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GLOBAL FUND CLARIFIES EXPECTATIONS REGARDING ROUND 8 BUDGET REDUCTIONS

Countries whose Global Fund Round 8 grants were approved last month have been told by the Secretariat that each of them must propose how it will reduce its Round 8 budget by at least ten percent, even if this requires them not just to reduce unit costs, but also to reduce performance targets.

In Round 8, the total two-year cost of the proposals that the Technical Review Panel (TRP) recommended for approval came to \$3,059 million, which is almost three times the cost of any previous Round. The Global Fund Board, at its meeting in early November, approved all of these proposals in principle, but said that the Fund would spend no more than 90% of this total on them, i.e. \$2,753 million. There simply wasn't enough money available to cover the full 100%. The Board's precise wording was that the proposals "shall collectively be subject to a 10% adjustment for efficiency."

Bill Paton, the Fund's Director of Country Programs, has now written to all CCM and PR leaders providing them with some guidance, and has backed this up by releasing a Questions and Answers (Q&A) document. (Both documents can be accessed at www.theglobalfund.org/en/announcements/?an=an_081219.)

The Q&A document is more specific than the letter. It says that each CCM whose Round 8 proposal has been approved is responsible for identifying at least ten percent in budgetary savings/adjustments, and that the PR's role is to provide "input and information" to this process.

In summary, the Q&A document encourages each CCM to do as follows:

- a. Ensure that all CCM members, and the proposed PRs, are aware of the need to adjust their Round 8 budgets and are involved in the discussion regarding how to proceed.

- b. Carefully review the TRP's comments on the proposal that relate to the budget.
- c. Carefully review where reductions can be made in the budget for Years 1 and 2 that "would not lead to the cancellation of activities or a reduction in performance targets."
 - o In particular, seek to make savings in unit costs for pharmaceutical and other health products, in other procurement-related costs, in recurrent costs, and in overhead costs. Look also for economies of scale, and for ways of eliminating overlap between activities in different grants.
 - o Also, see whether non-Global Fund sources of funding could be obtained to cover certain activities or technical or management support which was originally included in the Round 8 proposal.
 - o Arising from all this, see by how much the cost for Phase 1 (i.e. Years 1 and 2) of the proposal can be reduced without cancelling activities or reducing performance targets.
- d. Then, if this does not reduce the Phase 1 budget by at least ten percent, identify additional savings that bring the total savings to at least ten percent.
 - o However, do not cancel "crucial" activities, and ensure that any reductions in targets are "as minimal as possible".
 - o Also, if the proposal specifies more than one Principal Recipient, treat all of them equally, taking care not to subject one of them to a disproportionate share of the adjustments.
 - o Ensure that the program still receives all required technical and management assistance.
- e. "As soon as possible," send a revised budget, workplan and performance framework to the Secretariat. Then work with the Fund Portfolio Manager on arriving at a final budget.
- f. At the same time that all this is taking place, deal also, but separately, with the TRP's requests for clarifications on non-budgetary matters.
- g. The Q&A document implies, but does not specifically state, that CCMs need not focus now on the possible need to make adjustments to Year 3, 4 or 5. These can be dealt with later, as necessary.

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