Funding Model Evolution

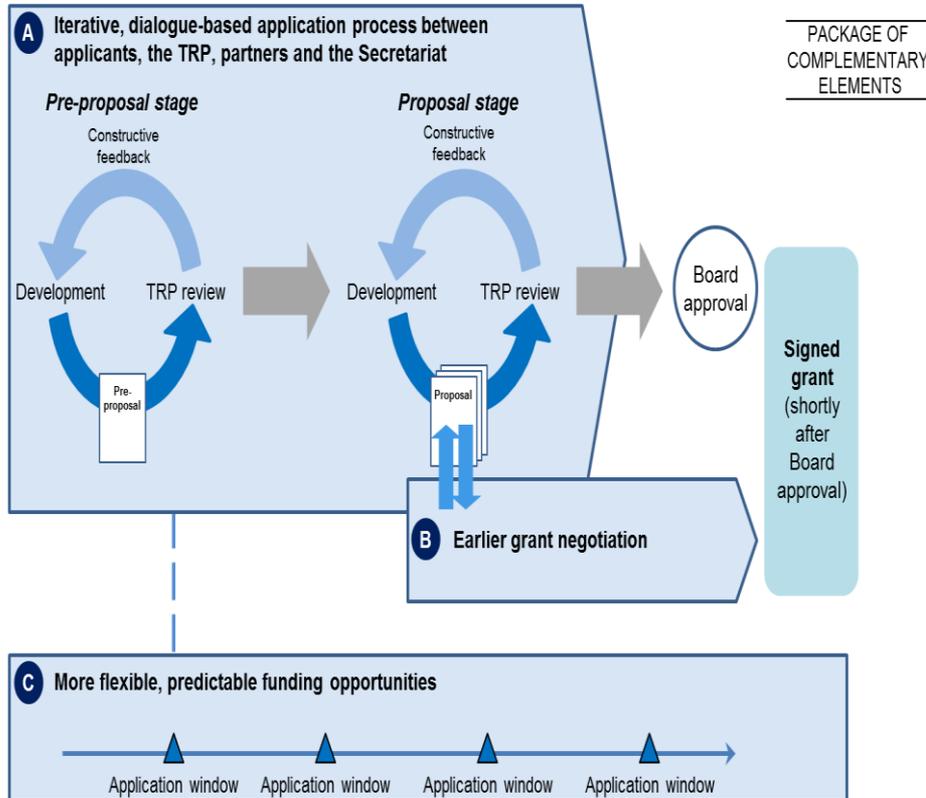**Overview for SIIC discussion**

June 2012

The framework for the funding model has been established in the new Global Fund Strategy

The Global Fund Strategy Framework 2012-2016: "Investing for impact"

Strategic Objectives

1. Invest more strategically	2. Evolve the funding model	3. Actively support grant implementation success
Strategic Actions 1.1 Focus on the highest-impact countries, interventions and populations while keeping the Global Fund global 1.2 Fund based on quality national strategies and through national systems 1.3 Maximize the impact of Global Fund investments on strengthening health systems 1.4 Maximize the impact of Global Fund investments on improving the health of mothers and children	2.1 Replace the rounds system with a more flexible and effective model • Iterative, dialogue-based application • Early preparation of implementation • More flexible, predictable funding opportunities 2.2 Facilitate the strategic refocusing of existing investments	3.1 Actively manage grants based on impact, value for money and risk 3.2 Enhance the quality and efficiency of grant implementation 3.3 Make partnerships work to improve grant implementation
4. Promote and protect human rights	4.1 Integrate human rights considerations through the grant cycle 4.2 Increase investments in programs that address human rights-related barriers to access 4.3 Ensure that the Global Fund does not support programs that infringe human rights	**5. Sustain the gains, mobilize resources** 5.1 Increase the sustainability of Global Fund-supported programs 5.2 Attract additional funding from current and new sources

Strategic Enablers	Enhance partnerships to deliver results
	Transform to improve Global Fund governance, operations and fiduciary controls

- GF Strategy 2012-2016 approved by Board at the end of last year

- Evolving the funding model is a key element of the new strategy (Objective #2)

- Many of the other objectives of the new strategy will influence the development of the new funding model

The Board approved funding model – to replace "Rounds" - has three complementary elements

A. Iterative, dialogue-based application process between applicants, the TRP, partners and the Secretariat

Pre-proposal stage
Constructive feedback

Development — TRP review

Pre-proposal

Proposal stage
Constructive feedback

Development — TRP review

Proposal

Board approval

Signed grant (shortly after Board approval)

B. Earlier grant negotiation

C. More flexible, predictable funding opportunities

Application window | Application window | Application window | Application window
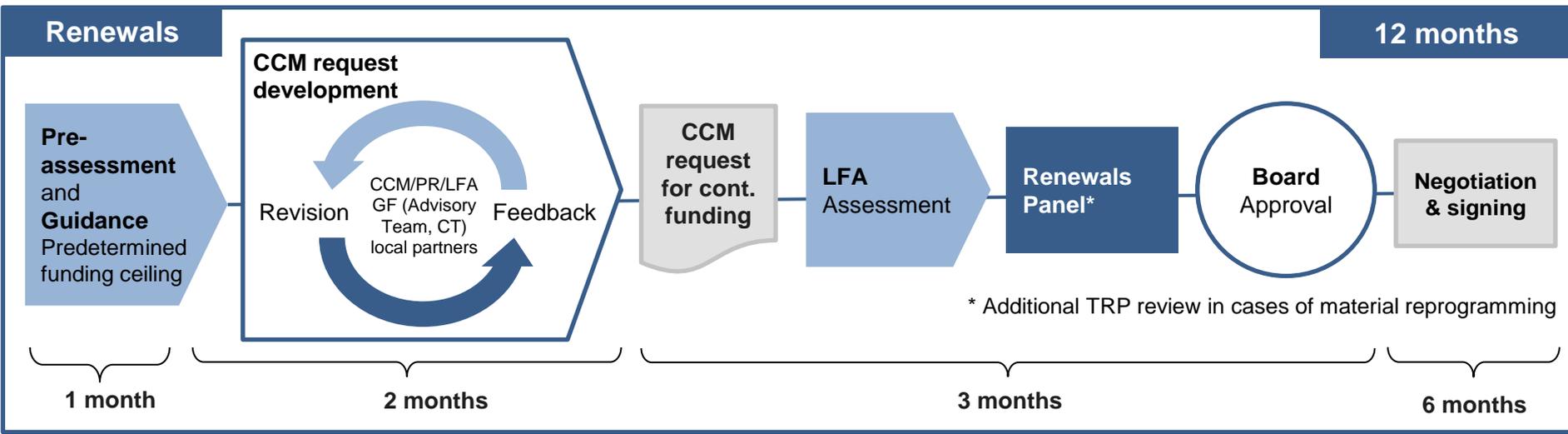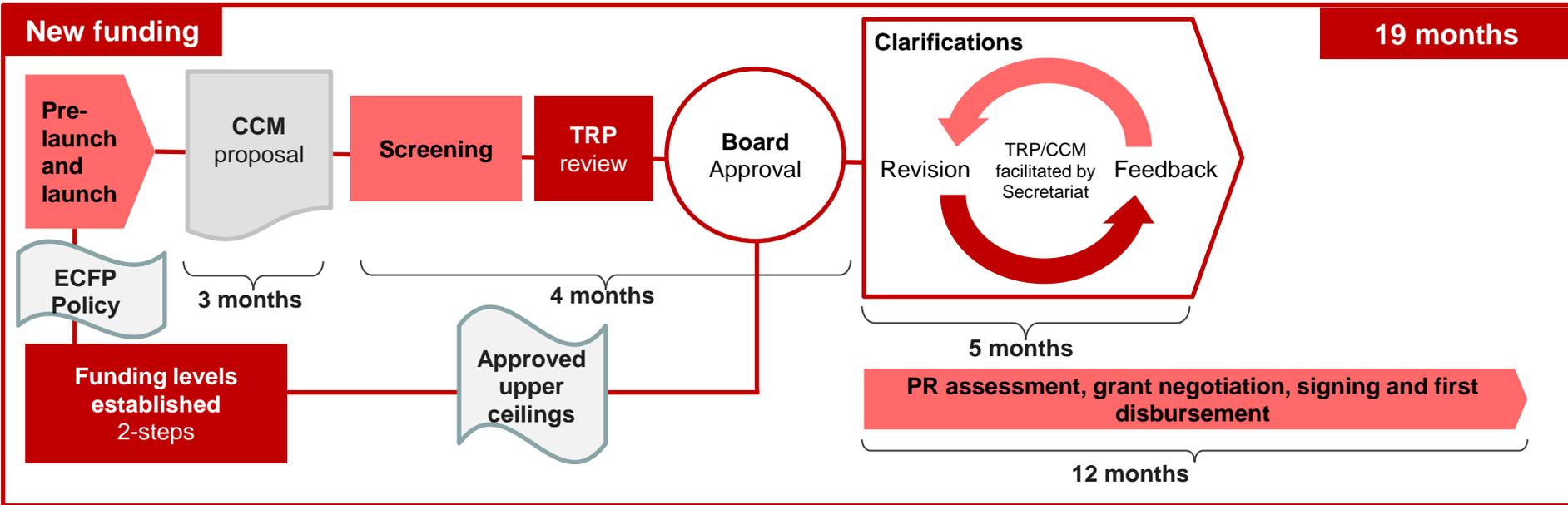
PACKAGE OF COMPLEMENTARY ELEMENTS

- **Element A – Iterative, dialogue-based application**: Implement a two-stage application process that allows dialogue between applicants, the TRP, partners and the Secretariat to strengthen and better target proposals, and builds constructively towards proposal recommendation by the TRP

- **Element B – Early preparation of implementation**: Conduct discussions on implementation matters and commence grant negotiation in parallel with the proposal development stage ("grant-ready proposal")

- **Element C – More flexible, predictable funding opportunities**: Replace the rounds system with a new approach that makes funds available with more timing flexibility and improved knowledge of potential funding levels.

Design principles (as extracted from Strategy document) present inherent tensions

- Support effective implementation of the iterative, dialogue-based application process;

- Reflect the Global Fund's commitment to remaining global, while at the same time allowing for emphasis on places and populations most in need;

- Provide greater predictability of funding without limiting well-founded country demand;

- Avoid any misinterpretation that funds are an entitlement; rather access to funds will remain subject to rigorous technical review on the basis of robust international standards;

- Be as simple as possible to communicate, while achieving the desired objectives; and

- Remain consistent with the Global Fund guiding principles, especially its demand for multi- stakeholder engagement, transparency, and commitment to comprehensive strategies.

Current processes to access funding have several limitations (1/2)

New funding — 19 months

- Pre-launch and launch
- ECFP Policy
- Funding levels established 2-steps
- CCM proposal — 3 months
- Screening
- TRP review
- Approved upper ceilings
- Board Approval — 4 months

Clarifications
Revision → TRP/CCM facilitated by Secretariat → Feedback — 5 months

PR assessment, grant negotiation, signing and first disbursement — 12 months

Renewals — 12 months

- Pre-assessment and Guidance — Predetermined funding ceiling — 1 month
- **CCM request development**
  Revision → CCM/PR/LFA GF (Advisory Team, CT) local partners → Feedback — 2 months
- CCM request for cont. funding
- LFA Assessment
- Renewals Panel*
- Board Approval — 3 months
- Negotiation & signing — 6 months

* Additional TRP review in cases of material reprogramming

Current processes to access funding have several limitations (2/2)

Funding not always best-targeted towards impact:

- Decisions not always informed by a **global consideration of highest impact countries/populations/interventions**
- Does not adequately reflect **risk factors, country absorptive capacity**, **past performance**
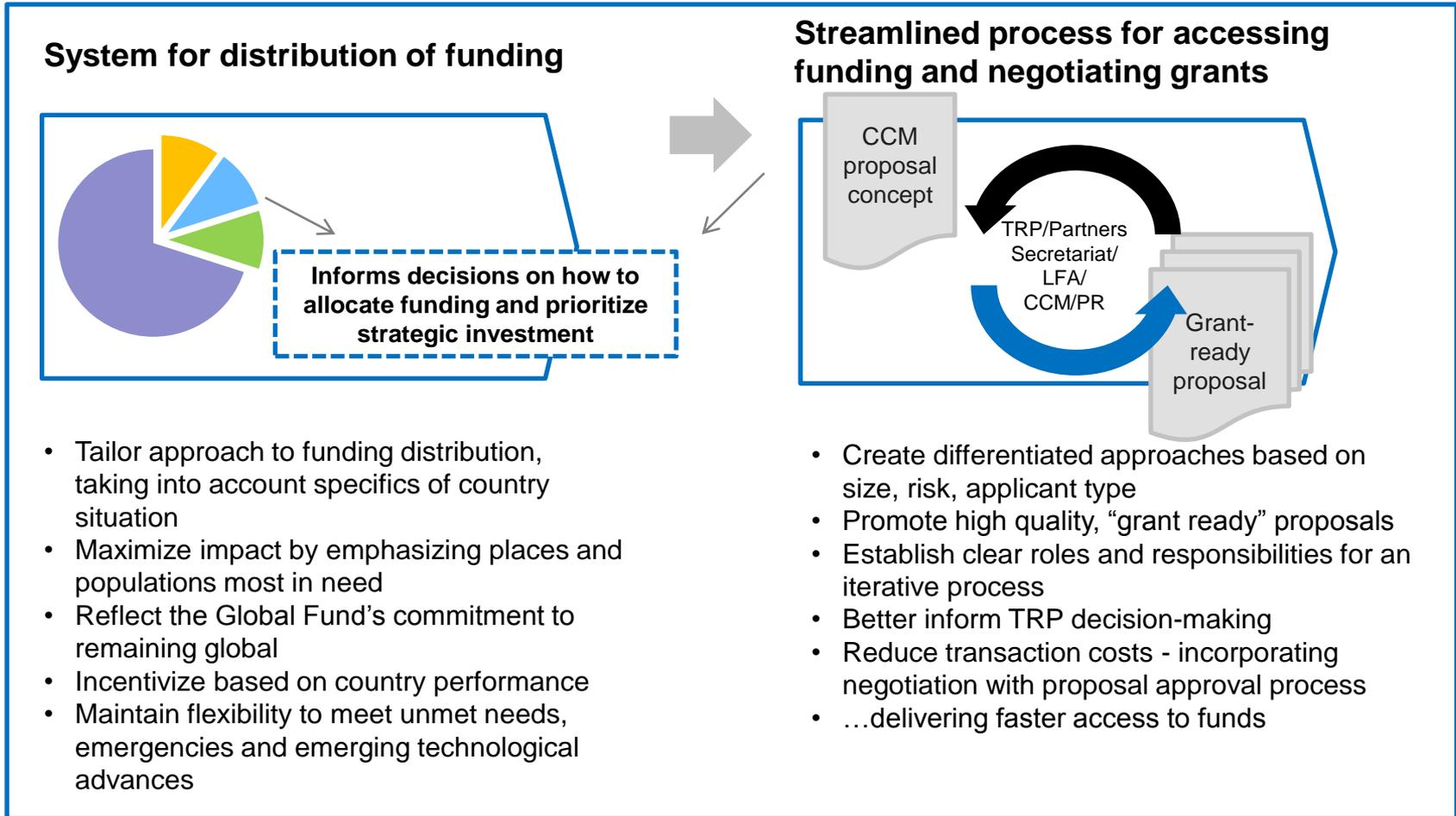
Lack of predictability for countries about timing and availability of funds

- **Risk that large proposal(s) use available resources** ahead of other proposals/renewals
- **Poor alignment with country cycles** given rounds timing

Limited flexibility and high burden for countries:

- **High failure rate and high transaction costs** (long process with separate, sequential proposal review and grant negotiation processes supported by different actors)
- **Undifferentiated approach** to all countries

Design objectives for model components

System for distribution of funding

Informs decisions on how to allocate funding and prioritize strategic investment

- Tailor approach to funding distribution, taking into account specifics of country situation
- Maximize impact by emphasizing places and populations most in need
- Reflect the Global Fund's commitment to remaining global
- Incentivize based on country performance
- Maintain flexibility to meet unmet needs, emergencies and emerging technological advances

Streamlined process for accessing funding and negotiating grants

CCM proposal concept

TRP/Partners
Secretariat/
LFA/
CCM/PR

Grant-ready proposal

- Create differentiated approaches based on size, risk, applicant type
- Promote high quality, "grant ready" proposals
- Establish clear roles and responsibilities for an iterative process
- Better inform TRP decision-making
- Reduce transaction costs - incorporating negotiation with proposal approval process
- …delivering faster access to funds

Key questions to consider

1. *The Strategy established principles to guide the new funding model (see slide 4). Do these principles capture all key opportunities for change and address current concerns?*

2. *What are your views on the frequency and approach to calls for funding? More specifically, how frequent should funding opportunities be within a year and should the approach be tailored (differentiated) for different applicant types? Note that the Strategy seeks a move **away** from one-off Rounds to 'rolling intakes' of proposals (better aligned to countries). This is also explicit in the recent Board decision that seeks "multiple funding opportunities per year".*

3. *What are different approaches (and their pros and cons) to allocate limited funds across countries (and multi-country /regional applicants), considering the need for maintenance of current programs and scale-up, also recognizing requirements of a "multiple funding opportunity/year" model? What criteria would drive the allocation, given the Global Fund's strategic direction to guide funding decisions based on potential for impact, including global distribution of disease and key specifics of individual country situations? How can the Global Fund best prioritize interventions/approaches demonstrated to have the highest impact and value-for-money?*

4. *Should the model (allocation and application aspects) be differentiated to accommodate different applicant types while striving for simplicity? If so what might these be and how might we differentiate? Note the Strategic Actions under Strategic Objective 1 to "Invest more strategically "(see reference slide 10).*

5. *How do you see changes in the roles and responsibilities of the various actors (e.g., CCM, PR, Secretariat, TRP, technical partners, in-country partners) which will allow for an efficient and effective iterative process? What in your view would be a measure of an efficient and effective process?*

6. *Which other existing funding models (e.g. GAVI, IDA etc) or donor processes offer best practices to inform the design of an allocation and application processes? Please identify specific attributes.*

7. *Are there particular considerations that should be addressed in relation to regional and/or multi-country proposals?*

8. *What is the best approach, given information constraints, to forecast the true need or demand across the three diseases in a given country, having regard for transparency of country budgets and donor contributions, and synergies with a request for Global Fund funding support?*
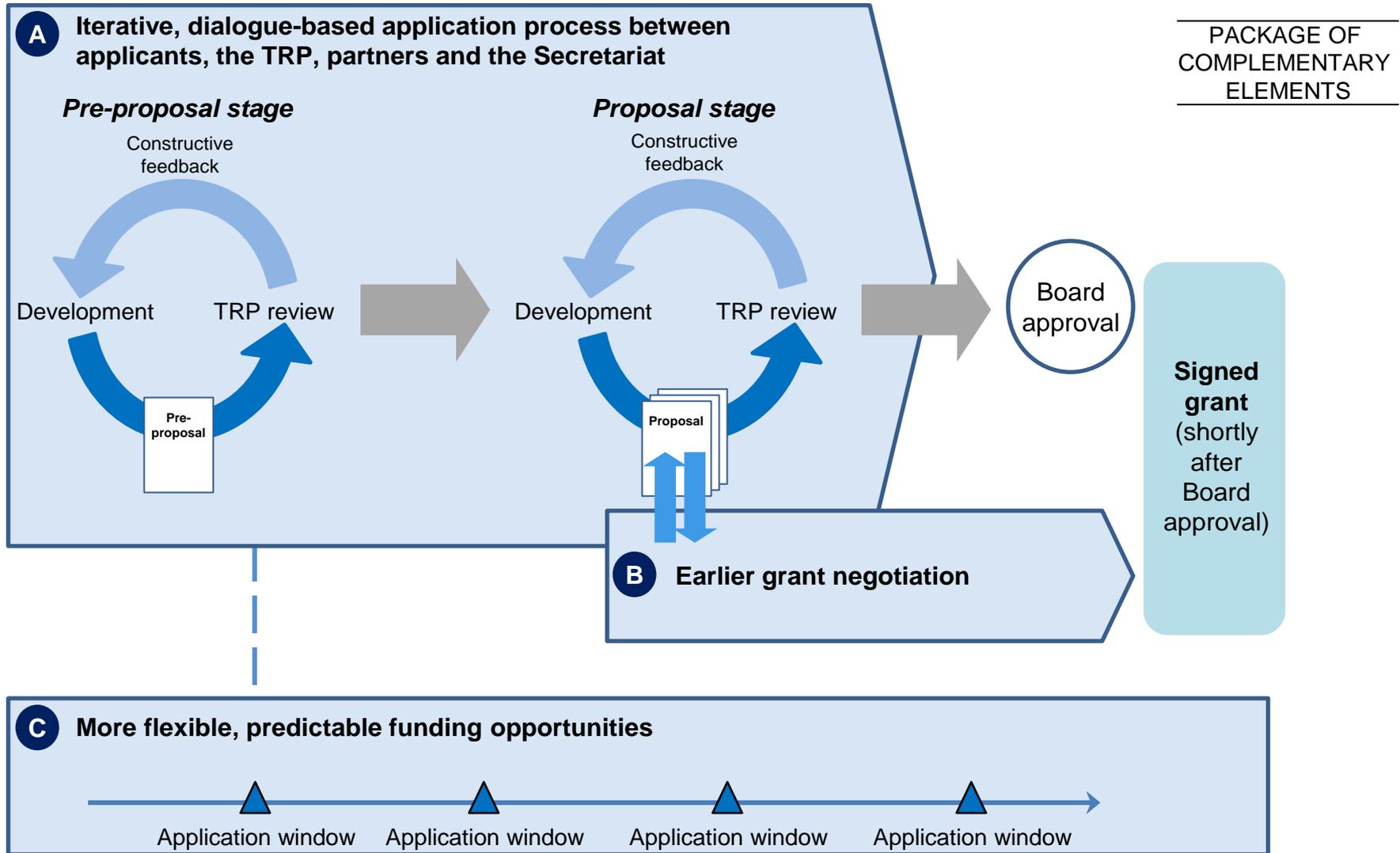
ADDITIONAL REFERENCE SLIDES

Evolving the funding model will incorporate all other elements of the 2012-2016 Strategy
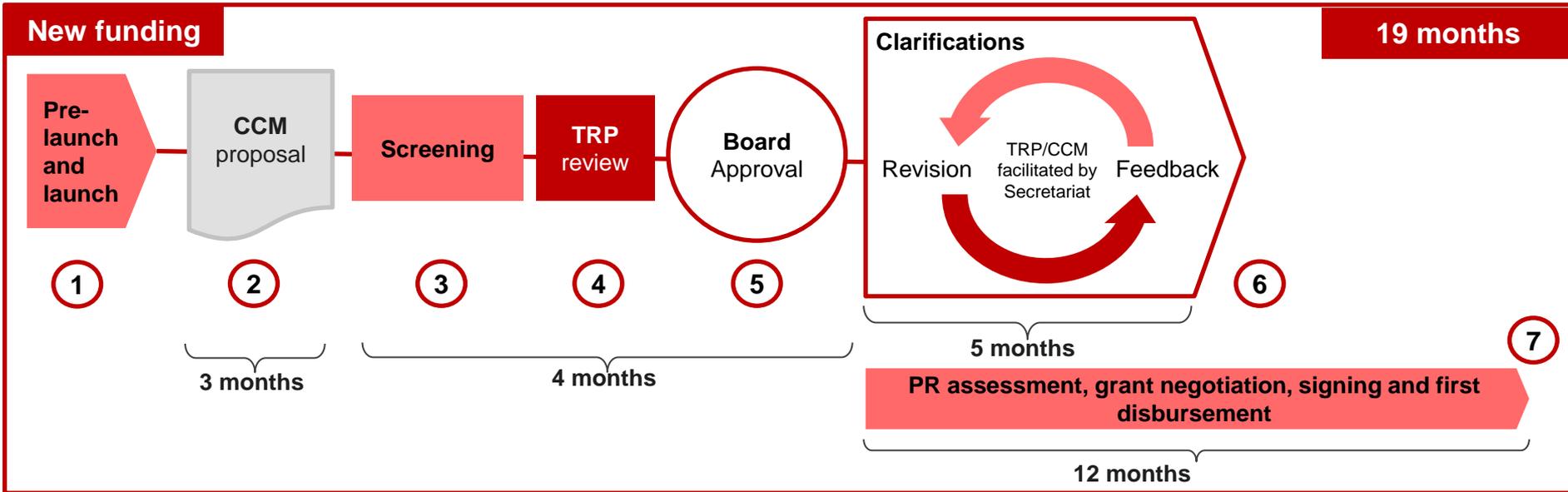
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2. Evolve the funding model

2.1 Replace the rounds system with a more flexible and effective model
- Iterative, dialogue-based application
- Early preparation of implementation
- More flexible, predictable funding opportunities

2.2 Facilitate the strategic refocusing of existing investments

3. Actively support grant implementation success

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Transform to improve Global Fund governance, operations and fiduciary controls

New funding model with three complementary elements to replace the rounds system

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Roles and responsibilities of each actor in the process described in following two slides

Roles and responsibilities of the different actors in accessing new funding today (1/2)

	1	**2**	**3**
Secretariat	Develops application materials, holds information sessions		Screens proposals for CCM minimum requirements
Board	Determines timing of new funding opportunities Set parameters for funding process, e.g. eligibility, focus, etc.		
CCM		Broad and inclusive consultation on gaps and priorities; issues call for proposals; PR nomination Coordination of development and submission of national proposals	
PR		Ideally, involved in the development of CCM proposal	
TRP			
LFA			

Roles and responsibilities of the different actors in accessing new funding today (2/2)

	4	5	6	7
Secretariat		Notifies CCM of outcome	Facilitates communication between CCM and TRP during clarifications	Negotiates & signs grants; processes disbursements
Board		Makes funding decisions based on recommendations by the TRP; applies prioritization		
CCM			Clarifies issues with TRP post review; grant oversight	
PR				Negotiates grant conditions with Secretariat Manages grant implementation
TRP	Reviews eligible proposals for technical merit, compliance with ECFP elements; develops prioritization model for proposals in the targeted funding pool		Clarifies aspects of technical review with CCM & sets upper-ceiling for proposal budget	
LFA				Assessment of PR capacity; Reviews proposed budgets and work plans; assists the Secretariat in grant negotiations