transition to national PFM systems.

GC8 should continue to focus on financial governance and accountability using country systems and prioritizing strengthening public financial management systems, (e.g. by ensuring national budgeting processes formally take account of grant funds), where conditions allow and fiduciary risks are appropriately managed - with an aim to enhance country ownership, transparency and sustainability of financial investments and programmatic outcomes.

29. Grant components managed by government implementers should align as closely as possible with national PFM systems to strengthen governance, accountability and sustainability. Proposed grant activities should support enhancements to key PFM components or sub-systems (as listed below and as applicable) at national and/or sub-national levels, with sequencing and timing to be discussed and agreed with sequencing and timing to be discussed and agreed with the Global Fund and in-country partners, based on system maturity and readiness:

- Medium-Term Expenditure Frameworks (MTEFs)
- Annual budgeting, including classification, formulation, approval, and execution
- Treasury management including funds flow arrangements
- Revenue administration
- Expenditure control, accounting, and financial reporting including financial management policies and procedures
- Internal controls including scope, quality, and performance of internal audit functions
- Digitalization and optimization of financial management information systems including supporting IFMIS functionality, integration and interoperability
- Procurement systems and procedures
- External oversight involving Supreme Audit Institution (SAI) audit scope, reporting standards, follow-up mechanisms and legislative scrutiny

30. Applicants and implementers are encouraged to use grant investments to strengthen the financial systems that support effective, transparent and sustainable program delivery. Where such investments relate to public financial management, applicants and implementers should use the Modular Framework to identify the appropriate modules and interventions, and align these investments, wherever possible, with national PFM reform strategies, health-sector PFM plans, or recent country assessments such as PEFA or Public Expenditure Reviews.

In countries where reforms are still being defined, or where precise costing is not yet possible, applicants may include a budget provision to support future PFM-related actions. Where relevant, this may also be reflected as a grant requirement to ensure that the funds are used for agreed financial governance, accountability and sustainability priorities.

31. Transitioning to national systems should avoid an “all-or-nothing” approach if the systems are not matured for full transition. Instead, applicants are encouraged to adopt a phased, selective, and sequenced strategy, focusing on transitioning individual PFM sub-systems such as planning, budgeting, treasury operations, procurement, accounting, financial reporting, auditing and parliamentary oversight based on their maturity, functionality, and readiness. To enable this transition, applicants and implementers are required to embed PFM-strengthening activities into their grant design through co-developed interventions, working in close collaboration with critical stakeholders such as Ministry of Finance, Ministry of Health, planning and budget directorates, national treasuries, Supreme Audit Institutions, parliamentary oversight bodies and representatives from civil society.

2. Budgeting Guidelines

32. The level of detail required in a budget is based on the Global Fund portfolio categorization, Focused Management model, and stage of the grant cycle. Refer to the OPN on Design Funding Requests and Sign Quality Grants and the [Instructions for Completing the Budget Template](#) for detailed requirements of the budget template completion at each Funding Request and Grant-making stages. The Budgeting Guidelines provide finance-specific requirements and guidance complementing the requirements and procedures of the afore-mentioned OPNs and other relevant OPNs as included in the [Operational Policy Manual](#).

33. The budget is prepared based on the timing of actual implementation of activities (for example, when goods, supplies or services are received or delivered irrespective of related cash outflows). This is aligned with the definitions of and distinction between financial commitments and financial obligations for the purposes of expenditure recognition.

34. The Country Allocation amount must be used for activities that were **budgeted, approved and completed** during the related Allocation Utilization Period (AUP)¹⁵ regardless of whether the payment for such activities has occurred or not. The following principles apply:

- **Financial commitments** are current contractual obligations to pay a specified amount of cash against goods and services already received, but for which the related payment has not yet been made (all or partial)¹⁶. Financial commitments existing at the end of an AUP can be paid from that related allocation amount (via available cash balance or a disbursement from the Global Fund) and must be liquidated no later than six months after the end of the grant Implementation Period.
- **Financial obligations** are current contractual obligations to pay an agreed amount

¹⁵ Allocation Utilization Period is the period during which a country’s allocation may be used for eligible, approved activities.

¹⁶ Timing difference between goods/service receipt and payment date can be due to either delay in/non-receipt of invoices or use of favorable payment terms or a prolonged payment process (including checks issued but not cashed). Financial commitments mainly include accounts payable and creditors.

of cash (i.e., as per signed contract and/or purchase order) to a third party for the provision of goods/services at a certain point in time in the future (i.e., the goods or services are yet to be received). Financial obligations existing at the end of an AUP cannot be paid from that period's allocation and must be transferred and included in the budget of a new grant or an extension of the existing grant, to be covered by funds from the next allocation period¹⁷.

- In certain cases, payments relating to goods and/or services delivered after the end of an AUP may be considered as financial commitments to be funded from that AUP¹⁸ provided that:
 - Order(s) for the goods or services were placed with adequate consideration for relevant lead times¹⁹ such that the goods or services were expected to be delivered before the end of the AUP;
 - The delivery of the goods or services is delayed for reasons beyond the implementer's control; and
 - The delivery of the goods or services is completed within a maximum of 180 days of the end of the AUP.

35. Consider **Results-based Financing (RBF)**: is a form of financing in which payments are made purely based on verified results against agreed performance indicators instead of inputs. The Global Fund encourages CCMs and PRs to consider RBF where this can result in increased program effectiveness and maximize impact of Global Fund investments toward health outcomes. There are two RBF modalities.²⁰:

- **Payment for Results (PfR)** is a modality in which the Global Fund makes payments to the PR based on the verification of results against agreed performance indicators. The Global Fund can apply PfR with any type of PR
- **Results-Based Contract (RBC)**: is a modality in which a PR or SR makes payments to an SR/SSR or supplier based on verification of results against agreed performance indicators.

36. While the use of RBF modalities is encouraged where feasible, input-based budgeting remains an acceptable and appropriate approach. In contexts where systems are not yet ready to support RBF, implementers may continue with input-based budgeting and, in consultation with the Global Fund Secretariat, consider opportunities for future adoption of RBF where appropriate.

37. **Hybrid implementation modalities**: Where PRs apply a combination of RBF and

¹⁷ The Global Fund may also apply a one-time flexibility to facilitate the transition between two allocation periods for certain countries identified by the Global Fund.

¹⁸ Same requirements also apply to the [Catalytic Multi-country Funds](#).

¹⁹ See the Global Fund [Category and Product-level Procurement and Delivery Planning Guide](#) for indicative lead times for key HIV and Malaria health products procured via the Global Fund's Pooled Procurement Mechanism. See the [Stop TB Partnership's Category and Product-level Procurement and Delivery Planning Guide](#) for indicative lead times for key TB health products when procured via the Global Drug Facility.

²⁰ Please consult Section 1.11 under the Operational Guidance to the Budgeting Guidelines for detailed principles, budgeting requirements and additional guidance to implementers, [Payment for Results Technical Brief](#) as well as relevant sections under the OPN on Design Funding Requests and Sign Quality Grants

input-based implementation modalities, the budget must clearly distinguish between the two approaches. Each portion of the budget shall be prepared and presented in accordance with the applicable budgeting guidelines for the respective modality (i.e., RBF or input-based financing); and PRs must ensure there is no duplication of budget across different implementation modalities.

2.1 Funding Request budget

38. Applicants provide their strategic investment and intervention priorities in the budget during Funding Request. The budgets are expected to integrate VfM considerations, reflecting an appropriate balance across all VfM dimensions. This balance must consider the country context, including epidemiological trends, programmatic gaps, expected results, available budget, contributions from other funding sources, as well as health system capacity constraints.. The level of detail of the budget depends on the submission pathway and portfolio categorization

High Impact and Core

- Applicants using the Grant-ready Funding Request, Program Continuation Submission²¹ pathway must provide a budget by module, interventions and cost input with respective underlying assumptions. For further guidance please refer to section 2.2 Grant-making budget.
- Applicants using the Classic Funding Request²² must provide initial “best estimate” Funding Request budgets by module, intervention and cost grouping.

Focused: As part of a simplified and differentiated approach, Focused portfolios are required to budget in accordance with the management model attributed to them by the Global Fund in accordance with the approach set out in Appendix 2 – Focused Portfolios Management Models.

39. Applicants and PRs should include any relevant program management costs directly into the budget that support proper management, risk mitigation and assurance:

- These costs should be appropriate to the risk and context of the program and represent a balance between optimizing essential services and programmatic needs, while ensuring the management support required to deliver results.
- While the Global Fund does not prescribe what percentage of the overall funding allocation should be budgeted for program management costs, the proportion budgeted should be comparable to similar programs in similar country contexts.
- Implementers should seek relevant benchmarks from partners and other donors and approach the Global Fund to understand the expectations given country specific risks and challenges.

²¹ Please refer to the applicable sections in the OPN: Design Funding Requests and Sign Quality Grants

²² Please refer to Clause 13 and subsequent relevant clauses under the OPN: Design Funding Requests and Sign Quality Grants

- Program management costs and travel-related costs, their proportion and composition reflecting program implementation structure, risk management model as well as their impact are discussed with the CCM prior to the submission of the funding application to the Global Fund. The funding application must provide an explanatory note justifying the value of the overall investment proposed for these two cost categories.

2.2 Grant-making budget

40. Nominated PR(s) are required to finalize the budget using the full modular approach and costing dimension. The preparation of the Grant-making budget shall be undertaken with full consideration of the country's co-financing commitments, ensuring alignment with agreed domestic funding obligations. All historical and planned co-financing commitments, where applicable, must be fully considered and be an integral part of the budgeting process, irrespective of the implementation modality, to ensure alignment with national financial commitments and sustainability objectives.

- During the Grant-making stage, the budget requirements for High Impact and Core portfolios are by modules, interventions, cost inputs, implementers and year. Focused portfolios will budget according to the model listed in Appendix 2 Focused Portfolios Management Models .
- For High Impact and Core portfolios, PR(s) may be authorized to budget and report by cost groupings, provided that the Global Fund's written approval is obtained prior to submission of the budget at the Grant-making stage.

41. Implementers must put in place rigorous systems²³ and procedures to plan activities, collect information from appropriate entities in charge of the different components, and prepare budgets. The costing approach and systems underpinning Global Fund grants must provide relevant information and analysis to support strategic investments for increased impact, VfM, performance evaluation, planning and investment decisions. Budgets must be reasonable and must present the following attributes²⁴:

- Be consistent with defined strategic priorities and investments to maximize impact.
- Reflect any adjustments required by TRP and the Global Fund's Grant Approvals Committee , as applicable.
- Demonstrate clear and tangible linkages among programmatic indicators (outputs and outcomes), financial targets and historical trends.
- Ensure grant management plans and budgets are realistic, based on valid assumptions, are developed by appropriately qualified individuals (as considered by the Global Fund), and represent VfM in the context of wider funding for health, as set out in the [Value for Money Technical Note](#).

²³ Financial risks and capacity gaps (based on the initial risk assessment performed during the Funding Request stage (if any) and further developed during grant-making based on a completed capacity assessment, known risks and gaps, and review of grant documents) that are required to be addressed as part of the design of the grant and implementation arrangements must be reflected in the finalization of grant documents to be submitted to the Global Fund's Grant Approvals Committee.

²⁴ The attributes can be tailored to focused portfolios based on the selected Focused Management Model as per the requirements outlined in the Appendix 2 in the Operational Guidance to the Budgeting Guidelines.

- Be based on existing national and organizational policies and follow national and/or international best practices (as appropriate).
- Ensure complementarity to and alignment with other sources of funding (domestic financing, other donors, government subsidies, and other sources) and avoid duplication.
- Include, where applicable, all significant activities²⁵ of implementers, in sufficient detail, using the Global Fund’s modular approach and costing dimension and have transparent and verifiable definitions and sources of data (qualitative and financial) and methods for calculating costs.
- Assumptions²⁶ used for the determination of quantities and unit costs for input-based components, must be clearly documented and justified. Costing should be informed by historical expenditure data where relevant but must also demonstrate alignment with value-for-money principles, including the use of reference costs and benchmark rates where available (e.g., labor cost benchmarks derived from Health Labor Market Analyses (HLMAs), standardized salary scales, or other nationally or internationally recognized reference pricing). Applicants should incorporate robust projections of future trends, such as anticipated changes in unit prices, labor costs, or service delivery modalities. Where appropriate, pro forma invoices or other market evidence should be provided to substantiate unit cost assumptions.
- Clearly identify reasonable quantities and unit prices that: (a) are based on the latest and legitimate historical cost with +/- adjustments due to change in macro-economic factors (FX rate and inflation); (b) reflect more efficient and/or people-centered service delivery modalities and/or implementation arrangements; (c) are consistent and enable comparison of costs over time; and (d) reflect the balance between the benefits of better information and the costs of obtaining it.
- Align the health product budget (cost groupings “4 to 7”) with the Health Product Management Template (HPMT) for the High Impact and Core portfolios. For Focused portfolios, align with the “HP List – Focused” worksheet in the Budget, where the worksheet is applicable/required as per the Focused portfolio model.
- Reflect a realistic rate of utilization of funds, taking into consideration absorption capacity of the PR and other implementers, including procurement and other deliverable lead-times.
- Include any requirements mandated by the Global Fund.

42. To increase the efficiency of grant funds managed under input-based components and mitigate risks, goods and services provided by the third-party organizations listed below and contracted by the PRs, require a mandatory direct disbursement by the Global Fund, on behalf of the PR, unless otherwise agreed in writing by the Global Fund:

- Procurement service agents under [Pooled Procurement Mechanism \(PPM\)/Wambo or the Global Drug Facility \(GDF\)](#).
- [The United Nations Funds, Programs, Specialized Agencies and Others](#) including PAHO.
- The Alliance for Malaria Prevention (AMP).

²⁵ Including any risk mitigation and assurance activities agreed with the Global Fund (if applicable).

²⁶ Focused Portfolios should follow the requirements of the applicable Focused Management Model as outlined in Appendix 2.

- Others as notified in writing²⁷ by the Global Fund.

43. If a budget includes activities for goods or services to be provided by these third-party organizations, PRs are required (unless otherwise approved in writing by the Global Fund) to report or include these organizations separately under the “payment modality dimension” of the budget template for mandatory direct disbursements by the Global Fund to these entities.

2.3 Management of taxes

44. This section provides key guidelines for the effective management of taxes:

Types of applicable taxes
<ul style="list-style-type: none"> • Article 3.5 of the Grant Regulations includes a non-comprehensive list of taxes from which the use of grant funds shall be exempt.
Obtaining tax exemption
<p>Implementers²⁸ are responsible for obtaining tax²⁹ exemptions, and the Host Country is obliged to provide the required exemption (see Article 3.5 of the Grant Regulations, as applicable). In particular:</p> <ul style="list-style-type: none"> • Tax exemption³⁰ must cover all goods and services purchased and/or imported using grant funds. • Tax exemption or potential tax exemption status³¹ are considered in the selection of implementers and suppliers. If a proposed implementer does not possess the relevant tax exemption, the Global Fund may consider modifications³² to the proposed implementation arrangements to minimize the imposition of taxes. • If SRs and other implementers have not yet been nominated or selected by the grant signing stage, the PR and applicant have joint responsibility to ensure the SR and other implementers understand the tax-exemption requirements and obtain the required exemptions at the time of selection. CCMs are required to comply with the applicable tax and duty exemption provisions of the relevant CCM agreement(s).
Key consideration at budgeting stage

²⁷ The list of organizations will be updated as needed by the Global Fund, and PRs will be notified accordingly. For further information, refer to the [OPN on Annual Funding Decisions and Disbursements](#).

²⁸ Including both Government and Non-Government implementers

²⁹ In instances where taxes are paid the general approach is to consider these as non-compliant expenditures and the Global Fund in its sole discretion may use other modalities to mitigate the impact of taxes paid.

³⁰ Tax exemption certificate or official notification should clearly state the type of taxes from which implementers are exempt.

³¹ In accordance with the Grant Regulations and national laws and regulations, as applicable.

³² For example, shifting responsibility for procurement to alternative organizations that have tax exempt status.

- The total Global Fund grant budget should be net of applicable taxes on unit costs.
- When tax exemption is obtained on a reimbursement basis, (i.e., the implementer pays the taxes first and then claims reimbursement), the implementers shall manage the related cash/funds through the forecasting process.

- Where national legislation does not provide exemptions for personal income taxes for national staff working on Global Fund grants, the implementer concerned, in accordance with the appropriate laws, should ensure payment to the relevant tax authorities of relevant withholding taxes from such national staff salaries when making disbursements out of the grant budget, and declaration of earnings to such tax or other appropriate authorities. Any taxes withheld on behalf of the staff or levied on top by the employer as required by applicable national laws are compliant and allowable as per Global Fund policies.

Recording, accounting and reporting on taxes

- Each implementer managing grant funds on the input-based modality is required to maintain a tracking mechanism for taxes paid, claimed and reimbursed respectively by the tax authorities in the relevant Host Country to ensure timely and complete reimbursement of taxes paid, if any. In administering the tax exemption, the PR follows up on taxes paid and recovered at all implementation levels.
- The tax related information must be reported to the Global Fund in accordance with the Global Fund Financial Reporting requirements.

2.4 Foreign exchange management

45. Implementers must follow the applicable accounting and reporting standards³³ and best practices for effective foreign exchange (FX) management, accounting of FX gains and losses, and related risk management. This section establishes requirements for FX management for the effective budgeting of Global Fund grants.

Allocation currency and grant currency denomination

- The funding application(s) and/or grant(s) are denominated in the same currency as the Global Fund-approved allocation currency under which they are funded. In the exceptional situation of a change of allocation currency between two Allocation Periods, the PR must complete the existing grant Implementation Period in the existing grant currency and will switch to the new allocation currency (as per the relevant grant agreement) upon the commencement of the new IP. In this situation, uncommitted in-country cash balances should be converted using the spot rate at the end-date of the existing IP:
 - **Local currency bank balances:** must be maintained in the local currency, no physical conversion is required. For reporting purposes, implementers must use the same spot rate (as of the existing IP end-date) for both the Financial Closure Report and opening cash balance of the new IP unless otherwise agreed in writing by the Global Fund.

³³ May include International Financial Reporting Standards (IFRS), International Public Sector Accounting Standard (IPSAS), Generally Accepted Accounting Principles (GAAP), etc.

- **Grant currency bank balances:** the remaining balance in the previous grant currency must be returned to the Global Fund unless otherwise agreed in writing by the Global Fund.

Budget preparation currency and budget exchange rate

- Using an appropriate exchange rate at the time of budgeting improves the reliability of the budget, ensures adequate allocation of available resources, and helps manage the impact of foreign exchange fluctuations during implementation. To achieve this, Global Fund grant budgets must reflect the actual currency in which each expense will be invoiced and paid. Each budget line must be denominated in the currency of the expected transaction (e.g., USD, EUR, local currency), the currency in which the payment will occur—and then converted, if needed, into the grant currency using the Global Fund’s approved exchange rate. This ensures that the budget reflects realistic costs and provides flexibility to manage currency risks during execution. The Global Fund provides the FX rate to be used for budgeting purposes. It is encouraged that in case of multi grant portfolios, all grants apply the same FX rate in their detailed budgets. Any deviation from this methodology needs to be approved in writing by the Global Fund, including the examples below:
 - Where the grant is operating under the arrangement that disbursements in certain currencies are made at a fixed pre-determined rate (reference rate), this rate should be used for budgeting purposes.
 - If the country’s exchange rate is fixed or managed by the domestic authorities, the budget follows the given official fixed rates, as fixed by the country’s monetary authority.
 - Where there is a parallel FX market and the official rate is overvalued compared to the unofficial rate, implementers must use the rate which maximizes the value of grant funds in local currency, while remaining compliant with the laws of the country and related mitigation measures (as may be required by the Global Fund).
 - Where there is a significant and rapid depreciation of the local currency, e.g., due to changes in National Bank controls or as a result of the macroeconomic and fiscal factors, the Global Fund may approve a different rate that better represents the current exchange rate.
 - The exchange rate applied for budgeting purposes must be factored into any proposed inflation adjustment on budgets in local currency. The exchange rate and inflation assumptions must be mutually consistent and lead to an overall accurate estimation of the grant currency- equivalent costs at the time of payment of expenditures. Implementers must not include any contingency reserve for exchange rate variations in the Funding Request budget or the Grant-making budget.
 - The Global Fund may disburse grant funds in local currency directly to the PR when the Global Fund determines that the PR’s FX policy or rates applicable to its FX transactions are not optimal (local currency disbursement). Such arrangements will be discussed beforehand and agreed in writing with the Global Fund before implementation.

Change in the budget exchange rate

The Global Fund will publish FX rates on a semi-annual basis (once around April/May and subsequently around September/October). These rates shall be used for budget revision purposes, where applicable. Where a PR does not elect to update its approved budget following changes in FX rates, no budget revision is required, and FX impacts shall be managed as part of routine grant implementation.

Where a PR decides to re-base the Baseline Budget³⁴ using an updated FX rate, a budget revision may be undertaken no more than once per calendar year and shall be based on the semi-annual FX rate published by the Global Fund that is closest to the time of the proposed revision. Prior to initiating a budget revision due to changes in FX rates, the PR must consult with the Global Fund and obtain confirmation to proceed.

Management of foreign exchange gains/losses:

- FX gains resulting from the update of the grant budget with a new FX rate can only be reinvested with the Global Fund's prior written approval. Implementers can propose reinvestment of FX gains to: (a) cover any inflation adjustment of already approved activities; (b) to finance activities in the Register of Unfunded Quality Demand (UQD) and/or (c) increase the targets under the DLIs, thereby enabling a scale-up of results.
- UQD may be updated during grant-making and grant implementation to reflect new or emerging programmatic needs, in accordance with applicable Global Fund policies and procedures.
- If the proposed **investment of the FX gains is not approved** by the Global Fund (e.g., because the absorption capacity of the grant is not able to effectively use the FX gains), the FX gains must not be disbursed by the Global Fund Country Team or expensed at country level. The FX gains not approved for reinvestment may then be used for Portfolio Optimization purposes in other Global Fund portfolios in accordance with Global Fund policy.
- If the appreciation of a payment currency has resulted in actual and projected FX losses, the PR, in consultation with the Global Fund Country Team, should identify any savings or deprioritized activities that can cover such losses. If the grant budget cannot absorb all the FX losses, the country can request additional funding through the Portfolio Optimization process, which will be reviewed in accordance with the Global Fund's prioritization framework³⁵.

2.5 Grant implementation

46. During the implementation stage³⁶, implementers ensure that the financial management systems in place are optimal and can: (a) support effective Program

³⁴ Baseline Budget: The original approved detailed budget for the IP, processed through grant-making and formalized at summary level through a Grant Confirmation

³⁵ For further details, refer to the OPN on Portfolio Optimization

³⁶ For further details, refer to the [Operational Policy Manual](#), Section 2: Grant Implementation.

implementation; (b) provide timely and accurate financial information; and (c) manage approved grant resources efficiently and effectively to achieve greater impact. Financial management systems include people, process and information system/s; for further details, refer to the Global Fund [Financial Management Handbook for Grant Implementers](#). To strengthen the financial, fiduciary and risk management of grant funds and to improve programmatic goals delivery, the Global Fund may require by written notice, implementers to use an appropriate cashless payment modality acceptable to the Global Fund (**Cashless Payment Modality**) for the use of grant funds to make payments to individual natural persons (refer to Appendix 6 in the Operational Guidance to the Budgeting Guidelines for further details).

47. Implementers are responsible for instituting a budgetary control mechanism that documents: (a) actual expenditures as compared to the budget; (b) programmatic progress; and (c) variations from the Global Fund-approved budget

2.5.1 Compliance of grant expenditures

48. Expenditures incurred under a Global Fund grant may be classified as “compliant” or “non-compliant”. **Compliant expenditures** are those incurred within the relevant AUP and in accordance with the applicable terms of the relevant grant agreement, including the grant budget and the provisions of this document. Additionally, the expenditure must comply with the implementer’s applicable financial and procurement regulations, policies and procedures, consistent with best practices and this document. The Global Fund determines compliance of grant expenditures at its sole discretion. The Global Fund may request a refund of grant funds where a breach of the applicable grant agreement has occurred.

49. **Non-compliant expenditures**³⁷ may include:

- Unsupported expenditures.
- Expenditures incurred outside of the scope, IP or closure period of the grant.
- Expenditures compromised by prohibited practices or in breach of other requirements of Codes of Conduct applicable to the grant.
- Expenditures relating to other types of non-compliance or mismanagement of grant funds (or goods or services purchased with grant funds)
- Expenditures used to cover Global Fund’s secretariat staff costs

50. A recoveries process is triggered following an indication that expenditures incurred under a Global Fund grant are non-compliant. While retaining its rights to all remedies available to it under the grant, the following summary process describes how the Global Fund would typically respond to the occurrence of non-compliant expenditures and request a refund:

³⁷ Once an expenditure is classified as a confirmed non-compliant expenditure, the Global Fund’s Recoveries Process will apply and related expenditure must not be restated (adjusted) thereafter.

Recoveries process – summary of key steps and guidelines

Potential non-compliant expenditures identification and determination of recoverable amount

- The Global Fund assesses the compliance of the expenditure of grant funds by PRs through different means, including through validation of progress reports, and audits and investigation activities.
- The Global Fund notifies the PR in writing of amounts of potential non-compliant expenditures it has identified.
- The PR is given an opportunity to provide the relevant justification demonstrating eligibility of the expenditures with appropriate supporting documents for review by the Global Fund within a specific timeframe communicated by the Global Fund (typically 60 days from the date of the written notification). Alternatively, the PR may immediately refund the stated amount.
- For non-compliant expenditures identified through an audit or investigation by the Global Fund's Office of the Inspector General, owing to the engagement with the PR on the eligibility of expenditures through the conduct of these activities, a recoverable amount will be notified directly to the PR.

Review of recoverable amount

- Upon receipt and review of any additional justification and supporting documentation, the Global Fund may fully or partially re-classify the expenditure as compliant or may confirm that the expenditure remains non-compliant and recoverable.
- If no justification or response is provided by the PR within the given deadline, the potential non-compliant expenditures will be deemed to be a confirmed recoverable amount.
- The Global Fund will then notify the entity responsible for repayment to the Global Fund (usually the PR) of its request that the recoverable amount be refunded within a specified timeframe communicated by the Global Fund (typically 60 days from the date of the notification).

Refund of recoverable amount:

- For all recoveries cases, cash recovery in the grant currency (in the Global Fund's designated Bank Account) of the full recoverable amount is recommended. For grants where disbursements are made in a local currency, the Global Fund may propose an alternative recoverable amount in the local currency. Any other form of refund requires formal approval in writing by the Global Fund.
- As a general principle, any currency exchange losses are to be borne by the implementer, in accordance with the Global Fund's rights under the grant agreement. In some cases, the Global Fund may seek interest on the amount to be recovered³⁸.

51. A non-exhaustive list of the type or category of expenditures that may be classified as non-compliant by the Global Fund can be found in Appendix 8 to the Operational Guidance to the Budgeting Guidelines.

³⁸ See Article 7.4.9 of the UNIDROIT Principles of International Commercial Contracts (2014) that governs most grant agreements, which provides that if a party does not pay a sum of money when it falls due the aggrieved party is entitled to interest upon that sum from the time when payment is due to the time of payment.

2.5.2 Budget Revisions

52. The [OPN on Revise Grants](#) describes the different types of grant revisions and related procedures. Section 4 of the OPN on Revise Grants covers further requirements and guidelines for Budget Revisions only.

53. A Budget Revision is a type of grant revision that involves the reallocation (within a grant budget) of approved grant funds across modules, interventions or cost categories. They do not involve changes to the approved grant funding ceiling, the duration of the relevant IP or the Performance Framework. A Budget Revision can take place periodically in the normal course of grant implementation to respond to grant context and circumstances (e.g., to reflect changes in administrative or operational costs, changes in unit costs of items being purchased or to allow for assurance activities like Health Facility Assessments or Data Quality Reviews).

54. A Budget Revision is classified as “**material**” or “**non-material**” for Global Fund approval purposes as defined in the table below. Subject to paragraphs **56** and **61** below, the thresholds for determining materiality of the budget are cumulative for the entire IP and are always compared to the Baseline Budget:

Type	Category****	Criteria	Approval
Non-material Budget Revision	High Impact and Core portfolios	Any Budget Revision that results in an: <ul style="list-style-type: none"> (i) ≤ 30% increase/decrease to the total budget for any module in the Grant Budget; and/or (ii) ≤ 10% increase to the total budget of the Program Management Cost module in the Grant Budget; and/or (iii) ≤ 10% increase for any discretionary cost category* in the Grant Budget. 	PRs to follow their formal internal organizational budget review and approval process and maintain an audit trail for review by the Global Fund or assigned assurance provider as per the PR’s document retention policy and consistent with the requirements of the Grant Regulations.
Material Budget Revision	High Impact and Core portfolios	Any Budget Revision: <ul style="list-style-type: none"> (i) above the non-material Budget Revision thresholds defined above; and/or (ii) that introduces new modules***. 	PRs to follow their formal internal organizational budget review and approval process and obtain written approval (written notification) from the Global Fund prior to starting the activity or related payments. PRs must use the Budget

			Adjustment Form to capture at the summary level the material budget changes that form part of the Budget Revision.
Material and non-Material Revisions	Focused portfolios	All Budget Revisions undertaken by the PR.	PRs to follow their formal internal organizational budget review and approval process and maintain an audit trail for review by the Global Fund or assigned assurance provider as per the PR's document retention policy and consistent with the requirements of the Grant Regulations.

* Refer to the table in paragraph 61 below for additional requirements on discretionary cost categories.
 ** The Global Fund reserves the right, in its sole discretion, to adapt these thresholds or criteria in accordance with paragraphs 56 and 61 below.
 *** Please note that addition and/or deletion of an intervention might trigger Programmatic Revision. For those cases, refer to Section Programmatic Revisions in the [OPN on Revise Grants](#)
 **** Strategic Initiatives Funding materiality thresholds and approval authority are determined as per Operational Policy Note on Strategic Initiatives, as amended from time to time. As noted in paragraph 13 above, catalytic investments (such as Matching Funds) must remain invested in activities relating to the catalytic investment priority area and may only be reinvested for other activities supporting that catalytic investment priority area, unless otherwise approved in writing by the Global Fund.

2.5.3 Key considerations for Budget Revisions

55. High Impact/Core portfolio PRs use the Budget Adjustment Form (BAF) to capture, at the summary level, material budget changes that form part of the Budget Revision. Focused portfolio PRs do not use the BAF, as the budget materiality thresholds do not apply. The budget adjustment can be done at any time by the PR and/or CT as per mutual agreement. The BAF does not change the Baseline, Incremental or Total IP Budgets. Changes to the Baseline Budget using the Budget Revision can only be made through budget generation and import in the Global Fund systems, not through BAF, and are limited to the following cases: 1) to reflect foreign exchange rate changes, as described in paragraph 45 above, and 2) to add new SRs.

56. In specific cases, including those based on the country risk assessment, the Global Fund may establish alternative definitions of “material” and “non-material” Budget Revisions, which might differ from the definitions mentioned in paragraph 54. In such cases, the Global Fund will communicate the alternative definitions, in writing, to the relevant PR.

57. The thresholds set out in the table above are only applicable to Budget Revisions. If Budget Revisions are accompanied by an higher-level grant revision type (End-date, Additional Funding or Funding Reduction/Transfer, or Programmatic Revision), [the OPN on Revise Grants](#) must be followed.

58. Implementers are expected to inform the CCM of material Budget Revisions prior to submitting them for approval by the Global Fund.

59. The triggers for the materiality of Budget Revisions are calculated on both the “increasing” module (which receives the funds) and the “decreasing” module (where the funds are taken from). Triggers for Budget Revisions of discretionary cost categories are calculated on the increasing cost grouping. All triggers are calculated on the budget for the two criteria (module and discretionary cost groupings) for the full Implementation Period. Material Budget Revisions can, therefore, be triggered by cumulative non-material Budget Revisions. Consequently, PRs shall put in place mechanisms to track and ensure that cumulative non-material Budget Revisions do not constitute a material Budget Revision without the prior written approval of the Global Fund throughout the Implementation Period.

60. In cases where Global Fund prior written approval of a material Budget Revision is not obtained, the approval of the post-incurrence reporting of material variances will be at the discretion of the Global Fund, based on the nature of the expenditure and the programmatic and financial context. If such expenditures are not accepted by the Global Fund, they will be classified as non-compliant, and the Global Fund recoveries process will be applied.

61. The default discretionary cost categories for changes requiring Global Fund’s prior written approval include human resources, travel-related costs, external professional services, non-health equipment and any indirect and support costs. Other pre-defined categories may be added to the list of discretionary cost categories considering country context and grant-associated risks and will be communicated by the Global Fund to the

Principal Recipient in writing. The following are specific cases related to Budget Revision cost categories which require pre-approval by the Global Fund:

Specific Budget Revision requirement for discretionary cost category³⁹
<p>Human resources</p> <ul style="list-style-type: none"> • Any increase in salary or incentive, above those as per the approved budget, to staff/ agents working for a Global Fund grant-supported Program must be approved in writing by the Global Fund regardless of the percentage of increase. The increase of staff headcount is under the PR's discretion provided it: <ul style="list-style-type: none"> ○ Follows the PR's own procedure and approval process for a Budget Revision. ○ Follows the PR's own procedure and approval process for recruitment and is programmatically justified and documented. ○ Is within the limit of 5 percent of the total Human Resources (HR) cost grouping budget. ○ Is compliant with the terms of the grant agreement.
<p>Travel-related costs</p> <ul style="list-style-type: none"> • The PR must promptly notify the Global Fund in writing of any change in their organizational per diem policy. Any increase in the per diem rate outside the PR's per diem policy and/or different from those as per the approved budget must be approved in writing by the Global Fund. The cost increase in other areas related to travel, for example, number of participants, is under the PR's discretion, provided it: <ul style="list-style-type: none"> ○ Follows the PR's own procedure and approval process for a Budget Revision. ○ Is programmatically justified and documented. ○ Is within the limit of 10 percent of the total cost grouping budget.
<p>Indirect costs and overheads</p> <ul style="list-style-type: none"> • Any increase in the agreed rate for ICR must be approved in writing by the Global Fund irrespective of materiality.

Operational Guidance for Grant Budgeting

The Operational Guidance for Grant Budgeting includes detailed costing guidance and related appendices for budgeting in Global Fund grants and may be amended or supplemented from time to time during the relevant allocation period, to, e.g., align with the Modular Framework and costing dimension.

The Operational Guidance for Grant Budgeting [is available on the Global Fund website](#).

³⁹ Applicable for High Impact and Core Portfolios.