



Independent observer
of the Global Fund

GLOBAL FUND RELEASES GUIDELINES ON TRANSITIONING BETWEEN ALLOCATION UTILIZATION PERIODS

Under new rules established by the Global Fund, if there are any unused funds in an existing grant at the end of the allocation utilization period for that grant, the funds cannot be added to the next allocation. Instead, the funds must be returned to the Global Fund's general resource pool, to be used for portfolio optimization – e.g. to fund initiatives on the unfunded quality demand (UQD) register and to fill other funding gaps. Unused funds include undisbursed or uncommitted funds at the Secretariat level as well as uncommitted in-country cash balances.

This information is contained in [an FAQ document](#) recently released by the Global Fund, entitled Guidance: Transition Between Allocation Utilization Periods.

“Allocation utilization period,” a relatively new term, is described by the FAQ document as “a [defined] three-year period during which the country allocation can be utilized to implement programs. In most cases, the allocation utilization period and the grant implementation period are the same (more on this below).”

In 2014, the Global Fund moved from a rounds-based funding model to an allocation-based funding model. The FAQ document explains that whereas the first cycle of the allocation model was associated with a number of flexibilities to enable this transition, the move to the second cycle represents a shift to the “steady state” of the model. We are currently in transition between the 2014-2016 and 2017-2019 allocation periods. This is the first transition between allocation periods since the new funding model was introduced – hence the need for guidance.

According to the FAQ document, the 2014-2016 allocations can be used for activities that were budgeted,

approved and completed during the allocation utilization period associated with the country's 2014-2016 allocation.

The document distinguishes between financial commitments and financial obligations. Financial commitments are current contractual obligations to pay a specified amount against goods and services already received but not yet paid for. Financial obligations are current contractual obligations to pay an agreed amount to a supplier for the provision of goods or services not yet received.

The FAQ document states that financial commitments existing at the end of an allocation utilization period can be paid from that period's allocation. However, financial obligations existing at the end of an allocation utilization period cannot be paid from that period's allocation and must be covered by funds from the next allocation. The FAQ document provides the following example:

A country's malaria allocation utilization period was from 1 January 2014 until 31 December 2017, and the implementation period was identical. All activities that were budgeted, approved and completed by 31 December 2017 can be financed from the 2014-2016 allocation even if the actual payment will only happen in February 2018 (e.g. commodities delivered in November 2017 that are invoiced in February 2018).

Financial obligations that exist at the end of an allocation utilization period should be identified during grant-making for the new grant and included in the relevant budget.

The FAQ documents states that in certain cases, payments related to goods or services delivered after the end of an allocation utilization period may be considered commitments that may be funded from the same allocation utilization period. For this to happen, the following criteria must be met:

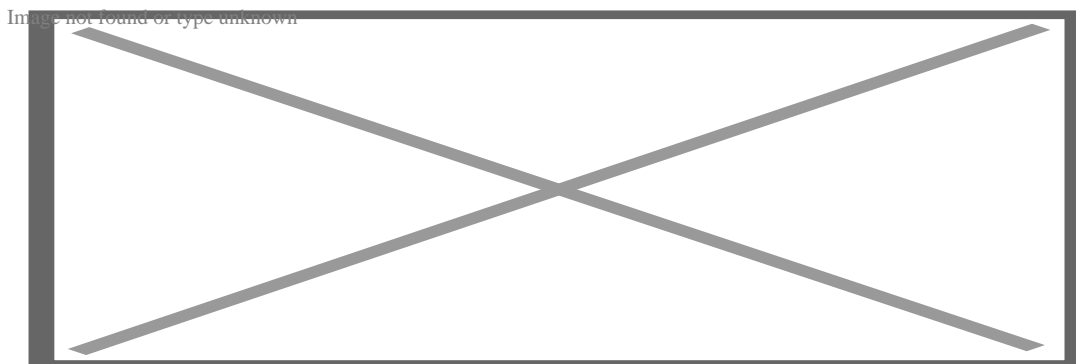
- the implementing entity has placed the order for the goods or services at issue with adequate consideration for relevant lead times such that the goods or services were expected to be delivered before the end of the allocation utilization period;
- the delivery of the goods or services is delayed for reasons beyond the implementing entity's control; and
- the delivery of the goods or services is completed within maximum 90 days of the allocation utilization period end date.

If a grant receives a costed extension beyond the end date of the original grant implementation period, the cost of the extension must be paid with funds from the subsequent allocation utilization period. Here is an example of how this works:

- A TB grant funded from the 2014-2016 allocations has an allocation utilization period of 1 January 2015 to 31 December 2017, and a grant implementation period that has the same start and end dates.
- The grant receives a three-month costed extension – i.e. beyond 31 December 2017.
- The cost of the extension is paid with funds from the next allocation utilization period, 1 January 2018 to 31 December 2020. (The funds are from the 2017-2019 allocations.)
- The implementation period for the TB grant is extended by three months. The new dates are 1 January 2015 to 31 March 2018.

Allocation utilization periods for a given component never overlap. Thus, any extension to existing grants beyond the end date of an allocation utilization period – as in the above example – consumes funds and time from the subsequent allocation utilization period (see figure).

Figure: Relationship between the grant implementation period and the allocation utilization period when the grant receives a costed extension



Source: Guidance: Transition Between Allocation Utilization Periods , Global Fund

While the dates of a grant implementation period may change, the dates of an allocation utilization period, once they are set, do not change. While the length of the allocation utilization period is usually three years, it can be less or more than three years (though this should happen only infrequently now that we are into the second funding cycle). Grant implementation periods are also usually three years long, but can be more or less than three years. An implementation period is associated with an individual grant, while the allocation utilization period applies to all grants in a given component.

Readers are advised to consult the FAQ document for an explanation of how the allocation utilization period is determined when a component has grants with different implementation periods.

The FAQ document provides detailed guidance on how to determine in-country cash balances that need to be returned to the Global Fund or transferred into the next allocation period. The document also includes a section on reporting requirements when transitioning between allocation utilization periods.

Buffer stocks

Does the transition between allocation utilization periods impact buffer stocks?

Buffer stocks are stocks that should always be on hand at the national, regional, and district or facility level, to mitigate the risk of stock-outs due to delays in delivery of products or an unexpected increase in consumption. It represents the quantity of stock required to allow for variations in supply lead-times or consumption rates.

The FAQ document says that moving from one allocation period to the next should not have any impact on buffer stocks. It also says that “there should be no short-term increase in buffer stock levels at the end of an allocation utilization period.” Translation: If you anticipate that there will be unused funds in your grant at the end of its allocation utilization period – funds that are going to lapse – you should not be using these funds to increase your buffer stocks beyond normal levels, however tempting this may be.

Additional guidance on transitioning between two allocation periods is provided in the [Guidelines for Grant Budgeting](#) , also released recently by the Global Fund (see separate [GFO article](#)).

[Read More](#)
