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WHY ALL THIS FUSS ABOUT THE NEW FUNDING MODEL? – A LOOK AT THE DIFFERENT PERSPECTIVES

At the recent Global Fund Board meeting, considerable discussion and energy was devoted to the design of the new funding model (NFM), particularly concerning the issue of how funding would be allocated. The discussions took place during the pre-meeting (12 September) and on both days of the Board meeting itself (13 and 14). Almost 12 hours had been set aside, and were taken, to discuss the new model. The end result was a decision that specified a pathway and the skeleton of a new model. Most observers of the process felt that while the end product is not perfect (a point nearly everyone at the meeting mentioned), it is an agreed compromise and it is progress.

Some of the details of the NFM are still under construction, so none of it is yet being implemented. And some of the concerns that have been expressed will still be around once the NFM is implemented. So it is useful to try to understand what these concerns are. To this end, this article describes the tensions between and within various groups. It is worth noting that positions taken at various times and on various aspects of the model occasionally shifted – i.e. it was not a case of the groups maintaining rigid positions.

Main concerns

The discussions centred around a paper on the NFM submitted to the Board by its Strategy, Investment and Impact Committee (SIIC). In many respects, the paper demonstrated wide agreement on what the NFM should look like. It was clear that the people who drafted the paper had listened to arguments that the NFM had to be responsive to the need for country ownership and had to provide more streamlined application and grant negotiation processes than existed previously.

Various concerns were raised by all constituencies represented at the meeting: developing and developed

country NGOs, communities of people living with or affected by the diseases, implementing countries, donor countries, foundations, private sector, and multilateral organisations. The main concern centred on two questions: Should the Fund impose limits (“funding ranges” in Global Fund parlance) on how much money each country can apply for? And if so, should the country be told what its funding range is before it prepares its application?

Within the paper that went to the Board before the meeting, there were three options for how these issues should be handled. These options – referred to as A, B and C – were the focus of much of the debate.

- Option A – At the start of the process, before a country writes its concept note, the Global Fund should inform the country of its “indicative” (i.e. suggested) funding range, the upper end of which would be the maximum amount that the Fund was willing to provide to that country. (The concept note is the first stage in the proposed application process, and is meant to be simpler than a “proposal” in the rounds-based system. Details concerning what is to be included in a concept note have not been worked out yet.) Option A allows for “rolling submission” of applications. This means that applications can be made at any time. However, the Technical Review Panel (TRP) may review applications only at set times during the year.

This option was supported by the Secretariat, some implementing countries and most donors. They favoured it on three grounds: (1) Having a rolling submission means applicants can apply when it suits their own planning schedules; (2) The Secretariat can manage the logistics of this process more efficiently than when funding deadlines are established (such as under the rounds-based system) because having funding deadlines results in large numbers of proposals having to be reviewed at one time; and (3) Many implementing countries wanted more certainty up front.

In addition, although this was rarely, if ever, stated openly, many donors supported this option because it provides a means for keeping total funding amounts – and pressures on donors – under control. For precisely the same reason, some others at the meeting, particularly NGOs, disliked this approach. Indeed, it was the rumours of this approach that led to the protest at the International AIDS Conference (2012) against “proposals to create ceilings or envelopes that cap countries’ ambitions when applying to the Global Fund.” (See [article](#) in GFO 191.)

- Option B – Inform a country of its indicative funding range after it has submitted its concept note but before that concept note evolves into a grant agreement.

In theory, this option allows countries to develop “bold” concept notes without being constrained by externally-imposed funding limits, but in practice it might inhibit applicants as they seek to “guess” the funding they might be permitted.

This option contained elements of both Option A and Option C that no one particularly liked. Concern was expressed that under Option B, applicants would feel they ought to prepare multiple scenarios and, therefore, multiple budgets. In addition, it was pointed out that for the Secretariat to know what the funding limit was for a particular country, but not to be allowed to share that information with the country at the outset, would create ethical dilemmas.

- Option C – Get countries in the same band to apply simultaneously, and “compete” for the funding available for that band.

This would require deadlines for submission of grants, and would increase the uncertainty concerning what amounts countries might receive. The Secretariat felt that this option would be the most difficult to administer.

The group that supported Option C (mostly the NGO and Communities delegations, and at least one

donor country) believed that because this option imposed funding limits on groups of countries but not on individual countries, it would allow individual countries to programme ambitiously and give “full expression of demand.” They felt that this option would not only retain the core Global Fund principle of demand-driven grants, but would also increase the chances that countries would include a focus on most-at-risk populations (MARPs) and other hard-to-reach populations.

None of the options were acceptable to all, so a compromise was reached in which everyone yielded some ground. The compromise, a hybrid of Options A and C, was introduced by an implementing country representative at a session held in the pre-meeting that was attended by Board members and alternates only (i.e. no other delegation members and no observers were present). The compromise (which could also be called a “best of both worlds” option) consisted of creating two funding 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. (See GFO [article](#) explaining the new funding model.)

One of the two main reasons that many participants, particularly NGOs, were so unhappy with the concept of imposing funding limits before proposals are written was that this could lead to a reduction in the involvement of NGOs as implementers of grants. It is widely believed that many CCMs are heavily dominated by the voices of government even when NGOs are present and voting. In an environment of limited funding, this dominance by government could, it was felt, reduce the chances of NGOs being able to play an effective role in (a) programmes for MARPs that governments don’t do, or don’t do well (e.g. harm reduction); (b) programmes designed to create a more supportive environment (e.g. human rights); (c) measures to strengthen the capacity of NGOs; and (d) certain prevention programmes that may be the first to go if treatment programmes cannot be fully or largely funded by Global Fund grants.

Those who argued for pre-determined funding limits either did not accept this argument or felt that by presenting no funding limits, the Global Fund would re-create many of the logistical and managerial problems – and, possibly, pressure on donors – that dogged the rounds-based system.

A further argument advanced by those who critiqued pre-determined funding limits was that setting limits up front would result in applicants not presenting proposals that reflected “a full expression of demand.” (This term was widely used. It meant, as a minimum, proposals that reflect the total of what an applicant might ask the Global Fund to finance. But, for some, the term meant more than that. It meant proposals that are very bold and cover everything that needs to be covered, including issues that governments are often reluctant to tackle.) The NGO and Communities delegations argued that limited funding could lead to sub-optimal programmes. They wanted countries to be motivated to submit comprehensive proposals designed to benefit all those at risk or infected, even if this required a queuing system where unfunded parts of proposals had to wait in line for available funding.

The compromise: The compromise centred around the inclusion of two funding streams in the model. The first (and largest) stream allows applicants to submit concept notes whenever they wish, and involves the applicants being told, before they begin writing the concept note, how much money is potentially available for their country. This is essentially Option A, so the Secretariat and others who supported this option felt they had what they wanted. The second “incentive” stream is designed to encourage the “full expression of demand” and to encourage strong programmes to do even better. While not Option C as originally proposed, this was accepted as a way to alleviate some of the NGO fears.

Other concerns

In addition to the main concern about how funding allocations were determined and communicated, some concern was expressed that grouping countries into “country bands” would reduce the chances of funding for small countries – especially those with relatively high incomes and concentrated HIV epidemics, including in the Caribbean, the Pacific Islands, much of Eastern Europe, and parts of the Middle East and

Latin America. Conciliatory language was used during the discussions to reassure these countries that they would be put into a special band, or that their cases will be considered for special project or regional funding.

One problem that became apparent at the Board meeting was the limited communication between the SIIC/Secretariat and a broad spectrum of NGOs from developing countries. The SIIC has no representative from the developing country NGO delegation. In general, NGOs in developing countries felt left out of the discussions that produced the options paper that went to the Board. It was clear that mechanisms to engage many of the delegations who were not members of the SIIC had failed. This may have been due to (a) inadequate communications by the Secretariat, or (b) inadequate communications from the representatives on the SIIC to the other Board groups; or (c) both. Whatever the cause, it resulted in much scrambling before the Board meeting as people attempted to understand what was being proposed and the implications of those proposals.

A number of people, including some representatives from civil society, implementing countries and donor countries, were also concerned that despite promises that the application process under the new funding model would be much simpler than the process used in the rounds-based system, the concept note (new model) runs the risk of being every bit as complicated as the proposals (old system). The SIIC provided verbal assurances that the system was being designed to be simpler and faster, but doubts persisted. As one developing country NGO delegate put it, “Is the TRP being doubled to enable it to formally review several editions of the same proposal?”

This debate is part of a much broader conversation across the globe about the roles, responsibilities and capacities of civil society organisations in the provision of health care and the prevention of disease. The debate is also about trust between many governments and the NGO sector in their countries, which is still in somewhat short supply.

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