

The Global Fund to Fight AIDS, Tuberculosis and Malaria
Fourth Replenishment (2014-2016)

The Global Fund's New Funding Model

Introduction

1. At the end of 2011, the Global Fund Board embraced an ambitious program to transform operations of the Global Fund. In order to adapt to a new economic reality, new technologies, scientific advances and a better understanding of epidemiological patterns, the Global Fund needed to make changes, and move past emergency solutions toward sustainable programs. Fundamental to the Global Fund's transformation was the development and implementation of a new funding model, one of the main elements in the Global Fund's Strategy 2012-2016, adopted by the Board. The ultimate objective is to enhance the Global Fund's ability to support strategically focused programs that have a greater and more sustainable impact in the fight against AIDS, tuberculosis (TB) and malaria.

The Global Fund Strategy 2012-2016 and the New Funding Model

2. The Global Fund Strategy 2012-2016 sets out ambitious targets and focuses on the highest-impact interventions targeted at the key drivers of the epidemics and at the most vulnerable populations; bases funding on high-quality, country-owned national strategies; and strives to maximize the impact of Global Fund investments by working with all partners to strengthen health systems and improving the health of mothers and children.² Annex 1 provides an overview of the Global Fund Strategy 2012-2016, including its overall goals and the five strategic objectives that guide the Global Fund's work going forward.

3. The new funding model is critically important to the implementation of the Global Fund strategy. It has been designed to help the Global Fund invest resources more strategically, draw on partnerships to increase the quality of the programs it supports and incorporate lessons learned from the previous rounds-based system of funding. The new funding model enables the Global Fund, among other things, to:

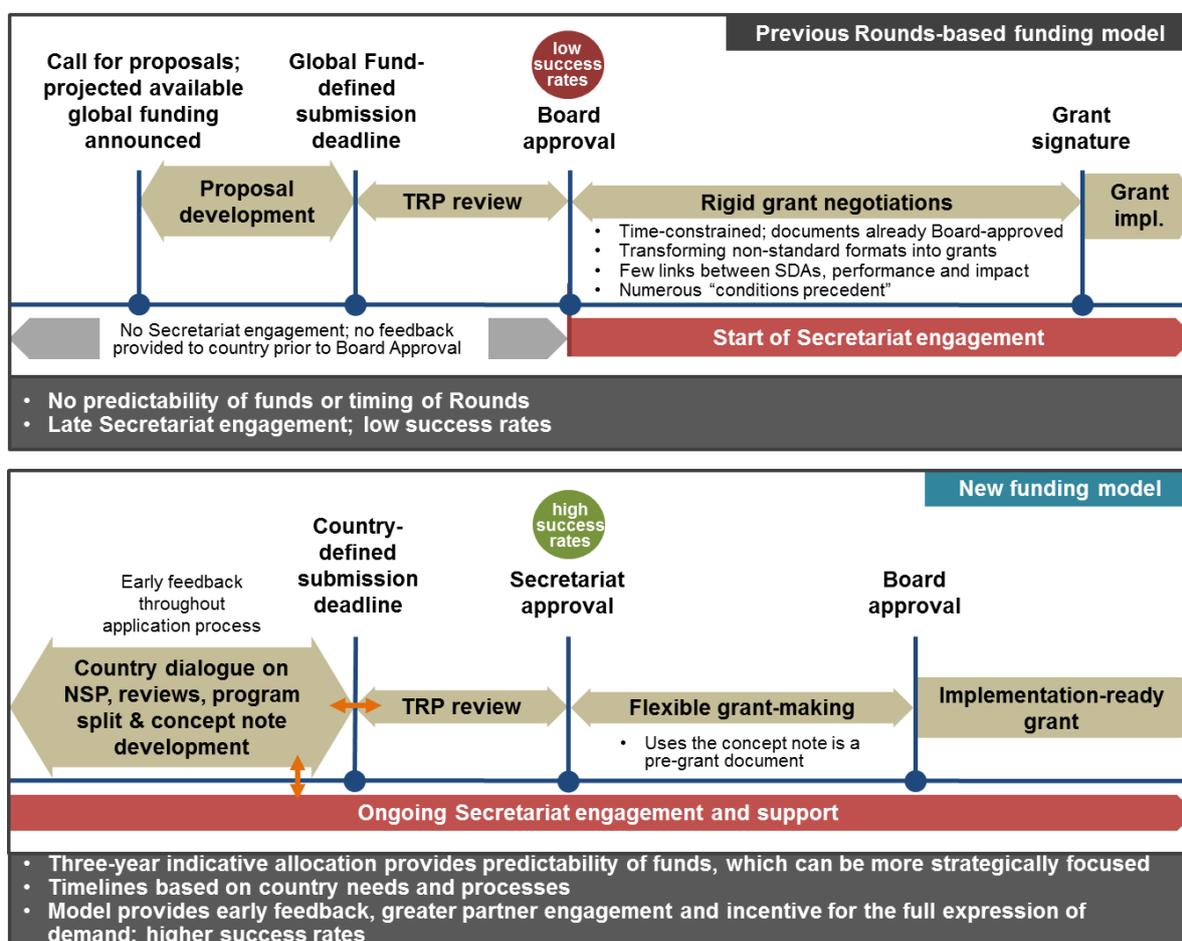
- Establish a more cooperative and iterative process in terms of the interactions between the Secretariat and implementers, partners and other donors;
- Leverage more effectively the funding and expertise of other organizations;
- Create processes that are more flexible, and more aligned with the priorities and strategic direction of those who implement grants;
- Allow the Board to re-balance and give strategic direction to the organization's portfolio of investments;
- Focus funding on those countries with the highest needs and least ability to pay, while remaining global, and supporting the highest-impact interventions;
- Increase the Global Fund's ability to support national programs, and continue to accommodate specific circumstances where project support is most appropriate;

² The Global Fund Strategy 2012-2016: Investing for Impact, The Global Fund, 2011, Geneva. (http://www.theglobalfund.org/documents/core/strategies/Core_GlobalFund_Strategy_en/)

- Provide incentives for both the creation of robust national disease and/or health-sector strategies (national strategies) and investment cases, as well as the full expression of an applicant's quality demand.

4. The new model represents a shift in the way the Global Fund works and changes the way implementers access funding, turn funding requests into implementation-ready grants and then manage these grants. Figure 1, below, shows the main differences between the “round-based” system and the new funding model process and Table 1 summarizes the key features of the new model.

Figure 1. Comparison of the “Rounds-based” Access to Funding Process and the New Funding Model



5. The foundation of the new approach is the way the Global Fund manages and apportions available resources. In the new model, countries will have access to two streams of funding. The larger and more-predictable one is the indicative funding stream (“indicative funding”) apportioned according to a Board-approved allocation methodology that is based on disease burden and “ability to pay”. Countries will be informed of the indicative funding range early in the process so that they can develop their requests to the Global Fund to meet their prioritized needs. The second one is a competitive stream (“incentive funding”) meant to reward ambitious, high-quality expressions of full demand that go beyond the indicative funding and/or to leverage financing at the country level. Through the two funding streams, the new funding model aims to provide countries with more flexibility around when they apply for funds, as well as more predictability on the level of funding available, while still encouraging countries to clearly express how much funding they need and are able to effectively utilize to treat and prevent AIDS, TB and malaria.

6. The new model also radically changes the way the Global Fund engages with partners and implementers. Through strengthened country dialogue, each country will need to engage a diversity of partners and stakeholders, including the Global Fund, to strengthen national strategies through a holistic, programmatic approach. As part of ongoing strategic dialogue, countries are expected bring together a range of stakeholders, including key affected populations and people living with the diseases, to discuss strategies to combat the main drivers of the diseases, decide on the most appropriate interventions and on the right timing for implementing them. Different to the “rounds-based” system, the new model is predicated on early engagement, feedback and guidance to identify the key epidemic drivers and the appropriate interventions to ensure that donor funds achieve maximum impact. In the new model, the Global Fund and its partners share the responsibility for the successful implementation of programs with implementers. Finally, the new funding model tailors the way grants are managed to specific country needs. Going forward, the Global Fund will adopt a risk-differentiated approach to grant management; implement annual disbursements for most grants; and apply a cross-organizational assurance framework with ongoing monitoring, moving away from the one-size-fits-all approach of the earlier days.

7. Through the changes described above, the Global Fund strives to ensure that its financing is targeted to the most critical interventions, thus achieving the highest sustainable impact.

Table 1. Key Features of the New Funding Model

Flexible timeline	Eligible countries may apply whenever desired during the three- year allocation period so that funding can be aligned with national budgeting cycles and country-specific demands.
Simplicity of the funding application process	Eligible countries are encouraged to base their request to the Global Fund on their national strategy or investment case. A streamlined concept note, developed through multipartner consultations, will be used to present the request to the Global Fund.
Predictability of overall process	Early feedback aims to ensure general agreement on the strategic direction of the program/project, to reduce waiting time and to improve the overall success rates of applications. Early discussion of indicative funding provides more predictability.
Improved predictability of level of funding	<p>Instead of the "rounds-based" system where countries competed for funds, applicants know how much funding they may receive for indicative funding and compete only for incentive funding.</p> <ul style="list-style-type: none">• Indicative funding: An indicative funding amount is derived from an allocation formula for each country and communicated to applicants at the start of the three-year period.• Incentive funding: A separate reserve of funding will reward high-impact, well-performing programs and encourage ambitious requests.• Unfunded quality demand: Countries are strongly encouraged to submit ambitious concept notes. Funding requested through a concept note which is considered technically sound by the Technical Review Panel but above the funding amount available (indicative funding and any additional incentive funding awarded) is registered for possible funding by the Global Fund or other donors if and when new resources become available.
Focus on high disease burden and low resources	The new model allows the Global Fund to focus on countries with the highest disease burden and least ability to pay while still retaining the Global Fund's global reach.
Enhanced engagement	The Global Fund Secretariat engages more proactively in ongoing country-level dialogue, and provides early feedback prior to Board approval of grants.

Implementation of the New Funding Model

8. At the end of 2012, the Board approved some of the core elements and decided to launch the new funding model. The Board further decided to invest a portion of currently available uncommitted assets, as determined by the Finance and Operational Performance Committee, to allow some countries to access new funds during a transition phase. During the transition, all eligible recipients of Global Fund grants will start to implement some elements of the new model ahead of its full launch in 2014.

9. The main objective of the transition is to ensure that the available resources go to the countries that are most in need as rapidly as possible. To this end, the Secretariat selected a number of country disease programs to participate based on the following Board-mandated criteria: countries that are either positioned to achieve rapid impact; face potential service interruptions and/or currently receive less than they would under the new funding model's allocation principles.³ Selected countries will access funding either as "early applicants" or as "interim applicants". "Early applicants" are eligible for new funding during the transition and will use the full new funding model process, including submitting and developing a concept note, and may apply for incentive funding during the transition. "Interim applicants" will receive funding through existing mechanisms and will therefore experience some elements of the new funding model during the transition, such as country dialogue, but will not write a concept note or create a new grant.

10. At the beginning of 2013, the Secretariat completed the preparation for the transition to the new funding model by training its country teams, developing application and guidance materials for the first steps of the new funding model, and putting in place a monitoring system. On 28 February and 1 March 2013, the Secretariat informed the selected Country Coordinating Mechanisms of the new funding model and of the potential funding available for them. Up to US\$ 1.9 billion of funds will be invested in 50 countries and four regional programs during this period, in 2013 and 2014, on top of the existing portfolio of grants. Annex 2 lists the country disease programs and regional initiatives that have been selected to be part of the transition as well as the amount of funding that is allocated to each of them.

11. Three of the "early applicants" - Myanmar, Zimbabwe and El Salvador - are planning to submit concept notes for Technical Review Panel review in April and hope to have grants signed by the June 2013 Board Meeting. The other early applicants - Kazakhstan, the Philippines, the Democratic Republic of Congo and the regional initiatives - have indicated submission dates for concept notes in September with expected grant signature by year's end. The majority of the "interim applicants" are already in discussions with the Secretariat on the specific mechanisms to use and the appropriate timing of submission of their funding request during the transition. Most "interim applicants" are expected to access the additional

³ As set out in Decision Point [GF/B28/DP5](#), the allocation of funding to countries eligible to access funds during the transition is determined by the Secretariat based on the principles approved by the Board for indicative funding ranges in [GF/B28/DP4](#) as adjusted by qualitative criteria and informed by the extent to which each country is "underfunded". The Strategy, Investment and Impact Committee assessed and approved the indicators used in the allocation formula prior to the launch of the transition, as requested by the Board.

funds either as supplements to a grant renewal (at the time of their Phase 2 or periodic review) or as an extension of an ending grant.

12. The rapid implementation of some of the elements of the new model has provided the Secretariat with early lessons learned. Implementers appreciate the increased dialogue and engagement with the Secretariat that allows for a more flexible and responsive management of the grants, including a more proactive approach to reprogramming of funds. The new model also encourages increased involvement of in-country technical partners from the inception of a program. In line with the Global Fund's commitment to working as a learning institution, this year offers a special opportunity for the Secretariat, countries and partners to learn and adapt. It also offers opportunities for all implementers, not only those that have been invited to access funds in 2013, to strengthen national health and disease strategies, identify programmatic and funding gaps, and cost their full expressions of demand in preparation for funding available from 2014.

The New Funding Model Requires Substantial Levels of Investment

13. In preparation for the Fourth Replenishment, the Global Fund and its partners have worked together to estimate the global funding need for the three diseases and for the associated health and community systems strengthening. If internationally set targets are to be reached and in order to keep countries on a sustainable path towards controlling the three diseases, substantial resources are required. The Global Fund's new funding model has been designed specifically to allow the Global Fund to efficiently transfer such levels of funding for the three diseases to where it is most needed.

14. The key features of the model should substantially facilitate how countries access and effectively utilize funds, and improve how the Global Fund manages and evaluates the impact of Global Fund programs. However, the level of predictability of funding which is needed for the new funding model to work effectively can only be provided to the extent that traditional and new donors are in a position to commit to providing substantial resources in the most predictable manner possible.

15. The Global Fund has taken measures to be able to fight HIV, TB and malaria in a more sustainable manner by adopting a new strategy that, inter alia, improves its funding process. These measures are necessary but are not sufficient. The Global Fund needs a successful replenishment for 2014-2016 in order for the global community to accelerate progress made and scale up our efforts against HIV and AIDS, TB and malaria, and sustain the gains we have achieved in the last decade.

INVESTING FOR IMPACT

The Global Fund Strategy 2012-2016

The fight against the three pandemics is at a crucial juncture. The world faces a stark choice between losing momentum or maintaining and accelerating the progress made to date. The Global Fund is an essential partner in this battle. By virtue of its scale and its track record, the focus and priorities the Global Fund decides to adopt for the next five years will make a fundamental difference.

In its 2012-2016 Strategy, the Global Fund commits to working with countries and partners, and to transforming itself in order to sustain and accelerate existing gains and contribute to ambitious international goals. In order to achieve this, the Global Fund will invest strategically in areas with high potential for impact and strong value for money. This strategy will transform the Global Fund into the most effective vehicle for investing in impact.

This document presents the framework the Global Fund has committed to; for a copy of the full Global Fund Strategy 2012-2016, please visit the website at www.theglobalfund.org.

STRATEGIC FRAMEWORK	
Strategic Vision	A world free of the burden of HIV/AIDS, tuberculosis and malaria with better health for all.
Strategic Mission	To attract, manage and disburse additional resources to make a sustainable and significant contribution in the fight against AIDS, tuberculosis and malaria in countries in need, and contributing to poverty reduction as part of the Millennium Development Goals
Guiding Principles	<ul style="list-style-type: none"> • Being a financing instrument • Additionality • Sustainability • Country ownership • Multisectoral engagement • Partnership • Integrated, balanced approach • Promoting human right to health • Performance-based funding • Good value for money • Effectiveness and efficiency • Transparency and accountability
Goals	10 million lives saved ¹ over 2012-2016 140-180 million new infections prevented over 2012-2016

		Global Plan	Global Fund Leading Targets for 2016	Indicators for Other Selected Services
Targets² (2016)	HIV	UNAIDS 2011 Investment Framework and UNGASS Declaration June 2011	7.3 million people alive on ARVs	<ul style="list-style-type: none"> • Prevention of mother-to-child transmission (PMTCT): ARV prophylaxis and/or treatment • HIV testing and counseling • Prevention services for most-at-risk populations • Male circumcision
	Tuberculosis	Global Plan to Stop TB 2011-2015	4.6 million DOTS* treatments (annual) 21 million DOTS* treatments over 2012-2016	<ul style="list-style-type: none"> • HIV co-infected TB patients enrolled on ARVs • Multidrug-resistant TB treatments
	Malaria	Roll Back Malaria Global Malaria Action Plan 2008 and May 2011 updated goals and targets	90 million long-lasting insecticidal nets distributed (annual) 390 million long-lasting insecticidal nets distributed over 2012-2016	<ul style="list-style-type: none"> • Houses sprayed with indoor residual spraying • Diagnoses with rapid diagnostic tests • Courses of artemisinin-based combination therapy (ACT) administered to confirmed malaria cases

1. Based on impact of provision of ARV, DOTS* and long-lasting insecticidal nets using methodology agreed with partners.

2. Targets refer to service levels to be achieved in low- and middle-income countries.

Note: Goals and targets are based on results from Global Fund-supported programs which may also be funded by other sources; targets are dependent on resource levels.

*the basic package that underpins the Stop TB strategy

Strategic Objectives	1 INVEST Invest More Strategically	2 EVOLVE Evolve the Funding Model	3 IMPLEMENT Actively Support Grant Implementation Success	4 PROMOTE Promote And Protect Human Rights	5 SUSTAIN Sustain the Gains, Mobilize Resources
Strategic Actions	<p>1.1 Focus on the highest-impact countries, interventions and populations while keeping the Global Fund global</p> <p>1.2 Fund based on quality national strategies and through national systems</p> <p>1.3 Maximize the impact of Global Fund investments on strengthening health systems</p> <p>1.4 Maximize the impact of Global Fund investments on improving the health of mothers and children</p>	<p>2.1 Replace the rounds-based funding system with a more flexible and effective model</p> <ul style="list-style-type: none"> • <i>Iterative, dialogue-based application</i> • <i>Early preparation of implementation</i> • <i>More flexible, predictable funding opportunities</i> <p>2.2 Facilitate the strategic refocusing of existing investments</p>	<p>3.1 Actively manage grants based on impact, value for money and risk</p> <p>3.2 Enhance the quality and efficiency of grant implementation</p> <p>3.3 Make partnerships work to improve grant implementation</p>	<p>4.1 Ensure that the Global Fund does not support programs that infringe human rights</p> <p>4.2 Increase investments in programs that address human rights-related barriers to access</p> <p>4.3 Integrate human rights considerations throughout the grant cycle</p>	<p>5.1 Increase the sustainability of Global Fund-supported programs</p> <p>5.2 Attract additional funding from current and new sources</p>
Strategic Enablers	Enhance partnerships to deliver results				
	Transform to improve Global Fund governance, operations and fiduciary controls				

Annex 2: Implementing the Transition to the New Funding Model

The following table shows how funds in the transition to the new funding model have been allocated across the invited participants for the transition period and beyond:

Funding split	Amounts for the transition period 2013-2014 (US\$ million)	Additional amounts for the 2015-2016 period (US\$ million)	Total
Early applicant countries	248	288	537
Incentive funding	29	58	87
Early applicant regional initiatives	116		116
Interim applicants	1,507		1,507
Total	1,900	346	2,246
	(As approved by Finance and Operational Performance Committee, subject to revision)	(Subject to available funding in 2014-2016)	

Countries participating as early applicants that will undergo the full new funding model are listed in the table below.

Disease Component	Country	Indicative funding from uncommitted funds (US\$ million)
HIV	Congo (Democratic Republic)	82
HIV	El Salvador	7.3
TB	Kazakhstan	11
HIV	Myanmar	11
Malaria		11
TB		8
TB	Philippines	11
HIV	Zimbabwe	107
Total		248

Regional programs participating as early applicants that will undergo the full new funding model are listed in the table below.

Disease Component	Regional Initiative	Total indicative funding (US\$ million)
Malaria	Regional Artemisinin Resistance Initiative	100
HIV	Eurasian Harm Reduction Network	6
Malaria	Regional Malaria Elimination Initiative in Mesoamerica and Hispaniola	10
Total		116

The table below lists interim applicants in the transition to the new funding model.

Country	Interim HIV Programs (US\$ millions)	Interim TB Programs (US\$ millions)	Interim Malaria Programs (US\$ millions)	Total Indicative Funding (US\$ millions)
Albania	0.1			0.1
Bangladesh		4		4
Belarus		1		1
Benin		2		2
Burundi			2	2
Cambodia		3		3
Cameroon	81			81
Chad			5	5
Congo (Democratic Republic)			85	85
Côte d'Ivoire			69	69
Dominican Republic		3		3
Egypt		3		3
Ethiopia		9		9
Ghana	15			15
India	19			19
Indonesia		1.4	21.2	23
Jamaica	3			3
Kenya	53	13		66
Kosovo	0.3			0.3
Lesotho	25			25
Malawi	115		5	120
Moldova	8			8
Mongolia	0.3			0.3
Mozambique	138	27	13	178
Multicountry Western Pacific	5			5
Nepal	2			2
Nicaragua		3		3
Niger	1		19	20
Nigeria	122		167	288
Pakistan		8		8
Papua New Guinea		13		13
Philippines	4			4
Russian Federation	5			5
Rwanda			6	6
Solomon Islands		1		1
South Africa	37	55		92
Sri Lanka		3		3
Sudan			7	7
Suriname			0.3	0.3
Swaziland			0.3	0.3
Tanzania (United Republic)	51	12	114	176

Country	Interim HIV Programs (US\$ millions)	Interim TB Programs (US\$ millions)	Interim Malaria Programs (US\$ millions)	Total Indicative Funding (US\$ millions)
Thailand	3			3
Togo	12			12
Uganda	120			119
Viet Nam		7		7
Yemen			4	4
Zambia		3	2	5
Zimbabwe		5		5
Total	814	174	519	1,507

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