

# **Guidelines for Grant Budgeting**

## Operational Guidance for Grant Budgeting

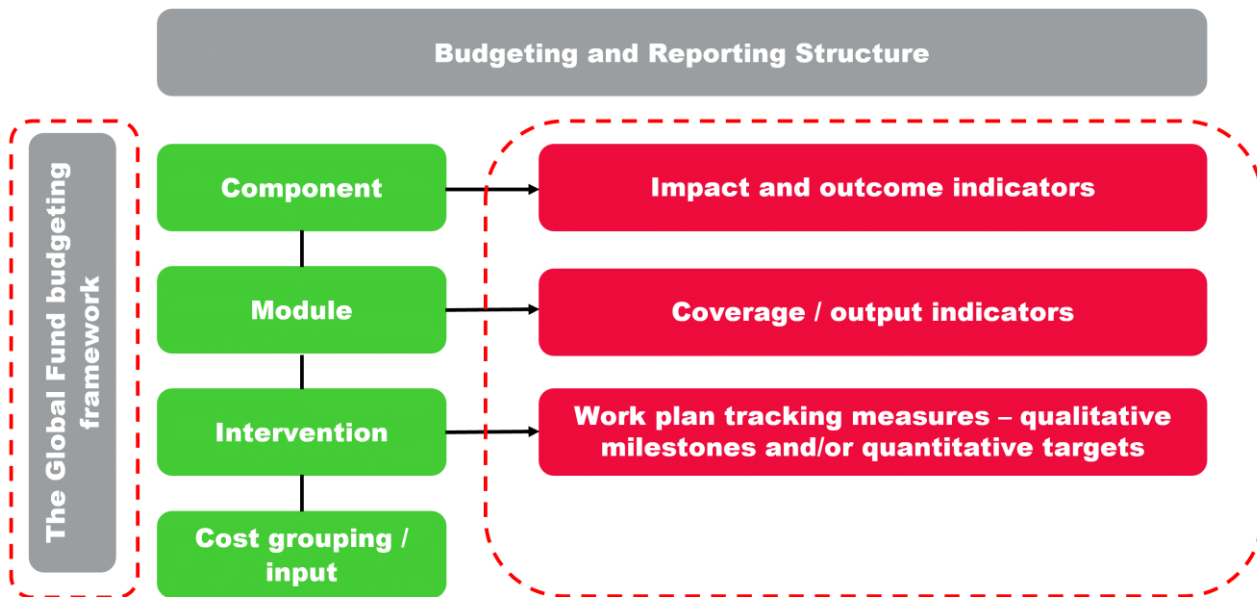
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# Table of Contents

<b>1. COSTING GUIDANCE .....</b>	<b>3</b>
1.1 Human resources	3
1.2 Travel-related costs	8
1.3 External professional services	13
1.4 Health products	16
1.5 Procurement and supply-chain management	20
1.6 Infrastructure	24
1.7 Non-health equipment	26
1.8 Communication, information sessions & materials	28
1.9 Indirect and overhead costs	30
1.10 Living support to client/target population	33
1.11 Results Based Financing	34
<b>2. APPENDICES .....</b>	<b>38</b>
Appendix 1 – Indirect Cost Recovery (ICR) for INGOs and Local NGOs	38
Appendix 2 – Focused Portfolios Management Models	43
Appendix 3 – Integrated review of training activities	46
Appendix 4 – Investments in Infrastructure – further guidelines	48
Appendix 5 – Vehicle Management Plan	51
Appendix 6 – Cashless Payment Modality	55
Appendix 7 – Results-Based Contracts	57
Appendix 8 - Type or category and list of non-compliant expenditures	60
<b>3. ACRONYMS .....</b>	<b>64</b>
Key definitions	65

# 1. Costing Guidance

1. This section provides detailed costing guidelines at the cost grouping and cost inputs level. The diagram below illustrates the Global Fund modular approach (budgeting at module and intervention levels) and costing dimension (budgeting at cost grouping and cost input levels), and its alignment to the Global Fund Strategy to invest for impact and demonstrate Value for Money (VfM) (refer to [Value for Money Technical Note](#) for practical considerations to enhance VfM of grant budgets).



2. The Global Fund’s standardized Budget Template, a semi-automated excel based template, must be used for budgeting in Global Fund grants. The template is provided by the Global Fund to applicants and Principal Recipients (PRs). Please refer to [Instructions for Completing the Budget Template](#) for further details.

## 1.1 Human resources

3. Human Resource (HR) costs include remuneration costs for employment<sup>1</sup> services rendered including salaries, wages and other direct costs of employment, and relevant taxes to be budgeted only up to the end of the relevant Implementation Period (IP). Remuneration costs for staff must be budgeted at the most cost-efficient level to achieve the objectives of a Global Fund program, noting that the Global Fund discourages disease-specific health workforce investments unless strongly justified during the program split. The guidelines outlined in this sub-section are applicable to the following HR cost inputs:

### Human Resources

<sup>1</sup> This may include individuals engaged to perform staff-related and recurring tasks under a long-term service contract.

Cost Input	Description
1.1: Salaries – Program management	Salaries of staff directly supporting the management <sup>2</sup> or implementation of a Global Fund grant at national level, sub-national level or headquarter level. Eligible <b>allowances</b> (refer to paragraph 4 below) that are paid outside of the basic salary can be included as part of salaries if they are included in the standard remuneration package for long-term employment contracts as evidenced by national regulations and/or organizational HR policies, to the extent such policies are consistent with and do not contradict applicable law.
1.5 Severance/Gratuity/End-of-Contract payments	<p>The Global Fund may authorize the inclusion in the grant budget of the following accrued staff-related entitlements, provided that such payments are required under applicable local law and/or the implementer’s policies and procedures, to the extent that such policies and procedures are consistent with, and do not contradict, local law.</p> <ol style="list-style-type: none"> <li>1) accrued severance entitlements. A severance entitlement refers to a one-time or time-limited payments made to an employee upon unanticipated termination of employment, intended to compensate for the loss of employment and income where the termination is not due to the employee’s misconduct. Severance payments are not a remedy for breach of contract, but a form of compensation linked to the lawful termination of employment. For Global Fund purposes, a severance package includes any additional payment, based on years or months of service.</li> <li>2) accrued gratuity entitlements. A gratuity entitlement refers to a payment given to an employee at the end of their employment usually as a form of appreciation for the service they provided to the organization.</li> <li>3) accrued end of contract payment: An end-of-contract payment refers to any payments owed to an employee when a fixed-term contract ends (different from severance and/or gratuity entitlements), and it may include different components (unused leave pay-out, contract completion incentives, etc.).</li> </ol>
1.6: Salaries – community-based, incl. Community Health Workers and outreach workers	<p>HR cost for staff working at community level under an employment contract and fixed salaries. Eligible allowances (refer to provisions below) that are paid outside of the basic salary can be included as part of salaries if they are included in the standard remuneration package for long-term employment contracts as evidenced by national regulations, practices, and/or organizational HR policies to the extent that such policies are consistent with, and do not contradict, local law.</p> <p>In addition, incentives or allowances provided to community health workers —where such support is part of the standard practice or policy framework—should also be considered within this section, provided they are consistent with national guidelines and/or the implementer’s policies and procedures, to the extent that such policies and procedures are consistent with, and do not contradict, local law.</p>

<sup>2</sup> Program management services mainly include implementation and oversight of the program/grant; accounting and reporting; treasury management; internal audit; human resources administration; procurement services and IT services

1.7: Salaries – facility-based, including medical staff and other service providers	HR cost of staff working at facility (service delivery) level with employment contract and fixed salaries. Eligible <b>allowances</b> (refer to paragraph 4 below) that are paid outside of the basic salary can be included as part of salaries if they are included in the standard remuneration package for long-term employment contracts as evidenced by national regulations, and/or organizational HR policies to the extent that such policies are consistent with, and do not contradict, local law.
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4. The following are key requirements and guidance for budgeting Human Resources related cost in the Global Fund grants:

Human Resources (HR)
Key requirements
<ul style="list-style-type: none"> <li>• Implementers are solely responsible for complying with applicable labor and other laws (including occupational health and safety, minimum wages, separation payments, social security and health insurance, and income taxes).</li> <li>• Levels of remuneration should be based on relevant national remuneration levels, as provided in national or interagency salary frameworks or the organizational Human Resource policy.<sup>3</sup> Remuneration levels in general should be consistent with local market practice for similar jobs in similar organizations. Remuneration costs paid through the same implementer must be harmonized across Global Fund grants. The CCM must ensure that proposed remuneration levels are consistent with those in the country. Any deviation from these principles should be exceptional and justified to the satisfaction of the Global Fund and approved by the Global Fund in writing.</li> <li>• The Global Fund will review and approve remuneration levels during the grant-making process. The Global Fund should be provided with the relevant salary framework (or other relevant benchmarking information) and any additional information (to support remuneration levels) requested by the Global Fund justifying all HR costs to the satisfaction of the Global Fund. Any change in the approved remuneration level during grant implementation must be approved by the Global Fund in writing.</li> <li>• Except for expatriate staff members who may be paid in other currencies, employment contracts, salaries and allowances must be budgeted, contracted, and paid in the local currency, subject to local laws and regulations. In exceptional circumstances, if a different currency is proposed, the rationale from an independently determined and verifiable source should be disclosed to the Global Fund and use of different currency must be approved by the Global Fund in writing.</li> <li>• In cases where existing staff are seconded to a Program Management Unit (PMU) of the PR, it is not appropriate to significantly increase salaries in line with market conditions without competitively offering the position to external candidates to ensure that the increased costs attract the best possible candidates.</li> <li>• When a government has committed to devise a sustainable remuneration program as part of a broader civil/public service reform to enhance motivation/retention schemes, the Global Fund, in coordination with other donors, may participate in financing such broader schemes under the Resilient and Sustainable Systems for Health interventions. This scheme must be</li> </ul>

<sup>3</sup> Implementer should have in place Human Resources policies and procedures based on the best practice, applicable laws and regulations and specific donor requirements (if any) and approved by the competent authority. For further details please refer to the section 4.5 of the Global Fund [Handbook for Grant Implementers](#).

designed and supported by the government and in-country partners to enhance the overall efficiency and effectiveness of service delivery interventions for Global Fund grants. Such investment cases should be presented as part of the funding application to the Technical Review Panel (if applicable).

- **Allowances** that can be funded through Global Fund grants fall under the following categories (a detailed breakdown of such allowances should be provided in the detailed budget assumptions):
  - **Employer’s social security contributions:** minimum and legislated amounts may be budgeted as required under local labor law.
  - **Health insurance:** may also be budgeted if required under local labor law or if it is a common local market practice for similar organizations.
  - **Housing allowances:** may only be budgeted if part of an employee’s standard remuneration package and a common local market practice for similar organizations.
  - **13<sup>th</sup> month salary:** may only be budgeted if part of an employee’s standard remuneration package and a common local market practice.
  - **Pension, gratuity or provident fund:** contributions may be budgeted in compliance with local labor law or the organization’s written policies to the extent such policies are consistent with and do not contradict applicable law. Pension, gratuity or provident fund costs may be budgeted and respectively included as cash outflows and expenditures during the regular financial reporting. The actual payments for these costs however, are made only when the relevant employee retires or resigns from employment. Where accrued funds for pension, gratuity, or provident schemes are insufficient, or where local legislation permits the early payment of accumulated contributions (in full or in part) prior to an employee’s retirement or resignation, the PR must provide adequate justification and obtain prior written approval from the Global Fund before proceeding with such payment. The pension, gratuity or provident fund is typically managed in a separate bank account or as a separate fund or entity into which the employer and/or employee make periodic contributions. Implementers must have rigorous controls around the management and use of the accrued amounts over the years. The use of such accumulated amounts and the final balance shall be subject to annual audits.
  - **End of contract payment<sup>4</sup>:** Implementers (including government implementers) must rely on their own resources and adopt defined duration contracts for Global Fund specific staff (e.g., PMU or NGO/CSO implementers). Accordingly, “end of contract payments” may only be budgeted if required under local labor law (and not just based on local market practice). In any event, the use of grant funds for end of contract payments remains exceptional, subject to the review and subsequent approval of the Global Fund as to whether it is appropriate for grant funds to be used for this purpose (such as consideration of whether other sources of funding are available).
  - **Other fringe payments:<sup>5</sup>** minimum amounts may be budgeted as required under local labor laws or local market practice.
- There must be no funding duplication with other Global Fund grants or funds from other sources (including those funded by the relevant PR/Sub-recipient). The Global Fund can finance remuneration costs directly related to the implementation of a Global Fund Program. The Global Fund will not replace or duplicate existing funding arrangements. For positions that are working partially on a Global Fund grant, the costs of such positions should be apportioned based on the level of effort required. The budget must include a detailed

<sup>4</sup> End of contract payments may include payment for unused leave balance, a payment in lieu of a required notice period etc.

<sup>5</sup> This may include expatriate benefits for international nongovernmental organization or other multilateral organizations.

breakdown of positions and costs (including apportioned cost) to the satisfaction of the Global Fund, using the standard HR assumption tab in the Budget.

- **Severance** Specific, written approval from the Global Fund is required for any severance termination payment using Grant Funds. The following are the key requirements that should be considered for budgeting severance payments:
  - Implementers must provide a projection of the maximum amount of the severance entitlement payable to staff based on the applicable HR policies, procedures and/or national laws. The Global Fund's fair share of the overall entitlement as determined by the Global Fund, should be justified, calculated, and appropriately budgeted.
  - If an implementer authorized to accrue severance under a Global Fund grant ceases to implement a Global Fund grant, the implementer may be authorized by the Global Fund in writing, to make the necessary severance payments to ensure that all relevant legal obligations are met.
  - Any employees who will continue under a new grant will not be entitled to severance at the end of the current grant, and no severance payments should be made to these employees. Implementers should provide in the budget for the new grant/IP an amount for potential severance payments (based on best estimates) which might be paid out during the IP and monitor the actual amount of severance expenditures and report this to the Global Fund, reallocating any savings.
  - The accrued severance amounts can be expensed under the grant only upon actual occurrence of unanticipated termination of employment which triggers the payment of the severance amount. However, during the IP the PR should keep an adequate reserve to be able to address any severance-related payments upon their occurrence. Any accrued and not expensed severance amounts at the end of the IP will be considered as in-country ending cash balance.

#### **Cost not covered under this cost category**

- The payment of salary bonuses using Grant Funds are “non-compliant expenditures”.
- Any increase in salary or incentives above those already planned in the budget to staff/agents working for Global Fund-supported Program must be approved in writing by the Global Fund regardless of the percentage of increase. If Global Fund approval is not provided, then, these increases are “non-compliant expenditures”.
- Salary payments must be in accordance with the relevant employment contracts. Such payments should also be in accordance with the costs detailed in the approved grant budget and in compliance with any deductions provided under applicable laws. Payments that are not made in compliance with contracts and applicable laws, are “non-compliant expenditures”.
- Payment of any type of compensation that is not required by or not in accordance with applicable laws and/or common market practice and/or organizational policies.
- Implementers and CCMs are prohibited from soliciting payments from staff or requiring staff to contribute to any funds not explicitly required under applicable labor laws. Any contribution from staff to support the organization's operational expenditures (including, but not limited to, organizational funds, sustainability funds, subsidy funds, or operational funds) is prohibited and are “non-compliant expenditures”.

#### **Key documents required:**

- HR policies and procedures based on best practice, applicable laws and regulations and specific donor requirements (if any), and approved by the applicable authority, that must:

- Clearly describe the recruitment process (including the indication of various steps and the staff members responsible for reviewing and approving each step) to ensure the transparency and accountability of that process.
- Clearly define the policy for benefits and compensation (PayScale) in line with the local comparable wages/salaries within the sector of work and/or functional area.
- Clearly define roles, responsibilities, and reporting lines for each recruitment step, bearing in mind the need for effective internal controls and the segregation of duties; and
- Include a formal Code of Conduct based on best practice and applicable laws and regulations.
- Description of the typical types of positions required for the Global Fund-supported Program and the local labor market conditions for such positions.
- Description of costs covered by the government (for public sector entities) such as basic salary and benefits of existing staff.
- Salary framework to benchmark salaries against relevant positions in country, for example, national salary frameworks, harmonized donor salary framework.
- Description of the future sustainability of funding for HR costs beyond the end of the Global Fund grant's IP.

## 1.2 Travel-related costs

5. Travel-related costs (TRC) include direct cost of travel and related expenses incurred by an implementer, for their employees to remain away from home for work purposes related to implementation and oversight of a Global Fund grant. This sub-section covers the guidelines for the following TRC inputs:

Travel-related costs	
Cost Input	Description
2.1 Training related per diems/transport/other costs	Training activities covered by the grant shall demonstrate the capacity and skills of participants in the delivery of relevant services to attain program/s or health system targets and objectives. Training should be costed in an integrated manner, and cover needs of more than one program or system. Training costs include all costs <sup>6</sup> associated with training events, workshops, training materials, training-related travel, and per diems paid to training participants/facilitators.
2.2 Technical assistance-related per diems/transport/other costs	Cover reasonable travel and per-diem costs for external suppliers (technical assistance) in line with the relevant implementer’s organizational travel policy, the cost proposal of the suppliers and the contract signed between the implementer and the suppliers. Consulting fees in relation to technical assistance must be charged to the cost input “3.1 Technical assistance fees/consultancy fees”.
2.3 Supervision related per diems/transport/other costs	Travel and per diems specifically paid for supportive supervision follow up to improve service delivery or system performance including from national to sub-national level, or within sub-national levels. Monitoring, reporting, data validation and evaluation activities should be charged to the cost input “2.6 Surveys/data collection related per diems/transport/other costs”.

<sup>6</sup> Including venue rentals, coffee breaks, etc.

2.4 Meeting/Advocacy related per diems/transport/other costs	Travel and per diems specifically paid for meetings and advocacy events. Meetings refer to a formal gathering for a particular purpose that contributed directly or indirectly to service delivery or system performance objectives, whereas advocacy events refer to a formal gathering intended to inform, engage and build alignment among stakeholders on specific program areas or objectives.
2.6 Data collection/data review meetings related per diems/transport/other costs	Travel and per-diems are specifically paid for monitoring, reporting, data collection and/or validation activities intended to ensure that there is strong programmatic data to provide evidence of achievement of Program targets and ultimately Program goals and objectives. Also includes all reasonable costs to support the budget for periodically conducted surveys, surveillance, and other special studies. Implementers should provide a justification satisfactory to the Global Fund for the need for such survey and studies.

6. The following are key requirements and guidelines for budgeting TRC in the Global Fund grants:

<b>Travel-related Costs (TRC)</b>
<b>Key requirements</b>
<ul style="list-style-type: none"> <li>• TRC should be budgeted at the most cost-efficient level to achieve the objectives of the Global Fund-supported Program. When budgeting travel-related activities, implementers shall refer also to the relevant provisions in the Value-for-Money Technical Note, Advancing Integration Guidance as well as the RSSH Prioritization Guidance.</li> <li>• For efficient and effective budgeting, implementers are encouraged to use standard costing for TRC based on the location, nature of activities and related assumptions.</li> <li>• TRC should be based on the implementer’s existing policies as applicable and be integrated across disease components as relevant and harmonized across Global Fund grants managed by the same implementer and, if possible, with other donors. The implementer must also establish the following matters, to the Global Fund’s satisfaction: <ul style="list-style-type: none"> <li>○ TRC policies for Global Fund grants must be fully aligned with the applicable government, other donor practices and local market practices for the administration of such payments.</li> <li>○ New policies on TRC that are created especially for Global Fund grants and that are different from the implementer’s or country’s standard policies are not acceptable; and</li> <li>○ TRC must reflect the real cost incurred by the employee and should not contain any element of additional remuneration.</li> </ul> </li> <li>• The implementer must, during the budget review process, establish to the Global Fund’s satisfaction that: <ul style="list-style-type: none"> <li>○ Transport to the venue is routed by the most economical and practical mode of public transport.<sup>7</sup></li> <li>○ Air travel should be kept to a minimum but, if required, must be restricted to economy class only. The use of discounts and web-based airfare is encouraged; and</li> <li>○ Where private vehicles are used, fuel costs are reimbursed based on agreed mileage rates set by the government or based on rates established by the implementer that are</li> </ul> </li> </ul>

<sup>7</sup> Hired vehicles should only be used in exceptional circumstances in accordance with the principle of carpooling (i.e., Not one person per car).

consistent with the price of fuel and average fuel consumed based on the distance of the journey.

- Improve the efficiency of meeting costs by using virtual options wherever possible. Limit frequency, duration, and number of participants for in-person meetings/workshops.
- A per diem or daily subsistence allowance (DSA) is a common method of recompensing staff and participants for each night spent at the location of the event, rather than paying for the exact expenses incurred. Implementers must develop and apply the following principles to their DSA policy:
  - Per diem payments should only be paid for the days that a person attended the relevant workshop or meeting and one night either before or after the event if the participant is expected to arrive either a day before or depart the day after an event. Records must be available to validate the participant's attendance at the workshop or meeting. It is not acceptable to attend an event partially and claim a per diem for all days of the event.
  - Per diem rates and procedures should be benchmarked to be consistent with government regulations for applicable government or state-funded/established entities. Local Non-Governmental Organization (LNGO) rates should be benchmarked against government rates. International Non-Governmental Organizations (INGOs) and United Nations agencies may apply per diem rates in accordance with their internal policies and procedures. However, where feasible, these organizations are encouraged to align their per diem rates with government-established rates where feasible. The CCM must review planned travel and subsistence rates when submitting a funding application.
  - If meals or accommodation are provided, the amount of the per diem should be reduced accordingly.
  - It is not acceptable to claim a per diem paid under a Global Fund grant, if the per diem is also covered by another source of funding, including fully hosted events.
- Stand-alone in-service training has limited effectiveness and is discouraged. Applicants are, therefore, encouraged to consider and budget for alternative interventions such as pre-service education and alternative approaches to capacity building, in line with RSSH guidance (see RSSH Prioritization Guidance). The **training and supervisions budget** should demonstrate alignment with good practice outlined in the [Prioritization Guidance](#) (optimization and efficiency considerations) [Value for Money Technical Note](#), and [Advancing Integration](#) and be built on the training requirements outlined in the funding application and/or other training needs assessment developed for the Program. In cases where the proposed training needs are unclear from the funding application and/or where the Global Fund Country Team deems the budget allocated to training is significant,<sup>8</sup> the Global Fund may request the PR to undertake a training needs assessment or an efficiency assessment to identify integration and VfM opportunities.
- Prior to the validation of training activities in the work plan and budget at all implementer levels, the PR should provide an evidence-based analysis that justifies the specific quality issues the activities aim to improve and specific type, number and geographical targeting of participants; what alternative options for capacity building have been considered (e.g. continuous quality improvement based on problem-solving) and why they are not feasible; whether digital options (e.g. blended learning) are a viable alternative for efficiency, and – if one-off trainings remain justified, how these will be followed up by supervision, clinical mentoring or other problem solving activities, in the context of ongoing capacity building. The PR should also describe how trainings and supervisions, collectively, have been integrated where possible to achieve efficiency.

<sup>8</sup> The Global Fund Country Team determines whether a training budget is "significant" based on the country context and/or risk concerns.

- Implementers should develop clear budgetary assumptions using a standard assumption tab in the detailed budget template for each training activity at all implementer levels, which provides a clear trail of the cost build-up to arrive at the total cost of training and demonstrate linkages to Program needs:
  - A standard costing approach to trainings may be used for budgeting. Typically, an average cost per training or per person per day is calculated and applied to similar training events.
  - Implementers should determine the number of days required for the training; the total number of participants (residents and non-residents); and the type of training (national, regional, district/community or international level).
- When budgeting for training under Global Fund grants, implementers must apply the following principles:
  - Provision for the transportation cost of participants should be made in accordance with the implementer's and/or applicable government policies. This could be indicated as a fixed rate or determined by the distance from the participants' residence/office to the place of the training. If the distance is selected to be the mode of calculation, this mode must be described in a relevant policy document, including determination of an upper limit payable to any participants and/or benchmarked with the cost of public transportation in the relevant country.
  - When the implementer plans to include accommodation/meals and/or group transportation as part of the training package, the budget should reflect these costs rather than the per diem and transportation costs payable to participants. If breakfast and dinner are not included in the package, the Implementer can pay participants the applicable portion of per diem to cover these costs.
  - Provision should be made for any training kits to be provided to the participants and coffee breaks planned during the training.
  - Training costs should reflect the real cost to be incurred by the implementer in the implementation of the training activities and should not contain any additional remuneration or salary supplements or exceed per diem rates (where applicable) for participants or facilitators; and
  - Integrated view of training activities (Appendix 3) can be requested by the Global Fund during Grant-making.
- **Supportive supervision** is a key activity to complement in-service training and improve program quality. Grant Funds may be used to finance supportive supervision as well as monitoring and evaluation costs.
- The overall Program supervision budget should be supported by an integrated supervision strategy described in the annual implementation workplan (for further detail on annual implementation workplan,<sup>9</sup> please refer to the [OPN on Design Funding Requests and Sign Quality Grants](#), and [OPN on Oversee Implementation and Monitor Performance](#)). This strategy should include, at minimum, a description of the nature and scope of each supervision; planned frequency for such supervision; role and function of each participant in the supervision and expected outcome of the supervision.
- Implementers should develop clear budgetary assumptions using a standard assumption tab in the detailed budget template for supervisory visits, which provides a clear trail of the cost build-up to arrive at the total cost of supervisory visits and demonstrate linkages to the Program needs. A standard costing approach to supervisory visits may be used for budgeting. Typically, an average cost per supervisory visit or per person is calculated and then applied to similar supervisory visits.

<sup>9</sup> The annual implementation workplan is only required for High Impact and Core portfolios and best practice for Focused portfolios.

- Supervision results and follow-up actions should be documented through mission reports, highlighting preparatory work done, issues encountered and actions taken. Specific steps should be taken to avoid duplicating existing systems and ensure that the supervisions performed are optimized and combined, including across national programs and/or other domestically-funded or donor activities, whenever possible to save travel costs. In cases where several implementers are implementing Global Fund grants in the country, a coordination mechanism should be put in place to optimize supervision activities.
- **Monitoring and evaluation** activities provide strong programmatic data for evidence of the achievement of Program targets and ultimately Program goals and objectives, as well as for continuous program improvement. The implementers are responsible for ensuring the functioning of the routine programmatic data collection and reporting system to track programmatic results achieved against targets set out in the Performance Framework and/or National Strategic Plans and Monitoring and Evaluation plans.
- To support the budget for evaluations, surveys, surveillance, and other special studies which are conducted periodically, implementers should promptly provide the justification for the need of such evaluation, survey, and studies, as well as the expected results. To enhance Program and grant management oversight, implementers may budget for oversight supervisions. Implementers should ensure that such costs are accurately linked to the appropriate module for program management.
- Data is required for program planning, program management and assessing progress. Data collection systems and data sources are needed to ensure data is available for routine monitoring and assessing impact of disease control efforts. In addition to investments in data sources and collection methods, countries should focus on the capacity to disaggregate, analyze and use data for program quality improvement and impact.
- To ensure the best use of limited resources, countries need to identify a set of prioritized areas and activities to be supported by the Global Fund at national and sub-national levels including community data systems.
- For a full range of Health Information Systems and monitoring and evaluation related interventions and illustrative activities refer to the [Modular Framework Handbook](#).
- Monitoring and Evaluation costs included in the detailed budget/workplan should be consistent with activities planned in the Monitoring and Evaluation Plan (national or grant specific, as applicable) including the strengthening measures to improve the Health Information systems and Monitoring and Evaluation system identified through Monitoring and Evaluation system or Data Quality assessments.
- All Monitoring and Evaluation activities, disease specific and/or crosscutting should be included under the module “Monitoring and Evaluation Systems”. All Monitoring and Evaluation activities and investments should be classified under one of the six standard interventions: Governance, Routine reporting and administrative data sources; Data quality; Surveillance for HIV, TB and malaria; Surveillance for priority epidemic-prone diseases and events; Surveys, evaluation, reviews, data analysis and use and operational research.
- Surveys can be part of Monitoring and evaluation of activities. In case the implementation of any **survey** is outsourced, the suppliers should be selected through a competitive process (see Article 5 of the [Grant Regulations](#) as applicable). Implementers are responsible for, among other things:
  - Ensuring that surveys needed to track impact/outcome and programmatic results achieved against targets set in the Performance Framework are appropriately undertaken during grant implementation;

- Demonstrating that the budgeted surveys do not overlap, or duplicate other surveys already planned under or outside the grant; and
- Seeking co-funding of surveys.

#### **Cost not covered under this cost category**

- Facilitators who are employees of the implementer and whose salaries are paid using Grant Funds are not eligible to receive any facilitator fees (fee for coordinating and facilitating an event or providing training etc.). Facilitators should not receive the applicable per diem unless they are away from home.
- “Resident” participants must not receive a per diem when attending training in their place of residence (e.g., participants living in Dakar must not be paid a per diem when attending a training in Dakar). Payment for meals maybe made as per the implementer’s policies and/or government policies if meals are not provided as part of the training package.
- “Non-resident” participants should receive a full per diem when attending training financed from Grant Funds. Where meals or accommodation are provided, the amount of the per diem should be reduced according to the implementer’s and/or government policies or other prevailing rates applicable for meals.
- Per diems not as per the approved cost norms, including without limitation:
  - Budgeting per diems for higher level grades when actual travel will be undertaken by lower-level staff; and
  - Per diems overlap with activities or cost already planned and funded by the national government or other funders.

#### **Key documents required:**

- Documentation (travel policy) related to per diem rates and travel rates (including calculation related to fuel usage and the distance travelled),and travel related cost risk mitigation measures.
- The national monitoring and evaluation framework and any documentation to support the rationale for the proposed monitoring and evaluation activities.
- To support the budget for a survey, implementers should provide:
  - Justification for the need for such survey and expected results;
  - Explanation of the protocol planned to implement the survey, including the sample size planned; and
  - List and detailed costing of activities required to implement the survey protocol as designed. All costs should be detailed and itemized to the Global Fund’s satisfaction and allocated to the appropriate cost inputs.

### **1.3 External professional services**

7. External professional services (EPS) include external professional activities that directly or indirectly contribute to the grant’s implementation and management. The direct or indirect benefit to Global Fund grants should be clearly demonstrated for any item budgeted in and charged to the grant. The guidelines outlined in this sub-section are applicable to the following cost inputs:

<b>External professional services (EPS)</b>	
<b>Cost Input</b>	<b>Description</b>

3.1: Technical Assistance Fees/Consultants	The Global Fund defines technical assistance (also referred to as “technical cooperation” or “technical support”) as the engagement of people and/or organizations with specific and relevant technical expertise to reinforce implementers’ and national programs’ capacities; address specific technical and systems gaps, and human rights and gender-related barriers to health services; support institutional development including for Community-led Organizations (CLOs) and Community-based Organizations (CBOs); design, development and implementation of programs which address human rights and gender-related barriers to health services; and/or ensure inclusive country dialogue, grant-making, implementation and oversight of Global Fund-supported programs. Exact Technical Assistance (TA) needs should be identified at the country level through the dialogue between the implementers, relevant in-country partners and the Global Fund. Technical assistance can be requested throughout the grant cycle, including for sustainability and transition planning and in-country processes linked to the Global Fund business model (e.g., National Strategic Plan Review and Development). Technical assistance can be either short-term (up to 3 months) or long-term (up to 3 years). Technical assistance or consultant fee/remuneration should be charged under this cost input whereas technical assistance related travel and per diem cost should be charged under cost input “2.2 – Technical assistance-related per diems/transport/other costs”.
3.2: Fiscal/Fiduciary Agent fees	Fiduciary and fiscal agent fees: <sup>10</sup> the costs of providing financial management services to implementers by third-party organizations. This is usually part of the mitigating measures for financial management and may be directly contracted by the Global Fund.
3.3: External audit fees	External auditor fees: the costs associated with hiring an independent auditor to provide an opinion and assurance on the financial statements and control mechanisms of Global Fund grants and may be directly contracted by the Global Fund.
3.5: Insurance-related costs	The costs associated with insuring Program Assets and Program Activities under the Grant Agreement (see Article 6.4 of the Grant Regulations, as applicable) e.g., all Risk Property Insurance; Motor and Fleet Insurance; Point to Point Transportation Insurance and other insurance-related costs (for specific insurance products and policies that do not form part of the above categories).

8. The following are key requirements and guidance for budgeting EPS related cost in Global Fund grants:

<b>External professional services (EPS)</b>
<b>Key requirements</b>
<ul style="list-style-type: none"> <li>External professional services must produce specific deliverables on a timely basis. Applicants and implementers are best placed to identify technical assistance (TA) needs, search for consultants, convene a dialogue with partners, develop terms of reference (TORs), request TA, coordinate TA support and implement recommendations. Global Fund Country Teams (CTs) can provide applicants and implementers with information on</li> </ul>

<sup>10</sup> This may also include accounting and payment agent fees contracted for the administration or management of Grant Funds on a regular and/or ad hoc basis.

external sources of TA available (e.g., bilateral partners TA and/or Catalytic Investment TA). Ensuring regular country-level discussions including the CTs, CCM, PRs, and other in-country stakeholders is important for coordinating TA. It is important to ensure that there are no duplicative TA requests therefore, applicants and implementers are encouraged to develop a structured approach to identifying TA needs and match them with the available TA options. Other best practices include developing and regularly revising a costed TA plan, engaging local consultants, and pursuing use of local capacities and consultants, rather than flying-in experts.

- Consequently, TA consultants should not be used to perform tasks and functions that are recurring in nature and that are expected to be filled by staff members through specific HR contracts. Long-term consultants – including consultants who are more akin to employees (those engaged on a continuous basis, for prolonged periods, without specific time-bound deliverables, and who receive monthly pay) – should be classified under the HR cost grouping. Per diems must not be paid to such long-term consultants. Implementers should have different contracting mechanisms for short- or long-term duration staff, based on the needs of the Program and applicable HR rules/local legislation.
- TA costs should be budgeted at the most economical level, based on the scope and duration of the assistance needed to achieve the Program’s objectives. Consultancy fees should be consistent with local, regional, and international market practice, depending on the type of TA sourced. For international consultants and local and/or regional consultants, fees should not exceed the UN standard international rates and UN standard local rates, respectively.
- In accordance with the Grant Regulations as applicable, Program Assets, including health and non-health products as well as other assets procured by Implementers using Grant Funds must be relevantly insured with financially sound and reputable insurance companies (refer to section 6.4(1) of the Grant Regulations, as applicable for further information related to insuring Program Assets). Details and requirements related to budgeting modalities of the insurance related costs in the Global Fund budgeting template are further set out in the Insurance Guidelines. With regards to Program Assets, there are two main supply chain areas where insurance is applicable:
  - The **upstream supply chain** is typically related to any goods (health products/non-health products, equipment, etc.) up to the point when they are delivered to the country of destination and before they are contractually handed over to the implementer according to the incoterm. The insurance cost related to the upstream supply chain shall be reflected under the cost input “7.2 Freight and Insurance costs” with the amount attributed to the insurance of goods that is separate from the freight associated costs; and
  - The **downstream supply chain** is typically related to all further in-country activities related to the storage, transportation and distribution of the goods and Program Assets. Insurance costs related to the downstream supply chain must be reflected under the cost input “3.5 Insurance-related costs”.
- Insurance-related costs should be taken into consideration based on the Program design considering all the potential cost drivers (e.g., volume of health and non-health products, equipment and consumables for the grant activities).

- Where some of the components of insurance coverage are not clear or the cost associated with insurance coverage is inadequate (unreasonably high or low), implementers should consult with the Global Fund.<sup>11</sup>

#### Cost not covered under this cost category

- Employee contracts that are considered consulting contracts.
- Cost of consultant or technical assistance to draft or write a funding application (please refer [to OPN on Design Funding Requests and Sign Quality Grants](#) for further details).
- Health and medical insurance for the implementer’s employees should be included in the cost of employment and recorded under the HR cost grouping, provided such payments are consistent with section **1.1 Human Resources** above.

#### Key documents required

- Basis of costs related to consulting contracts.

## 1.4 Health products

Health products include (i) pharmaceutical products; (ii) medical devices; (iii) personal protective equipment; (iv) vector control products and related equipment; and (v) other infection prevention and control items, (see the Health Products Guide for more detailed information). The Global Fund plays a key role in global markets for health products used in the fight against the three diseases. As a key financier in global public health, the Global Fund is committed to maximizing investments through achieving affordable, quality assured, timely delivered health products. As the Global Fund grant budget may include a significant portion relating to the procurement and supply chain management of health products, these are managed through the [Health Product Management Template \(HPMT\)](#),<sup>12</sup> for High Impact and Core portfolios. For Focused portfolios, information related to health products is set out in the “HP List – Focused” worksheet<sup>13</sup> in the Budget, where the worksheet is applicable/required as per the Focused portfolio model.

9. This section provides budgeting related guidance relating to cost grouping 4, 5, and 6 and to complement the HPMT:

Health products	
Cost Input	Cost Input
4.1 Antiretroviral medicines	6.5 Maintenance and service costs for health equipment

<sup>11</sup> The Global Fund is not authorized to and does not arrange or advise upon insurance in any jurisdiction. Specifically, the Global Fund does not act as agent, negotiate, or place insurance contracts on behalf of others, or make introductions or advise in relation to or arrange or assist in arranging or make introductions in relation to contracts of insurance in any way. If you require advice on insurance or assistance in arranging insurance, you should always contact an insurance adviser or insurance broker with the required qualifications and authorization in the relevant jurisdiction. The Global Fund’s insurance requirements for implementers (as set out in the relevant Global Fund grant agreement, and the Insurance Guidelines) are intended to protect the interests of the Global Fund. In no circumstances will any communications of the Global Fund relating to insurance arrangements be considered as varying the obligations of Implementers under the terms of the Global Fund grant agreement, or the policies and guidelines of the Global Fund.

<sup>12</sup> HPMT in this context refers to a Health Products Management Template or any other template that may replace or supplement it in the future.

<sup>13</sup> HPMT is not required for grants that do not support procurement of health products. HPMT is also not required for Focused portfolios, as the “HP List – Focused” worksheet in DB is to be used, where applicable. Please consult the Country Team for more information.

4.2 Anti-tuberculosis medicines	6.8 Equipment for Molecular testing (NAT)
4.3 Antimalarial medicines	6.12 Health and Laboratory Equipment
4.4 Medicines for Harm Reduction	
4.11 Subsidies (Co-Payments)	
4.12 Opportunistic infections, STI and Essential medicines	
5.1 Insecticide-treated Nets (ITNs)	
5.5 Insecticides	
5.7 Syringes and needles	
5.11 Personal Protective Equipment	
5.14 Condoms	
5.15 HIV Rapid Diagnostic Tests	
5.16 TB Rapid Diagnostic Tests	
5.17 Malaria Rapid Diagnostic Tests	
5.18 Other Rapid Diagnostic Tests	
5.19 Molecular testing reagents and test kits	
5.21 Laboratory reagents and test kits	
5.22 Consumables	

10. The following are key requirements and guidance for budgeting health products in Global Fund grants.

Health products
Key requirements
<ul style="list-style-type: none"> <li>Implementers shall procure health products of assured quality in accordance with the <a href="#">Global Fund Quality Assurance policies</a>, the Health Products Guide (, as may be amended from time to time), and any applicable Interim Quality Assurance Requirements guidance, following a competitive and transparent process to achieve the best price and quality. The budgeting principles outlined in this document equally apply to all health products.</li> <li>In addition to the above policies and guidance, implementers procuring health products through the Global Fund's Pooled Procurement Mechanism/wambo.org, must also comply with the <a href="#">OPN on Pooled Procurement Mechanism</a>.</li> <li>From a budgeting perspective, the rationale and justification for purchase of health products must be presented, either during the Funding Application process and/or through the Grant-making process. When selecting and budgeting for equipment, implementers shall consider the total cost of ownership<sup>14</sup>, including acquisition, international freight, custom clearance and insurance, in-country warehousing and distribution costs, installation, maintenance, consumables, training, operational costs, equipment lifespan, and sustainability commitments beyond standard procurement options.</li> </ul>

<sup>14</sup> Total cost of ownership means the total amount of all direct and indirect monetary costs related to the procurement, storage and distribution of a diagnostic product by a recipient, including the price of the product itself, any reagents and other consumables, international transportation, customs clearance, insurance, in-country distribution and storage, quality assurance, including quality monitoring, training, and validation of new diagnostic algorithms or equipment/tools, and, as applicable, operating costs including cost of installing, servicing, commissioning and maintaining equipment.

- When filling out an HPMT which will inform the health product related budget (for details please refer to the [Instructions for completing the budget template](#) and [HPMT Partner Portal Guidance](#)), implementers must disclose the source of the prices used (in any instances where the prevailing reference price is not used). If a procurement process for health products meeting the required specifications and standards results in a price that is higher than the relevant reference price – taking the total cost of ownership into consideration – national or other funding sources may be required to pay the difference.
- **Unit cost** is critical for the preparation of the HPMT and related budget. Unit costs shall be estimated based on the following reputable sources of reference prices, as applicable:
  - The unit costs for health products, including antiretrovirals, antimalarial medicines, HIV and malaria rapid diagnostic tests, Insecticidal Treated Nets (ITNs), equipment and consumables for viral load testing, Personal Protective Equipment (PPE), Insecticides for IRS, and others shall be aligned with reference prices published by PPM/wambo.org for all procurement channels.<sup>15</sup> These reference prices are updated periodically to reflect current and foreseen market conditions; the prevailing reference prices should be used at the time of grant-making or grant revision.
  - Other unit costs shall be taken from the globally negotiated price lists and catalogues for specific health and non-health products including prices negotiated by partners or through partner platforms such as a Products Catalogue of the [Stop TB Partnership's Global Drug Facility for anti-tuberculosis health products](#).<sup>16</sup>
  - The Global Fund, without solid justification and a reasonable explanation, shall not accept unit costs that are not aligned with the above-mentioned references.
  - For products that have no reference prices established by PPM/wambo.org, Stop TB Partnership, etc., historical invoices or results of market research can be used for budgeting and price estimation purposes.
    - All unit costs of health products shall be budgeted on Ex Works (EXW) or on Free Carrier (FCA) basis and costs related to delivery of products to a final destination (e.g., freight, insurance, procurement agent fees) shall be budgeted separately. In certain cases, other incoterms (e.g., CPT or DAP) can also be used for budgeting purposes. Use of DDP (Delivered Duty Paid) shall not be used as it includes taxes that cannot be charged to Global Fund grants (refer to section 2.3 - Management of Taxes of Guidelines for Grant Budgeting).
- **Warranty Cost:** Refers to the cost of promise or assurance by the manufacturer or supplier to compensate for manufacturer defects to Program Assets under certain specific circumstances or conditions duly included in the contract/agreement to ensure continued equipment functionality for a manufacturer considered period of time. Extended warranty costs may be included in the cost of health products as long as the extended period is within the respective allocation utilization period and/or IP of the relevant grant.
- **Maintenance Cost** refers to the costs of routine maintenance<sup>17</sup> of health equipment to keep them in optimal working condition. Ideally this cost should be budgeted and paid on a periodic basis (annual basis) or as a part of reagent markup and the service should be rendered within the IP.

<sup>15</sup> Available from the online HPMT or from e [Sourcing & Management of Health Products](#) page of the Global Fund website. The list of items, as well as reference prices, are updated regularly.

<sup>16</sup> See the [Global Drug Facility catalogue](#)

<sup>17</sup> Including the costs of calibration services, preventive maintenance services, labor and field travel costs related to spare parts replacement

- In all cases, the budget for any **Warranty Costs** (including Extended Warranty) and/or **Maintenance Costs** shall be compliant with the AUP principles<sup>18</sup> and shall not exceed the respective AUP and/or IP of the relevant grant. Any costs extending beyond the AUP and/or IP of the relevant grant shall be covered with alternative funding, e.g. domestic financing.
- Health products procured with Grant Funds shall be delivered within and used during the IP. This does not apply to buffer stock (refer to below paragraph) that can be planned for and carried over into the next IP. Implementers are advised to plan stock levels appropriately and where necessary, plan for and include in the HPMT buffer stock of health products to ensure smooth transition to a new grant or to another funding source. Any quantity of health products procured in 'excess' (e.g., above the quantity of health products required during the previous IP plus buffer stock) and carried over from the previous IP shall be accounted for in accordance with the [OPN on Implementation Period Reconciliation and Grant Closure](#). Implementers are advised to consider in their planning:
  - Standard procurement process lead time (e.g., from the starting point of raising a health product procurement requisition from the technical units such as the HIV, TB or Malaria programs to the procurement unit or other relevant bodies within the MoH until approving the requisition to raise a purchase order by the supplier); and
  - Product delivery lead times.
- **The buffer stock** (or a safety stock) is stock that should always be on hand at the national, regional, district and/or facility level to mitigate the risk of stock-outs due to delays in delivery of products or unexpected increase in consumption. It represents the quantity of stock required to allow for variations in supply lead times or consumption rates. There are many ways of estimating the level of buffer stock. The amount of buffer stock can be calculated by multiplying projected average monthly consumption by average lead time<sup>19</sup> (month) or it can be defined as a (reasonable) fixed number of months that shall never exceed 12 months (nationwide). The amount of buffer stock, unless explicitly agreed by the Global Fund, shall follow the applicable national policy/standard operation procedures requirements. The calculation of buffer stock is a moving process during grant implementation, as the consumption may fluctuate, or the supply lead time may change. If buffer stocks are to be included in the budget, a justification with assumptions is required.
- It is critical to ensure that sufficient levels of stocks (including buffer stock) are adequately planned and managed during an IP, for a successful and smooth transition to the next IP or to another funding source, including domestic financing, with uninterrupted availability of health products. When preparing quantification for the next IP, implementers need to consider existing (or forecasted) stocks levels of products at country level plus stock in the pipeline at the time of start date of the next IP.
- **Health equipment**, in general, the chosen strategy for the purchase or the leasing of health equipment, as explained in the funding application or described during the grant-making process, is acceptable if technically sound, and represents good efficiency in long-term cost savings or operational risk reduction, and an integrated approach to use of health equipment as relevant. Before budgeting for laboratory/diagnostic equipment, implementers shall consult the national laboratory strategic plan (if available) and ensure that investment in laboratory technologies is aligned with such plan. Implementers are also expected and strongly advised to conduct a three-way analysis, considering total cost of ownership over life of the equipment: i) buy equipment vs optimize network and invest in

<sup>18</sup> Please refer to Section 34 of the Budgeting Guidelines

<sup>19</sup> See the [Global Fund's 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 procured via the Global Drug Facility.

sample transportation system; ii) buy vs rent; and iii) integrate/multi disease equipment vs program specific equipment before finalizing the decision to purchase certain equipment (e.g., equipment for viral load testing).<sup>20</sup>

### Key documents required

- The HPMT, or “HP List – Focused” worksheet as applicable, is used to guide procurement of health products during the grant cycle. The HPMT should be filled following the instructions in [Instructions for Completing the Budget Template](#), and the HPMT [Partner Portal Guide](#).<sup>21</sup> Implementers shall procure health products as outlined in the HPMT and approved by the Global Fund. The HPMT includes : i) item name, description and specifications; ii) pack size and unit of measurement; iii) quantities for each item supported with relevant quantification and/or needs assessments (for equipment, infrastructure) and explanations on how the needs have been determined; iv) unit costs for each item. Unit costs shall be based on the reference prices from Global Fund’s Pooled Procurement Mechanism (PPM)/wambo.org and/or Stop TB Partnership’s Global Drug Facility (where such a price exists) as outlined below. The most recent version of HPMT will have PPM unit costs embedded within the online form and users will see whether the budgeted unit cost is in line with the PPM reference; v) procurement entity (or channel) for each product; and vi) delivery lead-time in months and related PSM/HPM costs.
- The HPMT, or “HP List – Focused” worksheet as applicable, shall be accompanied with supporting documents including forecasting/quantification worksheets, showing programmatic targets, assumptions and calculations used for the estimation of quantities of health products and related costs. The health products shall be forecasted/estimated based on the programmatic targets set in the applicable Performance Framework and or National Strategic Plan (NSP). Contributions from other donors/sources, if any, stocks on hand (including those procured under the Global Fund’s previous grant or procured through non-Global Fund sources) and orders in the pipeline shall be considered in the forecast. For preparation of quantification/forecasting as part of the funding application, estimated stock levels as of the start date of the grant (opening stock balance) shall be used in the quantification of needs.
- Justification for requested health equipment. The Global Fund may request the PR or other implementer to submit a technical specification for the selected health equipment, which may include an analysis of the cost effectiveness of the proposed selection.

## 1.5 Procurement and supply-chain management

11. A critical component of the health products budget (together with unit and total costs of products is the cost related to delivery of health products to their respective destinations or to locations where these health products are needed. The Global Fund may finance costs related to procurement and supply management of health products. Procurement and supply management costs (also referred to as health product management costs) may cover activities related to management of health products starting from selection of products until delivery to beneficiaries, use and reporting (e.g., on use of products, as well as safety and adverse effects). This section covers the guidelines on the following cost inputs:

### Procurement and supply-chain management costs (PSM)

<sup>20</sup> The HIV Viral Load and Early Infant Diagnosis Selection and Procurement Information Tool is being updated and will be published on the Global Fund website very soon. The tool will provide guidance on the total cost of ownership, including pricing components for consideration and a comparison of contracting options of VL and EID equipment.

<sup>21</sup> HPMT and its user guidelines can be downloaded from the Global Fund’s website. Alternatively, implementers may request these documents from the respective Country Teams.

Cost Input	Description
7.1: Procurement agent and handling fees <sup>22</sup>	<p>Most procurement agents charge a percentage fee based on the value of the health products being procured. The <a href="#">procurement service agent fee structure</a> for the Global Fund's Pooled Procurement Mechanism should be used as a reference. For products that are procured through PPM, procurement agent fees shall be budgeted in line with the published references.<sup>23</sup></p> <p>For non-PPM purchases, where procurement agent fees are relevant, implementers are encouraged to budget these costs based on historical expenditures that were paid in the past.</p>
7.2: Freight and insurance costs	<p>For accurate cost estimation and budgeting of freight and insurance costs, it is important to identify a mode of transportation and understand the delivery terms (Incoterms) for the health products. Lack of understanding of <a href="#">Incoterms rules</a> and respective obligations, costs and risks may lead to inaccurate budgeting and difficulties in supply management. For budgeting purposes, all unit costs of health products shall be budgeted on Ex Works (EXW) or on Free Carrier (FCA) basis and costs related to delivery of products to a named place destination as per the chosen Incoterm (e.g., freight, insurance, procurement agent fees) shall be budgeted separately. Where possible, freight and insurance costs should be based on prices quoted by a supplier or a freight forwarder (previous invoices or other credible pricing reference should be used). The <a href="#">freight and insurance indicative reference costs</a> for the Global Fund's Pooled Procurement Mechanism are available as guidance and shall be used for budgeting of freight and insurance costs for products procured through <a href="#">PPM/wambo.org</a>. These reference costs are updated periodically to reflect current and foreseen market conditions; the prevailing reference prices should be used at the time of grant-making or grant revision.</p>
7.3: Warehouse and Storage Costs	<p>Warehouse and storage costs that are required for safe storage of health products in appropriate conditions. This may include certain fixed costs that are not dependent on quantity or volume of procured products such as utilities, labor, security or in case the grant does not budget to procure health products but only pays for health product management costs. The fees paid to private providers for warehouse and storage space shall also be included under this cost input.</p> <p>The in-country supply chain indicative reference costs (external link to be inserted) are available as guidance and are recommended to be used for budgeting of warehouse and storage costs. These reference costs are updated periodically and should be used at the time of grant-making or grant revision. The indicative reference costs are based on analysis of data (budgets, expenditure, and detailed activity-based costing exercises) across the Global Fund portfolio and consider fixed and variable costs (including property, equipment, utilities, and overhead). The reference document also provides guidance on how countries can budget along the indicated ranges considering factors such as country size, supply chain configuration, infrastructure maturity, and country risk profile.</p>

<sup>22</sup> The implementer must demonstrate that the selected procurement agent results from a competitive tendering process and represents, the best value for money for the services required.

<sup>23</sup> Available through [www.wambo.org](http://www.wambo.org) or on the [Sourcing & Management of Health Products](#) page of the Global Fund website. The list of items, as well as reference prices, are updated regularly.

7.4: In-country distribution costs	<p>In-country distribution costs cover in-country transportation of health products and equipment from one location to the other.</p> <p>In-country distribution costs comprise of long-haul transport costs between different supply chain tiers (e.g., national warehouse, regional warehouse) and last-mile distribution costs (to service delivery points).</p> <p>The in-country supply chain indicative reference costs (external link to be inserted) are available as guidance and are recommended to be used for budgeting of in-country distribution costs. These reference costs are updated periodically and should be used at the time of grant-making or grant revision. The indicative reference costs are based on analysis of data (budgets, expenditure, and detailed activity-based costing exercises) across the Global Fund portfolio and consider fixed and variable costs (including vehicle depreciation, insurance, security, insurance, maintenance, fuel, tolls, per diem, and overhead). The reference document also provides guidance on how countries can budget along the indicated ranges considering factors such as country size, supply chain configuration, infrastructure maturity, and country risk profile.</p>
7.5: Quality assurance and quality control costs (QA/QC)	<p>Quality assurance (QA) and quality control (QC) costs are supported by the Global Fund as a component of Health Products Management costs. QA/QC activities may be undertaken pre-shipment, when the health products are in the country (post shipment), throughout the supply chain or during one or all these periods, and therefore should be budgeted for accordingly. QA/QC costs are often budgeted as a percent of the value of the health products, which should be supported by assumptions or evidence on how the percentage was calculated and what activities will be covered. The costs may include any reasonable quality control testing by a third-party laboratory that needs to be undertaken to monitor the quality of health products throughout the supply chain. These costs, based on the input made by an implementer in the HPMT, will automatically be calculated by using the template and included under the cost input “7.5 Quality assurance and quality control costs”. The <a href="#">quality assurance and quality control indicative reference costs</a> for the Global Fund’s Pooled Procurement Mechanism are available as guidance. Implementers can budget these costs based on historical expenditures that were paid in the past.</p>
7.6: PSM Customs Clearance	<p>As stipulated in Article 3.5 of the <a href="#">Grant Regulations</a> as applicable, Global Fund Grant Funds are made available based on the condition that Grant Funds shall be exempt from relevant taxation imposed by the host country concerned (see Article 3.5 of the <a href="#">Grant Regulations</a> as applicable). Accordingly, this cost input can only be used for budgeting of fees related to customs clearance service, of health products procured under the grant, including customs clearance agent fees, customs warehouse charges and customs terminal charges.</p>
7.7: Other PSM costs	<p>This is a residual cost input that can only be used for PSM related cost that does not fall under any specific cost input (7.1 to 7.6) under this cost category.</p>

12. The following are key requirements and guidance for budgeting PSM related cost in the Global Fund grants:

<b>Procurement and Supply-chain Management (PSM)</b>
<b>Key requirements</b>

- The budgeting principles outlined in this document equally apply to Health Products Management costs, including:
  - The budget cost including percentage fees, if any, shall be calculated using actual operational data and current costs/historical costs with +/- adjustments due to change in macro-economic factors (foreign exchange rate and inflation);
  - The budget should represent VfM, and integrated approach to health product management, and not deviate significantly from established benchmarks;
  - Implementers should benchmark their health product and HPM costs against international standards including the Global Fund's Pooled Procurement Mechanism, in-country supply chain indicative reference costs, other relevant countries or other published information to ensure value for money; and
  - The budget should not contain any element of cost over-recovery<sup>24</sup>, provision or contingency. Where there is a strong expectation of future price changes (e.g., following past trends or based on new regulatory changes or new arrangements) they may be projected in the budget with strong narrative justifications.
- For budgeting purposes, PPM has published [Indicative reference costs for international freight, insurance, and quality assurance](#) and refer to the latest Global Drug Facility product catalogs for TB health products. Implementers, and particularly those who procure health products through PPM/wambo.org are advised to budget for upstream Health Products Management costs as per the above indicated reference/benchmark. Indicative reference costs have also been published for in-country supply chain activities. These reference costs will be periodically updated to reflect current and foreseen market conditions; the prevailing reference prices should be used at the time of grant-making or grant revision.
- The breakdown of Procurement and Supply Management costs is required in the budget to facilitate the Global Fund's review. The costs must be supported by evidence in the form of past or pro forma invoices, own operational costs, quotes from reputable sources, current price lists or other credible references/assumptions.
- For convenience, PSM costs are often presented as a percentage of the value of the health products. Where possible, a percentage rate shall be based on and calculated using reference prices or historical costs (paid in the past) and included into the Health Products Management Template accordingly.
- Any percentage-based cost should have a basis and relevant assumptions/justifications. When percentage-based costs are charged as a share of total operational costs, the relevant calculations and documentation must be provided. Such documentation should include information on the quantities and physical volume of health products managed in the past and expected going forward, past financial statements and budget and forecast of expenditures. A percentage-based storage cost should be supported by a demonstration of how the percentage has been arrived at (i.e., estimated total costs of the storage facility divided by the throughput of health products for the same period) and should also be compared to the provided indicative reference benchmarks. Estimates of costs with no clear basis, assumption or justification provided, will not be approved by the Global Fund.
- In-country supply chain costs may be budgeted to support management of all health products handled through the country's public health system, even when some of those products are not financed by Global Fund grants. The budget should still include a clear rationale, with key assumptions and justifications such as product quantities, volumes, financial value, and evidence from prior actual expenditures. The provided in-country supply

<sup>24</sup> Except when a private sector procurement agent is engaged, the fees are assumed to include a profit margin based on the negotiated terms.

chain indicative reference costs may be updated over time to incorporate additional product categories, including those not commonly funded by the Global Fund.

### Cost not covered under this cost category

- **Capacity-building activities** should be budgeted under the cost grouping for external professional services or travel-related costs.
- **Electronic Logistics Management Information Systems (eLMIS):** Equipment, hardware and software costs for eLMIS shall be budgeted under infrastructure and equipment costs. As a general principle the eLMIS procured shall be an ‘off the shelf’ solution, proven to operate in similar circumstances and environments. The eLMIS system should also be designed to cover all health product categories to promote integration. Other relevant costs for eLMIS implementation, for example technical assistance, human resource and travel-related costs shall be budgeted under the respective cost categories.
- **Health Products Management system strengthening:** Significant investments in and changes to the budget for supply chain management, procurement and supply systems strengthening and laboratory systems strengthening activities (activities budgeted under the cost grouping 7.0 or budgeted in various cost groupings but intended for supply chain systems strengthening or lab services and systems strengthening), shall be made in consultation with the Global Fund Supply Operations Department and Lab/RSSH Team through the Global Fund Country Team. In addition to supply chain operational costs, the Global Fund may finance investments aimed at strengthening supply chain processes and systems in an integrated manner, and regulatory capacity for both pharmaceutical and laboratory services, as highlighted in the [Prioritization Guidance](#), in the [Advancing Integration](#) and in the [Global Fund Modular Framework Handbook](#).

## 1.6 Infrastructure

13. Infrastructure (INF) costs include costs necessary to ensure that implementers have sufficient physical infrastructure capacity in place to implement and achieve the objectives of the Program. The guidelines outlined in this sub-section are applicable to the following cost inputs:

Infrastructure (INF)	
Cost Input	Description
8.2: Renovation/constructions	<p>The Global Fund’s grant resources may be used for improving or scaling-up health infrastructure. “Health infrastructure” means facilities that are necessary for the uninterrupted operation of the health system and may include: service delivery facilities (e.g., outpatient clinics, inpatient clinics, etc.), support facilities (e.g., health products warehouse, laboratories, residential accommodation for health care personnel, etc.), administrative facilities (e.g., offices of the Ministry of Health, offices of regional/district health departments, etc.) and others.</p> <ul style="list-style-type: none"> <li>• “Improving” means enhancing the functionality and/or quality of existing facilities by renovating and/or redesigning a facility in full or in part, and/or installing equipment and/or furniture.</li> <li>• “Scaling-up” means increasing the operational output by enlarging existing facilities or constructing new facilities.</li> </ul>
8.3: Infrastructure maintenance and other INF costs	<p><b>Maintenance Cost</b> refers to the costs of routine maintenance (for example, electrical repairs, roof repairs and plumbing etc.) of infrastructure to keep them in optimal working condition. Ideally this cost should be budgeted and</p>

	paid on a periodic basis (e.g. annual basis) and the service should be rendered within the relevant IP. Any costs extending beyond the allocation utilization period and/or IP of the relevant grant shall be covered with alternative funding, e.g. domestic financing.
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14. The following are key requirements and guidance for budgeting INF-related cost in Global Fund grants:

Infrastructure (INF)
Key requirements
<ul style="list-style-type: none"> <li>• Implementers should normally have adequate facilities for supporting implementation and therefore the building/leasing of office premises are generally not funded through Global Fund grants. In exceptional circumstances, and if outlined in the funding application and/or any subsequent request during grant implementation, the Global Fund may consider certain aspects of these costs in post-conflict and post-disaster situations.</li> <li>• All requests for Grant Funds to be used to invest in infrastructure projects are encouraged to include evidence of any co-financing from domestic or other donor resources.</li> <li>• The budget for infrastructure should build on a detailed needs assessment developed in support of the funding application. The needs assessment must include a review of existing assets and infrastructure (including those in the list of Program Assets) in the possession of the implementing entities and provide evidence of any required replacement or new procurements. Infrastructure and equipment costs should be supported by a detailed estimate which clearly shows the following elements relating to the acquisition of the relevant asset: <ul style="list-style-type: none"> <li>○ All relevant costs<sup>25</sup> such as the cost of the assets, freight and insurance costs should be budgeted for in accordance with terms of the underlying transactions; and</li> <li>○ Relevant price references, including recent quotations, previous invoices for the same items, price lists of several reliable suppliers, price references provided by the Global Fund or other credible sources.</li> </ul> </li> <li>• Implementers must provide a comprehensive cost estimate for all recurrent expenditures required to ensure the effective and sustainable operation of the infrastructure throughout its useful life. These costs may include, but are not limited to, human resources, utilities, maintenance, and essential materials. PRs must also demonstrate the anticipated funding sources that will be used to meet these recurrent costs, including confirmation of government or other partner commitments where applicable. Implementers must comply with applicable laws, rules, and regulations, such as health and safety, construction, design and management, labor and other laws, and are responsible for any third-party liabilities.</li> <li>• During implementation, implementers are expected to provide frequent progress updates to the Global Fund on the progress of INF activities. No payment to contractors should be made before an implementer has received assurance (e.g., payment certificate issued by a certified engineer) that the invoice corresponds to actual quantities of work and materials utilized in the complete and satisfactory performance of the contract, and that all equipment and systems are of good quality, function well and conform to applicable local regulatory standards. Based on the advice of an architect regarding a planned project, the budget should include a detailed cost estimate certified by a qualified professional, for example a quantity surveyor. Contingencies or provisions should not be included in the budget.</li> </ul>

<sup>25</sup> Tax if any, must not be charged on the cost of assets, please refer to section “2.3 Management of taxes” of Guidelines for Grant Budgeting for further details.

- Implementers are expected to have clear policies on maintenance, disposal and/or replacement of assets (in accordance with the terms of the relevant grant agreement), and the costs of such activities should be clearly budgeted if applicable. Please refer to the Global Fund [Guidelines on Fixed Assets Management](#) for further details on accounting, reporting, maintenance and transfer of fixed assets (including from one IP to another). Any transfer, loan or disposal of Program Assets during the IP requires prior approval from the Global Fund.
- Implementers are expected to ensure that Global Fund investments relating to construction, engineering and/or civil works (e.g., warehouse construction, refurbishment, renovation works, waste management, etc.) are implemented with due consideration of environmental, social and climate-related risks, applying, where relevant, good international industry practices<sup>26</sup> and any other applicable standards and complying with relevant local laws and regulations.
- For further guidance, please refer to [Appendix 4](#) (Investments in Infrastructure – further guidelines).

#### Cost not covered under this cost category

- The Global Fund does not fund the construction of large-scale projects, such as an entire hospital.
- Cost of acquisition of land for construction and any right of way costs.

#### Key documents required

- Rehabilitation and/or renovation and enhancement activities require prior Global Fund written approval. Implementers must submit:
  - A feasibility study to show the viability of the project and completion schedule within the grant IP, including detailed explanations of what is planned to be rehabilitated, renovated and/or enhanced;
  - The total cost of the project, detailing the portion that is requested to be financed by the Global Fund and identifying all the other sources of funding, as well as any conditions attached to those sources of funding;
  - Information on all mechanisms the implementer will use to oversee and monitor the progress of the work including details of the entity(ies) hired for the supervision, quality control and certification;
  - Information on the sustainability of funding, with an explanation of how the running and maintenance costs of the facility(ies) will be funded; and
  - Overview of the internal controls and oversight management systems the implementer will be using to prevent any potential mismanagement of funds.

## 1.7 Non-health equipment

15. This cost category includes cost of non-health equipment (NHE) that is required to deliver efficient and effective services to achieve the objectives of the Program:

Non-health equipment (NHE)	
Cost Input	Description

<sup>26</sup> Good international industry practice refers to the exercise of professional skill, diligence, prudence, and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally or regionally.

9.1: IT – computers, computer equipment, software, and applications	This cost input covers the cost of computers, computer equipment, software and applications. The purchase or development cost including license fee of software should also be budgeted under cost input “9.1” whereas related training cost should be budgeted under cost input “2.1”.
9.2: Vehicles	Vehicles include all engine-powered or electric vehicles (including automobiles, ambulances, mobile labs, motorcycles, and boats) which require registration with a vehicle registration authority in any area where the Global Fund grant is being implemented.
9.3: Other non-health equipment	This is a residual cost input to cover non-health equipment that does not fall into specific cost inputs under this cost category e.g., incinerators, bicycles etc.
9.4: Maintenance and service costs non-health equipment	<b>Maintenance Cost</b> refers to the costs of routine maintenance (for example, electrical repairs, roof repairs and plumbing etc.) of infrastructure to keep them in optimal working condition. Ideally this cost should be budgeted and paid on a periodic basis (annual basis) and the service should be rendered within the relevant IP. Any maintenance costs extending beyond the allocation utilization period and/or IP of the relevant grant shall be covered with alternative funding, e.g. domestic financing.

16. The following are key requirements and guidance for budgeting NHE in the Global Fund grants:

Non-health equipment (NHE)
Key requirements
<ul style="list-style-type: none"> <li>Implementers should develop a comprehensive annual procurement plan for operational purposes, which outlines the annual procurement needs and procurement method for the acquisition of non-health equipment funded from each relevant Global Fund grant. The plan should include the needs across programs, and optimize purchase and use, for example, health facilities should not purchase a separate device for data management per program, unless there is a clear approved rationale. This helps to determine the most appropriate, economical, and cost-efficient method in the procurement of goods and services as well as define the most suitable planning for timely delivery.</li> <li>Certain non-health products used in Global Fund-supported Programs setting out such as Information Communication and Technology (ICT) equipment, vehicles, prefabricated building, equipment for material handling electricity generators, incinerators for waste management, solar panels etc., can be procured through <a href="http://wambo.org">wambo.org</a> and/or via UNOPS <a href="http://UNWebbuyPlus">UNWebbuyPlus</a> marketplace. Unit costs for these products are published on Global Fund’s website and shall be used for grant budget preparation.<sup>27</sup></li> <li>Budgeting for vehicles should build on the goals and objectives of the funding application and supporting documentation. When budgeting for vehicles is not included as part of the funding application and the amount of funding requested or budget for vehicles is considered by the Global Fund as significant,<sup>28</sup> the implementer will be requested to provide the Global Fund with a vehicle needs assessment and management plan, incorporating procurement</li> </ul>

<sup>27</sup> Available through [www.wambo.org](http://www.wambo.org) or on the [Sourcing & Management of Health Products](#) page of the Global Fund website. The list of items, as well as reference prices, are updated regularly.

<sup>28</sup> The Global Fund Country Team may determine whether a vehicle budget is significant based on the country context, circumstances and risk concerns. The vehicle budget may be considered significant when exceeding US\$0.5 million. In situations where the vehicle budget is below this threshold, based on the risks foreseen, the Global Fund Country Team may still request a vehicle needs assessment and management plan.

procedures at the start of the grant (or prior to disbursement for the activity). Please refer to [Appendix 5](#) for further details.

- Implementers must follow their organizational procurement and fixed assets management policies and applicable laws and regulations consistent with the Global Fund [Guidelines on Fixed Assets Management](#) and [Financial Management Handbook for Grant Implementers](#).
- Vehicle insurance costs, as well as related ongoing running and maintenance costs, should be included in the budget for the duration of IP only. These costs should be based on the country context including condition of routes, availability of service networks and spare parts.
- **Warranty Cost:** Refers to the cost of promise or assurance by the manufacturer or supplier to compensate for manufacturer defects to Program Assets under certain specific circumstances or conditions duly included in the contract/agreement. Extended warranty cost may be included in the cost of non-health products as long as the extended period is within the respective allocation utilization period and/or IP of the relevant grant. Any warranty costs extending beyond the allocation utilization period and/or IP of the relevant grant shall be covered with alternative funding, e.g. domestic financing.

#### Cost not covered under this cost category

- Non-health equipment or related maintenance cost already paid or covered by another donor.
- Proposed non-health equipment with no programmatic basis or justification.

#### Key documents required

- Rationale for needs/replacement, programmatic basis and costs of non-health equipment and up-to-date Fixed Asset Register (FAR).

## 1.8 Communication, information sessions & materials

17. This cost category covers communication, information sessions and associated materials intended to support fulfillment of Program objectives. It may include traditional and digital media efforts, virtual interventions, social media-based engagement, community outreach, and other costs associated with Program-related campaigns or events. Eligible expenditures may include the design, development, production, and dissemination of online, printed, audio, and video content, as well as associated services procured from external suppliers. Printed or promotional materials should remain limited to essential items that add clear value - such as job aids or materials for low-connectivity contexts - and overall spending in this category should remain strategic and proportionate to the expected contribution to program outcomes.

18. The following are key requirements and guidance for budgeting Communication, information sessions & materials (CISM) related cost in Global Fund grants:

#### Communication, information sessions & materials

##### Key requirements

- CISM efforts should be grounded in a coherent communication strategy that strengthens integration across the health system. This strategy should prioritize approaches that respond to population health outcomes and the needs of specific priority or vulnerable

groups, ensuring that messaging is coordinated, evidence-informed, and aligned with broader service-delivery and system-strengthening objectives. CISM investments should reinforce synergies between community-level engagement, digital platforms, and facility-based services, enabling a consistent and integrated strategy that supports access to health services, improved health-seeking behaviors, and overall program impact.

- CISM investments should be clearly justified, demonstrating the specific need for these activities based on the nature of the disease to ensure access to vulnerable populations. The cost of development and production of any such material should be supported with verifiable reference sources and essential specifications to ensure appropriateness and value for money. Communication activities should be prioritized for delivering messages to defined priority population groups, with a clear focus on influencing or reinforcing positive health-seeking behaviors and increasing awareness on services available to them. In line with this targeted approach, the use of mass promotional items, such as T-shirts, mugs, pins or similar promotional material is not recommended.
- Communication materials used for capacity building, planning and administration may also be funded by Global Fund grants. Service provision protocols, operational templates and training materials should be developed, designed and printed using in-house human resource and printing capacities, and outsourced only in exceptional cases, which should be justified to the Global Fund and included in budget assumptions.
- To avoid duplication of costs, communication, materials and publications already developed, whether internally or externally, should always be considered before budgeting for new communication materials and publications. During grant-making or grant implementation, the Global Fund may require implementers to provide additional information on the communication and information strategy if the budget represents a significant amount. Whether a budget is considered significant will be determined by the Country Team based on the country context and risk analysis. Reuse of existing digital content or online communication assets should also be assessed prior to commissioning new products, as adapting or updating online materials is generally easier and faster than modifying traditional media. For this reason, online communication channels should be prioritized when feasible.
- Internally produced communications materials and publications costs should be solely based on the marginal costs of production. The budget should not include any “sunk costs”, which would be incurred regardless of the implementation of the Global Fund grant, e.g., machine depreciation and print-shop workers’ costs not related to the volume produced.
- **Unit costs** for printed materials and promotional materials are generally not recommended and might be approved to be implemented only in low-connectivity areas or where digital or other channels cannot achieve the intended results. The unit costs should demonstrate VfM, particularly represented by the best available price on the market for the specifications, for example, color, number of pages, paper format. For budgeting purposes, the implementer should refer to credible pricing references, use historical data, or obtain pro forma invoices to support the costing. Implementers should ensure that such justification for the unit costs is well documented and readily available for review by the Global Fund or relevant assurance provider. Given that the range of unit prices for printed materials can vary depending on the specifications and format required, the budget should include essential information on the specifications of each item, for example, color, number of pages and paper format). Where feasible, programs should also consider digital alternatives, drawing on examples such as tele-health consultations, virtual engagement, follow-up and retention-in-care support, chatbots, mobile-friendly

digital leaflets, online outreach, and social media messaging to improve reach, reduce production costs, and minimize duplication.

- **Quantities of printed materials and promotional materials** should be clearly justified by defining the number of beneficiaries intended to be reached in the goals and objectives of the grant. Frequency of audio and video advertisement should be clearly linked with the targets of people intended to be reached. This also applies to digital advertising, online video content, and social media campaigns, which should be planned in proportion to the expected reach and programmatic value.
- **Other costs associated with communication activities, printed materials and promotional materials**, including storage, distribution, design, development and/or content creation may be funded by Global Fund grants. Any such costs should be supported by clear budget assumptions and reference sources used for budgeting.

#### Cost not covered under this cost category

- Excessive and unjustified quantities.
- Inflated costs and/or items with no programmatic basis or justification.

#### Key documents required

- For a budget determined significant by the Country Team, the PR will be requested to provide the following additional information:
  - Description of the CISM strategy for the Program and the expected impact of the individual communication activities on priority groups.
  - Demonstration of VfM of the selected CISM interventions, through the following:
    - i) Showing economy – how the best available prices have been budgeted for externally sourced services for the required specifications; and
    - ii) Showing efficiency – all reasonable options have been assessed to calculate the best possible cost to reach the maximum numbers of beneficiaries, e.g., using in-house capacity at lower cost or using materials already available instead of developing new ones.
- The PR is ultimately responsible for managing printed materials and ensuring that no fraud, waste, or loss occurs at any implementing entity level. As part of its operational policies, the PR should have clearly documented policies and procedures around managing printed materials, including storage and distribution procedures, regular inventory counts, waste and loss prevention.

## 1.9 Indirect and overhead costs

19. The Global Fund encourages the development of in-country capacity and strives to ensure optimal allocation of resources to service delivery and maintaining the overall level of administrative costs at a minimum level. Indirect and overhead costs are costs associated with the implementation of Global Fund grants that cannot be directly attributed to individual grant objectives and targets. The guidelines outlined in this sub-section are applicable to the following cost inputs:

Indirect and overhead costs (IOC)	
Cost Input	Description

11.1: Office related cost	This cost input covers the cost of rent, electricity, utilities, mail, telephone, internet, insurance, <sup>29</sup> fuel, security and cleaning and others.
11.3: Indirect Cost Recovery (ICR)	In the case of grants managed by International Non-Government Organizations (INGOs), Local Non-Government Organizations (Local NGOs) <sup>30</sup> and other international organizations, provisions may be included in the grant budget to support indirect costs, and to remunerate services provided by the headquarters/regional offices <sup>31</sup> in support of the implementation of the grant at country level. This may be the case either when the grant agreement is signed directly by the in-country office or when it is signed by the headquarters for a program implemented by the local office.

20. The following are key requirements and guidance for budgeting indirect and overhead cost in Global Fund grants:

Indirect and overhead costs	
Key requirements:	
	<ul style="list-style-type: none"> <li>Costs charged to a Global Fund grant, whether direct or indirect must: i) be the actual costs attributable to the activity being funded by the grant (or a reasonable approximation thereof); ii) not bear any profit element or margin above cost; iii) not be charged with a view to income generation; and iv) not include any risk premium which is not based on actual cost.</li> </ul>
	○
Descript ion	Indirect and overhead costs
<b>Scope</b>	<ul style="list-style-type: none"> <li>INGOs and Local NGOs (that meet the pre-conditions set out below) can opt to charge ICR to compensate for services that are provided by their headquarters, regional offices and/or parent organization in support of the implementation of the grant at the country level.</li> <li>Other implementers including Civil Society Organizations as well as Governmental and public entity implementers cannot charge ICR but should only charge direct costs to Global Fund budgets. Indirect costs, such as the use of facilities, heat and light are assumed to be funded through the national budget. Such costs may only be charged using costing-based approach in exceptional situations when the PR can clearly demonstrate that indirect costs have increased incrementally because of the implementation of Global Fund grants. The Global Fund does not support percentage-based costing for indirect costs for government and public entities. For avoidance of doubt, any shared costs which implementers used to budget under 11.5 “Shared costs” in previous grant cycles, shall be now budgeted as direct costs under the corresponding cost inputs, e.g. utility related costs under 11.1, HR Management related costs under 1.1, etc.</li> <li>The requirements outlined in this section on ICR do not apply to UN agencies for which separate arrangements for ICR apply. However, if a UN agency is selected as an implementer for a grant financed under the <a href="#">Emergency Fund</a>, they must comply with these requirements.</li> </ul>

<sup>29</sup> “Risk-based insurance costs” for the safeguarding and protection of grant assets (tangible or not) may be eligible costs to be budgeted/expensed in Global Fund-funded Programs. Country context and risk is a key determining factor on insurance costs.

<sup>30</sup> The preferred option for Local NGOs is direct cost. However, if direct cost approaches create additional administrative burden and inefficiencies, local NGOs with the appropriate financial management capacity may be allowed to charge ICR.

<sup>31</sup> Headquarters/Regional Offices are generally located outside the country where the grant is implemented and support the in-country office of the organization to fulfill their activities and meet the grant’s objectives.

<b>Pre-conditions</b>	<ul style="list-style-type: none"> <li>• The nature and level of support activities are agreed with the Global Fund at the time of grant-making.</li> <li>• Support/indirect or common costs enhance sustainability, value for money, performance and generate economies of scale in the delivery of services.</li> <li>• Financial system and capacity are in place to demonstrate transparent cost recovery.<sup>32</sup></li> </ul>
<b>Non-compliant expenditures</b>	<ul style="list-style-type: none"> <li>• Costs related to the organization’s own public relations, marketing and fundraising activities; the cost of opening or establishing a country office by the implementer; and the development of funding applications.</li> </ul>
<b>Approach</b>	<ul style="list-style-type: none"> <li>• <b>Agreed percentage rates approach:</b> Charge agreed percentage rate, not exceeding the maximum applicable rate based on the type of the implementer and type of cost as outlined in the Appendix 1.</li> </ul>
<ul style="list-style-type: none"> <li>○ Each PR that receives funding for ICR is required to: provide the Global Fund with all the necessary information to allow the Global Fund to confirm that funds have been charged to the grant in accordance with the approved budget and to confirm that the PR’s headquarters have provided any agreed services (when applicable).</li> <li>• Funding for ICR shall not be applied when a financial management intermediary (i.e., a “fiduciary agent” or “fiscal agent”) is appointed to oversee and verify expenditures of Grant Funds, without the prior approval of the Global Fund.</li> <li>• The CCM endorses the ICR as a part of the funding application. In the event ICR is not included in the funding application or where the nomination of the PR is not finalized at the time of funding application development and approval (as permitted under Global Fund policies and procedures), the ICR of the eligible PR may be incorporated in the grant-making budget within the limits of the total funding ceiling. The budgetary implications of such costs should be disclosed to the CCM before submitting the final grant-making budget to the Global Fund.</li> <li>• The PR is responsible for negotiating any indirect and overhead costs to be charged by SRs and other implementing entities based on the same principles described here, and at the same level of detail.</li> </ul>	
<b>Cost not covered under this cost category:</b>	
<ul style="list-style-type: none"> <li>• Any item presented as a management fee is ineligible for Global Fund funding.<sup>33</sup></li> <li>• Duplicate costs and/or double counting of costs under direct and/or indirect cost recovery.</li> </ul>	
<b>Key documents required:</b>	
<ul style="list-style-type: none"> <li>• The implementer’s organizational indirect cost sharing and recovery policy.</li> <li>• The PR will provide, upon request from the Global Fund, the required documentation to support the budget for Sub-recipient administrative costs during grant negotiation or, if the Sub-recipient has not yet been selected at the time of signing the grant agreement, no later than when the PR signs the Sub-recipient agreement.</li> </ul>	

<sup>32</sup> This may include a clear audit trail on cost recovery mechanisms that are in place and subject to independent external audit review.

<sup>33</sup> Except for UN agencies and multilateral organizations, where specific arrangements with the Global Fund may apply based on the respective agreement between the Global Fund and those agencies and organizations.

## 1.10 Living support to client/target population

21. The Global Fund may allocate funding to provide living support to target populations and to support income-generating activities. This may include monetary or in-kind support given to target populations enabling them to access program services:

Living support to client/target population (LSCTP)	
Cost Input	Description
12.2: Food and care packages	This cost input includes the food and care packages and/or costs associated with supporting patient care.
12.3: Cash incentives/transfer to patients/beneficiaries/ counsellors/mediators	The transport allowances to the treatment and care centers and patient incentives should be budgeted under this cost input.

22. The following are key requirements and guidance for budgeting LSCTP in Global Fund grants:

Living support to client/target population (LSCTP)
<p><b>Key requirements:</b></p> <ul style="list-style-type: none"> <li>• Effective and verifiable control systems, procedures and processes should be managed by implementers relating to the following: <ul style="list-style-type: none"> <li>○ Identification of the Program clients and beneficiaries.</li> <li>○ Fair distribution of benefits within the selected group of clients.</li> <li>○ Ensuring that support reaches its intended beneficiaries.</li> <li>○ Control over storage and distribution.</li> <li>○ Verification, supervision and accounting of the relevant monetary or in-kind support activities.</li> </ul> </li> <li>• Any scheme involving support to households should be costed at an amount which is appropriate according to the local market practice in the relevant country. The scheme should also include a sustainability plan addressing long-term planning issues. The budget must be based on clear and reasonable assumptions for the number of target beneficiaries and the specifications of the living support package, which guide quantities and unit costs. All budget assumptions should be consistent with the approved funding application and based on: <ul style="list-style-type: none"> <li>○ Latest results available and expected trends;</li> <li>○ Assumptions concerning the target population; and</li> <li>○ Relevant national or international guidelines and/or best practices. In the absence of such guidelines, guidance from technical partners and/or specialized institutions should be requested.</li> </ul> </li> <li>• LSCTP should be detailed and costed based on national practice. Where possible the dietary requirements as determined by UNFPA should be used, unless there is another benchmark dietary index that can be used. The quality and specifications of products/supplies listed should correspond to Program needs, targets, relevant national and international policies and/or best practices. Applicable regulations and laws should be considered and must be complied with during planning, budgeting and implementation (e.g., licenses for microfinance program, food safety certifications).</li> <li>• In general, the use of vouchers and cash transfers instead of actual food packages distribution or other in-kind contributions should only be implemented where effective control mechanisms exist. Control mechanisms should be designed to ensure that only the target population receive support and minimize subsequent distribution and on-selling activities.</li> </ul>

- If vouchers or cash are used, implementers should demonstrate that the risks will be managed and mitigated by using effective control and monitoring systems and, where necessary, by partnering with experienced organizations. Any such instruments should be implemented in line with national priorities and policies and their use should be backed up by a cost-benefit analysis (lowest cost with related manageable risks). Digital payments, including mobile money is now becoming widely used and should be considered as a method of payment (please refer to Appendix 6 - Cashless Payment Modality for further details).
- Any schemes involving the payment of cash incentives using Global Fund Grant Funds to patients, beneficiaries, counselors and mediators should involve justified and reasonable unit costs as determined by the Global Fund and considering the country context (e.g. time required per day, expected results and transportation costs). The payment of these cash incentives should not be in addition to any other incentive payments funded by Global Fund grants. The cash incentive should be paid directly to the patient or beneficiary in the most efficient way while mitigating risks of mismanagement or non-compliant payments. The amount of such cash incentives should be based on justified reasonable rates as determined by the Global Fund (example: the cost of a return trip on local public transport). Wherever possible and cost-effective, the payment for services should be made directly to the supplier (e.g., purchase of public transport tickets, hospital fees, purchase of bulk supplies). It is recommended to undertake a prior risk assessment on introducing or continuing cash incentives and to provide evaluation of impact as part of implementation.

**Cost not covered under this cost category:**

- Costs paid to people not included in the target population.
- Insufficient programmatic justification provided for payment of the cost.
- Incentives paid to community health workers are not classified under “living support” costs, these should be budgeted under cost input 13.5 or 1.6.

**Key documents required:**

- Implementers should ensure that there is a strategy underpinning the basis of the LSCTP support.

### 1.11 Results Based Financing

23. The [Payment for Results Technical Brief](#) as well as RBF related sections in Global Fund’s operational policies and procedures, including the [OPN on Design Funding Requests and Sign Quality Grants](#), set out the main principles to be applied for entities implementing their Grant Funds under RBF implementation modalities. This section provides specific guidance on budgeting and related finance requirements. This section shall be read in conjunction with all other Global Fund relevant RBF policies and procedures.

Results Based Financing (RBF)	
Cost Input	Description
13.1: Payment for Results (PfR)	PfR is a modality in which the Global Fund makes payments to the PR based on the verification of results against agreed performance indicators
13.2: Results-Based Contract (RBC)	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. When the cumulative total contract amount of all RBCs for one grant is above US\$ 1 million (Focused) or US\$ 3 million (Core and High Impact), the PR is considered to have a Material RBC. When the total RBC amount for a grant is below the defined thresholds, the PR is considered to have a Non-

	Material RBC. Please refer to Clause 24 for key requirements for Material RBC. Appendix 7 provides additional guidance from finance perspective which are elaborated to support implementers of both for Material and Non-Material RBC.
13.3: Incentives for PR and Sub-Recipient staff members	In exceptional circumstances, the Global Fund may approve the payment of incentives (performance or task-based incentive through simplified and transparent performance management processes) to the implementer or public sector staff involved in implementing Global Fund-supported programs, through a service-based contract payment. Performance or task-based incentives must be linked with the achievement of specific results, output and milestones whereas in the case of fixed payments <sup>34</sup> to implementers including community and facility-based staff, these payments should be budgeted under cost category 1 “Human Resources”.
13.5: Incentives- community-based, including Community Health Workers and outreach workers	
13.6: Incentives – facility-based, including medical staff and other service providers	

24. The following are key requirements and guidance for budgeting RBF in the Global Fund grants:

<b>Results Based Financing (RBF)</b>
<b>Key requirements</b>
<p><b>PfR and material RBC<sup>35</sup>:</b> The following are the key requirements:</p> <p><b>Approach and methodology: please refer to Payment for Results Technical Brief</b></p> <p><b>Estimation of payment amounts:</b> Activities, objectives or interventions budgeted under the cost input “13.1 – Payment for Results (PfR)” or 13.2 “Results-Based Contract” could use:</p> <ul style="list-style-type: none"> <li>• <b>Cost-based payments:</b> based on the expected provider input costs required to achieve a particular DLI. Cost-based payments should be informed by reliable data sources such as high-quality national strategic plans (NSPs), national disease spending assessments (e.g., NASA for HIV), historical and current domestic or grant budgets, and detailed activity-based costing exercises. Program management costs that contribute directly or indirectly to achieving the defined disbursement-linked indicators (DLIs) should be included, along with minimum fixed costs necessary for program operations regardless of DLI achievement. Additionally, all costs must capture contributions from all funding sources without duplication, be calculated net of taxes, and ensure human resource costs reflect adjustments excluding future inflationary impacts.</li> <li>• <b>Adjusted Cost-based payments:</b> based on the cost-based model above with an adjustment factor to incentivize the achievement of the result and/or incorporates a risk factor value associated implementation. For example, the PR/Global Fund may decide that indicator “r” is more important than indicator “q” in a given context. Consequently, they may want to create an incentive for country stakeholders to strengthen their efforts further to address the bottlenecks that have prevented the country to move towards disease control. This may be reflected by defining a value for indicator r at 1.2 x cost for DLI achievement</li> </ul>

<sup>34</sup> “Incentives” paid to community health workers that are not task or performance based. Community health workers as a norm are not employed by the national health services and are part of the volunteer community-based support, so as such payments should not be categorized as incentives, but rather fall under respective cost input salaries of cost category 1 “Human Resources”.

<sup>35</sup> Please refer to relevant sections of the OPN Design Funding Requests and Sign Quality Grants

while keeping the value for indicator q at 1.0 x cost for DLI achievement. The Global Fund will review the payment scheme proposed, including the adjustment factors and assess if what the country is proposing is reasonable.

- **Non-cost based payments:** determined by a specific value assigned to the DLI and are not tied to provider input costs. These payments should only be utilized when the DLI is essential to the success of the disease program(s) and when input costs are either unavailable or impractical to collect. A clear, evidence-based rationale for the expected impact, along with a transparent methodology for calculating the assigned amount, must be provided when proposing non-cost-based payments for DLIs.

**Budgeting under PfR grants or Material RBC:** Budgeting shall be initially done in the payment currency and subsequently translated into grant currency using the Global Fund communicated FX rate for budget inclusion purposes. Each DLI shall be included in separate budget line in the respective module and intervention (if no exact module/interventions exist, the closest possible), cost grouping “RBF” or cost input “PfR”. The budget shall correspond to the same period for which DLI achievement is reported (e.g. where a DLI covers calendar year 20XX, the associated budget shall also cover calendar year 20XX). Applicants and PRs should include relevant program management costs as part of the costing used for determining the payment amounts behind the DLIs that support proper management, risk mitigation and assurance.

- Every module with intervention(s) budgeted with PfR/RBC (in case of Material RBC) cost input must have a corresponding indicator(s) in the Performance Framework. If a grant has a mix of PfR and input-based portions, there must be a clear separation in the investments (no input-based interventions comingled with PfR intervention, indicator or target).
- The PR must provide details of the payment scheme, including DLIs, payment structure, payment amounts and due dates. The PR is responsible for demonstrating the reasonableness and VfM justification behind the DLI associated payments based on assumptions and supporting evidence used for the costing (where applicable).
- The most appropriate DLI payment scheme is a function of several factors, including the cost of meeting the indicator; the strategic importance of that indicator; financial constraints; and incentive structures.
- Assumptions used for the costing of DLIs must be clearly documented and justified.
- Budgeting, recording accounting and reporting of taxes: Under the RBF modalities, all Grant Funds paid to the RBF implementer remain tax exempt in accordance with Article 3.5 of the Grant Regulations
- **External Assurance:** Supreme Audit Institution or institutional auditor (including contractual external auditors) have the capacity to conduct performance-based audits or systems audits. In case capacity is sub-optimal, mitigating or capacity building efforts as well as complementary engagement of alternative assurance providers are in place to provide adequate assurance over the efficient and effective use of funds towards achieving agreed targets.
- **Recording accounting and reporting of taxes:** Under the RBF modalities, all Grant Funds paid to the RBF implementer remain tax exempt in accordance with Article 3.5 of the Grant Regulations

- **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. For reinvestment guidance please refer to Section 2.4 “Foreign Exchange Management” in the Budgeting Guidelines

**Incentive Payments:**

- To avoid creating distortion within different public health programs and to support the sustainability of the human resource strategy in the long-term, Global Fund Grant Funds and resources should not be used for the payment of “salary top ups<sup>36</sup>”. However, in exceptional circumstances the Global Fund may allow payment of incentives (refer to cost inputs 13.3 to 13.6 above). Such incentives must be task- or performance-based through a simplified and transparent performance management process, showing clear results.
- Task-based incentives are incentives paid to program management staff, in circumstances where their current duties do not include the scope of managing donor projects and additional donor requirements. (e.g., an incentive paid to a district level accountant for additional reporting forms submitted on time). Performance-based incentives are incentives paid to anyone whose efforts could be linked to performance targets expected to be achieved by the Global Fund-supported Program.
- Performance-based incentives must be appropriately justified and are subject to approval by the Global Fund. To qualify as an incentive, payment must be conditioned on adequately documented performance/completion of an activity. To ensure sufficient outcome quality and substance, incentive payments must be linked to specifically intended results (e.g., demonstrated treatment adherence attributed to achieved patient visit targets) rather than mere completion of prescribed tasks (e.g., confirmed number of patient visits).

**Cost not covered under this cost category:**

- Costs not aligned to a National Strategy Plan or have as its basis a rationale for the payment.
- Both incentive budget and any changes thereof not specifically approved in writing by the Global Fund.

**Key documents required:**

- Organizational incentive policies duly harmonized with Government policies and other donors.

<sup>36</sup> Salary top-ups refer to official cash payments or transfers (that are not task or performance-based) that a civil servant/government official receives above what other staff in the same grade and pay scale receive.

## **2. Appendices**

### **Appendix 1 – Indirect Cost Recovery (ICR) for INGOs and Local NGOs**

1. The percentage-based charge is designed to contribute to indirect costs incurred by the regional offices or headquarters of an INGO or local NGO, and therefore costs related to the regional office or headquarters should not be budgeted as direct costs in the grant. In certain instances, based on the operational structure of the INGO/local NGO, the Global Fund, at its discretion may approve charging limited costs incurred at the regional office or headquarters level as direct costs.
2. Eligible implementers whose legal structure, reporting line and historical relationships demonstrate strong headquarters involvement in their operations, may request financing for the support they receive from their headquarters or regional office to be included in the Global Fund grant budget.
3. The maximum rates which an eligible implementer may charge to support ICR are set out in Table 1 and 2 below. However, where an organization is currently charging rates on Global Fund grants which are below or above the maximum rates established in the table, but in accordance with the approved budgets, these rates may be maintained until the end of the current IP. Any requests for support costs funding via ICR for a new IP or grant extension must be in accordance with these guidelines
4. Accepting support costs commits the headquarters organization to providing timely support to the country office for the effective and efficient implementation of grant activities and reporting. It is also expected that should weaknesses be identified in the management and administration of the grant by the country office, the headquarters or regional office (in the case of Local NGO) would implement appropriate and/or recommended actions in a timely manner.

**Table 1: Maximum ICR percentage applicable to INGOs. The implementers are encouraged to agree to lower rates where the context allows:**

Entity	Type of Cost	Maximum Percentage Rates	Indicative guidance on the application of rates in the budget
INGO PR	Health Products <sup>37</sup>	3%	<ul style="list-style-type: none"> <li>• Where a procurement agent or PPM is used, the maximum rate that can be applied is 1%.</li> <li>• If an SR is procuring directly, the INGO PR may only charge a maximum of 1% on the value of the procurement in addition to a maximum of 3% which may be charged by an INGO SR or 2% by a Local NGO SR (or shared cost charged by SRs as appropriate).</li> </ul>
	All other direct costs incurred by the PR	7%	
	Funds managed by SRs	5%	<ul style="list-style-type: none"> <li>• The INGO PR may charge up to a maximum of 5% on SR direct costs.</li> <li>• If the SR is also an INGO claiming ICR, the SR may charge up to a maximum of 5% on their own direct costs, and the PR may charge a maximum of 2% on the SR direct costs (the calculation should exclude the SR ICR).</li> <li>• If the SR is a Local NGO claiming ICR, the SR may charge up to a maximum of 3% on their own direct costs, and the INGO PR may charge a maximum of 4% on the SR direct costs (the calculation should exclude the SR ICR).</li> </ul>
INGO SR	Health Products <sup>1</sup>	3%	<ul style="list-style-type: none"> <li>• Where a procurement agent is contracted by the SR, the maximum rate that can be applied is 1%.</li> <li>• If the PR is managing the procurement, the SR is not</li> </ul>

<sup>37</sup> All costs included in the cost categories Health Products-Pharmaceutical Products (Category 4), Health Products - Non-Pharmaceuticals (Category 5), Health Products – Equipment (Category 6), and cost input “7.2”.

			entitled to charge any overheads on these amounts.
	All other direct costs incurred by the INGO SR	5%	
Additional Safeguard Policy applies to grant portfolio or specific disease component	<p>All rates remain the same with the following exceptions:</p> <ul style="list-style-type: none"> <li>• The PR may charge up to a maximum of 7% on SR direct costs.</li> <li>• If the SR is also an INGO claiming ICR, the SR may charge up to a maximum of 7% on their own direct costs, and the PR may charge a maximum of 3% on the SR direct costs (the calculation should exclude the SR ICR).</li> <li>• If the SR is a Local NGO claiming ICR, the SR may charge up to a maximum of 5% on their own direct costs, and the PR may charge a maximum of 5% on the SR direct costs (the calculation should exclude the SR ICR).</li> <li>• Where an INGO is an SR of a UN agency, they may charge up to 7% on their own direct costs.</li> <li>• If a fiscal agent is contracted, no ICR should be paid to the PR for the activities falling under the fiscal agent responsibility.</li> </ul>		
Direct costs from Headquarters	<ul style="list-style-type: none"> <li>• The percentage-based fee is designed to also contribute to costs incurred by the regional office or headquarters of an INGO and therefore no direct costs related to the regional office or headquarters should be budgeted in the grant, unless with the prior written agreement of the Global Fund.</li> <li>• However, in cases where the PR requests to directly charge a limited number of costs incurred at headquarters level or where the Global Fund has requested the headquarters to provide a specific service to the Country (e.g. more than one internal audit per year from the headquarters), the PR should provide sufficient justification as to why the costs are not part of the normal regional office or headquarters support to the grant. Requests for inclusion of these costs should normally be addressed during the grant-making process and should include a detailed description of the activity, a detailed budget for the activity, and a confirmation that none of the related costs are included in the indirect costs of the Headquarters and the services specified.</li> </ul>		
Calculation Note:	<ul style="list-style-type: none"> <li>• The PR charge on funds managed by SRs should be exclusive of the ICR or shared cost charges applied by the SR.</li> </ul>		

**Table 2: Maximum ICR percentage applicable to Local NGOs. The implementers are encouraged to agree to lower rates where the context allows:**

Entity	Type of Cost	Maximum Percentage Rates	Indicative guidance on the application of rates in the budget
Local NGO PR	Health Products <sup>38</sup>	2%	<ul style="list-style-type: none"> <li>• Where a procurement agent or PPM is used, the maximum rate that can be applied is 1%.</li> </ul>

<sup>38</sup> All costs included in the cost categories Health Products-Pharmaceutical Products (category 4), Health Products - Non-Pharmaceuticals (category 5), Health Products – Equipment (Category 6), and cost input “7.2”.

			<ul style="list-style-type: none"> <li>If an SR is procuring directly, the Local NGO PR may only charge a maximum of 1% on the value of the procurement in addition to a maximum of 3% which may be charged by an INGO SR and 2% by a Local NGO SR (or shared cost charged as appropriate).</li> </ul>
	All other direct costs incurred by the PR	5%	
	Funds managed by SRs	3%	<ul style="list-style-type: none"> <li>The PR may charge up to a maximum of 3% on SR direct costs.</li> <li>If the SR is an INGO claiming ICR, the SR may charge up to a maximum of 5% on their own direct costs, and the PR may charge a maximum of 2% on the SR direct costs (the calculation should exclude the SR ICR).</li> <li>If the SR is a Local NGO claiming ICR, the SR may charge up to a maximum of 3% on their own direct costs, and the PR may charge a maximum of 2% on the SR direct costs (the calculation should exclude the SR ICR).</li> </ul>
Local NGO SR	Health Products <sup>3</sup>	2%	<ul style="list-style-type: none"> <li>Where a procurement agent is contracted by the SR, the maximum rate that can be applied is 1%.</li> <li>If the PR is managing the procurement, the SR is not entitled to charge any overheads on these amounts.</li> </ul>
	All other direct costs incurred by the SR	3%	
Additional Safeguard Policy applies to grant portfolio or specific disease component	<p>All Rates remain the same with the following exceptions:</p> <ul style="list-style-type: none"> <li>The Local NGO PR may charge up to a maximum of 5% on SR direct costs.</li> <li>If the SR is an INGO claiming ICR, the SR may charge up to a maximum of 7% on their own direct costs, and the Local NGO PR may charge a maximum of 2% on the SR direct costs (the calculation should exclude the SR ICR).</li> <li>If the SR is a Local NGO claiming ICR, the SR may charge up to a maximum of 5% on their own direct costs, and the Local NGO PR may charge a maximum of 2% on the SR direct costs (the calculation should exclude the SR ICR).</li> <li>Where an eligible Local NGO is an SR of a UN agency, they may charge up to 5% on their own direct costs.</li> <li>If a fiscal agent is contracted, no ICR should be paid to the Local NGO PR.</li> </ul>		

Calculation Note:	<ul style="list-style-type: none"> <li>The PR charge on funds managed by SRs should be exclusive of the percentage-based charges applied by the SR.</li> </ul>
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## ICR Execution

The disbursement of funding for ICR by the Global Fund will follow the Global Fund's standard annual funding and disbursement procedures and must be charged to the grant in proportion to the actual expenditures (including SR actual expenditures) incurred. Any ICR charged on accrued expenses and/or budget will be considered as non-compliant expenditures.

## ICR– Reporting and Assurance

All funds generated and costs charged will form part of the implementer's Annual Financial Statements<sup>39</sup> which will be subject to external audit. If this is part of the Statutory Financial Statements, a copy of the audit report for the implementer may be requested by the Global Fund. The audit report and auditor opinion should be submitted in accordance with the [Guidelines for Annual Audit](#).

- The ICR should be reported as part of the financial reports in accordance with the Global Fund Financial Reporting Framework: and
- Reported expenditure in financial reports must be based on the related actual expenditure charged and allocated in accordance with the agreed approach and methodology.

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<sup>39</sup> The Annual Financial Statement referred to here for purposes of ICR may be an integral annex in the Global Fund grant external audit or the Statutory Financial Statements of the implementer.

## Appendix 2 – Focused Portfolios Management Models

1. The management of Focused portfolios is differentiated into three models to enable focus on strategic actions and simplified processes adapted to portfolio context. The fit-for-purpose model for each Focused portfolio is communicated through the allocation letter and guided by a set of criteria (including allocation size, delivery vs. input focus, in-country capacities, political context, etc.). This Appendix describes the differentiated approach for each model:

Model 1 – Aligned	Model 2 – Targeted	Model 3 – Light
<b>Description/Definitions</b>		
Portfolios with smaller allocations focused on aligning with country priorities on a few specific strategic programmatic objectives, utilizing country processes and systems wherever possible. This implies reduced visibility into the details of grant implementation given the removal of specific processes and requirements.	Portfolios focused on managing multiple programmatic objectives with payments linked to performance indicators. This implies reduced visibility into the details of costing inputs, relying on robust costing of national strategic plans and outcome-based budgeting. Grant implementation is performed in line with the current management of Payment for Results grants.	Portfolios focused on oversight of progress in implementation using 'lighter' process for input-based budgeting. Cost assumptions are managed externally to the Global Fund Budget.
<b>1. Funding Request<sup>40</sup> – Budget form</b>		
<p><b>Not required:</b></p> <ul style="list-style-type: none"> <li>Annual and total budget amounts<sup>41</sup> to be defined in the Application Form narrative section.</li> </ul>	<p><b>Required at:</b></p> <ul style="list-style-type: none"> <li>Module/Interventions</li> <li>Cost grouping<sup>42</sup></li> <li>Implementer level</li> </ul>	<p><b>Required at:</b></p> <ul style="list-style-type: none"> <li>Module/Interventions</li> <li>Cost grouping</li> <li>Implementer level</li> </ul>
<b>1.1 Budget review</b>		
The Global Fund will review the funding application for consistency of the requested amount with the allocation award.		
<b>1.2 Fiduciary Assessment/Capacity Assessment</b>		
<ul style="list-style-type: none"> <li>When required, the PR capacity assessment for Focused portfolios is undertaken through a PR self-assessment, and an LFA assessment if the self assessment indicates major risks. (refer to OPN on Design Funding Requests and Sign Quality Grants and OPN on Country Risk Management).</li> </ul>		

<sup>40</sup> For budget requirements for Grant-ready Funding Request and Investment Priorities Request submission pathways, please refer to Section 2.1 "Grant-making (specific document adjustments)"

<sup>41</sup> Applicants/PRs may present the budget information using the Budget form or specify the annual budget amounts in the Application Form narrative section, ensuring full alignment between the figures in both documents.

<sup>42</sup> This model encourages budgeting principles based on payment for results indicators and disbursement levels defined by achievement of verified programmatic results. However, a mixed budget approach may be necessary in a transition phase where input-based elements of the budget such as procurement of health products may remain under a pooled procurement mechanism and should be assigned to the relevant cost grouping such as Health Products procurement (4.0).

Model 1 – Aligned	Model 2 – Targeted	Model 3 – Light
<ul style="list-style-type: none"> <li>▪ A thematic (tailored) capacity assessment is required when a PR is applying PfR or RBC for the first time.</li> <li>▪ Where there is a PEFA<sup>43</sup> assessment for government implementers or any partner capacity assessment conducted within the last 3 years, this may be used in lieu of the Global Fund capacity assessment tool.</li> </ul>		
<b>2. Grant-making (specific document adjustments)</b>		
<b>2.1 Budget form<sup>44</sup></b>		
<p><b>Required at:</b> Annual amounts included under:</p> <ul style="list-style-type: none"> <li>• module/intervention</li> <li>• cost grouping (by default: 13.0)</li> <li>• implementer level: Implementers include limited budget lines at the highest level possible.</li> </ul>	<p><b>Required at:</b></p> <ul style="list-style-type: none"> <li>• module/intervention</li> <li>• cost grouping</li> <li>• implementer level</li> </ul> <p>Implementers propose the payment values to be linked to performance indicators to the Country Team in any format.</p>	<p><b>Required at:</b></p> <ul style="list-style-type: none"> <li>• module/interventions</li> <li>• cost grouping</li> <li>• implementer level</li> </ul> <p>Implementers include only a limited number of intervention lines in the budget to strengthen investments on limited catalytic priorities. No activity-level detail with exception to Focused portfolios impacted by major sanctions regimes</p>
<b>2.2 Value for Money Assessment</b>		
<p>Across all models (Aligned, Targeted, Light), a value for money assessment will be based on the costing of the National Strategic Plan (NSP)<sup>45</sup> or equivalent document, to evidence robust costing assumptions, particularly on the principles of efficiency and economy.</p> <p>The Light model may alternatively be assessed based on the Global Fund budget analytics with complementary information requested from the PR, if needed.</p>		
<b>2.4 Budgeting for audit cost</b>		
Input based model to apply at cost group level under technical assistance (3.0), if applicable, across aligned, targeted and light model.		
<b>3. GLC Process – Budget Revisions</b>		
<b>3.1 Budget revisions</b>		
As per Section 2.5.2 Guidelines for Grant Budgeting		
<b>3.2 Reinvestment of Foreign Exchange gains:</b>		
As per Section 2.4 Guidelines for Grant Budgeting		

<sup>43</sup> A PEFA assessment is an internationally recognized diagnostic that evaluates the performance of a country's public financial management system across the full budget cycle, using standardized indicators to inform fiduciary risk analysis and reform planning.

<sup>44</sup> The Budget form must be completed and submitted for all Focused Portfolios Management Models to comply with Global Fund system requirements.

<sup>45</sup> Refer to national documents that follow country priorities and cycles



### **Appendix 3 – Integrated review of training activities**

1. The objective is for the implementers to provide their key assumptions that justify budgeted costs, evidence that VfM principles are applied to all Global Fund investments for training activities as well as demonstrate quality programmatic and financial assurance of such investments.
2. A training plan must include two sections:
  - a) a summary list of budgeted trainings and/or capacity building activities which shall include:
    - Budget lines associated with the training and/or capacity building activity. It is important that the list includes one line per capacity building and/or training program and not listing of all training sessions or workshops;
    - Module, intervention, cost grouping/cost input and implementer levels;
    - Description of the capacity building and/or training program, incl. frequency, days of training, total cost, other investments (domestic and/or other partners), implementation start and end dates; and
    - Payment modalities (cash vs cashless payments to be used); and
  - b) narrative analysis of the implementer which provides holistic overview and justifications and covers the following key areas:
    - Global Fund’s contribution to close capacity building gaps in human resources (any sector) including HRH. In this subsection, PRs should provide information to better understand how the number of beneficiaries to be covered for each of the training activities fulfils the existing needs, whether fully or partially. For example, when referring to HRH/CHWs the PR should quantify which HRH categories are required for Global Fund supported training/capacity building activities, what are the national training needs in terms of number of people, and how these are covered during the IP with our investments or co-financing. PRs should identify when same HRH categories are targeted for training in different areas and through different activities;
    - Scope of the trainings and programmatic quality assurance approach. PRs should explain briefly about how the quality of the content will be assured and how alignment to existing national policies and guidelines will be observed. PRs should provide their key considerations to ensure the quality during the implementation of all relevant Global Fund supported capacity building activities. For example, PRs should explain how participants will be recruited to ensure the recommended participants are the ones who participated, how this will be verified post-training, how quality delivery of the training program will be assured (e.g. selection of facilitators, sample-selection for onsite verification, etc.), and other quality assurance aspects taken into consideration such as the certification of

course completion processes, evaluation of the training/trainees, and if verification of training activities being implemented as planned/designed will be required, who/how it will be conducted, and others;

- Sustainability and integration considerations for capacity building activities. PRs should highlight the integration opportunities found and used across the different training activities to be supported by the Global Fund and limitations of using such opportunities when applicable. PRs should explain the potential of additional training needs in the future, and potential measures considered to sustain the capacities built in beneficiaries. For example, PRs should provide key considerations in terms of use of effective adult-learning strategies, use of tools that facilitate follow-up learning (post training), self-learning and content updates, use of digital solutions and leveraging existing or bringing new tools (e.g. in-app learning as part of eCHIS platforms).
- Cost-drivers and payment scheme: Training plans should generally incorporate the measures put in place by the PR for the payment of training participants and other training costs. In particular:
  - Implementers describe whether they have made every effort to execute all payments to participants (per diem and other costs) by Cashless Payment Modality or bank check or postal transfer;
  - Cash payments should be limited as much as possible and, if unavoidable, should follow strict procedures to ensure proper reconciliation and validation of payments to participants; and
  - Suppliers (i.e., room rental, catering services) should be paid either by crossed<sup>46</sup> check or bank transfer unless there is proper justification that cash payment is the most appropriate and the only available option (e.g., non-availability of banking facilities in certain parts of the country).

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<sup>46</sup> A check that can only be deposited directly into a bank account and cannot be immediately cashed by a bank or any other credit institution.

## Appendix 4 – Investments in Infrastructure – further guidelines

1. Applicants and implementers should consider the following guidance when making a request for investments in infrastructure. The proposed amount and justification for these investments should be discussed and agreed with the Global Fund Country Team.
2. **Differentiated approach:** In [middle-income countries](#), small and medium infrastructure-related activities, such as building or renovating a warehouse or an antenatal care (ANC) clinic or purchasing large-scale equipment (e.g., X-ray machines, ultrasound, etc.) may be supported only with strong justification and by providing strong justification of the lack of domestic or other donor resources. Applicants and implementers requesting investments in infrastructure are encouraged to provide evidence of co-financing for the infrastructure projects from domestic or other donor resources.
3. [Low-income countries](#) may have more flexibility to include such interventions. However, large infrastructure projects (e.g., building a medical or nursing school, or a general hospital) are normally not supported by the Global Fund. Exceptions can be made in post-conflict countries or other COEs with strong justification and Global Fund written approval. Approval for such requests will be made based on the review of other needs and of the Global Fund's overall investment portfolio in the country.
4. **National standards and norms:** All construction/renovation projects shall strictly follow national architectural and engineering standards and norms for health facilities. In countries where relevant national standards and norms are not available, or are outdated, applicants and implementers must include in the funding application or other subsequent request the necessary technical support to either develop new national standards or to use the standards and norms of other (relevant) countries as a benchmark. In all cases, infrastructure plans must be approved by national authorities (according to the national regulations) before the work is commenced.
5. **Special considerations: medical laboratories:** The construction or renovation of medical laboratory facilities requires special consideration since the function of the medical laboratory is to handle hazardous substances, including chemicals and infectious agents. Attention to the proper planning, design and construction or renovation of laboratory facilities is necessary to reduce this risk to personnel and the environment. In addition, foresight and planning for future operations, maintenance and sustainment of the laboratory is crucial to ensuring the initial investment, as well as the health and safety of workers, their families and the communities that the laboratories serve. Comfort and energy-efficiency are also of considerable importance. Laboratory space must be appropriate for the activities conducted, while maintaining an appropriate temperature for laboratory equipment to operate and the tests to be conducted. Laboratories are unique facilities, and they may contain multiple hazard levels and conditions for the services they provide. A host of criteria, including risk assessment and safety, as well as comfort and energy efficiency, must be considered when a laboratory is first planned or subsequently renovated in order to determine the optimal design and process. The safety of workers and the community must be considered and remain the primary goal of a laboratory during any modifications. Regulations, guidelines, and standards addressing laboratory safety shall be adopted and applied. Specific national guidance for laboratory construction and renovation must always be followed, when available. General guidance and considerations for laboratory construction may also be obtained [in the WHO Laboratory biosafety manual](#).

6. Biosafety levels are recognized operational designations for laboratories and consist of combinations of laboratory practices and techniques, safety equipment and laboratory facility aspects. Each combination is specifically appropriate for the operations performed on the documented or suspected routes of transmission of the infectious agents, and the laboratory function or activity. In general, the type of organisms and the hazards that they represent are considered when planning, designing, constructing and working in medical laboratories. A risk assessment shall always be conducted as part of the preplanning process and safety analysis for renovation or new medical laboratory construction.
7. Solar energy, passive ventilation and other renewable energy innovations should be considered whenever possible, if they do not compromise safety and security of the laboratory, its personnel and the community.
8. **Minimum information to be included in the funding application:** Applicants and implementers should provide a full and precise description of the type of work that is needed for all infrastructural projects to the Global Fund's satisfaction. The Global Fund may request the LFA to review the amount and justification. In general, the work can be grouped under one or more of the following categories, and the Global Fund will generally take the differentiated approach to investments as shown below:

<b>Country classification</b>	<b>Furnishing an existing facility</b> Provision of furniture and/or equipment. No civil work is involved, except some minor works as necessary for installing the equipment of furniture.	<b>Light refurbishment and/or refreshment of existing facility</b> Requires some (mostly internal) civil work, but without structural changes of the existing facility.	<b>Renovation/Construction<sup>47</sup></b> Either expanding the existing facility, completing unfinished facility, or constructing a new facility.
<b>Low-income countries</b>	Yes	Yes	Generally not supported
<b>Middle-income countries</b>	With strong justification	With strong justification	Generally not supported
<b>Post-conflict countries or other COEs</b>	Yes	Yes	With strong justification

9. In each case, the funding application or any subsequent request should include a detailed narrative explaining the volume and scope of the work. In case of light refurbishment/refreshment and renovation/construction, the narrative should also be accompanied by a photo of the existing site, as well as a sketch of the expected product.
10. Each request for light refurbishment/refreshment and for renovation/construction should include a detailed explanation of project supervision arrangements. Where possible,

<sup>47</sup> In general, the Global Fund does not provide funding for buying land.

these arrangements should follow national regulations. The review process of requests for investments in infrastructure refurbishment/renovation/construction will consider the robustness of the proposed monitoring and supervision arrangements as well.

11. **Criteria for justification:** Applicants and implementers should explain in detail the purpose and expected outcomes of the proposed infrastructure projects. Justification should clarify the size and composition of the beneficiary population (e.g., outreach area covers 500,000 population, among which there are high number of internally displaced people who do not have access to service delivery facilities, etc.), and should explain why such investment is necessary. Applicants and implementers should also specify the consequences if the investment is not approved and how this will affect the overall program implementation and/or national strategy implementation.
12. **Sustainability plan:** When requesting funding for infrastructure projects, applicants and implementers should provide convincing evidence (or a plan) of the commitment by relevant authorities to operationalize and maintain the infrastructure in question for long-term, sustainable use, including the availability of plans and resources for adequate staffing, security, maintenance and operational costs. Applicants and implementers should also specify an agreed plan on handing over the infrastructure to local stakeholders.

## Appendix 5 – Vehicle Management Plan

<b>Vehicle management plan guidance</b>
<b>Use of vehicles and quantity needed</b>
<ul style="list-style-type: none"><li>• Implementers should have a clear understanding of their requirements for vehicles necessary to serve the needs of the Program while achieving value for money. Implementers should clearly document the following:<ul style="list-style-type: none"><li>○ Primary and secondary use of the vehicles: What will the vehicles be used for (e.g., transporting people, supplies)? The direct linkage to proposal goals and objectives should be made.</li><li>○ Frequency of use: What will be the frequency of use of the vehicles required?</li><li>○ Term of the need: Will the vehicle serve short- or long-term needs/purposes?</li><li>○ Capacity needs: What is the total number of people/quantity of supplies to be transported?</li><li>○ Special configurations: What are the special features/options required for particular needs to ensure compliance with all relevant regulations and safety requirements?</li><li>○ Quantity: How many vehicles of each type will be needed for the Program?</li><li>○ Financial gap: How many vehicles of each type are being funded by other sources, including both domestic and external? What is the gap that the Global Fund is requested to fill?</li></ul></li><li>• Based on performed analysis, implementers should justify the need for purchasing certain types and numbers of vehicles. For example, in cases when the need for certain vehicles is short term or the use of vehicles is infrequent, the need could be met by renting or reimbursing the use of personal cars. In cases of long-term needs and frequent use, purchase or leasing options should be considered.</li></ul>
<b>Existing infrastructure and other considerations</b>
<ul style="list-style-type: none"><li>• As part of the needs assessment, implementers must evaluate the existing infrastructure such as:<ul style="list-style-type: none"><li>○ Suitability of structures: Are the roads, bridges, and other transportation structures suitable to drive with specific vehicles?</li><li>○ Space availability: Will there be sufficient safe place to park/leave the vehicles?</li><li>○ Service networks: Will suitable workshops be available to service the vehicles properly and cost-effectively?</li><li>○ Spare parts and tires: Will there be sufficient spare parts and tires with proper quality and cost in the local market (or will there be a need for importing)?</li><li>○ Fuel availability: Is fuel (diesel and gasoline) and are lubricants readily available in operation?</li><li>○ Charging points and battery maintenance are available for electrical vehicles.</li></ul></li></ul>
<b>Administrative policy</b>
<ul style="list-style-type: none"><li>• Describe the administrative procedures for management of the fleet. Describe the role and identify the person(s) or units responsible for fleet management at PR level. Where more than 10 vehicles will be used at SR level, also describe the same for SRs. Describe who has executive responsibility for decisions regarding vehicle purchase, vehicle insurance policies, replacement, maintenance, repair, assignment/use, disposal, and review of any reports of inappropriate use.</li></ul>
<b>Operational policy and procedure</b>

- Implementers and any Sub-recipients operating fleet vehicles (at least 10) are required to maintain written policies and procedures governing the operations. Written policies and procedures should be approved by and maintained on file with the PR.
- Entities are encouraged to adopt practices specific to their fleets. Any policies and procedures adopted in addition to these should be consistent with the requirements of the vehicle management plan.
- Vehicle operation policies and procedures shall address but are not limited to: i) driver eligibility; ii) use of personally owned vehicles; iii) new vehicle delivery; iv) vehicle replacement schedules; v) disposal of used vehicles; vi) preventative maintenance; vii) vehicle cleaning; viii) warranty tracking; ix) repairs; x) safety and accident reporting; xi) registration renewals; x) insurance policies and renewals; xii) responsibilities of drivers; xiii) vehicle assignment or motor pool procedures; and xiv) appropriate use of vehicles.

#### **Acquisition policy**

- Implementers should define the acquisition policy, the procurement and tendering process, and be aware of and approve the procurement and tendering process of SRs, if separate. The tendering process should be guided by efficiency, effectiveness and economy of scale. Bulk procurement is encouraged with clear specifications and delivery timelines for all implementers.
- Vehicle replacement: How often and under what conditions are vehicles replaced?
- Vehicle transfer: When and under what conditions is vehicle ownership transferred?
- Alternatives to vehicle purchasing: Implementers should provide evidence that they have considered the feasibility of alternatives to purchasing vehicles, including leased and rental vehicles and reimbursement for the use of government/employee-owned vehicles.

#### **Use and maintenance policy**

- Vehicle assignment: Implementers should describe the policy for determining the use and maintenance of vehicles. Assignment of a vehicle to an individual administrative or executive employee on a regular or daily basis is prohibited without written documentation that the assignment is critical to the mission of the agency or institution.
- Reporting assignment: Implementers assigning vehicles to individual administrative or executive employees shall retain the following information, available for inspection:
  - Vehicle identification number, license plate number, year, make and model;
  - Name and position of the individual to whom it is assigned; and
  - Reason the assignment is critical to the mission of the agency or institution.
- Fuelling: Implementers must explain and incorporate the fuel allocation policy and practice in its manual of procedures.

#### **Replacement and disposal policy**

- In general, implementers should define the optimum replacement cycle which minimizes overall capital and operating costs over time.

- There may be circumstances in which vehicles may be replaced sooner (such as excessive maintenance or repair costs) or retained longer (such as unusually low maintenance costs). Fleet managers may make this decision on a case-by-case basis.
- Procedure for vehicle disposal: Implementers should define the procedure for disposal (sale and/or other forms of disposal).



## Appendix 6 – Cashless Payment Modality

1. Grant Funds are required to be deposited in a bank and, to the extent practicable, should remain in a bank account (see Article 3.4 of the Grant Regulations, as applicable). Nevertheless, to strengthen the financial, fiduciary and risk management of Global Fund 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/ies) for the use of Grant Funds to make payments to individual natural persons. Cashless Payment Modalities include, but are not limited to, modalities such as direct payment to an individual's bank account, digital and mobile payments (e.g., to mobile money wallet), debit and prepaid cards, via electronic vouchers (or vouchers with electronic verification/validation), or any other form of cashless or digital payment that does not involve the transfer of physical banknotes.
2. A non-exhaustive list of when the Global Fund considers that a Cashless Payment Modality must be used is set out below:
  - (i) Additional Safeguards Policy (ASP) is being applied to the relevant country or Global Fund grant; and/or
  - (ii) The Global Fund Office of the Inspector General, LFA and/or auditor has issued findings, recommendations or observations relating to sub-optimal funds flow and payment modalities, previous history of misuse of Grant Funds under the relevant grant(s), or inadequate payments options including inappropriate use of physical banknotes; and
  - (iii) Cashless Payment Modalities are available in the relevant Host Country. In particular:
    - The cashless and digital payment ecosystem is mature and widely used across the country (e.g., bank transfers, mobile money, and other forms of digital payments);
    - Government uses a cashless payment system for various national programs;
    - Other donors, international non-government organizations and other development and humanitarian partners use cashless payment modalities; and/or
    - A zero cash policy is being applied to the relevant country or Global Fund grant;
3. If items (i) and/or (ii) above are satisfied, but Cashless Payment Modalities are not available in the Host Country, use of physical banknotes must still be limited. In such cases, the PR or relevant implementer must provide a written justification satisfactory to the Global Fund establishing that: i) no Cashless Payment Modalities are available in the relevant Host Country; and ii) appropriate internal controls and fund flow arrangements are in place to safeguard cash payments from theft, corruption, or other forms of misuse.
4. The Global Fund may engage the LFA to assess and validate the adequacy of the relevant Cashless Payment Modality or that appropriate internal controls and fund flow

arrangements are in place for cash payments, to ensure that Global Fund Grant Funds disbursed are traceable, secure and reach the intended beneficiary. The Global Fund is committed to encourage PRs and other implementers to move away from conventional payment modalities using physical banknotes towards traceable, fast and verifiable Cashless Payment Modalities to enable effective financial management of Grant Funds, and to facilitate achievement of programmatic goals through the deployment of modern financial technologies.

5. References to other Global Fund documents to provide more information on Cashless Payment Modalities: [Financial Management Handbook for Grant Implementers](#) (5.5.1 Payment Methods and 5.6.3 Mobile Money) and [Financial Management System Diagnostic](#) system diagnostic is a tool that supports implementers in performing a deep-dive review of their financial management systems using a questionnaire.

## Appendix 7 – Results-Based Contracts

Below are some key considerations and requirements which should guide RBC implementers during the design and implementation of an RBC.

### Key Phases

- **Design and Structuring stage:**
  - At the design stage, implementers shall carry out robust cost estimations for the proposed DLIs. This analysis should be informed by:
    - Historical cost data from comparable interventions;
    - Updated costing of the National Strategic Plan (NSP), where available;
    - Benchmarking against similar projects or DLIs in comparable contexts; and
    - An assessment of operational realities and implementation capacity.
- **Cash flow forecasting**
  - Implementers shall forecast cash flow requirements to ensure alignment between payment schedules and implementation needs. This shall include:
    - A review of the expected timing of DLI payments and the alignment of cash availability with planned activities; and
- Consideration of verification timelines when defining grant payment and reporting schedules, to ensure that verification requirements are appropriately reflected in the timing of reporting, payments and disbursements.
- **Risk exposure assessment: A structured assessment of financial and operational risks shall be undertaken by implementers, including:**
  - The risk of disbursements linked to results that are difficult or impossible to verify;
  - The risk of financial overexposure where DLIs are overly ambitious or unrealistic; and
  - Fraud and fiduciary risks where DLIs rely on weak, subjective, or poorly controlled measurement systems.
- **Incentive calibration:** RBC implementers shall assess whether the financial incentives embedded in the DLIs are appropriately calibrated. In particular, incentives should be:
  - Sufficient to motivate performance and behavioral change;
  - Not so high as to encourage gaming, data inflation, or excessive risk-taking; and
  - Balanced and fairly distributed across the set of DLIs.
- **Value for money:** A value-for-money assessment shall be conducted by implementers to determine whether payments linked to results are justified. This assessment should consider:
  - The strategic and programmatic significance of the result being incentivized.
  - Whether the cost is proportionate to the expected benefit; and
  - Whether the payment level appropriately reflects the anticipated impact.
- **Verification costs:** Verification arrangements shall be assessed by implementers to ensure that their costs are reasonable in relation to DLI payments and that the selected verification approach is cost-efficient and fit for purpose.

### Contracting Phase:

- The RBC implementer must be selected through an appropriate procurement process meeting the requirements set under section 5.1(1) of the Grant Regulations. The following considerations should be considered during the contracting stage:
  - Strong technical delivery capacity

- Reliable M&E systems
- Ability to pre-finance activities (to the extent possible)
- Strong internal controls & risk management
- Data systems suited for verification
- Flexibility to adapt operations
- Good governance & transparent reporting
- Proven track record
- Before contracting, the PR shall assess the financial offer, including the proposed detailed costing supporting the offer, if applicable, of the selected RBC implementer to the cost estimates as calculated under the Design and Structuring stage. If the financial offer is higher than the cost estimates, this could be a red flag. It might often indicate that the RBC implementer perceives the results-based modality as too risky, and in such cases, it may be reasonable to reconsider whether an input-based implementation modality is more appropriate. However, this decision must be grounded in a structured financial and risk-based assessment, not solely on cost difference.
- The RBC implementer, furthermore, is required to undertake the assessment of the SR/SSR or supplier that will be implementing the RBC before signing a contract. The Global Fund reserves the right to undertake the assessment of SR/SSR or supplier in certain cases based on risk considerations.
- Contract Basis: The RBC must be documented in a contract between the PR (PR) and Sub-Recipient (SR) or supplier.
- Roles & Responsibilities: Clearly define contracting party, implementer, and verifier of results.
- RBC Deliverables: Specify indicators, milestones, or deliverables tied to payments; ensure alignment with program objectives, technical soundness, feasibility, and affordability.
- Measurement & Valuation: Outline how deliverables will be measured (data sources, frequency) and assign financial values with transparent methodology available upon request.
- Payment Terms: Include payment schedule, calculation methods, and link verification impact to payment terms to mitigate financial risk.
- Verification Strategy: Describe verification approach and funding source for verification activities.

### Execution

- RBC implementers must focus on effectiveness, not just completing activities.
- During the execution phase, the implementer deploys staff, setup operations, logistics and systems. It carries out planned interventions. It is recommended that the results-based contractor must provide a detailed implementation schedule and inception report with actual delivery dates within 1-month (30 days) of the assignment.
- It is important that RBC implementers collect real-time data on indicators, monitor progress towards targets, track both quality as well as quantity, identify gaps early as well as maintain digital records and evidence.
- Both the RBC contractor and RBC implementers shall adjust quickly based on performance trends, including but not limited to: revision operational strategies if targets are not met, reallocating resources, enhancing quality assurance, running rapid assessments as well as strengthening of data systems or verification-readiness.
- RBC implementers must ensure implementation of the risk mitigation actions is done.

### Payment

- RBC implementers must submit contract-based invoices<sup>48</sup> for the services performed against every milestone agreed. The verification report is usually the starting point of the payment stage. It needs to be jointly reviewed by both the finance and programs teams. The review generally includes: results achieved vs contracted targets; quality of the evidence; any deviations or exceptions; any issues flagged by the verifier.
- Payments must be made to the RBC implementer after acceptance of the invoices submitted, upon achievement of the corresponding milestones.
- In special circumstances, considering the cash-flow situation and capacity of the RBC implementer, an advance payment can be authorized. For contracts with advance payment mechanism, it is strongly advised that the implementer provide a guarantor (Government, INGO, UN Agencies, or reputable local bank). The guarantee could be financial (reimbursement in a case of non-delivery on the agreed outputs by the contractor) and non-financial (assure delivery on the outputs in a case the contractor is unable to deliver).

#### Closure

- A certificate of completion must be submitted by the RBC implementer after the completion of all milestones/output agreed in the contract.
- Final payments must be made after acceptance of the certificate of completion and the invoices submitted, together with supporting documentation.

#### Types of Results Based Contracts:

- **Verifiable Service Delivery:**
  - **Preconditions:** Funding is exclusively linked to units of service delivered, based on a pre-determined unit cost, unit cost can be reliably measured and cost of verification is reasonable.
  - **Key Advantages:** Shift in focus of service providers from input management to output management (i.e., demonstration of result), improve country/ PR/ SR / M&E and surveillance systems.
  - **Key Activities:** Trainings; Procurement of health products and non-health products; Distribution of health products (i.e., LLINs/ITNs etc.). PR might consider using RBC to improve population access in hard to reach area, where input based approach has exhibited limitations.
- **Conditional Cash Transfers:**
  - **Preconditions:** Make payments to individuals for specific achievements such as staying in school till a later age, remaining free from STIs, and others; The achievement can be measured reliably; and cost of verification is reasonable.
  - **Key Advantages:** Rapidly scaling up individual-level behavior change; Engaging private sector; Empowering beneficiaries to choose where they seek services.
  - **Key Activities:** Living support to client/target population (i.e. orphans and vulnerable children support, cash incentive to patients/counsellors/mediators etc.)
- **Facility Level Financing:**
  - **Preconditions:** Funding is exclusively linked to facility-level outputs; Output and unit cost of output can be measured reliably; Visibility of the Global Funds grant investment.
  - **Key Advantages:** Increase facility-level efficiency and effectiveness; Re-investment in health facility strengthens system.
  - **Key Activities:** Key indicators include: % of women attending antenatal care; % of births attended by skilled health professional; Annual blood examination - Malaria (number and rate per 100 population); % of all forms of tuberculosis cases (i.e. bacteriologically confirmed plus clinically diagnosed) successfully treated (cured plus treatment completed); % of people

<sup>48</sup> This includes an invoice with the statement of work performed under the contract and does not include specific receipts that the contractor keeps for their own book of records.

living with HIV in care (including prevention of mother-to-child-transmission) who are screened for tuberculosis in HIV care or treatment settings; and Procurement of health products and non-health products.

## Appendix 8 - Type or category and list of non-compliant expenditures

Type or category and list of non-compliant expenditures
<b>Unsupported Expenditures</b>
<p>This category includes expenditures for which all or part of the documentation or approvals required under applicable rules (e.g., the implementers' procedures, generally accepted accounting principles, national procurement regulations, etc.) were not provided during the review by the Global Fund or relevant assurance provider. Specific types of unsupported expenditures are detailed below:</p> <ul style="list-style-type: none"><li>• <b>Absence of supporting documents:</b> where no evidence/supporting document was available or provided to justify the expenditure of Grant Funds.</li><li>• <b>Insufficient and/or inappropriate supporting documents:</b> where the documentation available or presented was either insufficient and/or inappropriate to support the expenditures and compliance with the terms of the relevant grant agreement.</li></ul>

- **Missing or inappropriate signatures/authorizations:** where the expenditures were not duly authorized, as stipulated in the applicable manual of procedures.

Examples of unsupported expenditure include, but are not limited to, the following situations as determined by the Global Fund:

- Incomplete books and records.
- Lack of supporting documents to explain variances in the financial reports submitted by the implementers (e.g., reconciling cash advances and actual expenditure).
- Indirect cost recovery (ICR) and shared costs not appropriately justified.
- Lack of evidence of receipt of goods or performance of services (especially for training activities and other information/education/communication events).
- Lack of third-party documentation such as original invoice or absence of receipt acknowledgment (for example a training per diem).
- Absence of justification for fuel consumption/purchase (especially in the presence of conflicting odometer readings or expected programmatic scope).
- No evidence of consumption or delivery of goods or services as per applicable policies including lack of boarding passes/hotel invoices to support travel claims; lack of supporting documentation for supplies and suppliers evidencing the existence of goods or services (inventory, receipt, invoices and proof of payment, as the case may be).
- Lack of signature of employee on employment contract.
- Absence of signature on per diem claims and attendance sheets, or duplications/inconsistencies in the signature sheets.
- Insufficient number of authorized signatures for the amounts claimed.
- Payment was made to an individual, but the supporting invoice was provided by a company.
- Cheques endorsed and cashed by the implementer-associated individual without appropriate justification.
- Lack of documentation to support expenditures (e.g., only cash register receipts or bank statement entries, no other accounting records).
- Absence of original tender documentation and lack of or insufficient evidence of request for quotes or quotations received.

### **Expenditures incurred outside of the scope or period of the grant**

Expenditures that occurred outside of the scope or period of the grant, including:

- **Expenditures incurred outside of the IP or closure period.**
- **Expenditures not approved in the budget<sup>49</sup> during grant-making or grant revision or approved by the Global Fund in writing during grant implementation or during IP reconciliation or closure.**
- **Expenditures exceeding approved budgets:** where expenditures exceed the amount approved in budgets, in amounts or quantity, for the applicable period and outside the implementer's flexibilities as outlined in section 2.5.2 Budget Revision and that are not approved by the Global Fund.

<sup>49</sup> Except in cases where the implementer is within the allowed budget flexibilities (non – material Budget Revision) and the changes follow their internal procedures of budget modification.

- **Expenditures in breach of the grant agreement:** such as losses where Grant Funds are not prudently managed or are not held in an appropriate bank account or expenditures that are not eligible for Global Fund funding as per the current Guidance.

**Expenditures compromised by prohibited behavior**

- Expenditures compromised by prohibited practices, include:
- Expenditures compromised by an undisclosed or unmitigated **conflict of interest**.
  - **Expenditures for which all or part of the supporting documents are found to be falsified or fabricated:** documents have been proven to be falsified or otherwise not authentic, either by the implementer or the supplier.
  - **Expenditures compromised by prohibited practices** as defined in the Global Fund [Policy to Combat Fraud and Corruption](#). These include expenditures in which there is a proven deception with an intent to mislead the implementer or the Global Fund and/or derive a benefit for the deceiving party, as per the applicable definitions under the grant agreement including in the [Code of Conduct for Recipients](#) and/or the [Code of Conduct for Suppliers](#);
  - **Non-competitive tenders/collusion:** include conflict of interest issues, and tender specifications manipulated to favor a bidder.
  - **Partial or total diversion of assets to non-Program uses:** misuse, embezzlement, misappropriation.
  - **Expiration, Waste and spoilage:** disregard for VfM and spoilage or loss of goods due to negligence or mismanagement, poor storage conditions, procurement within budget but with materially inadequate quantification, resulting in unused surplus.

**Other types of non-compliance and mismanagement of Grant Funds**

- Other types of non-compliance and mismanagement of Grant Funds, include:
- **Non-compliant taxes:** Taxes (including, but not limited to, customs duties, import duties, fiscal charges and VAT) paid using Grant Funds that have not been reimbursed to the grant. Where taxes have been paid with Grant Funds on a reimbursable basis, as exceptionally pre-approved in writing by the Global Fund, reimbursement must be effected within six months from the end of the relevant reporting period in which such taxes are paid.
  - **Cancellation costs:** for which the prior written approval from the Global Fund has not been obtained.
  - **Procurement irregularities:** an absence of a competitive tender<sup>50</sup> or other procurement issues at the implementer level including absence of appropriate level of competition. Suppliers or Program Assets are not selected or procured in compliance with applicable regulations (see Article 5 of the [Grant Regulations](#), as applicable).

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<sup>50</sup> Except in a case where single source procurement is permitted under written procurement policies and practices provided to the Global Fund (see Article 5 of Grant Regulations, as applicable).

- **Prices more than the prevailing market/reference prices:** for goods and services without proper rationale or justification. As described in the GC8 Procurement and Supply Management Technical Brief, for all procurement channels, HPMT or “List of HP – Focused” as applicable, should budget using the [Global Fund's Pooled Procurement Mechanism](#) and Global Drug Facility pricing for health products and associated services.
- **Inadequate contracting practices:** lack of tangible deliverables, failure to apply Global Fund Codes of Conduct and access rights as required (see Articles 6.6 and 7 of the [Grant Regulations](#) as applicable).
- **Non-compliance with quality assurance and other requirements for health products and non-health products, and related issues:** procurement of health products that do not meet the requirements outlined in the Global Fund’s quality assurance policies and HPMT Partner Portal Manual
- **Failure to replace lost, damaged or stolen assets** in accordance with the grant agreement.
- **Non-compliant SR agreements:** SR agreement not corresponding with relevant requirements (see Article 4.3 of the [Grant Regulations](#), as applicable (such as failure to apply Global Fund Codes of Conduct and provide access rights).
- **Audit reports:** audit report missing, falsified or not submitted in time or where the selection of the audit firm was compromised.
- **Non-recognition of grant income** of revenues from income-generating projects and interest income related to Grant Funds.
- **Use of interest income and/or other revenues<sup>54</sup>** (such as those from income-generating projects) by implementers in contravention of the grant agreement.
- **Amounts impermissibly retained under the terms of the grant agreement** such as cash balances that were not returned to the Global Fund on time as required pursuant to the [OPN: Implementation Period Reconciliation and Grant Closure](#).
- **Loss incurred** due to inappropriate usage and inadequate custom clearance arrangement (for example, implementer has not arranged timely customs clearance that leads to additional storage, demurrage and detention fee) and inadequate maintenance and insurance of Program Assets, in breach of the terms of the grant agreement<sup>51</sup>.
- **Non-complaint HR cost** including payment of salary bonuses using grant funds, increase in salary or incentive without prior Global Fund approval, payment of salary and allowances that are not in compliance with the employment contract and applicable policies, laws and regulations and any contribution from staff to support the organization’s operational expenditures.
- **Unauthorized payments** to the organizations listed **under para 42 on the Budgeting Guidelines**.

#### **Expenditures used to cover Global Fund’s secretariat staff costs**

Expenditures used to cover secretariat staff include:

- Transportation costs for secretariat staff, including train and air travel. Standard logistical costs associated with transfers to and from airports through the implementer’s vehicles are allowable.

<sup>51</sup> Please refer to Annex 4 Management Exceptions under the [OPN on Pooled Procurement Mechanism](#)

- Other routine costs customarily covered by the secretariat, such as per diem allowances, miscellaneous expenses, and similar entitlements.

### 3. Acronyms

Acronyms	
RBC	Results Based Contracting
CCM	Country Coordinating Mechanisms
CFP	Comprehensive Funding Principles
CMP	Communication Material and Publications
DAP	Delivery At Place
DDP	Delivery Duty Paid
DDU	Delivery Duty Unpaid
DLI	Disbursement Linked Indicator
DSA	Daily Subsistence Allowances
EPS	External Professional Services
GAC	Grant Approval Committee
GDF	Global Drug Facility
HIV	Human Immunodeficiency Virus
HPM	Health product management
HPMT	Health Product Management Template
HR	Human Resources
ICR	Indirect Cost Recovery
INF	Infrastructure
LFA	Local Fund Agent
LSCTP	Living support to client/target population
NHE	Non-health Equipment
OPN	Operational Policy Notes
PfR	Payment for Result
PR	Principal Recipient
PSM	Procurement and supply-chain management costs
QA	Quality Assurance
QC	Quality Control
RBF	Result Based Financing
RSSH	Resilient and Sustainable Systems for Health
PSEAH	<a href="#">Protection from Sexual Exploitation and Abuse, Sexual Harassment</a>
SR	Sub-recipient
TB	Tuberculosis
TRC	Travel-related Cost
TRP	Technical Review Panel
TV	Television
VfM	Value for Money

## Key definitions

Please refer to [Comprehensive Funding Policy](#) and [Allocation Methodology](#) for key terms that are not defined in this document.