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SIIC Takes Decisions on Incentive Funding and Other NFM Matters

At its meeting on 8–9 October, the Strategy, Investment and Impact Committee (SIIC) made decisions in four areas related to the new funding model (NFM): awarding of incentive funding, managing unfunded quality demand, health systems strengthening and TB/HIV collaboration. This article provides details.

Awarding of incentive funding

Earlier this year, the Global Fund Board decided that for 2014–2016 Band 4 countries will not be eligible for incentive funding. It also determined the proportion of the allocation for Bands 1–3 that will be reserved for incentive funding (see GFO article). The proportion will depend on how much money is available, as follows:

- If the allocation is $11 billion or less, the proportion will be 10%.
- If the allocation is over $11 billion and up to $13.5 billion, the proportion will be 15%.
- If the allocation is over $13.5 billion, the proportion will be 20%.

The SIIC made several decisions concerning the awarding of incentive funding. The SIIC decided that components that are “over-allocated” by more than 50%, even after applying a graduated reduction, will not be eligible for incentive funding. “Over-allocated” refers to components that will receive more funding than what the allocation formula provides. (“Over allocated” and “graduated reduction” are explained in an Aidspan paper, “The New Funding Model Allocation Methodology Explained,” available here; and in a GFO article here.)

The SIIC also decided that the amount of incentive funding available will be apportioned proportionately across each review window and, within each window, by country band according to the proportion of indicative funding for disease components eligible to receive incentive funding.

This is best explained by an example. Allocation periods last for three years. The Global Fund expects that there will be about four review windows each year – i.e. four times each year when the Technical Review Panel (TRP) will review proposals. Say, for example, that $1.5 billion is available for incentive funding for 2014–2016. If a given window is reviewing disease components eligible for incentive funding whose total indicative funding ceilings represent 10% of the total indicative funding allocated to all disease components eligible for incentive funding in 2014–2016, then 10% of the $1.5 billion for incentive funding – $150 million – will be apportioned to that review window. Then, the $150 million will be split among each of Bands 1–3 based on the proportion of indicative funding awarded to each band.

In addition, the SIIC decided that if there is any unused incentive funding left over for a particular band after all awards have been made for that band in a given review window, then the leftover funds may be apportioned to the same band in a subsequent review window and added to the resources for financing unfunded quality demand (UQD) when the resources available for UQD are determined. [Emphasis added]

Editor's Note: The "and" that is bolded and underscored in the above paragraph is confusing. How can unused incentive funding be handled in two different ways? But that is the way the SIIC decision is worded. Based on the contents of a paper prepared for the SIIC, Aidspan believes that the intent is to apportion leftover incentive funding to subsequent review period in the same year; but to apportion any incentive funding still left over at the end of the year to the UQD register. It is at the end of the year that the amount of resources for the UQD register is determined.

Managing unfunded quality demand

In 2012, the Global Fund Board decided that funding requests which are above the amount that can be financed by indicative and incentive funding, and which the TRP recommends as technically sound and strategically focused, will be added to a register of unfunded quality demand (UQD). The idea is that some of the UQD could be funded as more resources become available. The Board also decided that all UQD funding requests will be prioritised.

Earlier this year, the Board decided that additional resources that become available during the allocation period – including supplementary contributions from donors as well as accelerations in graduated reductions – will be used to fund the UQD; and that all bands will be eligible for funding from this register.

The SIIC made several decisions regarding the management of the UQD register. The SIIC decided that when funding requests are added to the register, they will remain in the register for up to three years. The SIIC also decided that funding requests in register may be financed by Global Fund resources or other sources.

In addition, the SIIC decided that funding requests in the register for disease components that receive funding at levels below their notional shares under the allocation formula will receive higher priority than funding requests for disease components that receive funding at levels above their notional shares. (This is another reference to over-allocated components, which is explained in an Aidspan paper, "The New Funding Model Allocation Methodology Explained," available here; and in a GFO article here. Because some components will be over-allocated compared to what the allocation formula says they should receive, other components, by necessity, will be under-allocated.)

The SIIC also decided that the amount of resources available to finance UQD will be determined by the Secretariat based on an annual financial assessment, and will be endorsed by the Finance and

Operational Performance Committee. The resources will be awarded across the entire grant portfolio based on the priority of funding requests in the register. This means that countries in all four bands will be eligible for UQD resources and that the resources will not be split initially among individual bands.

Further, the SIIC decided that funding requests in the register will be prioritised based on recommendations from the TRP and confirmed by the Secretariat.

Finally, the SIIC decided that the Secretariat will engage the TRP, as appropriate, to validate the continued technical soundness and strategic focus of funding requests in the register over the course of an allocation period.

Health systems strengthening

In the past, countries were given limited guidance concerning what would be considered eligible for funding under “health systems strengthening” (HSS). The SIIC decided that under the new funding model, HSS funding will focus on four specific functions of health systems: procurement and supply chain management, health management information systems, human resources for health, and service delivery.

Countries will be expected to undertake an analysis of their health system bottlenecks and to use this as the basis for prioritising their HSS funding requests.

TB/HIV collaboration

The SIIC decided that countries with high co-infection rates of TB and HIV shall submit a single concept note that presents integrated and joint programming for the two diseases, unless the Secretariat determines that extraordinary circumstances warrant separate concept note submissions; and that the Secretariat will facilitate the development these concept notes through the country dialogue process. (See GFO article on this topic here.)

Information for this article was taken from Board Document GF-B30-11, “Strategy, Investment and Impact Committee Decisions and Recommendations to the Board”; SIIC Document GF-SIIC09-06, “Management of Incentive Funding and Unfunded Quality Demand”; and SIIC Document GF-SIIC09-03, “Optimizing Global Fund Investments in Health Systems Strengthening.” Document GF-B30-11 should be available shortly at www.theglobalfund.org/en/board/meetings/thirtieth. Documents GF-SIIC09-03 and GF-SIIC09-06 are not available on the Global Fund website.

See also separate article, SIIC Approves Parameters for the Allocation Formula for 2014–2016.”

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