



Independent observer  
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## GLOBAL FUND BOARD APPROVES DESIGN OF NEW FUNDING MODEL

The Global Fund Board has approved a design for the new funding model, though some elements of the design will require further work. The Board has also approved a transition phase for 2013 as a way of testing various elements of the new model. The full model will not likely be rolled out until 2014.

The approval of the New Funding Model was split into two decisions. This article describes the new funding model, as described in the first decision approved by the Board. (See separate article on the transition phase, which describes the second, but linked decision).

According to the Global Fund, under the new model the Fund will remain demand driven and will improve interactions between the Secretariat, applicants and implementers. The Fund adds that the new model will allow the Fund to more effectively leverage the funding and expertise of other organisations; create more flexible processes; provide strategic direction to the Fund's portfolio more effectively; and increase the ability of the Fund to support national programmes.

The Global Fund also said that the new model will allow it to focus on countries with the highest needs and the least ability to pay, while remaining global.

Under the new model, applicants will be able to access two streams of funding through one application process: (1) an indicative funding stream, which the Fund describes as the "larger and more-predictable" stream; and (2) an incentive stream designed "to reward ambitious, high-quality expressions of full demand ... "and to invest in well-performing programs with a potential for increased, quantifiable impact."

## Allocation and implementation period of grants

Under the new model, the length of each allocation period will be three years, and this will be aligned with the Global Fund's three year replenishment cycle. At the beginning of an allocation period, the Fund will determine how much funding is available for the entire period, and applicants may apply for this funding at any time during the period.

The standard length of a grant under the new model will be three years. If circumstances warrant, the Secretariat will have the flexibility to shorten or moderately extend the length of the grant, provided the applicant gives appropriate justification.

## Allocation of funding to country bands

A critical part of the process for allocating funding will be the creation of country bands – i.e. groups of countries that share certain characteristics. Countries will be assigned to one of four bands on the basis of ability to pay and disease burden. Ability to pay will be measured by gross national income per capita.

The four bands are as follows:

Band 1 Lower income High burden	Band 3 Higher income High burden
Band 2 Lower income Low burden	Band 4 Higher income Low burden

The Global Fund expects that proposals from most of the countries in Band 4 (higher income, low burden) will contain countries or regions that have higher income levels but contain concentrated epidemics of those most-at-risk populations (MARPs) for any of the diseases. However, countries in Band 4 are not limited to those with MARPs, they may be countries with non-CCM proposals, multi-country or regional proposals, and proposals from small island states will be included in this group.

The composition of the bands will be reviewed at the start of each allocation period.

There will be a three-step procedure to allocate funding to the four bands:

- Step 1: Allocation by disease. Available resources will first be allocated among the three diseases. Initially, the Fund's historical allocation data will be used (52% for HIV, 32% for malaria, and 16% for TB); by September 2013, a new measure to estimate disease burden and financial demand will be developed.
- Step 2: Allocation to bands. Resources will then be allocated to the country bands, based on a formula and adjusted for certain qualitative factors. This allocation by disease split is only intended as a guide; countries will be free to determine their own disease split but will not be able to apply for more than the money allocated to them.
- Step 3: Split. Within each band, a split will be made between indicative and incentive funding.

To arrive at the allocation for each band (Step 2), the Global Fund will use a formula based on ability to pay and disease burden to calculate nominal country “shares.” The shares for each country in a given band will be added up to determine the total allocation for the band. This figure may then be adjusted, in the context of the country dialogue, by qualitative factors: (a) major sources of external funding, and (b) minimum required levels. (Note that a separate methodology will be used for aggregating shares to the fourth band – see below).

With respect to external funding, the Global Fund said that an adjustment may be required for bands that contain countries receiving substantial support from other major donors. Concerning minimum required levels, the Fund said that it may be necessary to adjust allocations to countries to ensure that their financial commitments do not fall below a minimum required level. What this level should be has not yet been decided.

Regarding Step 3, the split between indicative and incentive funding, the Global Fund said that it will determine what resources are required to meet applicants’ prioritised needs and then allocate resources to the indicative stream sufficient to cover these needs. The difference between needs identified and total available funding will be allocated to the incentive stream. The Fund said that additional resources mobilised during a replenishment period could be allocated to the incentive stream. Finally, the Fund said that additional criteria for determining the split, including a definition of “prioritised needs” will be approved by the Board at its 29<sup>th</sup> meeting, scheduled for May 2013.

#### Allocation of funding to individual countries

Once the allocations to country bands are determined, and the split is made between indicative and incentive funding, the Global Fund Secretariat will calculate an “indicative funding range” for each country. The amounts will be largely based on the formula (ability to pay and disease burden), but adjustments will be made for qualitative factors such as (a) major sources of external funding, (b) minimum required levels, (c) willingness to pay, (d) past performance and absorptive capacity, (e) risk and (f) increasing rates of new infections in lower prevalence countries. The SIIC emphasised that the qualitative factors may be used to increase or decrease the amounts that applicants within the Bands may apply for. The indicative funding range provided to a country will be for all three diseases combined; it will be up to the country to determine the disease split.

Countries’ initial funding ranges will be determined by the replenishment process (ie how much money the Global Fund raises during “replenishment”), but countries are still going to be encouraged to apply to fill the full quality demand for controlling the epidemics.

The Secretariat will develop the process and methodology for awarding incentive funding (subject to approval by the SIIC).

#### Managing unfunded quality demand

“Unfunded quality demand” refers to programmes or parts of programmes that have been recommended for funding by the Technical Review Panel but which cannot be funded due to a lack of resources. The Secretariat will maintain a register of this unfunded quality demand and will prioritise the demand for future funding should additional resources become available. Donors may also be invited to fund such demand.

The Secretariat will develop the process and methodology for awarding money to unfunded quality demand (subject to approval by the SIIC).

The text of the Board decisions on the new funding model can be found in points 4 and 5 in the Board Decision Points document available at [www.theglobalfund.org/en/board/meetings/twentyeighth](http://www.theglobalfund.org/en/board/meetings/twentyeighth). The paper submitted by the SIIC (Document GF/B28/02) should be posted shortly at the same site.

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