



Independent observer  
of the Global Fund

## NFM UPDATE: 37 CONCEPT NOTES SUBMITTED; ANOTHER 124 NOTES EXPECTED IN 2014

In the first two application windows of 2014, the Global Fund received 37 concept notes from countries for funding to be made available under the new funding model (NFM). Another 124 concept notes are anticipated before December 2014, bringing the total to 161: about half of what had been predicted for this year ahead of the roll-out of the NFM. That number has, however, been revised in the nine months since the prediction was first made at the time of the Board committee meetings in October 2013.

Countries have signalled to the Fund that they need more time to develop concept notes, the consequence of which will most likely be a number of grant extension requests in order to maintain service delivery in the interim.

Ten concept notes were received by 15 May: the deadline for the first window of submission. These concept notes have met the Fund's eligibility criteria and will now go to the technical review panel (TRP) for assessment. Decisions on whether these notes can proceed to the grant-making stage are expected in the next few weeks. See Table 1 for a list of the 10 concept notes.

Table 1: Components submitted as concept notes by 15 May

HIV	TB/HIV	Malaria
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Moldova	*Haiti	*Democratic Republic of Congo	Timor Leste
		Indonesia	*Uganda
		*Papua New Guinea	*Zambia
		Philippines	Zimbabwe

Five of the 10 components – those marked with an asterisk (\*) – are eligible for incentive funding; the others are not as the countries are either in Band 4 (higher income, low disease burden) or are classified as being “significantly over-allocated,” meaning they have received far more than their fair share of funding in recent years.

The second deadline window of 15 June saw an additional 27 concept notes submitted. Sudan became the first country in Global Fund history to submit an integrated concept note covering all three diseases and health systems strengthening (HSS). See Table 2 for a list of the 27 concept notes.

Table 2: Components submitted as concept notes by 15 June

HIV	TB/HIV	TB	Malaria	HSS
Cuba	*Thailand	*Bangladesh	*Bangladesh	Sudan
Kyrgyzstan	Ukraine	*Cambodia	*Cameroon	
Mongolia	*Zambia	*Zimbabwe	Ethiopia	
Paraguay		Sudan	*Guinea	
Russian Federation			*North Korea	
Uzbekistan			*Nigeria	
Sudan			*Pakistan	
			Rwanda	
			*Senegal	
			Somalia	
			*Sudan	
			*Swaziland	

The 14 components marked with an asterisk (\*) are eligible for incentive funding.

Countries were asked to indicate a likely window for submission. According to a report compiled by the Secretariat and shared publicly, countries have signaled their intent to submit 72 concept notes by 15 August and another 52 by 15 October.

However, in an NFM update prepared for the Board, the Secretariat said that the number of concept notes actually submitted for the August and October windows may turn out to be fewer than expected, drawing from the experience of June.

A survey of applicants under the NFM was conducted about their experience with the process and the results were largely favorable, according to a report that was submitted for review by the Board's Strategy, Investment and Impact and Finance and Operational Performance committees (SIIC; FOPC). Of the 62 respondents from 10 countries, a large majority of those involved in country dialogues and the development of concept notes believe that the application process under the NFM is better than it was under the rounds-based system, and has resulted in greater engagement by key affected populations in decision-making. All of this is attributed in some part to the higher degree of involvement by the Fund's own country teams in the process.

The NFM has also yielded positive results in terms of health financing, the respondents suggested, spurring a higher level of commitment by government in many countries, either in fulfilling the willingness to pay (WTP) requirement in order for countries to access their full allocation, or in devoting more resources in domestic co-financing at the outset.

However, that WTP requirement is also causing some concerns, according to the survey respondents, although the update to the committees did not provide details.

In its own assessment of the first applications under the NFM, derived from interviews with 30 key officials, the Secretariat said that the decision to use an allocation system as the basis of the NFM constitutes a positive change for the Global Fund; that the overall allocation principles are sound; that the outcomes make sense and can be understood by stakeholders; and that countries are now focused on using the allocations to achieve maximum impact.

The interviews also revealed several issues that the Global Fund will need to address going forward. Chief among these: having two allocation methodologies (one for Bands 1-3 and one for Band 4), three funding streams (allocation, incentive and unfunded quality demand) and many qualitative factors has resulted in significant confusion and is operationally difficult to implement.

In addition, the downward adjustments to some allocations to account for their over-allocation in recent years were challenging to implement and created problems for many high-burden countries.

Further, there was little coherence in how countries were allocated to bands, which has resulted in operational challenges. Finally, in some cases the allocations to countries did not match the Fund's strategic objectives or the countries' plans, or did not achieve maximum impact.

To address these issues, the Global Fund is likely to modify the allocation formula for 2017-2019.

Other items of interest from the NFM update included the following:

- The 10 concept notes received in May 2014 are all asking for considerably more than what they were allocated – some by as much as 200% more.
- Of the \$200 million available for regional concept notes, only about \$120 million will be allocated in 2014. (As [reported](#) recently in GFO, there are only two windows for regional applications for 2014-2016. In the first window, which closed in May, expressions of interest totaling \$689 million were received. The second window is in April 2015.)
- The Global Fund would like to hold its next replenishment meeting (for the period 2017-2019) by the end of June 2016, and would like to ensure that allocations are communicated to countries by end November 2016.

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