



Independent observer
of the Global Fund

GLOBAL FUND RELEASES NEW GUIDELINES ON BUDGETING FOR GRANTS

The Secretariat has released revised guidelines for budgeting related to Global Fund grants. [Guidelines for Grant Budgeting](#) is dated June 2017 and contains 79 pages. The guidelines amend and restate the previous Global Fund Guidelines for Grant Budgeting and Annual Financial Reporting issued in August 2014.

The revised guidelines provide all stakeholders involved in the implementation or verification of Global Fund grants with guidance and information on the following topics:

- budgeting using the modular approach and costing dimension
- financial principles (assignment of financial commitments and financial obligations) when moving from one allocation period to the next
- treatment of in-country cash balance
- management of foreign exchange and payment currencies, and impact on budgeting
- disclosure of tax in budgeting
- documents recommended to support budget assumptions
- more detailed guidance on budgeting for specific budget cost categories
- treatment of salary top-ups and incentives
- material and non-material budgetary revisions
- financial reporting principles and scope
- eligibility of grant expenditure
- recovery process

The guidelines state that their aim is to ensure implementers understand the Global Fund's financial

policies and procedures, and implement them in a consistent manner; and to “strike a better balance” between flexibility on the one hand, and efficiency, transparency and accountability on the other. The latter is a reference to trying to find the right balance between policies and procedures that are stringent enough to guard against misuse of Global Fund resources, but not so onerous that they make it almost impossible to get the work done.

The Global Fund says that the guidelines should be used in conjunction with its Operational Policy Manual. The manual provides an operational framework for managing Global Fund grants, whereas the guidelines provide more in-depth guidance on the core financial requirements for budgeting.

Salary top-ups

The guidelines state that the Global Fund may approve additional payments to increase the public sector salaries of staff involved in implementing Global Fund programs. Top-ups (also called “incentives”) can be paid to program management staff, health workers or other staff already employed by the national health sector, with the aim of retaining skilled local staff.

According to the guidelines, there are multiple risks associated with top-ups, including creating distortion within different public health programs, management challenges, risks of nepotism, inflationary pressure, and lack of sustainability of the human resource strategy in the long-term. For these reasons, the Fund says, it is expected that the amounts for top-ups budgeted in Global Fund grants will be based on a realistic transitional plan – to transfer responsibility for paying top-ups from the Global Fund to national governments – backed by a formal commitment from the governments and national authorities, with clear milestones for the transition.

The guidelines state that top-ups will normally be within the limits of 25% of the salary of similar positions in order to provide an additional incentive, but not to distort the salaries within the same national program to levels that cannot be sustained.

All salary top-ups must be approved by the Grant Approvals Committee.

The Global Fund has been struggling to deal with issues related to salary top-ups for a number of years. One of the problems was that each donor had a different policy and approach. The Fund made a concerted effort in the Democratic Republic of Congo (DRC) starting as far back as 2010 to, first, achieve a harmonized approach among donors and, second, to phase out the top-ups altogether. The Fund had some luck with its efforts to harmonize the payment of top-ups, but phasing them out has proved to be more difficult. In many countries, top-ups are the only way to retain skilled staff to run crucial programs. For a discussion of the efforts made in the DRC, see GFO articles [here](#) and [here](#). See also the discussion of salary incentives in a [GFO article](#) on the recent funding request for Zimbabwe TB/HIV.

Travel-related costs

The section of the guidelines on budgeting for travel-related costs is more than five pages long. This is because the Global Fund has significantly tightened procedures to guard against abuses, including fraud, that were being detected with some regularity by audits conducted by the Office of the Inspector General in the first few years of this decade – particularly with respect to travel for the purposes of attending training courses.

The guidelines state that

“travel-related costs should be based on existing policies of the principal recipient (or sub-recipient, as applicable) and be harmonized across Global Fund grants managed by the same PRs and SRs and, if possible, with other donors. New policies on travel-related costs that are created especially for the Global

Fund grants and that are different from the PR's or country's normal policies are not acceptable. Travel-related cost policies for the Global Fund grants must be fully aligned with government and other donor practices for the administration of such payments.”

Transition between allocation utilization periods

The guidelines contain a small section on budgeting during the transition between allocation utilization periods. However, this topic is more fully addressed in a FAQ document recently released by the Global Fund (see separate [GFO article](#)).

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