Independent observer
of the Global Fund

Understanding the New Funding Model

An Aidspan Guide

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P.O. Box 66869–00800, Nairobi, Kenya

TEL +254 (0) 774 135 984 **EMAIL** info@aidspan.org

www.aidspan.org

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Preface

Aidspan (www.aidspan.org) is an international NGO based in Nairobi, Kenya, whose mission is to reinforce the effectiveness of the Global Fund. Aidspan performs this mission by serving as an independent observer of the Fund and by providing services that can benefit all countries wishing to obtain and make effective use of Global Fund financing.

This guide is one of several Aidspan publications available at www.aidspan.org/page/guides-global-fund and www.aidspan.org/page/research. Publications released over the past 16 months by Aidspan include:

- *Options for Reforming the Global Fund Board (April 2014)*
- *A Beginner's Guide to the Global Fund – 3rd Edition (2013)*
- *Conflict of Interest in Country Coordination Mechanisms: An Aidspan Survey (January 2014)*
- *Procurement Cost Trends for Global Fund Commodities: Analysis of Trends for Selected Commodities 2005–2012 (April 2013)*
- *Global Fund Principal Recipient Survey: An Assessment of Opinions and Experiences of Principal Recipients (April 2013)*

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Author and acknowledgements

This guide was written by David Garmaise (david.garmaise@aidspan.org), Aidspan's senior analyst.

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1.0 Introduction

The new funding model (NFM) represents a significant departure from the way the Global Fund did business under the rounds-based system that it replaces. The purpose of "Understanding the New Funding Model: An Aidspan Guide" is to describe in plain language how the NFM works. Some aspects of the NFM are very complex, so writing about them in plain language is challenging.

The target audience for this guide is anyone in the Global Fund universe who wants to gain a better understanding of the NFM.

Important caveat: This guide uses a narrower definition of "new funding model" than the Global Fund itself uses. This guide focuses on the process of applying for funding, including initial preparations, the country dialogue, the development and review of concept notes, the grant-making process and the signing of the grant agreement papers. The Global Fund often places other aspects of its operations under the NFM umbrella, aspects such as simplified grant implementation procedures, changes in the requirements for country coordinating mechanisms, new financial systems, and new risk management systems.

This guide describes the NFM processes for the 2014–2016 allocation period. The process for future allocation periods will be similar but not identical. One reason for this is that there are provisions unique to the 2014–2106 period because of the transition from the rounds-based system of funding. Another reason is that the Global Fund will be evaluating the process used for 2014–2016 and will likely make some changes to the model for future allocation periods.

Contents of this guide

Following this introductory chapter, **Chapter 2** explains the origins and philosophy of the NFM. In **Chapter 3**, we provide an overview of the NFM process – i.e. a brief summary of the contents of this entire guide. The Global Fund's new eligibility criteria are described in **Chapter 4**.

Chapter 5 contains a description of the methodology the Global Fund uses to determine the allocations to countries under the NFM. The detailed calculations involved in the methodology are explained in Annex 2.

In **Chapter 6**, we describe the dialogue that takes place at country level. **Chapter 7** contains an explanation of the concept note development process. The country dialogue and the concept note development are core features of the NFM.

Chapter 8 contains information on the submission of single TB-HIV concept notes (a requirement for a number of countries that have high TB-HIV co-infection rates). The process for regional and multi-country applications is explained in **Chapter 9**. In **Chapter 10,** we describe the requirements for non-CCM applications.

The information on grant-making in **Chapter 11** is of interest to all applicants. The chapter describes the processes involved in translating the final concept note into disbursement-ready grants for Board approval.

Chapter 12 explains the process of Board approval of the concept notes and the signing of the grant agreement papers. **Chapters 13 and 14**, respectively, describe the process for managing incentive funding and the register of unfunded quality demand.

In **Chapter 15**, we describe the special initiatives approved by the Global Fund for 2014–2016. **Chapter 16** provides a brief explanation of the Global Fund's new online grant management platform.

Chapter 17 contains a description of the special transition provisions that have been put in place for the first allocation period under the NFM (2014–2016).

Annex 1 contains a description of the Global Fund's disease burden categories.

Annex 2 describes in detail the steps involved in the application of the allocation methodology. The annex is quite technical, reflecting the complexity of the methodology.

In **Annex 3**, we explain the concept of "graduated reductions" and how the reductions are calculated.

Annex 4 contains a description of how certain qualitative factors are applied prior to determining base allocations for countries in Bands 1–3.

Finally, **Annex 5** contains three case studies of the country dialogue and concept note development processes.

Terminology

In this guide, "base allocation" refers to the allocation provided to countries before any incentive funding is awarded. The Global Fund used to refer to this as an "indicative allocation". However, the Fund decided to discontinue the use of "indicative" in this context. Now, the Fund now uses simply "allocation" or "allocation amount." Because the word "allocation" can refer to different things in the context of the NFM, we have chosen to go with "base allocation". We also use the term "base funding amount"; it means the same thing.

When the term "notional" is used to refer to an allocation, it means that the amount has not been finalised yet and is subject to adjustment.

A funding request may have up to four "components" – one for each disease and one for cross-cutting health systems strengthening initiatives.

"Programme" refers to the entirety of the funding request for a given component. It is also used in the context of a national programme for a disease.

"Element" refers to a self-contained portion of a funding request for a given component; thus, a funding request will usually contain several elements.

"Income/burden formula" refers to the formula used by the Global Fund to determine the allocation for each country.

Sources

Two Global Fund publications, in particular, were used as sources throughout this guide:

- "Resource Book for Applicants: The Global Fund's New Funding Model"; and
- "Overview of the Allocation Methodology (2014–2016: The Global Fund's New Funding Model," published by the Global Fund

Both publications are available here.

Other sources included the Global Fund website, Global Fund Board decisions, papers prepared for the Board over the last year and information provided by Secretariat staff.

2.0 Origins and philosophy of the new funding model

This chapter explains the origin of the new funding model as well as its main attributes.

The new funding model (NFM) was born out of necessity, out of a desire to correct what were perceived as deficiencies in the rounds-based system for awarding grants, and out of what was seen as an opportunity to improve the Global Fund's impact.

The necessity refers to the impact of the global economic downturn that started in 2008. It became harder to raise money. At the same time, it became apparent that the Global Fund did not have the resources to fund all of the demand coming from countries, and that a system to allocate resources in a fair manner needed to be developed.

Under the rounds-based system, the Global Fund awarded funding based on the quality of individual proposals, with less consideration being given to the broader impact of awards on its portfolio. As a result, funding was not always targeted towards countries with the highest disease burden and least ability to pay. Some countries received more, sometimes way more, than what might be considered their "fair share"; others received less.

One of the main attributes of the NFM is improved predictability of funding. When they apply for funding, countries know how much money they are entitled to receive. (Countries are also able to compete for additional "incentive" funding.)

Another important attribute is that country dialogues under the NFM provide greater involvement of stakeholders in the application and grant-making processes, and better communication, and hence understanding, between the Global Fund Secretariat and country stakeholders.

Other attributes of the NFM include:

- **Flexible timelines**. Countries can apply at any time during each three-year allocation period.
- **Streamlined processes.** The process of moving from an application to a signed grant is smoother and shorter than it was under the rounds-based system.
- **Rewards for ambition.** The NFM encourages countries to submit ambitious proposals (sometimes referred to as a "full expression of demand").

Finally, through an iterative process for the preparation and review of concept notes (i.e. proposals), the NFM will result in a much higher success rate for proposals. In fact, the Global Fund is aiming for a 100% approval rate. This compares to approval rates under the rounds-based system of about 50% on average. The increased approval rate, along with measures the Fund is taking to strengthen the content of proposals, should result in programmes financed by the Fund having a bigger impact on the HIV, TB and malaria epidemics, and on the health systems needed to control the epidemics.

3.0 Overview of the NFM process

This chapter provides a brief overview of the new funding model process.

Under the NFM, funding is awarded for an allocation period. The length of each allocation period is three years, aligned with the Global Fund's three-year replenishment cycle. At the beginning of an allocation period, the Fund determines how much funding is available for the entire period, and allocates most of this money to countries based on an allocation formula. Some money is placed in an incentive stream; countries may compete for this funding. Some money is used to pay the Fund's operating expenses; and some money is reserved for regional proposals and special initiatives.

Applicants may apply for their funding at any time during the three-year period. The standard length of a grant under the new model will be three years. If circumstances warrant, the Secretariat has the flexibility to shorten or moderately extend the length of the grant.

To make it easier to describe how the NFM works, we have split the description into three main parts: (1) the allocations process; (2) the applications process; and (3) grant-making. Note that there is considerable overlap among the parts.

Allocations process

Countries are assigned to one of four bands:

BAND 1 Lower income High burden	**BAND 3** Higher income High burden
BAND 2 Lower income Low burden	**BAND 4** Higher income Low burden

An allocation methodology is used to determine the funding allocations for each of the countries in Band 1–3. Countries in Band 4 (higher income, low burden) are countries with concentrated epidemics in key affected populations such as sex workers, prisoners, immigrants, migrants, children, injecting drug users and men who have sex with men. There is a separate allocation methodology for Band 4 countries.

Countries are encouraged to submit "ambitious" concept notes, meaning they should apply for more than just the "base" allocation they have been given. Countries are asked to indicate which portion of their request covers the base allocation and which portion is "above" the base allocation. Countries are also asked to prioritise the elements in their concept notes.

Some of the elements in a country's above-base-allocation funding request may be funded through the incentive stream. Bands 1, 2 and 3 will each have a pool of incentive money for which countries can compete. There are up to four "windows" each year when concept notes are reviewed.

Any elements that are not funded through the base allocation or the incentive stream, and that the Technical Review Panel (TRP) has deemed to be technically sound and strategically focused, may be placed in a register of "unfunded quality demand." These may be funded if more money is raised. These elements may also be funded by donors other than the Fund.

Applications process

As with the rounds-based system, most applications will be submitted by country coordinating mechanisms (CCMs). Most CCMs may apply for up to four components: HIV, TB, malaria and health systems strengthening. A country may submit only one concept note per component per allocation period, but the concept notes don't all have to be submitted at the same time. A country may submit a single concept note covering all components.

Countries with high HIV-TB co-infection rates must submit a single HIV-TB concept note rather than separate ones for HIV and TB. For 2014–2016, there are 38 such countries.

Under the NFM, the development of the concept note (or notes) starts with a "country dialogue" in which country teams from the Global Fund Secretariat take part, along with all stakeholders. The Global Fund considers the country dialogue to be an ongoing process, one that is not tied specifically to the development of the concept note. However, it is expected that when the process of concept note development starts, a country dialogue "event" (or similar process) will be organised to provide all stakeholders an opportunity to discuss the state of the response to the disease in question (or the state of the health systems); to identify gaps in the response; and to propose initiatives for inclusion in the concept note.

The discussion begun by the "event" or similar process should continue while the concept note is finalised and reviewed. It should also continue during the grant-making phase.

Following the country dialogue event, the CCM begins preparing the concept note. As the note is being developed, there are opportunities for the CCM to get feedback from the Global Fund Secretariat, mainly from and via the country teams.

In the NFM transition phase, in 2013, early applicants were given the opportunity to obtain feedback from the TRP twice – on an initial draft of their concept note and on the final draft. In the full rollout, the TRP will only comment on the final draft. However, because the TRP will be conducting formal reviews up to four times a year, there may be occasions where the TRP reviews a concept note in one window, recommends some re-drafting, and reviews a revised concept note in the next window.

The "back and forth" process involving the applicant and (a) the country teams and (b) the TRP is designed to produce strong concept notes that the Board is likely to agree to fund.

Once the final concept note is submitted, the Global Fund Secretariat reviews it for completeness. Then the TRP assesses the concept note for technical soundness and strategic focus. The TRP may recommend adjustments to the note, may ask for clarifications and may recommend the note be returned to the applicant for further work.

Once its assessment is complete, the TRP recommends whether the concept note should move to the next stage (grant-making). At the same time, the TRP prioritises the different

elements in the concept note, including those elements that exceed what can be funded through the base allocation the country received. This prioritisation serves two purposes: (a) it allows the TRP to recommend which elements above the base allocation should receive funding from the incentive pool; and (b) it enables the Global Fund to determine which elements not funded through either the base allocation or the incentive pool should be placed in a register of "unfunded quality demand" to be funded as more money is raised.

If the TRP recommends a concept note proceed to grant-making, the note is sent to the Grant Approvals Committee (GAC)[1] in the Global Fund Secretariat for an additional review; to recommend an upper-ceiling for the base allocation; and to recommend whether any incentive funding should be awarded. The GAC will consider the TRP's recommendations for adjustments to the concept note and may add recommendations of its own.

Grant-making

Grant-making is the process of translating the funding request, including recommendations from the TRP and the GAC, into disbursement-ready grants for Board approval and grant agreement signing. Recommendations from the TRP and the GAC are discussed with applicants.

A number of things happen during grant-making, including (a) an assessment of the capacity of the nominated principal recipients; (b) an assessment of the implementation arrangements; (c) preparation of a final budget and performance template; and (d) preparation of other documentation required for signing the grant agreement documents.

Once the grants are considered disbursement-ready by the country team, the GAC conducts a final review. The GAC will either recommend the proposed grant for Board approval, or will send it back to the country team for revision. The GAC will decide whether any of the unfunded elements from the concept note should be added to the register of unfunded quality demand. (See Chapter 10 for a discussion of grant-making.)

Board approval and grant signing

The final steps in the process are (a) approval of the grant by the Global Fund Board and (b) the signing of the grant agreement documents.

Under the NFM, the structure of the grant agreement has been significantly revised. Essentially, the agreement has been replaced by two documents: (1) a Framework Agreement and Global Fund Grant Regulations; and (2) a Grant Confirmation.

By the time these documents have been finalised and signed, the Secretariat and PR will have determined what the grant start date will be. Implementation of the grant can then begin.

[1] The Grant Approvals Committee is an internal body of the Global Fund Secretariat. It is composed of the Executive Director; the Head, Strategy, Investment and Impact Division; the Head, Grant Management Division; the Chief Financial Officer; the Chief Risk Officer; and the Head, Legal and Compliance Department. Representatives of technical partners and civil society also participate, but in a non-voting capacity.

4.0 Eligibility criteria

This chapter describes the policies of the Global Fund with respect to eligibility for funding.

Under the Global Fund Eligibility and Counterpart Financing Policy,[2] countries have to meet criteria to be eligible to receive funding. The criteria include income level, disease burden, focus of the proposal, counterpart financing, and the structure and operations of the CCM. The Global Fund publishes an eligibility list every year based on the income level and disease burden criteria. The remaining criteria are assessed after the concept note has been received.

Income level

The Global Fund uses the Atlas Method income classifications published by the World Bank.

Low-income countries are eligible with no restrictions (except as pertains to counterpart financing). Middle-income countries are eligible with certain restrictions (described below). High-income countries are not eligible to apply for funding as a single country.

Countries, regardless of their income level, that are certified as "malaria-free" by the World Health Organization (WHO) or are on the WHO's Supplementary List of countries where malaria never existed or has disappeared, are not eligible for malaria funding.

Members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) are not eligible to receive funding.

Disease burden

Both low-income and lower-middle-income countries (LMICs) are eligible to apply for disease components regardless of disease burden (unless they are malaria-free).

Upper-middle-income countries (UMICs) are eligible to apply for those disease components whose burden is categorised by the Global Fund as High, Severe or Extreme. (These terms are defined in Annex 1.)

To be eligible to submit a stand-alone request for health systems strengthening (HSS), UMICs must have a Severe or Extreme burden for at least one disease. Few UMICs have a Severe or Extreme burden for any disease, so this means that few UMICs are eligible to submit a stand-alone HSS request.

UMICs classified under the "small island economy" exception to the International Development Association lending requirements are eligible regardless of national disease burden.

UMICs that are members of the G-20 are eligible to apply for a disease component only if they have an Extreme disease burden. However, see "NGO rule" below.

[2] The current eligibility policy was adopted by the Global Fund Board at its meeting in November 2013. The changes from the previous eligibility policy were not significant; most of them related to the need to bring the policy "in line" with the NFM. The current policy is available at www.theglobalfund.org/en/fundingmodel/single.

UMICs with a high disease burden for a given disease, and small island economies with a low or moderate disease burden for a given disease, are eligible to receive a "pre-defined maximum" amount of funding which is calculated based on population size. This is similar to the method used to calculate allocations for Band 4 countries under the NFM (see Step 8 in Chapter 5). In fact, most components affected by this provision are in countries in Band 4.

Focus of proposal

Low-income countries are eligible to apply regardless of where they focus their proposal.[3] LMICs must focus at least 50% of their proposed interventions on under-served and most-at-risk populations OR on highest impact interventions. UMICs must focus 100% of their proposed interventions on under-served and most-at-risk populations OR on highest impact interventions. (See the eligibility policy for more details.)

Counterpart financing

This is a summary of the counterpart financing requirements, which are rather complicated. See the eligibility policy for more details.

All proposals from CCMs have to meet the counterpart financing requirements. There are three parts to the requirements: minimum threshold; increased government contribution; and expenditure data.

Minimum threshold. This refers to the minimum level of the government contribution to the national disease programme as a share of total government and Global Fund financing for that disease. The threshold is set at 5% for low-income countries, 20% for lower LMICs, 40% for upper LMICs, and 60% for UMICs. For the purposes of counterpart financing, the Global Fund has divided the LMIC category into two parts.

If an applicant cannot demonstrate compliance with the threshold, it will still be considered to have met the requirement if it provides (a) a justification for falling short and (b) an action plan for how it plans to work towards the threshold.

Increased government contribution. As grants are implemented, the government of every country involved must increase the absolute value of its contribution to the national disease programme and health sector each year.

Expenditure data. Applicants are required to report government health-related expenditures each year.

Structure and operations of the CCM

To be eligible to receive funding, all coordinating mechanism applicants must comply with the CCM minimum eligibility requirements.

[3] While this is true with respect to the rules that govern eligibility, the Global Fund nevertheless expects that applicants will tailor their proposed initiatives to reflect the epidemiology in their countries.

Other elements of the eligibility policy

NGO rule (HIV only)

UMICs not listed on the OECD's DAC list of Official Development Assistance (ODA) recipients cannot apply for HIV unless they meet certain criteria, including the following: (a) the country has a High, Severe or Extreme disease burden; (b) the application is submitted, and the programme is to be managed, by an NGO; and (c) there is evidence that the services are not being provided due to political barriers. For the full list of conditions, see the eligibility policy.

For 2014–2016, there are three countries that qualify under the NGO rule: Bulgaria, Romania and Russian Federation.

Countries in transition

Under the eligibility policy, eligibility will continue to be determined on an annual basis even though allocation periods are three years long.

Countries that become ineligible for a given component, because of changes in income level or disease burden, and that are implementing a grant for that component, will still be able to receive funding for that component for up to one allocation period immediately following the change in eligibility, including countries funded under the NGO rule. This is designed to ease the burden on a country that moves from the LMI classification to UMI and does not have the High, Severe or Extreme disease burden necessary to maintain eligibility for that disease.

There are limits to the transition measure. The Secretariat will determine the amount and period of funding based on the country context.[4] The Secretariat may limit the scope of the funding (e.g. fund only essential activities) and may assess whether there is enough time left in the existing grant (e.g. more than 12 months) to allow for a clear transition to national or other sources of funding. If the Secretariat determines that there is enough time, it may require the country develop appropriate time-bound actions to accomplish the transition.

Countries that have become newly ineligible in mid-allocation period, and that have not yet touched their funding, will still be able to access the funding. But the Secretariat would discuss with the country what an appropriate level of funding would be, and would establish clear time-bound actions for a sustainable transition to other sources of funding.

If a country appears on the eligibility list after not having been on it previously, the country will not be defined as "newly eligible" until it has maintained eligibility for two consecutive years. If there is a need to allocate money to a newly eligible country in the middle of an allocation period, the money must come from the existing allocation for the relevant band.

There was debate about the transition provisions at the Board meeting where the eligibility policy was adopted. The Board asked its Strategy, Investment and Impact Committee to initiate a process that will produce, by the end of 2014, options and recommendations for refining the Global Fund's approach to transitioning countries.

[4] For example, if the country is experiencing conflict or a natural disaster.

5.0 Methodology for determining allocations

This chapter describes the process the Global Fund uses to determine how much money will be allocated to countries at the start of each allocation period.

Note: This chapter (and Annexes 2, 3 and 4) covers the allocations methodology used for the 2014–2016 allocation period. There will be adjustments to the methodology for future allocation periods. There are some provisions that are unique to the 2014–2106 allocation period because of the transition from the rounds-based system of funding.

Under the rounds-based system, there was no way to determine in advance how much funding each country would receive. CCMs (and other applicants) would submit proposals; the Technical Review Panel (TRP) would review them and recommend for funding those that were technically sound; the Global Fund Board would approve proposals recommended by the TRP – as long as there was enough money available to fund all such proposals. In the 10 rounds of funding (Round 11 was cancelled) and in the Transitional Funding Mechanism opportunity, all proposals deemed technically sound were funded. Prioritisation criteria were developed in the event there was insufficient money to fund all TRP-recommended proposals. The criteria were invoked on a few occasions when money was tight, but this only delayed the approval of some proposals.

The NFM will not work this way. Instead, an allocations methodology is used to determine a "base" allocation for each country. (In addition to receiving their base allocation, countries will be able to compete for money from an incentive pool.)

> *Note re terminology: Until recently the Global Fund was using the term "indicative" to describe the base funding allocation to each country and to distinguish this funding from incentive funding. Aidspan has been told by the Secretariat that the Fund is dropping the use of "indicative" in this context. Instead, they are using "allocation" and "allocation amount." To avoid confusion with other uses of the word "allocation," Aidspan uses the terms "base allocation" and "base funding amount" in this guide to describe the allocation to countries prior to the awarding of any incentive funding.*

Countries know their base allocation before they submit their proposals.

The allocations methodology is complicated. The Global Fund has said that the methodology has to be complicated to ensure (a) that it is fair and (b) that it allows the Fund to achieve its goals of maximising impact on HIV, TB, malaria and health systems.

The methodology for the first allocation period, 2014–2016, is especially complicated for two reasons. First, the allocations to countries include not only new money raised in the Fourth Replenishment, but also unspent funds from the Third Replenishment (2011–2013). Second, the methodology includes provisions to reduce the "hit" that some countries would take if the application of the allocation formula awards them less funding than they had been receiving in recent years.

Aidspan has identified 10 steps in the allocation methodology, as follows:

1. Determine country band composition.

2. Determine resources available for allocation to countries.
3. Notionally allocate resources across the three diseases.
4. Determine the "starting allocation" for each country.
5. Determine the base funding allocations for each band.
6. Determine the amount of incentive funding for Bands 1–3.
7. Apply additional qualitative adjustments to the starting allocations for countries in Bands 1–3.
8. Determine the allocations for countries in Band 4.
9. Communicate the base funding amount to each country.
10. Determine possible adjustments based on willingness to pay.

The steps are described in Annex 2. The annex also includes a list of the countries in each band for 2014–2016.

In addition, the Global Fund has published a description of the allocations methodology (see Overview of the Allocation Methodology 2104–2016).

6.0 Country dialogue

This chapter describes the dialogue that takes place at country level. Chapter 7 describes the process CCMs must follow to develop the concept note. There is overlap between the country dialogue and concept note development. See Annex 5 for case studies on these combined processes. See Chapter 9 for a description of the regional applications process.

In the context of the NFM, the country dialogue is a concept that is not easy to describe. This is because the country dialogue is, at the same time, both a process that is more general than the NFM and a process that is NFM-specific.

The Global Fund says the country dialogue should be part of an ongoing process among country-level stakeholders to develop strategies to fight the three diseases and to strengthen health and community systems. The Fund says that the country dialogue is a nationally-owned and -led process and is not Global Fund–specific; and that the country dialogue may be more or less formal. Finally, the Fund says that it will be a participant in this process.

At the same time, the Global Fund requires that certain activities take place in the context of the country dialogue for the development of the concept note and for grant-making process. This part of "country dialogue" is highly Global Fund–specific. Except for the description of the ongoing country dialogue immediately below, when we use the term "country dialogue" in this guide refer to that part of the country dialogue that is specific to the Global Fund.

6.1 "Ongoing" Country dialogue

According to the Global Fund, the ongoing country dialogue should involve the government, including the national ministries of Health, Finance and Planning, Education, Youth, Women and Child, and Labour; bilateral, multilateral and technical partners; the private sector; the public sector; implementers; civil society; academia; representatives of key affected groups; and people who are most at risk based on the epidemiological context, including people living with the diseases.

Over time, the country dialogue should result in a shared vision amongst partners for how to improve health and fight the three diseases. The country dialogue should address issues such as documenting evidence of the impact of programmes; mapping the disease, health sector landscape and the funding landscapes; and ensuring human rights and gender aspects are included in responses to the diseases.

6.2 Global Fund–specific country dialogue

A strong multi-stakeholder and multi-sectorial dialogue is critical to all stages of the grant cycle from concept note development to grant-making and grant implementation. The country dialogue ensures that the development of the grant and its implementation is embedded within the larger context of the country's health sector strategy and responds to the needs of those affected by the three diseases.

The country dialogue process should be open, inclusive and participatory. It should enable CCMs to identify interventions for which funding can be requested from the Global Fund.

The Global Fund says that government departments play a key role in ensuring the country dialogue occurs. The Fund also sees specific roles for other sectors in the dialogue process.

Global Fund Secretariat. Country teams play an active role in the country dialogue mainly through increased engagement with implementing countries, but also by working with technical partners to ensure that they provide support at key moments. All countries will see this increased engagement, but the extent of engagement will vary. Among the specific responsibilities assigned to the country teams are (a) promote consideration of human rights and gender equality in concept notes; and (b) facilitate safe spaces for gaining input from marginalised populations.

Technical partners in country. Technical partners play both leading and supportive roles in the discussion of the diseases and health sector landscapes, and the donor landscapes. The partners ensure that information from country studies is available; review programme performance; identify and prioritise strategic investments for possible inclusion in the concept notes; identify domestic or regional experts that could participate in the dialogue; and help ensure that key populations, civil society organisations and networks participate.

Civil society and key populations. Civil society organisations and key populations help to identify (a) current interventions that are effective and are having an impact; and (b) barriers to access for certain populations. They also participate in the discussion of which interventions should be included in the concept note.[5]

There are three stages of the Global Fund–specific country dialogue: (1) the pre–concept note and concept note stage (referred here as the "concept note stage"); (2) the grant-making stage; and (3) the grant implementation stage. The first two stages are described below.

Concept note stage

The CCM is expected to lead the concept note stage of the country dialogue.

There is little guidance on what this stage of the country dialogue should look like. However, the Global Fund has identified some of the elements. The Fund says that relevant stakeholders should be involved in discussions around interventions and their relative priority. It says discussions must include CCM and non-CCM members, key populations, civil society and people living with, or affected by, the disease. Other participants could include representatives of government ministries, the private sector, technical partners, academia, faith-based organisations and other donors. The Global Fund says "failure to ensure an inclusive process may make the CCM ineligible to submit concept notes."[6]

The Global Fund provides the following additional advice:

- Establish a process for ensuring inclusive dialogue.
- Identify the stakeholders that should be involved and invite them to a kick-off meeting as part of concept note development.

[5] ICASO has prepared a guidance note entitled "Civil Society and Key Populations and the Country Dialogue Process." It is a tool for CSOs engaged in, leading, or monitoring country dialogues. It is available here.
[6] Resource Book, p. 13.

- Identify the right rhythm of on-going involvement with each group.
- Consider whether social, logistical or financial barriers could reduce an entity's ability to participate.

In the NFM transition phase, several countries went through the concept note stage of the country dialogue: Myanmar, Zimbabwe and El Salvador were the first three. The time frames were short. In Zimbabwe and El Salvador, there was some confusion concerning exactly what the Global Fund meant by the term "country dialogue."

The processes in Myanmar and Zimbabwe were described in a report by the Open Society Foundations.[7] The process in Zimbabwe was also described by the Zimbabwe CCM.[8] El Salvador's experience was described in a GFO article. Annex 5 contains case studies on the country dialogue and concept note development processes combined for all three countries.

Grant-making stage

The grant-making stage of the country dialogue should be led by the PR, with the CCM providing oversight. Continuing the country dialogue is valuable first because the NFM is predicated on maintaining a strong logical framework throughout the entire process. This framework encompasses "knowing your epidemic", designing tailored interventions and establishing targets to the various activities involved in grant making. The continued country-dialogue process is also useful for the final preparation of the grant agreement documents. For this to happen, all stakeholders should remain engaged the entire time.

Also, the contributions of these stakeholders during grant-making will help ensure that the higher level interventions and targets developed earlier are effectively planned. Determining how activities will be implemented and who will be responsible for each activity requires shared technical knowledge, practical experience and contextual knowledge which is best obtained through continuation of country dialogue.

Finally, continuing the country dialogue at this stage helps ensure coordination between the PR and other implementers.

In situations where there are multiple grants for the same disease, there should normally be a separate country dialogue for each PR during grant-making. There may be exceptions to this practice in cases where there is a high degree of inter-dependence among the PRs.

Mostly, the participants in the grant-making stage of the country dialogue should be the same ones that were involved in the concept note stage.

[7] Open Society Foundations, "Rapid Assessment of Local Civil Society Participation in the Global Fund to Fight AIDS, TB and Malaria's New Funding Model: Preliminary Report," June 2013. This report is not available online.

[8] Zimbabwe CCM, "The Experience of Zimbabwe with the Global Fund's New Funding Model." June 2013. Available for direct download here.

7.0 Concept note development

This chapter describes the process that CCMs must follow to develop a concept note.

The process of developing the concept note is led by the CCM.

In its Resource Book[9], the Global Fund has provided considerable guidance on the concept note development process. There are three stages in the process: (1) preparations in advance of developing the concept note; (2) development of the concept note itself; and (3) submission. The second stage includes not only the actual filling out of the concept note form and attachments, but also the consultations through the country dialogue to review existing programmes and decide on the content of the concept notes.

7.1 Preparations in advance of developing the concept note

Countries will need to lay the ground work for the development of their concept notes. This may take some time, so preparations should start early, even before the funding allocations are announced. One of the first steps in this stage is to review the national strategic plan (NSP) for each disease for which the applicant is seeking funding; and to review the national health strategy for applicants submitting a health systems strengthening component.

Reviewing the status of national strategic plans and national health strategies

National strategic plans

A key principle of the NFM is that the Global Fund will base its support on NSPs that are strong, prioritised and costed. Countries with strong NSPs are better able to complete high quality concept notes more quickly; are better positioned to compete for incentive funding; and are more likely to be prioritised in the register of unfunded quality demand. In addition, countries with strong NSPs may be considered for simplified grant management procedures, or different types of grants, such as those based on result-based funding.[10]

NSPs for the diseases should be aligned with the country's national health strategy in a country and, ideally, developed in a coordinated manner across all three diseases.

To serve as the basis for Global Fund money, NSPs and the national health strategy should be developed with participation from many groups, including those key affected populations that are sometimes excluded, such as women and children, men who have sex with men, sex workers and injecting drug users. These are the stakeholders that should be part of the country dialogue.

When they review the concept notes, the TRP and the GAC will use reviews of NSPs by technical partners to enable them to judge whether an application is based on a strong NSP.

[9] The full title is "Resource Book for Applicants: The Global Fund's New Funding Model." It is available here.

[10] This is being tested in a pilot project involving Rwanda.

If the NSP is weak, the applicant should consider ways to strengthen it. Technical assistance is available from various agencies. Also, up to $150,000 per disease may be reprogrammed from existing grants to support country data systems and NSP development.

Countries can also address the problem of a weak NSP via a separate process. For HIV, an investment case can be developed with UNAIDS. The Fund defines an investment case as a country-developed proposal that describes an optimal allocation of existing resources and a prioritised scale-up plan to reach "full expression of demand."

For TB and malaria, countries can ask partners to help them develop a full expression of prioritised demand (TB) or a business case (malaria), both of which are similar to an HIV investment case.

The Global Fund says countries are encouraged to have robust and costed national disease strategies aligned with national health sector strategies by the 2017–2019 allocation period.[11]

Although the concept note should be based on the national strategy, the Global Fund does not require that the period of the NSP match the timing of the concept note. The Fund says that various scenarios are possible:

- If the NSP is complete and has been recently reviewed, the applicant should use existing documents when writing its concept note. No further reviews are needed.
- If the NSP is still under development, or is being revised, the applicant should consider delaying the grant start date until the NSP is developed. Preparation of the concept note can commence once a draft NSP is in place. In some cases, grant approval may be subject to finalisation of the NSP development process.
- In situations where the NSP runs out one or two years into the grant, applicants are asked to extrapolate in the concept note beyond the end of the NSP. If, when it is developed, the new NSP has substantive changes, grants can be reprogrammed.
- In exceptional cases (e.g. if there is no NSP), countries may have to submit a project-type concept note, and include clear plans to develop a NSP for the next period.

Decisions about submission dates of concept notes (see below) should take into account the status of the current NSP, and if relevant, the amount of time required to conduct NSP review processes or to develop investment cases, business cases or full expressions of demand.

National health strategies

For HSS applications, the main point of reference will be the national health strategy, and any relevant sub-sector strategies – for example, a human resources plan.

Determining the best time to submit the concept note

The CCM needs to decide the best time for the submission of the concept note. Several factors may affect this, including when existing grants will end and when the country wants

[11] For more information, see (1) the Global Fund information note "Strategic Investments for HIV Programs"; and (2) the Fund's Resource Book.

the new grant(s) to start; how much time will be needed to develop and submit the concept note; how much time will be required for review of the concept note and for the grant-making process; existing in-country planning cycles; whether work needs to be done on the NSP or on an alternative process; and when the Global Fund review windows are scheduled; see Table 7-1.

Table 7-1: Calendar for concept note submissions and TRP review meetings

Year	Deadline for concept note submission	Timing of TRP review meeting
2014	15 May	Mid-June
	15 June	End-July
	15 August	End-September
	15 October	End-November
2015	15 January	End-February
	15 April	End-May
	15 August	End-September
	15 October	End-November
2016	15 April	End-May

While it is advantageous to align the timing of the concept note with national planning and fiscal cycles, this is not compulsory.

Another factor to consider in determining when to submit a concept note is that un-costed and costed extensions to existing grants may be available for a period of up to 12 months. The Global Fund Board adopted a new policy on extensions at its meeting in March 2014 (available here; see Board Document GF/B31/07).

The Global Fund recommends that countries develop a workplan for the entire process, from concept note development through to the signing of a grant agreement. The Fund estimates that this process will take 10–12 months on average. This estimate assumes that it takes 3–4 months to reach agreement on the content of the concept notes through the country dialogue.

The process can take 17 months or more in countries that face challenging situations – such as the need to develop a clear national strategy; the need to strengthen PR capacity; or the need to implement actions to ensure that the CCM meets the CCM eligibility requirements. Slow decision-making on the CCM can also slow down the process.

However, in exceptional cases, applicants may move from concept note creation to grant signing in 6–7 months – if they have a current and costed NSP with agreed priorities, a strong CCM, and PRs that meet minimum standards and are actively engaged with other stakeholders.

For further guidance on how to determine how much time the whole process may take, see the Global Fund's Resource Book.

Note: For all grants in the 2014–2016 allocation period, the final date for signing grant agreements is 31 December 2016. This means that the final date for submitting concept notes is 15 April 2016. Funding allocated to countries that has not been signed into grants by 31 December 2016 will become part of the funding allocation for 2017–2019.

Other advance preparations

The country dialogue needs to be planned and put in motion. Data on the epidemiology of the diseases and on existing grants need to be compiled. Where the CCM has identified gaps in important data, it should request technical assistance to come up with the data.

During the advance preparations period, the CCM should ensure that it meets all six minimum CCM requirements. Non-compliance with any of requirements could result in a CCM being not being allowed to submit a concept note until the problems are resolved.

The advance preparations period is also a good time for the CCM to begin discussions with the government about increasing domestic commitments to the control the three diseases, if such increases are required to ensure that the country can access the 15% portion of its allocation that is tied to the "willingness to pay" requirement (see Step 10 in Annex 2). The CCM should ensure systems are ready to track the increased commitments related to the willingness-to-pay requirements, and commitments to the counterpart financing rules.

7.2 Stage 2: Development of the concept note

At the start of this stage, the Secretariat will provide each country with a Portfolio Analysis. This is a report prepared by the country team (often in consultation with technical partners) that reviews the Global Fund investments in the country to date, describes the current public health needs, and discusses what risks may impede the success of future investments. The Portfolio Analysis provides useful information for the CCM on what the country team thinks should be included in the concept note. The CCM is not required to adopt the suggestions.

The process of developing the concept note is centred around the country dialogue.

In deciding which interventions to include in the concept notes, applicants will need to make hard choices. They should focus on initiatives that will have the greatest impact in the long term, while also addressing "critical enablers" such as human rights, gender equity and community systems strengthening.

Although determining which interventions are needed is the most important part of this stage, a number of other matters need to be addressed. They are: (a) determining the programme split; (b) determining how the grants will be managed, e.g. identifying PRs; (c) conducting a risk assessment; (d) determining which initiatives will be included in the base allocation portion of the request, and which initiatives will be included in the above-base-allocation portion; and (e) prioritising the initiatives in the funding request. These are described below.

Programme split

When each country was informed (by letter) of its base funding allocation for 2014–2016, it was given with a notional allocation across the three diseases – i.e. a suggested disease split.

The Global Fund says that the suggested disease split is for information purposes only and that the country is not obliged to follow this split. However, it also says that the Global Fund Secretariat must approve whatever split the country comes up with (see below).

The suggested disease split does not take into account the possibility that a country may wish to submit an HSS component. If a country wishes to submit such a component, it has to find the money from within its base allocation. Thus, while for a given country the suggested split may show a three-way split – i.e. for HIV, TB and malaria. If that country wishes to add an HSS component, it will propose a four-way split – i.e. for each disease and for HSS. The Global Fund refers to the split proposed by the country as a "programme split."

In its allocation letter, the Secretariat shares key information that CCMs may consider when determining the programme split. This includes historical data on Global Fund expenditures by component in the country; and information on which disease components (if any) have been allocated funding at levels above or below their notional shares (see Step 4 in Annex 2).

In the allocation letter, the Fund gives guidance concerning cross-cutting HSS investments. The Fund "strongly encourages" HSS investment for countries in Band 1 (lower income, high burden). It simply "encourages" such investment for countries in Band 2 (lower income, low burden) and Band 3 (higher income, high burden). For countries in Band 4 (higher income, low burden), HSS investments will be only considered on an exceptional basis.

The Global Fund advises that during the country dialogue, the CCM should use an inclusive process to determine how it wishes to apportion the funding among eligible components and cross-cutting HSS; and should document that process. The Fund encourages CCMs to decide up front how the process will work, and to set up meetings specifically to determine the programme split. The Fund also says the country team should be involved in the programme split discussions so that it understands the basis for the split.

When the Global Fund provided the country with a notional allocation across the three diseases, some components may already be over- or under-allocated. The Fund would like to see the proposed programme split reduce any "over" or "under" allocations. However, the Fund acknowledges that the country may have good reasons not to do this, and may even propose a split that exacerbates an over- or under-allocation. (Over- and under-allocations are discussed in Step 4 of Annex 2 and in Annex 3.)

The CCM is required to endorse the proposed programme split. The proposed split, along with a rationale, should be communicated to the Secretariat by the time the concept note is submitted, and preferably earlier. The CCM is also required to submit to the Secretariat documentation on the consultations on the proposed programme split during the country dialogue. The proposed split should be entered by the CCM into a new online system, called the Global Fund Grant Management Platform (see Chapter 16).

The proposed programme split is reviewed by the Secretariat. The Fund says that although it encourages country ownership of the decision regarding the split, it also wants to ensure that the proposed split is justified. In reviewing the proposed split, the Secretariat will rely on its understanding of the country context, and will consider the rationale submitted by the CCM. The Secretariat will review all documentation to ensure an inclusive process was used to reach the proposed split.

Based on its review of the proposed programme split, the Secretariat will take one of three decisions: (1) accept the split; (2) request the CCM to clarify the justification or supporting documentation; or (3) request the CCM to reconsider the split.

If the Secretariat opts for (2) or (3), further discussions will ensue. It is important to note that, ultimately, the Secretariat must approve the split. If a proposed split communicated to the Secretariat at the time of concept note submission is not agreed by the Secretariat, the submitted concept note must be revised by the CCM and re-submitted.

When the country informs the Secretariat of its proposed programme split, it should also describe what preliminary or confirmed willingness-to-pay commitments have been obtained from the government.

Implementation arrangements

Defining the implementation arrangements for the initiatives for which funding is being sought is a part of concept note development. Countries must (a) identify all entities that will be receiving funds or playing a role in implementation; (b) determine the reporting and coordination relationships between the entities; (c) clarify each entity's role; and (d) define the flow of funds, commodities and data. Countries should prepare a diagram for a grant or a set of grants depicting the arrangements.[12] The Fund calls this "implementation mapping." The CCM and the PRs are required to submit a diagram by the beginning of grant-making. (The diagram does not have to be submitted with the concept note.)

The CCM has to assess the PRs it is nominating against a set of minimum standards, and document the outcome.[13] This assessment, which should happen as early as possible, focuses on four areas: monitoring and evaluation; financial management and systems; procurement and supply management; and governance and programme management.

Risk assessment

CCMs should assess the main risks related to effective implementation of its programme and develop measures to mitigate the risks. The risk assessment should cover the following categories of risk: external; programmatic; financial; health product quality; service delivery; and governance and oversight.

The risk assessment and mitigation measures have to be described in the concept note. The mitigation measures should also be reflected in the design of the proposed programme.

[12] The Global Fund's Standard Concept Note Instructions include guidance on preparing the implementation arrangements diagram.

[13] The minimum standards are described in an annex to the Global Fund's Standard Concept Note Instructions.

The split between the base allocation and the above-base-allocation amount

When it submits its concept note, the applicant will need to indicate which elements it wants funded through its base allocation and which elements are above the base allocation. The latter elements will compete with those from other countries for incentive funding.

Prioritising the elements in the funding request

When it submits its concept note, the applicant must prioritise all of the elements, both those covered by its base allocation and those that are above the base. The prioritisation serves several purposes:

1. It allows the TRP to recommend that the priority of elements in the concept note be re-arranged, which could involve moving some elements above or below base.
2. It allows the TRP to recommend which initiatives should be considered for incentive funding and in what order.
3. It allows the Global Fund to determine which elements (if any) should be added to the register of unfunded quality demand.

The Global Fund recommends applicants accord a high priority to elements containing activities related to human rights and gender, especially in relation to barriers to services.

Final steps in this stage

The final steps in the concept note development stage involve completing the concept note form and related templates and attachments; and sharing near-final drafts of the concept note.

Completing the concept note form and related templates and attachments

For applications from individual countries, there are four different concept note forms: (1) a standard form for individual HIV, TB or malaria components; (2) a single form for TB-HIV (see Chapter 8); (3) a form for cross-cutting HSS; and a form for non-CCM applications.

Applicants have the option of including HSS interventions in an HIV, TB malaria or TB-HIV component instead of submitting a stand-alone HSS concept note. See the Resource Book.

In addition to filling out the concept note form, applicants need to complete several related templates and attachments. A complete list of the documents required can be found here. Guidance documents prepared by the Global Fund are available at that same site.

Sharing near-final drafts

The Global Fund suggests that CCMs share near-final drafts of the concept note with the country team. The team may see gaps where more data are required or more explanation needed. And it may be able to anticipate questions that the TRP or the GAC will ask when they review the concept note. This is part of the back-and-forth that distinguishes the concept note development process from the process used in past rounds.

CCM leadership should share a near-final draft of the concept note with all other CCM members, PRs and other stakeholders, and to invite comments. CCM members have to formally endorse the final submission.

7.3 Stage 3: Submission of the concept note

Before submitting a concept note, the CCM should do a thorough check to ensure that nothing is missing in the concept note form itself and in all related templates; that the data are consistent; and that all relevant attachments – such as a description of the NSP, mid term reviews and external audit reports – are included. Missing or inconsistent data were a frequent problem in proposals submitted under the rounds-based system.

The Global Fund requires applicants submit their concept notes using a new online automated system. The system is referred to as the "grant management platform." (See Chapter 16 for details.) The Fund says that only occasionally will applicants be able to submit their concept notes by email instead of using the online platform. This will need the FPM's approval.

Once the final concept note has been submitted, the Fund suggests that as a courtesy, the CCM share it with participants of the country dialogue and concept note development process.

Once submitted, the concept note is translated into English (if needed). Then, it is reviewed by the Secretariat, the TRP and the GAC. These reviews are described below.

Secretariat review

First, the Secretariat screens for eligibility based on Requirements 1 and 2 of the six CCM minimum requirements (i.e. inclusive concept note development and transparent PR nomination). These are the two requirements that relate to the development of a proposal. (The other four requirements have to do with the structure and operations of the CCM.)

The results of this screening are reported to the GAC. In cases where a CCM has not met one or the other of Requirements 1 and 2, the matter may be sent to senior management to decide on remedial actions. The final decision on applicant eligibility will be made by the GAC.

The Secretariat may refuse to accept a concept note if there are major concerns about CCM Eligibility Requirements 3 through 6. Adherence to these requirements is assessed during the annual performance review of the CCM. The CCM needs to complete the performance review before it submits its first concept note. CCMs that are fully compliant with Requirements 3–6 are granted a "CCM eligibility clearance" for a period of one year. This clearance allows the CCM to submit a concept note without having to go through the CCM performance assessment again.

However, a CCM that is not fully compliant with Requirements 3–6 during the performance review will need to submit an improvement plan that contains time-bound actions. Failure to implement these actions could result in the Global Fund rejecting a concept note.[14]

[14] Extensive information on the CCM requirements is available on the Global Fund website here.

The next step is for the country team to review the concept note for completeness. While the country team does not screen for technical soundness, it may spot technical issues and flag them for the applicant as an area to be addressed before the concept note is given to the TRP.

The country team also identifies any issues that could create problems during grant-making or grant implementation. Sometimes, a concept note may be sent back for further work. The Secretariat wants to make sure that once the concept note goes to the TRP, there is a reasonable likelihood that it will not need to be sent back to the CCM again.

The country team analysis is captured in a programme "score card." Although it called a "score card," it does not provide a score. Rather, it includes information about the context of the request, the inclusiveness of the process, how the epidemiological and funding context were considered, and whether all strategic and contextual issues were addressed. The programme score card will list any issues still outstanding. The score card is submitted to the TRP along with the concept note. The same score card is also provided to the GAC.

TRP review

The TRP reviews each concept note for technical soundness and strategic focus. The TRP assesses four things: soundness of approach, feasibility, potential for sustainable outcomes, and value for money. The full TRP review criteria are contained in the TRP's terms of reference.

The TRP will also consider relevant contextual, operational, and risk information provided by the Secretariat concerning the funding request.

According to the TRP's terms of reference, to the extent that it is able, the TRP will also consider the overall balance of priorities in a country's portfolio (e.g. the three diseases, health systems strengthening, community systems strengthening and other cross-cutting factors) and the country's broader policy and financial context.

The outcome of the TRP review of the concept note will be one of the following:

1. The concept note will proceed to a review by the GAC – meaning that the concept note is technically sound and strategically focused, although the applicant may need to clarify issues or make adjustments. If these are needed, they will given a deadline. The responses from the country are reviewed by the Secretariat; the TRP may or may not need to be involved again.
2. The concept will need to be re-submitted – meaning that considerable work is required. The applicant will have written feedback in this situation.

For concept notes that the TRP recommends proceed to a review by the GAC, the TRP recommends an upper ceiling for the base funding portion of the request. The TRP also recommends the awarding or not of any incentive funding. If they recommend incentive funding, they give an upper ceiling amount, and prioritise the above-base-allocation elements in the concept note.

The TRP also makes a recommendation concerning whether any of the applicant's above-base-allocation initiatives should be added to the register of unfunded quality demand.

The TRP prepares a summary of its assessment of the concept note, including the prioritisation, a base funding recommendation and, where appropriate, a recommendation concerning incentive funding. This information is provided to the GAC.

As was the case in the rounds-based system, the TRP prepares a summary sheet of its assessment for each concept note, a copy of which is provided to the applicant and to the Secretariat, but is not made public.

GAC review

***Note**:* This is the first of two reviews by the GAC; the second occurs during grant-making.

If the TRP recommends a concept note proceeds to the next stage, it is sent to the GAC for further review.

The GAC meets about once a month. One week before the GAC meeting at which a particular concept note is scheduled to be reviewed, the country team provides the GAC with relevant documentation: the concept note, the summary budgets, the indicators and targets, the TRP's summary sheet and the programme score card.

At the GAC meeting, the country team presents a summary of the funding request and the information in the programme score card. In exceptional cases, the country team also provides information on any new developments since the TRP review. The presentation includes the epidemiological context in which the request is situated; a summary of the concept note; past performance of Global Fund grants in the country; how the concept note has been developed; and suggestions as to how technical issues raised by the TRP may be addressed.

The GAC will consider the TRP recommendations and any issues raised by the TRP, technical partners and the country team before recommending the concept note be approved; and before recommending an upper-ceiling amount for base funding and any additional incentive funding. (The GAC may re-visit these items during its 2nd review; see Chapter 11.)

When making its funding recommendations, the GAC will consider the following:

- anticipated implementation challenges;
- risk management issues;
- recommendations from the OIG following audits/ investigations into the country;
- inputs from the representatives of technical and civil society partners;
- what the GAC considers are the opportunities to leverage Global Fund resources to enhance government investment;
- political considerations, e.g. whether the counterpart financing obligations are being met;
- feedback from partners, either on the concept note being reviewed or on other programmes funded by partners; and
- the implications for the concept note being reviewed of policies affecting the entire portfolio, such as a new guideline on salary top-ups.

The GAC may identify whether any of the applicant's above-base-allocation initiatives could be added to unfunded quality demand. But, a final decision on this is not made until the second GAC review.

8.0 Single TB-HIV concept notes

This chapter shows the 41 countries with high TB-HIV co-infection rates that must submit a single TB-HIV concept note.

The Global Fund has decided that countries with high co-infection rates of HIV and TB must submit a single TB-HIV concept note. These countries represented 92% of the global burden of HIV-associated TB in 2012.

Note: For 2014–2016, only 38 of the 41 priorities TB-HIV countries are eligible to apply.

The Global Fund believes that requiring a single TB-HIV concept note for these countries will lead to better overall TB and HIV programming, service delivery and health outcomes.

Table 8-1: List of high TB-HIV burden countries, in descending order of TB/HIV incidence

Country	Estimated TB-HIV incidence, 2012	HIV-positive rate (%)	Country	Estimated TB-HIV incidence, 2012	HIV-positive rate (%)
South Africa	330,000	65%	Cote d'Ivoire	8,000	27%
India	130,000	5%	Indonesia	7,500	28%
Mozambique	83,000	58%	*China	7,300	2%
Zimbabwe	55,000	79%	Namibia	7,300	47%
Nigeria	46,000	23%	Angola	5,500	10%
Kenya	45,000	39%	C.A.R.	5,300	39%
Uganda	35,000	50%	Botswana	5,100	63%
Zambia	35,000	54%	Ukraine	4,800	14%
Tanzania	32,000	39%	Haiti	4,300	20%
Ethiopia	23,000	10%	Sudan	4,300	8%
Cameroon	19,000	37%	Chad	4,100	20%
Myanmar	19,000	27%	Sierra Leone	3,900	12%
*Brazil	16,000	20%	Congo	3,600	33%
Congo, DR	16,000	16%	Rwanda	2,900	26%
Malawi	16,000	59%	Ghana	2,800	24%
Swaziland	13,000	77%	Cambodia	2,700	5%
Thailand	12,000	13%	Burundi	2,500	19%
Lesotho	9,900	75%	Burkina Faso	1,600	15%
*Russian Fed.	9,300	? %	Maki	1,200	28%
Viet Nam	9.300	7%	Togo	1,200	24%
			Djibouti	540	10%

The three countries not eligible to apply for TB in 2014 are shown with an asterisk (*).

Countries that submit a single TB-HIV concept note follow the same process as outlined in Chapter 7. Some of the forms and templates are different, including the concept note form. Countries not on "the list of 41" may submit a single TB-HIV concept note if they want.

9.0 Process for regional and multi-country applications

This chapter describes the process for regional and multi-country applications.

The Global Fund differentiates between regional and multi-country applications. A regional application is one submitted by a group of countries within the same geographic region aimed at addressing common issues such as cross-border interventions and structural barriers that impede access to services, drug resistance, migrants and displaced populations.

A multi-country application is a combined application from a natural grouping of small island economies or other small countries (e.g. countries in the Caribbean). Multi-country applications are normally submitted through a regional coordinating mechanism. The countries within a multi-country application typically do not apply as individual countries.

A regional or multi-country application is eligible for funding only if the majority (at least 50 percent plus one) of countries included in the application would be eligible to submit their own request for funding for that same disease through a single-country application.

The Global Fund set aside $200 million to fund regional applications for the 2014–2016 allocation period. The full amount is for base funding; regional applications are not eligible for incentive funding.

Funding for multi-country applications is based on the individual country allocations – i.e. the amount is determined by adding up the individual allocations of eligible countries participating in the multi-country proposal. The Global Fund Secretariat determines which groups of countries can submit a multi-country proposal. For 2014–2016, the Global Fund has identified allocations for two country groupings: (1) Caribbean and (2) Western Pacific.

There is a separate concept note form for multi-country applicants.

The remainder of this chapter applies to regional applications.

Regional applicants must clearly demonstrate the value-added of a regional approach and potential for impact. Typically, regional applications only include activities and interventions that cannot be funded effectively through a country allocation due to their inherently regional nature.

Regional applications follow a two-step process: (1) submission of an expression of interest; and (2) submission of a regional concept note.

Expression of interest

As a first step, regional applicants submit an expression of interest, which provides information on the goals and objectives of the regional initiative and the expected impact and outcomes. The expression of interest also contains information on expected implementation arrangements. In addition, the expression of interest indicates whether any problems are anticipated in receiving the endorsement of the CCMs of the countries included in the application.

The Global Fund has prepared a template for expressions of interest which applicants can use if they so choose (available here). Use of the template is not mandatory. On that same site, applicants will also find instructions and a guidance note for the expression of interest.

There will be two calls for expressions of interest during the 2014–2016 allocation period: on 1 May 2014 and on 1 April 2015.

The Global Fund Secretariat reviews each expression of interest. First, it assesses whether all applicable eligibility and regional requirements are met. Second, it reviews the strategic focus of the request. (The Secretariat may ask the TRP to assist with this review.)

Applicants whose expressions of interest have been determined to be eligible and strategically focussed are invited to submit a concept note. When issuing this invitation, the Secretariat will also communicate the base funding amount.

Regional concept note

The second step involves the submission of a regional concept note, which is similar to the single-country concept note. The concept note will be reviewed by the TRP and the GAC. Although regional applications are not eligible to receive incentive funding, applicants may submit a funding request that exceeds the base allocation. Elements above the base allocation deemed as technical sound may be placed in the register of unfunded quality demand.

As is the case for CCM applicants, regional applicants are required to prioritise all proposed elements, both those that fall within their base allocation and those that are above the base allocation.

There is not much guidance available on the concept note development process for regional proposals. The Global Fund says that the process should be open and participatory, and should include relevant stakeholders, in particular key populations and people living with or affected by the diseases. There is a separate concept note form for regional applications.

Once a concept note is received by the Global Fund Secretariat, it follows a process similar to that described in Chapter 7 for single-country applicants.

Applicants with existing regional grants that wish to receive additional (renewal) funding during 2014–2016 will also need to submit an expression of interest as a first step.

10.0 Non-CCM applications

This chapter explains the requirements for non-CCM applications.

The rules for non-CCM applications under the NFM have not changed from what they were under the rounds-based system. The CCM Guidelines define some of the circumstances in which the Global Fund will accept non-CCM applications. These include:

- countries without a legitimate government;
- countries in conflict, facing natural disasters, or in complex emergency; or
- countries that suppress or have not established partnerships with civil society.

The last category includes situations where a CCM had failed or refused to consider a proposal from a civil society organisation, particularly those targeting highly marginalised or criminalised groups, for inclusion in the CCM's concept note. Under the NFM, the Global Fund expects that this situation will rarely occur. This is because the Secretariat will be sending out strong messages during country dialogues about the importance of involving key populations and ensuring that the request for funding is consistent with the epidemiology – such that, for example, CCMs do not submit requests which focus on education in schools when the epidemic is in men who have sex with men.

Where there are instances of clear exclusion and the suppression of partnerships with key affected populations or civil society organisations, the Secretariat will be aware of them. In these situations, the Secretariat could reject a concept note from the CCM prior to TRP review. For applications that reach the TRP, the TRP could recommend a reduced allocation and recommend that the remaining funds be used for a future non-CCM application.

Non-CCM applications will be accepted in situations where the NGO rule applies. As indicated in Chapter 4, for 2014–2016, this rule applies to three countries: Bulgaria, Romania and the Russian Federation.

The Global Fund says that with very few exceptions, non-CCM applications will be funded through the allocation provided for that country. If the funding for a non-CCM proposal must come from outside the country allocation, the Secretariat will look for funding from the allocation for the band within which that country falls.

There is little guidance on the concept note development process for non-CCM proposals. The Global Fund says that the process should be open and participatory, and should include relevant stakeholders, in particular key populations and people living with or affected by the diseases. Once a concept note is received by the Global Fund Secretariat, it follows a process similar to that described in Chapter 7 for single-country applicants.

11.0 Grant-Making

This chapter describes what is involved in moving from concept note submission and review to disbursement-ready grants. The information in this chapter applies to all applicants.

Grant-making is the process of transforming the concept note, including any TRP and GAC recommendations, into disbursement-ready grants for Board approval. Country teams, CCMs and PRs are the main players in this stage, but other stakeholders, particularly other implementers, should be involved. This will help maintain the collaborative process begun under the country dialogue.

The Global Fund's goal is to complete grant-making within a three month period.

During grant-making, the assumed budget ceiling for each grant is the base allocation communicated to the country at the start of the country dialogue and concept development processes (with a possible adjustment based on willingness to pay) plus the amount of incentive funding recommended by the GAC.

The Fund stresses that during the grant-making stage, the country team, the CCM and the PR should ensure that human rights and gender programming outlined in the concept note are fully reflected in the grant.

Based on guidance from the Global Fund, Aidspan has identified six stages in the grant-making process, some of which overlap: (1) developing an action plan; (2) conducting capacity and risk assessments; (3) developing a detailed budget and performance targets; (4) completing the grant management workplan; (5) completing all other required documents and outputs; and (6) final review by the GAC. Each stage is discussed below.

11.1 Developing an action plan

The Action Plan defines the key milestones, establishes deadlines and identifies the key players who will be involved. Examples of activities to be included in this plan are: finalise capacity and risk assessments; complete all grant documents; resolve any outstanding issues from the TRP and GAC reviews. The action plan should include a planned date for the signing of the grant agreement.

The FPM takes the lead on developing the action plan, working closely with the country team, the PR and the CCM. Where there is more than one grant involved, each one must have an action plan.

Preparing and executing the action plans should also involve in-country technical, bilateral and civil society partners, as well as key populations. How this happens will vary across countries. In places, many of the stakeholders will have been actively engaged by the PR. In other cases, the country team or the CCM may need to encourage the involvement of these stakeholders.

11.2 Conducting capacity assessments

As soon as the CCM determines the implementation arrangements, the country team undertakes an assessment to ensure that each nominated PR has sufficient implementation capacity. The country team is supported in this assessment by the local fund agent (LFA) and other technical partners. At this point, the PR should update its implementation arrangements map (see Chapter 7).

This assessment builds on an assessment done by the CCM during concept note development. After reviewing the implementation arrangement map, the Secretariat may decide that certain other implementers, in addition to the PR, should undergo a capacity assessment, either because they manage significant portions of the grant or because they are critical from a programmatic standpoint. (These are referred to as "key implementers.")

The capacity assessment is designed to accomplish three things:

1. determine if the capacities and systems of the nominated PR and other key implementers in finance, M&E, procurement and supply management, and governance and programme management are adequate to implement the grant;
2. identify and mitigate capacity weaknesses of the PR and other key implementers that could impede the effective implementation of the grant; and
3. identify other capacity-building and system-strengthening activities – or, if necessary, alternative implementation arrangements – to address identified capacity gaps.

The alternative implementation arrangements referred to in #3 above could include out-sourcing certain implementation functions (such as procurement and supply management).

If the circumstances warrant, the Secretariat may decide to release some funding before the grant-making is completed and the grant agreement documents signed. This could happen, for instance, if the Secretariat decides that the PR requires some capacity building before grant implementation starts. This could also happen if the Secretariat decides that certain processes, such as procurement, need to start right away. Any advance funding would be debited against the allocated funding for the grant in question.

The assessment of a PR or key implementer could lead to a decision by the Secretariat to reject the nominated PR or key implementer if the Secretariat concludes that there are severe gaps in capacity which cannot be addressed in a defined time frame. In these situations, the Secretariat will ask the CCM to nominate another PR or key implementer.

The Secretariat could also decide that the grant should be scaled down to a point where it is within the capacity of the nominated PR to implement the grant.

The Secretariat will try to ensure that Board approval of the grant is not delayed. Where a grant, for example, is approaching the end of grant-making and some of the action plan has not been done, the country team may decide to use technical assistance or out-sourcing to speed up the process. In addition, the Secretariat may decide that some issues may be addressed during grant implementation instead of during grant-making.

11.3 Developing a detailed budget and performance targets

A critical part of grant-making is finalising (a) performance targets and (b) a detailed budget, including an associated list of pharmaceuticals and other health products. The information on the budget and performance targets is summarized in a document that forms part of the grant agreement papers.

11.4 Completing the grant management workplan

The grant management workplan contains both (a) grant implementation milestones; and (b) specific actions to address capacity gaps and to mitigate against risk.

Grant implementation milestones include the timing of annual funding decisions and disbursements; progress reporting; other reporting and monitoring related to identified risks; and external audits. All conditions and management actions to be fulfilled during grant implementation are included in the workplan. The workplan will be used throughout grant implementation as a basis for monitoring progress.

11.5 Completing all other required documents and outputs

The following additional documents and outputs are developed or finalised during grant-making: a completed capacity assessment form; an implementer arrangement map; external audit arrangements; PR master data and bank account details; and the texts of the grant agreement documents.

11.6 Final review by the GAC

Disbursement-ready grants to be submitted for Board approval are reviewed by the GAC to ensure that the grants reflect (a) the strategic focus in the concept note; and (b) the recommendations of the TRP and GAC.

(Note: This is the second of two reviews by the GAC. The first review was done when the concept note was formally submitted. See Chapter 7.)

Three outcomes of the GAC review are possible:

1. The GAC recommends the grant for Board approval.
2. The GAC refers the grant back to the country team for revision.
3. The GAC refers the grant back to TRP if the GAC considers that some of the changes to the grant during grant-making are material.

One week before the GAC meeting at which the grant will be reviewed, the country team submits a package of documents to the GAC, including:

- draft grant agreement documents;
- capacity assessment of implementers, if applicable;
- the concept note; and

- a Grant-Making Issues Documentation Form, describing how the issues raised by the TRP and GAC have been addressed during grant making.

During this review, the country team highlights any issues that were not resolved during grant-making, or any issues that arose during grant-making that it believes should be flagged for the GAC. In addition, the country team outlines areas that will be addressed during grant implementation. Finally, the country team highlights any material changes from the original concept note.

When it reviews the disbursement-ready grant, the GAC looks for evidence that a rigorous review of the budget has been conducted, and that cost efficiencies have been identified that can be re-invested for greater impact. It checks to see if there is a clear plan to tackle issues that need to be addressed during implementation. Finally, the GAC identifies any initiatives that should be added to the register of unfunded quality demand.

Once the GAC has completed its review, and has decided to recommend a grant for approval, it submits a report to the Global Fund Board which includes a recommendation on how much base funding and how much incentive funding should be awarded to the grant.

Other requirements

The implementer arrangements diagram prepared during concept note development should be updated regularly during grant-making, as required, to reflect any changes. The Secretariat will ask the applicant to prepare an updated diagram prior to grant signing.

Getting a head start

The Global Fund advises applicants to begin working on grant-making tasks as soon as the concept note is submitted (or even before). Many of the early applicants in the NFM transition found it helpful to start work on their detailed budget, performance framework and procurement plan while the TRP and GAC reviews were being conducted. In this same time period, PRs may continue mapping their implementation arrangements, and country teams may begin the capacity assessment of key implementers.

12.0 Board approval and grant signing

This chapter describes the final part of the process before grants can be implemented: Board approval and the signing of the grant agreement documents.

Once the Board approves a disbursement-ready grant, grant agreement documents are signed by the Global Fund, the PR and the CCM. Once these documents are signed, funds may be committed and released.

Under the new funding model, the structure of the grant agreement has been significantly revised. The agreement has been replaced by two documents: (1) a framework agreement and Global Fund grant regulations; and (2) a grant confirmation.

Framework agreement and Global Fund grant regulations

For any eligible country, the Fund will sign a framework agreement with that country[15] to cover all government PRs and all disease programmes. This framework agreement incorporates a reference to Global Fund grant regulations. These are the standard terms and conditions that outline the parameters within which the Global Fund makes grants.

The framework agreement contains general provisions which apply to all future programmes to be implemented by government entities.

For NGO PRs, the Global Fund will sign similar framework agreements. These include some modifications to the Global Fund grant regulations to reflect the specific circumstances of the NGOs.

Grant confirmation

Once the Global Fund Board approves a grant, a grant confirmation is signed by the Global Fund and the PR.[16] The grant confirmation includes:

- a cover sheet capturing financial details about the grant and signing parties;
- a narrative section describing the legal context, with reference to the framework agreement;
- an "integrated grant description"; and
- any relevant attachments capturing conditions and other essential grant details.

The "integrated grant description" includes, among other things, how much money will be committed for the first year of grant implementation and the disbursement schedule. The full list of contents of the integrated grant description have not been determined yet. It is expected to replace and combine the current Annex A of the grant agreement (except for the conditions), the summary performance framework and the summary budget.

[15] The framework agreement is signed in the name of the host country, not in the name of any particular ministry, in order to enhance the overall legal enforceability of the grant agreement documents.

[16] Where the PR is a government entity, the grant confirmation is signed by the PR "acting on behalf of the host country." Where the PR is an NGO, the grant confirmation can be signed by the head office of the NGO or the country office (or subsidiary) of the NGO on behalf of its head office.

The conditions referred to above, in the last bullet, cover all critical risk mitigating measures that need to be implemented during grant implementation.

The grant confirmation outlines the obligations of the PR. In addition, it records the counterpart financing commitments for the duration of the grant, including additional willingness-to-pay commitments. It specifies how much government will invest each year, as well as a mechanism and time-frame for reporting annual government spending.

Where a government has agreed to invest in specific activities, the grant confirmation may spell out the expected outputs of these activities to make it easier to track government investments.

The Secretariat and PR determine the grant start date.

13.0 Managing incentive funding

This chapter explains how the Global Fund manages its incentive funding.

For 2014–2016, the Board has determined that the total amount of incentive funding is $950 million. The countries in Band 4 are not are eligible for incentive funding. The proportion of this total that is assigned to each of Bands 1–3 is based on that band's share of the total base funding for Bands 1–3. See Table 13-1 for details.

Table 13-1: Approximate breakdown of incentive funding by band for 2014–2016

Band	Incentive Funding	
	Amount	Percentage (%)
1	$825 million	87%
2	$42 million	4%
3	$83 million	9%
4	(Not eligible)	N/A
Total	**$950 million**	**100%**

Applicants compete with each other for the incentive funding. As it reviews concept notes, the GAC decides how incentive funding will be distributed across applicants. The GAC takes into account the recommendation of the TRP as well as other factors, including:

- **strategic focus:** to what extent the interventions are based on a robust national strategy, with demonstrated potential for impact;
- **sustainability:** the opportunities to leverage Global Fund resources through co-investment and national willingness-to-pay commitments;
- **performance:** whether the country has a record of strong performance in implementing grants for the component in question;
- **impact:** to what extent the interventions will contribute to progress towards impact;
- **ambition:** how ambitious the requested interventions are; and
- **fit with the Strategy:** to what extent the interventions reflect the priorities in the Global Fund Strategy 2012–2016.

Incentive funding will be awarded during each review window (see Table 7.1 in Chapter 7 for the dates of the review windows). The amount of incentive funding available for a given band in a given window will be based on the proportion of base funding eligible for incentive funding for which countries are applying in that window.

Because Bands 2 and 3 receive a relatively small portion of the incentive funding (8% and 5% respectively), the Secretariat is authorised to combine the incentive funding pools for the two bands for specific review windows if this is necessary to ensure adequate competition for the incentive funding.

14.0 Management of unfunded quality demand

This chapter explains the process for managing the register of unfunded quality demand.

Any initiatives included in a concept note which are considered technically sound and strategically focused by the TRP, but for which there are insufficient resources currently available, are placed on a register for possible financing by the Global Fund or other donors if and when any new resources become available**.**

Once initiatives are placed in the Register of Unfunded Quality Demand, they may remain there for up to three years.

At the end of each calendar year, the Secretariat will determine whether any new revenues have become available. Contributions from donors are expected to be the primary source of new revenues. If new revenues are available, initiatives from the register will be selected for funding. The additional funding will be added to existing grants.

All countries (and components) in all four bands are eligible to receive funding from the register except for components that are deemed to be significantly over-allocated. Non-CCM applicants are eligible, as are regional and multi-country applicants.

For initiatives that have been in register for some time, the GAC may review whether they are still relevant. The GAC may also ask the TRP to conduct a similar review.

15.0 Special initiatives

This chapter describes the special initiatives approved by the Board for 2014–2016.

Under the NFM, for each allocation period the Global Fund Board sets aside a sum of money for special initiatives. These are activities that cannot be accommodated under the base and incentive funding allocations to countries.

For 2014–2016, the Board set aside $100 million for five special initiatives, as follows:

- Humanitarian Emergency Fund ($30 million)
- Strengthening country data systems ($17 million)
- Technical assistance for strong concept notes and PR grant-making capacity building ($29 million)
- Technical assistance on community, rights and gender ($15 million)
- Enhancing value for money and financial sustainability of Global Fund–supported programmes ($9 million)

Below is a brief description of each initiative.

Humanitarian Emergency Fund

The purpose of the Humanitarian Emergency Fund is to provide quick access to funding when there is a humanitarian emergency. The fund will be used mainly for preventing disruptions to treatment and essential services when there are insufficient funds in the grant to handle the emergency. The Global Fund cites as an example the current situation of increasing TB among Syrian refugees in Jordan and Lebanon. Funding would be short-term and time-bound.

The Secretariat has the authority to approve spending from the Humanitarian Emergency Fund. Once approved, money will be channelled through entities that have experience in responding to humanitarian emergencies, such as international and UN agencies.

Strengthening country data systems

The purpose of establishing a special fund to invest in country data systems is to strengthen these systems in 20 priority countries in areas where important gaps have been identified – i.e. (a) estimating the size of key affected populations and conducting targeted surveys in those populations; (b) service quality assessments; (c) hospital mortality data analysis and support for the registration of vital statistics; and (d) strengthening country analytic capacity.

The list of 20 countries has not yet been finalised. It will likely include most of the countries the Global Fund has identified as "high impact."

Technical assistance for strong concept notes and PR grant-making capacity building ($29 million)

This is actually two initiatives: concept notes strengthening and capacity building.

One of the lessons learned from the transition phase of the NFM was that focused quality technical assistance was critical during the country dialogue for the development of the concept notes, but that resources were not always available to provide such assistance. This is what prompted the Board to set aside funds specifically for this purpose.

The purpose of the second initiative is to strengthen the capacity of new implementers, especially those from civil society, to participate in the grant-making process.

Technical assistance on community, rights and gender

The money for this initiative will be used to identify, resource and train domestic civil society organisations (CSOs), regional CSOs and key population networks to enable them to act as technical assistance providers in their own countries. The ultimate goal is to ensure that concept notes include technically sound interventions to address human rights barriers to health services, to address gender equality, and to strengthen community systems; and to ensure that key populations are meaningfully engaged in the country dialogues.

Enhancing value for money and financial sustainability of Global Fund–supported programmes

The money for this initiative will be used to provide technical assistance and capacity building – and to leverage partnerships at global, regional and country levels – to monitor domestic spending, to develop fiscal sustainability plans, and to explore innovative financing approaches.

16.0 The new grant management platform

This chapter is a summary of the Global Fund's new online grant management platform.

The Global Fund is introducing an online grant management platform designed to be used by CCMs, PRs, LFAs and the Secretariat for the submission, review and approval of concept notes and for the management of grant funds. The platform will be available in English, French, Spanish and Russian.

Roll-out of the platform will be in stages. Applicants are expected to use the platform for the submission of their concept notes starting in 2014.

Once the platform is fully implemented, CCMs must use the platform to update their membership information, track their eligibility status, provide CCM endorsement of the concept note, monitor their willingness-to-pay commitment, and provide oversight of a grant. The CCM and the PR will be able to monitor and manage the grant via the platform.

The Global Fund anticipates that each CCM will designate one or two administrators of the platform. The administrators will receive advanced training and be able to provide access rights for other CCM members on an as-needed basis.

The Global Fund will produce guidance and training materials on the use of the platform, and will arrange for focused training sessions during regional meetings or other in-country opportunities. A guidance document and some tutorials are expected to be available in April 2014. Resources are available to help countries transition to the online platform.

The Global Fund encourages CCMs to work with their country teams to identify technical or gaps in capacity that would prevent use of the online system. For those countries where internet connectivity or technical capacity prohibits use of the online platform, the Fund says it will work with the CCM and the PR to find an offline option for development and submission of the concept note.

17.0 Transition provisions for 2014–2016

The NFM is designed such that virtually all grants signed during a given allocation period will be covered by the allocations to countries made at the beginning of that allocation period. There won't be any carry-over of commitments from one allocation period to a subsequent allocation period. However, that is not the case for 2014–2016, the first allocation period, because there is an existing grants pipeline from the rounds-based system, and a portion of the costs of this pipeline must be paid for from funds raised for 2014–2016.

As a result, the Global Fund Board adopted certain transition provisions. One of the provisions is that the allocations to countries will include both funding left over from 2011–2013 for the existing grants pipeline ($5.55 billion) and funding available from the Fourth Replenishment ($10.22 billion). After setting aside a reserve for incentive funding ($0.95 billion), the Board determined that $14.82 billion was available for base funding to countries. See Table 17-1 for details.

Table 17-1: Calculation of total base funding available to countries for 2014–2016

Item	Amount ($ billion)
Initial allocation (new funding from 2014–2016)	10.22
Reserved for incentive funding (from new funding)	– 0.95
Base allocation for 2014–2016 (from new funding)	9.27
Existing funding (carry-over from 2011–2013)	+ 5.55
Total base allocation for 2014–2016 (both new and existing funding)	**14.82**

The total base allocation of $14.82 billion covers both funding for the existing grants pipeline funding for new initiatives.

The Board said that applicants should look at the entirety of funds available in this period (not just new funding) and decide how to best invest this for impact. This may result in some re-programming of existing grants.

The Board also said that although any funding for new grants must be requested by the applicant and approved by the Board prior to 31 December 2016, such funding can be utilised beyond that date.

In the transition provisions, the Board said that "While each disease component's portion of the Total Allocation will typically cover a period of four years starting from 1 January 2014, the Secretariat … has the operational flexibility to structure longer or shorter grant implementation periods while applying the principles of the allocation model … to guide funding levels towards the amounts derived from the allocation formula."

The phrase "four years starting from 1 January 2014" appears to refer to the fact that applicants should not expect to be able to access new funding from the 2017–2019 allocation period until the end of 2017.

The Secretariat has the flexibility to shorten the length of a grant. This would be typically considered in situations where there is a strong potential for impact and where a component is under-allocated – i.e. the allocation for 2014–2016 did not fully reflect the country's disease burden and ability to pay levels. Shortening the length of a grant would lead to an increase in what the Fund refers to the "run-rate" – i.e. the projected annual rate of spending.

The Secretariat may also increase the grant length. This would typically be considered in the case of over-allocated components in order to reduce their run-rate to a level that would better reflect what the allocation formula says they should receive.

An over-allocated component is one that receives more than the income/burden formula says it is entitled to receive. Over-allocations result from the fact that in the past some components in certain countries were funded at a higher level than the same components in other countries in similar circumstances. The allocation methodology under the NFM is designed to correct such imbalances. But the Fund does not want funding for components that received more than their fair share in the past to be cut too drastically or too suddenly. So, the Fund has adopted a system of graduated reductions whereby for 2014–2016 over-allocated components will receive an amount close to what they had been getting minus a reduction. The idea is that in future allocation periods, the graduated reduction would continue to be applied until the component was receiving what the income/burden formula said it should receive. (See Annex 3 for information on how the graduated reductions are applied.)

The Board further decided that for 2014–2016 the target portfolio-wide graduated reduction for components that are over-allocated would be set at 25% of the most recent four-year disbursement levels. (Previously, the Board had decided on a target of 20% of the most recent three-year disbursement levels.)

Finally, the Board said that for over-allocated components, if a component's existing grants pipeline exceeds the amount that would result from applying the graduated reduction, the allocation for that component would be the amount of the existing grants pipeline, subject to possible qualitative adjustments.

Annex 1: Disease burden categories defined

The following table describing how the Global Fund categorises disease burden is based on information from the Fund's Eligibility and Counterpart Financing Policy.

Table A1-1: Definitions of the categories of disease burden

Category	HIV *	TB *	Malaria * ‡
	HIV prevalence in population and/or at-risk populations	*Combination of TB notification rate per 100,000 population (all forms including relapses); and add WHO list of high burden countries (TB, TB/HIV or MDR-TB burden)*	*Combination of mortality per 1000 at risk of malaria; morbidity rate per 1000 at risk; and contribution to global deaths attributable to malaria*
Extreme	HIV national prevalence ≥ 10%	TB notification rate per 100,000 ≥ 300 and high TB, TB/HIV or MDR-TB burden country	Mortality rate ≥2 **OR** Contribution to global deaths ≥2.5%
Severe	HIV national prevalence ≥ 2% and < 10%	TB notification rate per 100,000 of ≥ 100§ **OR** TB notification rate ≥ 50 and < 100 and high TB, TB/HIV or MDR-TB burden country	Mortality rate ≥ 0.75§ and morbidity rate ≥ 10 **OR** Contribution to global deaths ≥ 1%§ **OR** country with documented artemisinin resistance
High	HIV national prevalence ≥ 1% and < 2% **OR** MARP† prevalence ≥ 5%	TB notification rate per 100,000 of ≥ 50 and < 100 **OR** TB notification rate per 100,000 ≥ 20 and < 50 and high TB, TB/HIV or MDR-TB burden country	Mortality rate ≥ 0.75 and morbidity rate < 10 **OR** mortality rate ≥ 0.1 and < 0.75 regardless of morbidity rate **OR** contribution to global deaths ≥ 0.25% and < 1%
Moderate	HIV national prevalence ≥ 0.5% and < 1% **OR** MARP prevalence ≥ 2.5% and < 5%	TB notification rate per 100,000 of ≥ 20 and < 50 **OR** TB notification rate per 100,000 < 20 and high TB, TB/HIV or MDR-TB burden country	Mortality rate < 0.1 and morbidity rate ≥ 1 **OR** contribution to global deaths ≥ 0.01% and < 0.25%
Low	HIV national prevalence < 0.5% and MARP prevalence < 2.5% **OR** no data	TB notification rate per 100,000 of < 20 **OR** no data	Mortality rate < 0.1 and morbidity rate < 1 **OR** contribution < 0.01% **OR** no data

* Data sources – HIV and AIDS: UNAIDS and WHO. If data are available for most-at-risk populations (MARPs), the highest prevalence will be taken into account. Tuberculosis: WHO. Malaria: WHO.

† MARP: Most-at-risk population

‡ The Secretariat will use malaria data for earlier years (2000) as recommended by WHO. When an application is submitted from a sub-national applicant the Global Fund will use incidence and mortality rates for those specific areas (and the contribution of those areas to the global burden).

§ And not covered by the criteria for the Extreme category.

Annex 2: Steps in the Allocation Methodology

This annex describes the 10 steps in the Global Fund's methodology for allocating funding to countries under the NFM.

Several parts of the methodology described here – including the formula for determining how much money is placed in the incentive pool, and the formula for establishing a notional allocation across the diseases – apply to the 2014–2016 allocation period. The methodology may be revised in the future.

Step 1: Determine country band composition

Countries are assigned to one of four bands on the basis of ability to pay and disease burden, as follows:

Band 1 Lower income High burden	**Band 3** Higher income High burden
Band 2 Lower income Low burden	**Band 4** Higher income Low burden

For each allocation period, in order to assign countries to bands, the Global Fund determines the boundary lines (or "threshold") between (a) lower income and higher income; and (b) low burden and high burden.

The Board has done this for the 2014–2016 allocation period. The threshold for income, which is measured in GNI per capita, was set at $2,000. The threshold for burden was set at 0.26% on the Fund's composite disease burden index.[17]

A list of countries by band is shown in Table A2-1.

[17] The composite disease burden index is based on the allocation formula indicators. A country's share of the global disease burden for each of the three diseases is added together, and then weighted according to the global notional distribution of funding across the three diseases (i.e. 50% HIV, 18% TB, 32% malaria). For example, say that Country X accounted for 4% of global HIV burden (in Global Fund eligible countries), 1% of global TB burden, and 3% of the global malaria burden, then its composite score would be: 0.5*4% + 0.18*1% + 0.32*1% = 3.1%. Country X would be classified as high burden.

Table A2-1: List of countries by band for 2014–2016

Note: The countries are grouped by region within each band.

BAND 1 Lower income, high burden		BAND 2 Lower income, low burden	BAND 3 Higher income, high burden	BAND 4 Higher income, low burden	
ASIA/PACIFIC	**S-S AFRICA**	**ASIA/PACIFIC**	**ASIA/PACIFIC**	**ASIA/PACIFIC**	**LAC**
Cambodia	Benin	Korea, DPR	Indonesia	Kiribati	Belize
Myanmar	Burkina Faso	Lao PDR	Philippines	Malaysia	Bolivia
Papua New Guinea	Burundi	Solomon Islands	Thailand	Marshall Is.	Columbia
Viet Nam	Cameroon		**EECA**	Micronesia	Costa Rica
	C.A.R.	**EECA**	Russian Federation	Mongolia	Cuba
LAC	Congo, DR	Kyrgyzstan	Ukraine	Samoa	Dominica
Haiti	Cote d'Ivoire	Tajikistan		Timor-Leste	Dom. Rep.
	Ethiopia	Uzbekistan	**S-S AFRICA**	Tonga	Ecuador
MENA	Ghana		Angola	Tuvalu	El Salvador
Chad	Guinea	**LAC**	Botswana	Vanuatu	Grenada
Mali	Kenya	Nicaragua	Congo		Guatemala
Niger	Lesotho		Namibia	**EECA**	Guyana
South Sudan	Liberia	**MENA**	South Africa	Albania	Honduras
Sudan	Madagascar	Djibouti	Swaziland	Armenia	Jamaica
	Malawi	Mauritania		Azerbaijan	Panama
SOUTH ASIA	Mozambique	Somalia		Belarus	Paraguay
Bangladesh	Nigeria	Yemen		Bulgaria	Peru
India	Rwanda			Georgia	Saint Lucia
Pakistan	Senegal	**SOUTH ASIA**		Kazakhstan	S.V. & Gren.
	Sierra Leone	Afghanistan		Kosovo	Suriname
	Tanzania	Nepal		Moldova	
	Tanzania (Zanzibar)			Romania	**SOUTH ASIA**
	Togo	**S-S AFRICA**		Turkmenistan	Bhutan
	Uganda	Comoros			Iran
	Zambia	Eritrea		**MENA**	Maldives
	Zimbabwe	Gambia		Algeria	Sri Lanka
		Guinea-Bissau		Egypt	
		Sao Tome & Principe		Morocco	**S-S AFRICA**
				Syria	Cape Verde
				Tunisia	Gabon
				W.B. & Gaza	Mauritius
					Seychelles
39 countries		18 countries	11 countries	55 countries	

Step 2: Determine resources available for allocation to countries

At the beginning of the each three-year allocation period, the Global Fund determines the total amount of resources available for the period. The amount is based on a forecast developed by the Global Fund Secretariat and approved by the Finance and Operational Performance Committee (FOPC). The Global Fund Board then sets aside some money for special initiatives and regional proposals, as well as for the operating expenses of the Global

Fund. The amount left over, called the "initial allocation," is the amount available for countries.

The 2014–2016 allocation period is unique because the Board had to factor in both new funding (Fourth Replenishment) and existing funding from 2011–2013 (Third Replenishment).

With respect to the new funding, the Board determined that an initial allocation of $10.22 billion is available for countries. See Table A2-2 for details on how this amount was calculated.

Table A2-2: Calculation of initial allocation for 2014–2016

Item	Amount
Pledged for the Fourth Replenishment (to 7 March 2014)	$12.20 b.
Reduction for technical assistance and other donor conditions	– $0.78 b.
Adjusted replenishment results	$11.42 b.
Reduction for Global Fund operating expenses	– $0.90 b.
Reduction for special initiatives and new regional programmes	– $0.30 b.
Initial allocation	**$10.22 b.**

For 2014–2016, the Board set aside $100 million for special initiatives (see Chapter 15 for details); and $200 million to support new regional proposals.

A portion of the initial allocation is reserved for incentive funding. The amount of money is determined by a formula adopted by the Board. The formula is as follows:

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

As indicated above, for 2014–2016, the initial allocation is $10.22 billion. Ten percent of that would be $1.02 billion. However, the Board decided that the actual amount of incentive funding is $0.95 billion. The reason for the difference is that Band 4 countries are not eligible for incentive funding, so the Fund deducted the amount of the initial allocation that is going to Band 4 countries before applying the 10% calculation.

With $950 million of the $10.22 billion being reserved for incentive funding, that leaves $9.27 billion in new funding available for base allocations to countries. As indicated above, for 2014–2016 only, unspent existing sources of funding as of 31 December 2013 are included in the funding available for base allocations to countries. The amount of the unspent funding is $5.55 billion. This brings the total base allocation to $14.82 billion. See Table A2-3 for details.

Table A2-3: Calculation of total base allocation

Item	Amount
Initial allocation	$10.22 b.
Reserved for incentive funding	– $0.95 b.
New funding available for base allocations to countries	$9.27 b.
Existing sources of funding at 31 December 2013	+ $5.55 b.
Total base allocation	**$14.82 b.**

Please note that the $14.82 billion covers existing grants as well as new ones. The existing grants pipeline (as of 31 December 2013) comes to $9.06 billion. The $5.55 billion in existing sources of funding is not enough to cover all the existing grants pipeline. This means that the Fund must dip into its new funding to pay for part of the existing grants pipeline. This is explained in Table A2-4.

Table A2-4: Estimated existing grants pipeline at 31 December 2013, showing costs to be covered by 2014–2016 revenues

Item	Cost ($ billion)
Signed into grant agreements but not yet disbursed	5.74
Board approved but not yet signed into grant agreements	+ 0.97
Approved in principle by the Board but subject to further approvals	+ 2.35
Total existing grants pipeline [A]	**9.06**
Estimated unutilised pre-2014 sources of funds [B]	– 5.55
Estimated existing grants pipeline costs to be covered from the Fourth Replenishment (2014–2016) [A-B]	**3.51**

The size of the existing grant pipeline will vary significantly from one country to another.

In subsequent allocation periods, starting in 2017–2019, the allocations to countries will consist of only new funding.

Step 3: Notionally allocate resources across the three diseases

The base funding available for countries is notionally allocated across the three diseases to produce three global envelopes, one per disease. (The Global Fund used to refer to this as the "global disease split.") For 2014–2016, the percentages for each disease have been determined by the Board. See Table A2-5.

Table A2-5: Notional allocation across diseases for 2014–2016

Disease	% split	Amount ($ billion)
HIV	50%	$7.41
Malaria	32%	$4.74
TB	18%	$2.67
Total	100%	$14.82

The final portfolio-wide split among the three diseases will not look exactly like the notional split shown in Table A2-5, for several reasons, including the following: (1) Countries submitting cross-cutting health systems strengthening components will have to find the money from the allocation they have been given for the three diseases. This will affect the split. (2) When incentive funding is awarded, this will again affect the split. (3) When each country is given its allocation, it includes a "suggested" split among the three diseases However, countries have some flexibility to adjust the split. (See "Programme split" in Chapter 7 for further information.)

Step 4: Determine the "starting allocation" for each country

This step involves determining an initial base funding amount for each country. The Global Fund refers to this as the "starting allocation." "Starting" simply means that there will be some adjustments to the amount before it becomes final.

Determining the starting allocation involves four stages:

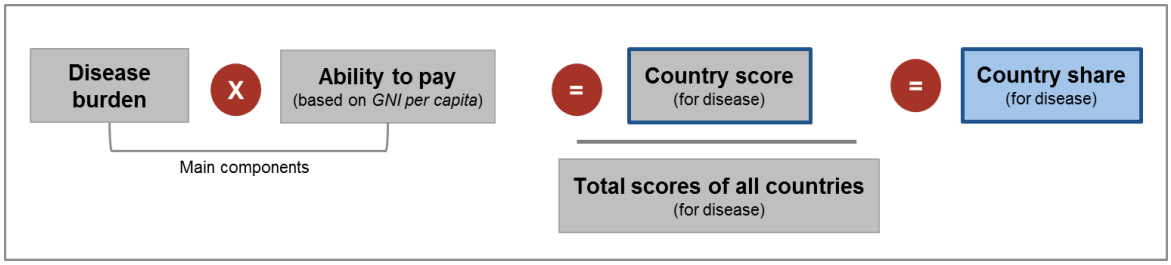
1. Calculate the country share for each eligible disease component.
2. Apply qualitative adjustments to the country share for each disease component.
3. Determine the starting allocation for each disease component for that country.
4. Determine the total starting allocation for that country.

Each stage is described below.

Stage 1: Calculate the country share for each eligible disease component

The "country share" means that country's percentage of the global envelope for that disease. The global envelope was determined in Step 3. The activities involved in Stage 1 are depicted in Figure A2-1.

Figure A2-1. Steps involved in calculating the country share



Source: Overview of the Allocation Methodology[18]

The first activity involves running the country allocation formula, which is based on ability to pay and disease burden. "Ability to pay" refers to a country's income level, calculated as gross national income per capita.

(In this paper, we refer to the country allocation formula as the "income/burden formula.")

A disease burden score is determined by applying the indicators shown in Table A2-6.

Table A2-6: Disease burden indicators

Disease	Indicators	Notes
HIV	No. of people living with HIV	Based on data from 2012 or most recent year.
TB	No. of HIV-negative incident cases + 1.2 * No. of HIV-positive TB incident cases + 8 * estimated MDR-TB incidence + 0.1 * 50% of estimated no. of people with known HIV-positive status	Based on data from 2012. Assumes that the entire budget for antiretrovirals for HIV-positive TB patients is included in the budget for HIV components.
Malaria	No. of cases + No. of deaths + 0.05 * incidence rate + 0.05 * mortality rate	Based on data from 2000, indicators normalised.

The ability to pay factor is expressed as a number by which the disease burden score is multiplied. This is illustrated in the Figure A2-2.

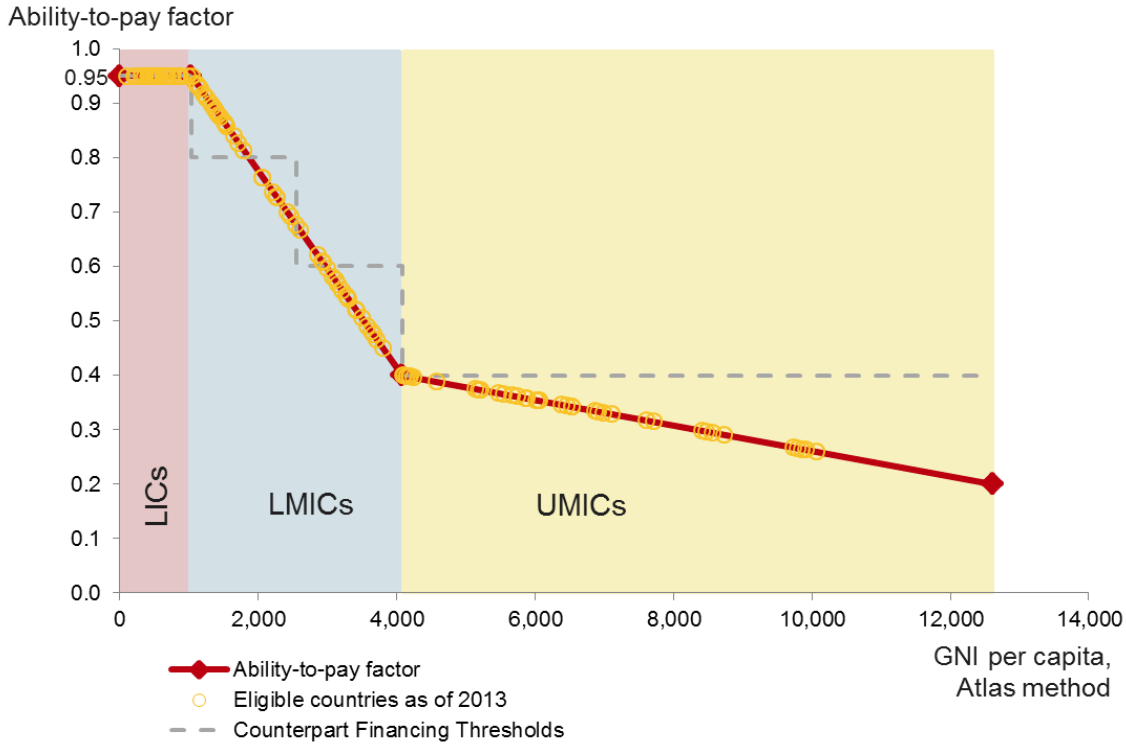
For all low-income countries, the number by which the disease score is multiplied is 0.95. For lower-middle-income countries, the number ranges between 0.95 and 0.4. It is a sliding scale; countries with the lowest income levels will be at the top end of the scale; countries with the highest income levels will be at the bottom end of the scale.

For upper-middle-income countries, the number ranges between 0.4 and 0.2; again, it is a sliding scale.

Aidspan understands that the Global Fund does not plan to publish the disease burden scores or the ability to pay numbers for individual countries. In most cases, disease burden scores are based on public data or information that countries will have already seen.

[18] This refers to the "Overview of the Allocation Methodology (2014–2016): The Global Fund's New Funding Model," published by the Global Fund and available here.

Figure A2-2: Ability to pay factor



Source: Overview of the Allocation Methodology

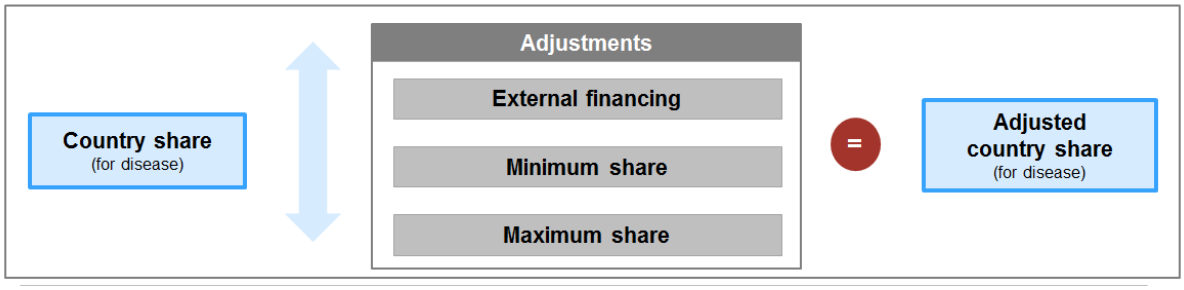
Multiplying the disease burden score by the ability to pay number produces a country score for the given disease. Dividing the country score by the total score of all countries produces the country share for that disease, expressed as a percentage.

Note: For stages below, this country share percentage is converted into a country share dollar amount.

Stage 2: Apply qualitative adjustments to the country share for each disease component

In this stage, the country share (expressed in dollars) may be increased or decreased by applying certain qualitative adjustments, which produces an adjusted country share. As depicted in Figure A2-3, there are three qualitative adjustments applied at this stage: external financing, minimum share and maximum share.

Figure A2-3: Qualitative adjustments to produce an adjusted country share



Source: Overview of the Allocation Methodology

An adjustment for external financing is applied to reflect the amount of external donor financing available for that disease. This adjustment may result in a decrease or an increase in the country share of up to 50%. The Global Fund has published only limited information concerning how it determines the size of the increase or decrease. The Fund says that data on external financing is discounted by 50%. In other words, only half of the amount of external financing reported is considered for the purposes of this adjustment. The Fund also says that the country share, after adjustment for external financing, cannot be less than the defined minimum share (see below) or more than more than the defined maximum share (see below).

"Minimum" shares refers to provisions to ensure that allocations to countries do not go below a specified floor. The Global Fund has decided that the minimum share for countries in Bands 1–3 is the greater of (a) the minimum required level (see below) and (b) the amount the country would receive by applying the Band 4 methodology.

"Maximum shares" refers to provisions to ensure that allocations to countries and disease components do not go above a specified ceiling. The maximum share that any one country can receive is 7.5% of the total allocated to countries. In addition, for a given disease, a country cannot receive more than 10% of the total allocated to all countries for that disease.

Minimum required levels

"Minimum required levels" is also known as "the principle of graduated reductions." Under this principle, if the allocation for a specific disease as determined by the application of the income/burden formula is less than what the country has received lately for that component[19], the country will receive an amount closer to what it has received lately; and the amount will be reduced gradually in future allocation periods until it reaches the level set by the income/burden formula. Graduated reductions are further explained in Annex 3.

Note: In Global Fund parlance, components that receive more than the income/burden formula says they are entitled to receive are referred to as "over-allocated" or "significantly over-allocated." This is an issue that affects the 2014–2016 allocation period, although the graduated reductions are supposed to extend into subsequent allocation periods. For information on how the Global Fund has handled over-allocated components, see Chapter 17.

Stage 3: Determine the starting allocation for each disease component for that country

In this stage, for each disease, the adjusted country share (from Stage 2), expressed as a percentage, is multiplied by the global envelope for the disease, as determined in Step 3, to produce the starting allocation for the disease.

At this point, a negative adjustment may be made to the starting allocation for some disease components that are not over-allocated. As explained above, over-allocated components receive an allocation that is greater than what the income/burden formula says they should receive. Because total resources are finite, when the over-allocated components receive an allocation that is greater than what the formula calls for, some of the other components will

[19] This includes funding approved for existing grants but not yet spent.

have their allocations reduced accordingly. These components are referred to as being "under-allocated."

The Global Fund Secretariat told Aidspan that these negative adjustments will be applied to all non-over-allocated components on a proportional basis.

Stage 4: Determine the total starting allocation for that country

In Stage 4, the country allocations for HIV, malaria and TB are added together to produce the starting allocation for the country.

Note: The Global Fund will also calculate what the allocations would be for components in countries in Bands 1–3 using the methodology for Band 4 (see Step 8 below). If a component in a country in Bands 1–3 would receive a greater amount using the Band 4 methodology than it would receive using the income/burden formula described in this step, then the starting allocation for that component will be based on the Band 4 methodology.

Step 5: Determine the base funding allocations for each band

The allocations for each band are determined by adding up the starting allocations of all countries within the Band.

The Board has announced the total base allocation amounts for each band for 2014–2016. They are shown in Table A2-7.

Table A2-7: Base allocations to bands for 2014–2016

Band	Base Allocation	
	Amount ($ million)	% of total
Band 1	11,250	76.0%
Band 2	915	6.2%
Band 3	1,530	10.3%
Band 4	1,105	7.5%
Total	**14,800**	**100.0%**

Step 6: Apply additional qualitative adjustments to the starting allocations for countries in Bands 1–3

In Step 4, the starting allocations for each disease for each country were determined. Part of Step 4 involved adjustments based on qualitative factors such as external financing and minimum and maximum levels. Here, in Step 6, further adjustments are applied based on additional qualitative factors, to produce the "near-final" base funding amounts for each disease component for each country in Bands 1–3.

There are five qualitative factors applied in this step: (1) performance; (2) impact; (3) increasing rates of infection; (4) risk; and (5) absorptive capacity. The adjustments are made

on a component by component basis. See Annex 4 for a description of how these qualitative adjustments are applied.

The Fund may make further adjustments to the allocations based on other considerations. While many considerations are possible, in practice any upward adjustments are usually limited to situations where the country is poised to make a disproportionate impact; additional funding is needed to support essential services through to the next replenishment; or other sources of financing (not previously considered) in the country were decreasing beyond what the allocation model anticipated.

Downward adjustments could occur if the country or component has never before received funds from the Global Fund and operational costs would be too high; or the programmatic needs in the country do not demand full resources.

With respect to the last bullet, this could involve situations where governments are taking on more of the costs. It could also involve components that are allocated large population-based Band 4 amounts, but where the actual disease burden is very low or there was very little data to support any disease burden. Finally, it could involve situations where a component is receiving funding through a regional grant.

Most of the adjustments made to 2014–2016 allocations based on these other considerations were because additional funding was required to maintain essential services.

Any upwards adjustments made have to be offset by other downwards adjustments in the same band. In other words, the total adjustments within each band have to net out at zero.

The Grant Approvals Committee makes the final determination concerning all adjustments.

Note: The adjustments in this step do not produce the final base allocation for each country. There is a further adjustment possible for "willingness to pay" during the development of the concept note (see Step 10 below).

Step 7: Determine the allocations for countries in Band 4

As indicated above, a separate methodology is used to determine allocations for countries in Band 4, the countries with low disease burdens and higher income levels. The Global Fund says that this approach recognises that the special circumstances of many Band 4 countries (concentrated epidemics, small island economies, etc.) may not be fully reflected in the definitions and calculations underlying the income/burden formula.

Under the Band 4 methodology, the funding ceilings are based on population size, as explained in Table A2-8.

Table A2-8: Band 4 methodology for 2014–2016

Population	Funding ceilings per disease component ($)
Fewer than 500,000	1,282,149
Between 500,000 and 1 million	2,564,298
Between 1 million and 5 million	5,128,597
Between 5 million and 10 million	10,257,193
Over 10 million	12,821,492

The ceilings are scaled to ensure that in the aggregate, Band 4 countries receive only 7.5% of total funding available to countries (as mandated by the Global Fund Board).

Note that Band 4 countries will receive allocations only for components for which they are eligible to apply.

Note: The Global Fund also calculates what the allocations would be for components in Band 4 countries using the methodology for countries in Band 1–3. If a component in a Band 4 country would receive a greater amount using the Bands 1–3 methodology than they would using the Band 4 methodology, the allocation will be based on the Bands 1–3 methodology.

Step 8: Review and validate country allocations

Following the determination of the near-final base funding amounts for components for countries in Bands 1–3 in Step 6, and the determination of the allocations for components in Band 4 countries in Step 7, the Global Fund conducts internal and external checks to validate all allocations. For 2014–2016, panels were established to review the allocations.

Step 9: Communicate the base funding amount to each country

The Global Fund tells each country what its base funding amount is. The Fund also provides a notional allocation by disease – i.e. a suggestion regarding how base allocation could be split among the three diseases. This is for information purposes only. Countries have flexibility to revise the split (see "Programme split" in Chapter 7). Countries are able to use a portion of their allocation for a cross-cutting health systems strengthening component.

For 2014–2016, the Global Fund informed each country of its base allocation by letter on 12 March 2014.

In the letter that some countries received, the Fund said that allocations may be conditional on the Global Fund being satisfied with the country's actions to refund amounts identified as being repayable by the Office of the Inspector General in an audit or investigation. This is new for the NFM; under the rounds-based system, the Fund did not reduce funding awards to recover amounts owing.

There are two documents on the Global Fund website here that provide details on the allocations to countries for 2014–2016.

Step 10: Determine possible adjustments to the base funding amounts based on willingness to pay

A total of 15% of base funding allocation for each disease is conditional upon the government committing to make "additional investments" in one or more of the disease programmes or in health systems strengthening and then actually making those investments. The additional investments have to be over and above what the government is required to invest as determined by the application of the counterpart financing criteria.

The amount of additional investments is determined during the country dialogue process. It is based on the size of Global Fund allocation, existing commitments, past spending and the country's fiscal health. The Fund says that in most countries, governments have often made commitments as grants were being renewed. Where this is the case, the country dialogue will be used to firm up these commitments. In other countries, new commitments may need to be negotiated during the country dialogue. Depending on the size of the commitments, all or part of the final 15% will be included in the final base funding allocation of the country.

In exceptional cases – such as political or economic crises – if the country can show it is not able to make more investments, the CCM can request an exemption from the willingness to pay requirements.

The government commitments must be given to the Secretariat prior to, or along with, the concept note. The commitments are incorporated into the grant agreement documents. During the annual disbursement review, the Secretariat will assess whether the commitments have materialised. Grant budgets may be adjusted down if the commitments are not being realised.

Annex 3: Graduated reductions

The Global Fund Board has decided that a graduated reduction will be applied to the funding levels of disease components that have received funding in the previous four years[20] at levels considerably above what the income/burden formula says they should receive.

This means that these components won't be limited to the amounts generated by the income/burden formula. Instead, the level of funding for these components will be pegged initially at what the countries had received for the previous four years minus about 25%. Components in this situation are said to be "over-allocated."

(A minimum 25% reduction is the target for all over-allocated disease components. Some may experience reductions of more than 25% following discussions with the Secretariat.)

The effects of this decision is illustrated in the following scenario:

- Country X's allocation for TB for 2014–2016, based on the application of the income/burden formula plus existing funding left over from 2011–2013, would be $75 million.
- Over the past four years, Country X has received $130 million in disbursements for TB.
- Country X's allocation for TB for 2014–2016 is therefore set at $130 million minus a 25% reduction ($32.5 million), which equals $97.5 million.

The Board further decided that if any disease component is over-allocated by more than 50% even after the graduated reduction, the country will not be eligible for incentive funding for that component. The following scenario illustrates the effect of this decision:

- Country Y's allocation for TB for 2014–2016, based on the application of the income/burden formula plus existing funding from 2011–2013, would be $75 million.
- Over the past four years, Country Y has received $160 million for TB.
- Country Y's allocation for TB for 2014–2016 is therefore set at $160 million minus a 25% reduction ($40 million), which equals $120 million.
- Because $120 million is more than 50% higher than what the allocation should be, Country Y is not eligible for incentive funding for its TB component in 2014–2016. (Country Y may be eligible for incentive funding for other components.)

In future, the allocations for the over-allocated components will continue to be slowly reduced until they reach the level determined by the income/burden formula.

In the transition provisions, adopted at its meeting in Jakarta in 2014, the Board said that if the existing grants pipeline for a component exceeds the amount that would result from applying the graduated reduction described here, then instead of applying the graduated reduction, the amount of the existing grants will become the allocation for that component.

[20] The Fund is using four years here because it expects that most countries will be implementing programmes funded by their 2014–2016 allocations (both new and existing funding) for a period of four years.

Annex 4: Application of qualitative factors prior to determining the final base allocation amount for each country

This annex describes how qualitative factors are applied prior to determining the near-final base allocations for countries in Bands 1–3. This relates to Step 6 in Annex 2.

There are five qualitative factors applied in Step 6: (1) performance; (2) impact; (3) increasing rates of infection; (4) risk; and (5) absorptive capacity. The adjustments are made on a component by component basis.

When applying these qualitative adjustments, the Global Fund takes into account whether a component is significantly over-allocated. The Fund defines "significantly over-allocated" as when the allocation is 50% or more above what the income/burden formula called for. If a country is significantly over-allocated, it cannot receive any upward adjustments for performance, impact, increasing rates of infection, or risk.

Before applying these qualitative adjustments, the base funding amount for each country is reduced to 70%. The Global Fund Secretariat told Aidspan that the qualitative adjustments in a given country, taken together, usually result in an increase in the allocation. Because all adjustments across the portfolio (and in each band) must net out at zero, the Fund has to reduce the base amount before applying the adjustment. Ultimately, the amounts are recalibrated to ensure that the total base allocation across the portfolio remains the same.

This is best illustrated with an example.. Assuming there are just three components in the entire portfolio. Component A has a base funding amount of $10 million; Component B, $8 million, and Component C, $6 million – for total base funding of $24 million. After applying the 70% reduction and the adjustments, Component A ends up with $11.1 million; Component B, $6.6 million; and Component C, $5 million, for a total of $22.7 million. These amounts are then adjusted to bring the total "back" to original $24.0 million. Table A4-1 shows how this is handled.

Table A4-1: Simplified example of how the qualitative adjustments impact the base allocations ($ million)

1 Component	2 Base funding	3 Reduction to 70%	4 Gross allocation after adjustments	5 % of gross allocation	6 Adjusted base funding
A	10.0	7.0	11.1	49%	11.7
B	8.0	5.6	6.6	29%	7.0
C	6.0	4.2	5.0	22%	5.3
Total	24.0	16.8	22.7	100%	24.0

Readers can see from the table that going into the adjustments exercise, total base funding was $24.0 million, and that at the end of the exercise, it was still $24.0 million – i.e., the adjustments netted out at zero. The percentage split of the gross allocations for the three

components (Column 5) was applied against total funding ($24 million) to produce the adjusted base funding for each component (Column 6).

Below, each of the five qualitative adjustments is described.

Performance

An adjustment of up to +25% may be made based on the performance of the component in question. A performance rating is determined using the indicator-based performance of all grants for the component weighted by the grant budget over the previous two years or so.

The size of the adjustment is based on the performance rating of the component, as follows:

"A" rating: +25% adjustment
"B1" rating: +15% adjustment
"B2" rating: +5% adjustment
"C" rating: No adjustment

When there is no previous performance data, the component receives the same adjustment as for a B1-rated component (i.e. +15%).

For more details on the data used to determine performance, see Part III of the Global Fund's Overview of the Allocation Methodology publication.

Impact

An adjustment of up to + 15% may be made based on as assessment of the impact of the HIV, malaria and TB programmes supported by the Global Fund. "Impact" is defined in terms of reducing mortality and morbidity to meet the 2015 MDG 6 international targets.

An impact rating is determined based on a methodology approved by technical partners. For 2014–2016, each calculated rating was peer reviewed at least once and, if issues arose, twice by a panel of experts that included representatives from the WHO and UNAIDS.

Four ratings are possible. The size of the adjustment depends on the rating, as follows:

Demonstrated impact: +15%
Progress towards impact: +10%
No or limited progress towards impact: No adjustment
Insufficient data to assess impact: No adjustment

Note: Any component that receives a C performance rating (see above) cannot receive an upward adjustment for impact.

For more information on how impact ratings are determined, see Part III of the Global Fund's Overview of the Allocation Methodology publication.

Increasing rates of infection

An adjustment of up to +5% may be made if there is strong evidence of an increase in the incidence of a disease over the past five years at either a national level, or at the level of a key

sub-population that would have significant impact on the national burden. The Global Fund says that the increase must be primarily due to insufficient funding and must not be attributable to (a) an improvement in case finding or diagnostic efforts; (b) a change in a reporting definition or coverage; or (c) poor use of existing resources. The Fund says that these are exceptional circumstances not found in most countries.

For 2014–2016, the Secretariat's determinations as to a possible adjustment for increasing rates of infection were reviewed by the same experts that reviewed the impact ratings.

The Global Fund applies the adjustments for performance, impact and increasing rates of infection at the same time, instead of applying them cumulatively. This means that the maximum upward adjustment a component could receive (prior to any possible adjustment for risk and absorptive capacity) would be 115% of the starting allocation. To illustrate:

70% of starting allocation
+25% for *performance*
+15% for *impact*
+ 5% for *increasing rates of infection*

=115% of starting allocation

Risk

An adjustment of up to +$1 million per disease component may be made for countries operating in environments of extreme risk in order to pay for risk mitigation measures. For 2014–2016, countries in the top two categories of the 2013 Failed State Index[21] were considered for this adjustment, as were certain other countries identified by the Global Fund.

The cost of risk mitigation for each disease component is taken into account when determining the amount of the adjustment.

In terms of the country context, components are only considered eligible for an adjustment if:

- the risk is considered to be extreme, not just endemic;
- the risk is beyond the country's ability to control;
- the risk is not just political but also has operational and financial implications; and
- it is clear that additional funding could help mitigate the risk.

In the context of existing grants for the components, an adjustment is possible only if:

- there is insufficient funding in the existing grants to pay for risk mitigation;
- risk mitigation is not already being managed by the principal recipients; and
- the grants are large enough to justify the expenses associated with risk mitigation.

[21] The Failed State Index is maintained by the Fund for Peace, a US think tank. Factors that could cause a country to be listed in the index include a central government that is so weak it has little effective control over its territory; widespread corruption and criminality; and the presence of large numbers of refugees or internally displaced persons.

Over-allocated components are not eligible for an adjustment for risk. They are expected to fund risk mitigation through their base allocation.

Absorptive capacity

Once the adjustments for the first four qualitative factors have been determined, the starting disease allocations are re-calculated. Then, the Global Fund reviews this amount to determine whether, based on past financial and operational performance, the disease programme can absorb the money. More specifically, the Fund looks at two factors:

1. the average spending rate (amount disbursed compared with the total grant budget, and cross-checked against the actual expenditure rate); and
2. the ratio between average annual past disbursements and what the annual disbursements would likely be for the re-calculated disease allocation.

A negative adjustment may be made if the Global Fund has concerns about a country's capacity to absorb additional funding. For more details on the data used to calculate absorptive capacity, see the Global Fund's Overview of the Allocation Methodology publication (look for Exhibit 14 in Step 5).

Annex 5: Three case studies of the country dialogue and concept note development processes

As explained in Chapter 7, a few countries have experience with the country dialogue and concept note development processes because they participated in the NFM transition phase. Here we provide a summary of the country dialogue and the concept note development processes in Myanmar, Zimbabwe and El Salvador.

Myanmar (HIV, TB and malaria)

This description of the country dialogue and concept note development processes in Myanmar is taken from a report from Open Society Foundations (2013): "Rapid Assessment of Local Civil Society Participation in the Global Fund to Fight AIDS, TB and Malaria's New Funding Model: Preliminary Report." This report is not available online.

In October 2012, responding to an invitation from the Global Fund to apply for some new funding even before the NFM transition phase was launched, Myanmar began drafting separate concept notes for all three diseases with inputs from the CCM members, PRs and CCM working groups (referred to as TSGs, or technical and strategic groups).

The concept notes were redrafted after Myanmar was formally invited to participate in the transition phase. A country dialogue meeting was organized at which Global Fund staff explained the NFM process. Invitations to participate in the meeting were sent to (a) all three TSGs, including an expanded HIV TSG that included some people who were not formally part of the TSG; (b) organisations that expressed interest in attending; and (c) newly identified partners in conflict areas. The OSF report noted that the country dialogue was an opportunity to obtain input from some key affected and criminalised populations which had not previously been included in consultations.

The OSF report said that because consultations were confined to the capital, Yangon, input from rural communities was limited. The report also noted that language barriers prevented broad inclusion of the civil society sector.

Zimbabwe (HIV)

The description of the country dialogue and concept note development processes in Zimbabwe is taken from the OSF report mentioned above and a June 2013 report prepared by the Zimbabwe CCM: "The Experience of Zimbabwe with the Global Fund's New Funding Model," available here.

Some time prior to March 2013, the CCM put out a call for civil society volunteers to participate in a concept note writing team. Representatives from the Zimbabwe National Network of People living with HIV, the Zimbabwe HIV and Aids Activists' Union, the Southern Africa AIDS Trust, and the Organization for Public Health Interventions and Development were selected.

On 6–8 March, the Global Fund's country team for Zimbabwe visited the country to present the NFM to the CCM, participate in planning meetings (including on the country dialogue process) and meet with a range of stakeholders.

On 11 March, the CCM convened a meeting to plan the stakeholder consultation process and establish the writing team. On the following day, the writing team met to develop a road map for its work in the coming weeks, including for receiving inputs from the planned consultations.

The writing team was led jointly by senior representatives of the Ministry of Health and Child Welfare and the National AIDS Council. The Director of the National AIDS and TB Programme and a representative of the CCM, who was also the UNAIDS Country Coordinator, provided additional oversight of the process.

The writing team consisted of a core writing group and a wider group mainly working on undertaking a gap analysis, organising consultations with stakeholders during the writing process, and determining the contents of the funding request. Writing Team members included staff from the Ministry of Health and Child Welfare, the National AIDS Council, the National Microbiology Reference Laboratory, the Health Professions Authority of Zimbabwe, WHO, CDC/PEPFAR, USAID, UNAIDS, NGOs and civil society groups – the Network of Zambian People Living with HIV/AIDS (NZP+), and the Zimbabwe HIV/AIDS Activists Union. WHO, UNAIDS, UNDP and independent consultants provided technical assistance. The CCM Secretariat was responsible for logistical aspects and coordination of the writing process, interface with the Global Fund Secretariat on behalf of the CCM and the writing team, and compilation of all annexes required for the concept note.

On 13–15 March, intensive consultations were held. They were organized at short notice due to the very tight NFM timelines. To the extent possible, consultations piggybacked on meetings that had already been scheduled in March. At one such meeting, the agenda was adapted to accommodate a half-day consultation on the NFM, including a presentation by the CCM and breakout group discussions on priority areas for the concept note.

Also on 13 March, the National AIDS Council and NZP+ hosted a consultation meeting on the concept note for key population groups, attended mainly by HIV-positive women. On 15 March, members of the writing team met with sex workers.

The major consultation meeting related to the NFM was convened by the CCM on 14 March and brought together in Harare more than 85 participants representing the Ministry of Health and Child Welfare and other government agencies, UN and development partners, the private sector, NGOs and civil society organizations including women's organizations, the gay and lesbian network, youth groups and people living with HIV. The focus of the day-long meeting was to develop inputs through small group work for a programmatic gap analysis – i.e. to identify priority areas for which the concept note should seek funding.

On 18–23 March, a writing retreat was held to draft the concept note. Approximately 40 people participated, including members of the writing team, technical advisers, resource people and Global Fund staff. The retreat was guided by a detailed agenda that was updated daily and included inputs to be included in the concept note each day. While it was

anticipated that the number of people required to work full-time on the concept note would diminish over the course of the week, all participants stayed until the end of the week and worked from 8 am until at least 11 pm on each of the five days. Technical support was provided by UNAIDS, the World Health Organization and Ministry of Health staff. Members of the Global Fund country team for Zimbabwe were present.

Immediately after the retreat, a draft of the concept note was circulated to all those who attended with a request that they circulate it as widely as possible. According to the report prepared by the CCM, time constraints did not permit an in-person consultation on the draft concept note or the usual process of peer review.

The draft concept note was submitted to the TRP; comments from the TRP were received on 25 March.

On 27 March, the CCM met in "open session" to provide comments on the draft. The meeting was attended by some non-CCM members.

From 25 March to 2 April:, the writing team worked on two subsequent drafts of the concept note, calling on civil society participants as required to obtain inputs and source local data to justify the concept note's content. The final concept note was submitted on 2 April.

El Salvador (HIV)

The following description of the country dialogue and concept note development processes in El Salvador is taken from a GFO article.

When Round 11 was launched, the CCM undertook a small process of consultation for an HIV proposal it was planning to submit. Round 11 was then cancelled. In September 2012, the CCM began preparing a request for continued funding for the next implementation period of two existing single-stream-of-funding HIV grants. The CCM initiated a process of consultation with affected populations – specifically, people living with HIV and men who have sex with men (MSM), both of whom were already represented on the CCM. The CCM set up a Proposal Committee.

These consultations were already underway when the CCM received the invitation to participate in the transition phase of the NFM. According to some of the people interviewed for the GFO article, the invitation was accompanied by a strong message from the Global Fund: A significant part of the project (i.e. at least 50% of the funding) had to go to activities targeting three key affected populations – transgendered persons, MSM and sex workers. After receiving this message, the CCM added representatives of these key populations to its Proposal Committee.

With support from technical partners, the CCM hosted two very large inter-sectorial country dialogue meetings. Each one brought together more than 120 people, about 80% of whom were from civil society, including key affected populations. The purpose of the meetings was to obtain the input of different populations and sectors regarding (a) their needs; and (b) the objectives and activities they thought should be included in the proposal. These were brainstorming sessions; no attempt was made to filter out suggestions which may not have

been feasible or which may not have been pertinent to the nature of the epidemic in El Salvador. Each key affected population was able to select the people that attended the meetings.

The suggestions from the country dialogue meetings were reviewed by the Proposal Committee. The committee discussed the feasibility and relevance of each suggestion. A financial expert was on hand to help with the budget part.

The CCM established an Editorial Committee which was charged with the actual writing of the proposal. The Editorial Committee was in regular communication with the Proposal Committee .