



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

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Our ref: *EECA/VC/261 - 18/08/2011*

31 August 2011

Mr Simeon Djankov
Chair of the Country Coordinating Mechanism
Deputy Prime Minister
Minister of Finance
102 G.S. Rakovski Street
1040 Sofia
Republic of Bulgaria

Dear Mr Djankov,

RE: Invitation to Submit *Request for Continued Funding (Phase 2)*

Grant Agreement No: BUL-809-G03-T

As you are aware, the Board of the Global Fund approves proposals for up to a five year period, with an initial funding commitment for the first two years (Phase 1). The decision on whether or not to approve continued funding for the remaining three years of the proposal (Phase 2) is based on program performance during the initial funding period and availability of funds for Phase 2.

This letter invites the Bulgaria Country Coordinating Mechanism (CCM) to submit a *Request for Continued Funding* concerning the program 'Strengthen the National Tuberculosis Program in Bulgaria' for the grant agreement BUL-809-G03-T so that the Global Fund may begin the process of considering whether to renew its financial commitment for years 3-5 of the approved proposal. Please be advised that there is a new CCM *Request* template and an updated set of corresponding guidelines which you will find attached to this letter.

We would like to emphasize the importance of the strong participation of the entire CCM in the preparation of the *Request for Continued Funding*. In making its funding decisions, the Global Fund is committed to supporting proposals that "focus on the creation, development and expansion of government/private/NGO partnerships, [and that] strengthen the participation of communities and people, particularly those infected and directly affected by the three diseases, in the development of proposals."¹ CCMs are therefore reminded of the importance of demonstrating continued compliance with the six minimum requirements for CCM eligibility within their Phase 2 request. The new *Request for Continued Funding* form places particular emphasis on this essential aspect of the Phase 2 request.

A completed *Request for Continued Funding* must be submitted to the Global Fund no later than 15 November 2011. The *Request* must be completed in the original

¹ The Framework Document of The Global Fund to fight AIDS, Tuberculosis and Malaria



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currency of the proposal, and during the Phase 2 review process the Phase 2 amount will be calculated in the original currency of the proposal. If a change of currency is requested by the CCM for Phase 2, the Phase 2 amount shall be converted from the proposal currency to the new currency using the exchange rate on the day when the renewal recommendation is sent to the Board for approval.

The *Request* must be submitted to the Global Fund Secretariat and copied at the same time to the Local Fund Agent (LFA). Failure to provide the *Request for Continued Funding* and all required documents by the deadline may adversely affect the consideration and outcome of the *Request*. To the extent that these delays in submission of the completed documentation are attributable to factors that reflect on the overall performance of the grant, the Secretariat may take this into account when deciding on the grant's overall performance rating. This could potentially result in a lower performance rating and a related reduction in the total Phase 2 amount where there is a clear link between the delays in submission of the completed documentation and the overall performance of the grant. This would not apply in cases where the delays are attributable to factors beyond the control of the PR and CCM.

Review of Grant Performance

The decision for continued funding will be based on a review of the grant's performance to date and of contextual considerations. The grant performance review will be based on information from the reports submitted by:

- 1) The Principal Recipient, The Ministry of Health of the Republic of Bulgaria during the Phase 1 period (particularly Periodic Disbursement Requests, Progress Updates, and the Annual Audit Report); and
- 2) The Local Fund Agent, KPMG (particularly PR Assessments, Disbursement Recommendation and Progress Reviews).

The main analysis will be an assessment of *actual results* against agreed targets as specified in the Grant Agreement and the proposal submitted by the CCM. This assessment will focus on progress in attaining results against targets that reflect expanding coverage in key service delivery areas.

The Global Fund will not continue funding grant programs unless grantees, at a minimum, demonstrate *credible potential* to reach agreed program performance targets as specified in the Grant Agreement. Funding may also be discontinued in instances of critical risks in a country beyond the control of a PR and/or CCM.

In order to best capture performance and contextual information, the Secretariat has summarized and enclosed with this invitation a *Grant Performance Report* which contains the information that we currently have available on each grant that was entered in to from your approved proposal. Each Report includes important grant information such as the indicators, targets and results, key outcomes of LFA assessments, disbursement information, and contextual considerations.

Timing for the Republic of Bulgaria

If the CCM has not submitted a request for flexibility in the timing for Phase 2 review by Month 15, the invitation to submit the *Request for Continued Funding* is normally sent by the end of Month 18. The CCM's *Request* should be submitted by



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the fifteenth day of Month 21 for a funding decision typically during Month 24. This timing refers to the number of months after the Program/Phase 1 Starting Date noted on the face sheet of the Grant Agreement or as amended by an Implementation Letter.

Overview of the Timetable for the Phase 2 Grant Renewal Process

The key events and dates of the Phase 2 decision-making process are summarized as follows:

	RESPONSIBILITY	TIMELINE
1. Invitation to CCM to submit a <i>Request for Continued Funding</i> , including <i>Grant Performance Report</i>	Global Fund Secretariat	By 31 August 2011
2. Submission to the Local Fund Agent of latest results reflecting progress towards achievement of indicators for the period 1 July - 30 September 2011	PR	By 15 November 2011
3. Submission of proposed Performance Framework for the entire Phase 2 (years 3-5) with quarterly or semester targets	PR	15 October 2011
4. Submission of a national M&E plan [if not previously submitted] that covers the period of the Phase 2 grant timeframe. Where the national plan is not available, submission of a grant specific M&E plan, with clear indication of when the national plan will be finalized and submitted to the Secretariat ²	PR	By 15 November 2011
5. Submission of the <i>Request for Continued Funding</i> to the Global Fund's Secretariat, copying the Local Fund Agent (LFA)	CCM	By 15 November 2011
6. Notification to CCM on Phase 2 Grant Renewal Decision	Global Fund Secretariat	February 2012

Extension of Phase 1 Term and Possible Provision of Cash Buffer

The Phase 2 decision will be taken during the 24th month of implementation of the program. In order to avoid disruption in the implementation of program activities, the Phase 1 grant agreement may be extended by 3 months up to the end of month 27 while the Phase 2 grant negotiation is completed. If necessary, the PR will be

² Please refer to the Global Fund's requirements for M&E plans, available on the web at www.theglobalfund.org.



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able to request additional funds (up to the amount requested for the first quarter of the third year of the Program in the Request for Continued Funding) in order to have sufficient funds to cover the first 3 months of the third year of the Program. Such amount should only be requested and will only be provided if there are not Phase 1 funds available to fund program activities during this period. Please include this amount in your proposed Phase 2 budget amount included with your Request.

Phase 2 Budget Amount

In December 2010, the Global Fund Board decided that CCMs may only apply for up to a maximum of 90% of the Phase 2 amount for Round 8, Round 9 and the First Learning Wave of National Strategy Application proposals. As such, the maximum amount available to finance the Phase 2 budget for these proposals shall be not more than 90% of the Phase 2 amount (after TRP clarifications where appropriate) plus any Phase 1 funds remaining available at the end of the Phase 1 period. Un-disbursed and unspent Phase 1 funds, if any, may be made available for use during Phase 2 but this is subject to the Board's decision on Continued Funding and the whole amount available may be adjusted down as a consequence of TRP review and/or grant negotiations.

As the *CCM Request for Continued Funding* is considered before the end of the Phase 1, CCMs must provide an estimate of resource needs after the cut-off date for program implementation. However, it must be emphasized that these Phase 1 un-disbursed funds are not automatically transferred for use in Phase 2. They must be requested in the *Request for Continued Funding* and their usage must be fully justified in the Phase 2 Budget.

It is important to recognize that the maximum Phase 2 amount is not an entitlement. The Global Fund Board requires Performance Based Funding principles to be applied in relation to Phase 2 funding requests. The Secretariat is mandated by the Board of the Global Fund to recommend reductions in Phase 2 funding for reasons of performance where appropriate in order to achieve overall savings to lifetime budgets. These savings can then be made available to provide new funding opportunities in the future. The Board has also requested the Secretariat to work with CCMs and Principal Recipients to adjust performance targets in the light of revised lifetime budgets.

As such, in circumstances where performance has not been entirely satisfactory and there are Phase 1 savings, the Global Fund would expect a reduced Phase 2 budget request by the CCM. It is the responsibility of the CCM to request a reasonable Phase 2 amount, taking into account all relevant considerations, including:

- Cost efficiency and productivity gains (linked to the Phase 1 experience);
- Phase 1 programmatic performance;
- Usage of funds during Phase 1 (actual and projected, including expected savings);
- Anticipated program realities for Phase 2;
- Absorptive capacity; and
- Funding availability from other sources (for the program).



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The Phase 2 requested budget should therefore take into account lessons learned during Phase 1 and anticipated realities for Phase 2. An inflated or inadequately justified budget request is likely to be negatively viewed by the Global Fund. The CCM Request should provide the updated budget for month 19 to month 24 and include the cash buffer for month 25 to month 27 in the Phase 2 budget.

Hence, in the event where the maximum amount of funds available for Phase 2 is requested (i.e. 90% of the Phase 2 amount after TRP clarifications), you will need to fully justify this in terms of budgets, activities and targets, particularly in cases of underperformance in Phase 1 and if there are un-disbursed Phase 1 funds intended to be carried-over into Phase 2.

Performance Results

Typically the CCM is required to submit its *Request for Continued Funding* by the middle of Month 21. By that time, the Global Fund Secretariat should already have received reported results against targets up to the end of Quarter 6 (Q6). The Global Fund will evaluate Q6 programmatic and financial results when making its Phase 2 grant renewal decision. (Accordingly, the *Grant Performance Report* will be updated by the Global Fund with Q6 results.) Q6 results should therefore be reflected in the *Request for Continued Funding*.

We strongly suggest that you encourage the Principal Recipient to provide a corresponding Progress Update (either in a *Disbursement Request and Progress Update* or as a standalone report) with Q6 data in a timely manner in order for this information to be taken into consideration for the Phase 2 Grant Renewal decision-making.

Expenditure Information

In order for the Global Fund to take into account Q6 financial information when making its Phase 2 grant renewal decision, it is imperative that the Principal Recipient provide in the Progress Update Q6 information on direct payments for PR expenditures, PR disbursements to sub-recipients, and the PR's cash balance. The information should at a minimum cover the latest reporting period of the Program (typically Q6).

If available, the Principal Recipient should also provide the latest available information on sub-recipients' payments (including to sub-sub-recipients) and sub-recipients' cash-balance.

Further, to enable assessment of financial as well as programmatic performance, the Principal Recipient must provide an Enhanced Financial Report (EFR) drawn up to the same reporting date as the latest programmatic results provided in the Progress Report submitted with this request.

The Request for Continued Funding (Phase 2)

The *Request for Continued Funding* should include input from the CCM and other partners at country level. We have included a template for your use in submitting the *Request for Continued Funding* (including the new template for the completion of the Performance Framework for entire Phase 2 which is required as part of the



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Request; please see the Instructions for Completing the CCM Request for Continued Funding).

The following documents must be submitted alongside the *Request for Continued Funding*:

1. Minutes of the CCM meetings (relating to discussions on the *Request for Continued Funding*);
2. A summary budget for the entire Phase 2 period in Global Fund format (refer to Global Fund template); per Phase 2 PR
3. Detailed (quarterly) Budget and Work-plan for the entire Phase 2 period. Detailed budgets should show all general and detailed assumptions including unit costs and quantities; per Phase 2 PR
4. A detailed Procurement and Supply Management (PSM) Plan for the entire Phase 2 period; per Phase 2 PR
5. The completed Enhanced Financial Reporting (EFR) template as of the date of the results submitted for the performance assessment; per Phase 1 PR
6. Proposed Performance Framework for the entire Phase 2 period (year 3-5); per Phase 2 PR
7. A National M & E Plan for the entire Phase 2 period (*if available and not previously submitted*). A grant specific M & E Plan may be submitted if National Plan is not available; per Phase 2 PR
8. Progress Report for all agreed-upon indicators for Quarter 6 (*if not previously submitted*); per Phase 1 PR
9. Most recent PR Audit Report, and management letter (*if due and not previously submitted*) as well as the status of SR audits. If a PR report is overdue, the CCM shall provide information on when the release of the audit report is expected and provide the previous one. If the SR audit status shows a significant proportion of audits (by number or value) overdue, the CCM shall provide information on the actions being taken to rectify the situation; per Phase 1 PR
10. Latest Health Information System Report (*if any*); and
11. Revised Program Implementation strategy (*if applicable/necessary*).

It is imperative that the Proposed Performance Framework for the entire Phase 2 period be submitted within the set timeframe by 15 October 2011, the fifteenth day of month 20 of the Program.

All of the other documents listed above must be completed in their entirety and fully submitted within the set timeframe by 15 November 2011, the fifteenth day of month 21 of the Program.

In addition to the above, please note that the following requirements must be fulfilled by the time of the Secretariat's Phase 2 review:

- Completion of the Price and Quality Reporting (PQR) database for health products
- A completed report from the most recent On Site Data Verification (OSDV)

Please contact your Fund Portfolio Manager should you have any questions about completing the *Request* or any of the requested documents.



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Stop TB Partnership Green Light Committee Funding

Finally, please note that if the program includes services for multi-drug resistant tuberculosis (MDR-TB) that will be funded by the Global Fund, you must include in your Phase 2 budget a flat rate of US\$50,000 (payable to the Stop TB Partnership Green Light Committee) for each calendar year in which such services will be required.

We look forward to receiving your *Request for Continued Funding* and to continue to work with you. I would like to take this opportunity to express our gratitude for your commitment in the fight against tuberculosis.

Sincerely,

Maria Kirova
Regional Team Leader
The Global Fund to Fight AIDS, Tuberculosis and Malaria

cc: Dr Tonka Varleva, Program Director, Prevention and control of HIV/AIDS in Bulgaria
Ms Iva Todorova, KPMG, Local Fund Agent

Encl: Grant Performance Report
Template CCM Request for Continued Funding
Instructions for Completing the CCM Request for Continued Funding
Proposed Performance Framework for the entire Phase 2
Template Summary Budget for three years
EFR template