



Independent observer  
of the Global Fund

## EXPLANATION OF THE BROAD ELEMENTS OF THE NEW FUNDING MODEL ADOPTED BY THE BOARD

Editor's Note: This explanation of the broad elements of the new funding model is based on the decision point adopted by the Board. Not everything in the decision point is clear, so this explanation includes some interpretation by Aidspan. Readers are advised to check with the Global Fund Secretariat if they have questions.

As [reported](#) on GFO Live, at its meeting in Geneva on 13–14 September, the Global Fund Board approved the broad elements of a new funding model, the Fund's new approach to grant giving. The elements cover two main areas: (1) the manner and extent to which the Global Fund will pre-determine maximum funding amounts to be made available to different countries or groups of countries (what the Fund refers to as "allocation of available funding"); and (2) what the process will be for submitting applications and negotiating grant agreements.

The Board approved the broad elements "in principle." Further discussion concerning the details of the elements will take place over the coming weeks. By 15 October 2012, the Global Fund Secretariat will develop a detailed description of the proposed new funding model, based on the broad elements agreed by the Board. Then, the Board's Strategy, Investment and Impact Committee (SIIC) will discuss the Secretariat's draft, and revise it as necessary, before presenting a final version for approval at the November 2012 Board meeting. The Global Fund Secretariat informed GFO that the SIIC leadership and the Secretariat will be undertaking consultations between now and the November Board meeting. Information sessions will also be organised. The precise details for the consultations and the information sessions have not been worked out yet.

The broad elements adopted by the Board apply to applications from CCMs. However, some of the

elements may also apply to proposals from Non-CCMs and to regional proposals. Again, the details have not been worked out yet. The Secretariat told GFO that the Global Fund remains committed to investing in technically sound regional and non-CCM initiatives.

Below we describe each of the two main areas in the broad elements: (1) the determination of maximum funding amounts and (2) the process for submitting applications and negotiating grant agreements. Note: There is some overlap between the two areas.

### 1. Determination of maximum funding amounts

Under the broad elements of the new funding model approved by the Board, countries will be divided into groups referred to as “bands,” based on (a) each country’s disease burden and (b) each country’s ability to pay for programmes to prevent or treat the diseases (the latter refers to country per capita income levels). Available funding from the Global Fund will then be allocated to these bands in a manner that ensures that a higher proportion of funding will go to countries with the highest disease burden and the least ability to pay compared to other countries. When an allocation is made to a band of countries, it will cover all three diseases. The Global Fund Secretariat told GFO that the allocation to country bands is likely to be a fixed percentage of resources, and that any proposed change to these percentages would likely require a Board decision.

The methods for determining the number of bands, the composition of each band and the funding allocation for each band are being developed by the Secretariat. The methods will be refined as necessary by the SIIC and approved by the Board in November 2012.

Funding allocations to country bands will be divided into two streams: (1) a regular funding stream and (2) a separate (“incentive”) funding stream that will be available to countries with high-impact, well-performing programmes.

Before it determines the allocations to country bands, the Global Fund will do an allocation by disease, based on the historical split among diseases in the Fund’s portfolio. However, according to the Board decision, these allocations will only “inform the allocation of funding to bands” and will only be used “as global targets for the bands.” Countries will retain the flexibility to decide how much funding they request for each disease. The Global Fund Secretariat explained to GFO that the allocations to country bands require an implicit assumption concerning the overall portfolio split by disease. Hence, the need for an initial “indicative” allocation by disease.

Although historical data will be used initially to determine the allocation by disease, a better measure of financial need across the diseases will be used after one year. This measure has not yet been designed.

For both funding streams, it is envisaged that proposals from applicants will be based on national strategic plans or “investment cases.” The latter refers to situations where there is no national strategic plan and where applicants have to make a case for investing. The Board said that proposals should be “robust and ambitious.”

The Board decision states that a “meaningful” portion of the funding will be provided through the regular stream, and that a “substantial” portion would go towards the separate funding stream. However, the size of the split between these two portions has not yet been decided. The Board said that funding for the second stream needed to be substantial to ensure countries are motivated to provide the “full expression of their demand.” According to the Secretariat, the “full expression of demand” refers to the total of what an applicant could request the Global Fund to finance.

With respect to the regular funding stream, the Global Fund said that “indicative funding ranges” will be determined for each application. In other words, applicants will be given an approximate funding range

and told that their proposal should fit within the range. The funding ranges will be developed using the same formula employed to determine the allocations for bands, plus what the Global Fund calls “qualitative” criteria such as the availability of other funding sources, absorptive capacity, past programme performance, and how much funding is required to continue existing programmes.” Because the additional criteria are qualitative, they will not be part of the formula per se.

## 2. Process for submitting applications and negotiating grant agreements

As envisioned by the Global Fund Strategy 2012–2016, the broad elements of the new funding model require that applicants follow an inclusive, iterative process when designing proposals and applying for funding. Below, we describe this process.

**Country dialogue.** The application process will start with a “country dialogue” in which the Global Fund Secretariat takes part, along with all stakeholders. Where possible and appropriate, this dialogue should be based on a national strategic plan and should be guided by existing investment or disease-specific frameworks or other guides.

During the country dialogue stage, the Secretariat will inform the country what its indicative funding range is in order to guide the applicant in the preparation of its concept note (see next stage). At the same time, the Secretariat will inform the applicant whether it is eligible to apply for funds under the incentive funding stream that is allocated to each band of countries.

The Board decision states that certain applicants, such as those seeking funding for regional or non-CCM programmes, will be able to use a more project-focused application process.

**Concept note.** Based on the country dialogue, applicants will develop a single concept note per component – i.e. HIV, TB, malaria, health systems strengthening (HSS) – or one concept note covering two or more of the components for which they are applying. As before, community systems strengthening (CSS) activities can be built into any of the components. Also as before, HSS activities can be built into a disease component.

The concept note should be aligned with country planning cycles, should present a “full expression of demand” and should include sufficient and appropriate information to allow the Secretariat and the Technical Review Panel (TRP) to assess the proposed programme.

The broad elements state that the “appropriate information” submitted with the concept note should (a) include a comprehensive description of the applicant’s prioritised funding needs and sources to fully support its national strategic plan or project and explain how it fits into a broader health strategy; (b) identify any funding gaps, including a description of any activities which are not supported by present funding; (c) specify the full amount of funding that the applicant is requesting from the Global Fund, including a budget detailing the proposed use of such funding; and (d) describe how the Global Fund fits into, and participates in, inclusive country coordination. According to the Global Fund Secretariat, item (d) means that the applicant will be requested to explain how the Global Fund fits into the funding landscape with other donors supporting the disease or health strategy of the country, and how this is being coordinated in-country.

**TRP review.** After the concept note is submitted, the TRP will review it for technical soundness and strategic focus. The TRP will prioritise the interventions proposed in the concept note, using criteria yet to be established. The TRP will make a funding recommendation. If necessary, the TRP will recommend funding in two parts: (1) those interventions that can be funded within the indicative funding range; and (2) those interventions that exceed the indicative funding range. The TRP may also decide that the concept note should be returned to the applicants for further work. Technically, the TRP could recommend that a

concept note be rejected, but this would not happen unless the applicant had had several opportunities to improve the quality of the note (and had failed). The intent is to try to avoid “failed” applications.

The new funding model states that elements of concept notes that are recommended for funding by the TRP, but which cannot be funded within the resources available for a band of countries, will be funded as additional resources become available. However, this will not be an open-ended commitment; a time limit will be established.

Board approval. Finally, the Global Fund Secretariat will work with applicants to transform the TRP funding recommendations into disbursement-ready grant agreements. Where this process leads to material changes from the TRP recommendation, the Secretariat will seek further input from the TRP prior to finalising the grant agreement. When the agreement is finalised, the Board will approve the proposed grant amount.

The Board decision on the broad elements of the new funding model is included in the decisions point document posted at [www.theglobalfund.org/en/board/meetings/twentyseventh](http://www.theglobalfund.org/en/board/meetings/twentyseventh).

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