*Dev'd Country NGO Delegation discussion paper: frontloading, incentive funds, UQD (Sept 2014)*

**OVERARCHING MESSAGE:**

We are extremely concerned by feedback and early signs (from applications already underway), demonstrating significant confusion and contradictory information being received about core elements of the New Funding Model. Our findings indicate that further clarification and support is urgently needed for applicants now developing concept notes.

**THEMATIC FOCUS:** Shortening of grant duration; Incentive funding; Full expression of demand; UQD;

**BACKGROUND & SITUATION ANALYSIS:** Under the New Funding Model (NFM) the Global Fund Board has encouraged all countries to express full demand, stating that Concept Notes should be comprehensive and inclusive, building on fully costed and prioritized National Strategies. Importantly:

- If countries have critical reasons for frontloading investments, for example to increase impact and/or to address gaps in the response, they may apply to significantly shorten the timeline to maximize impact.
- Most countries can apply for additional funds, set aside in a pool of 'incentive funding', available on a competitive basis to encourage ambitious, high-impact requests.
- All countries proposing activities that are deemed technically sound by the TRP but for which the required funding is above the amount (of indicative, incentive and domestic funding) available, so called Unfunded Quality Demand will be kept on a register, awaiting additional funds through continued resource mobilization in the current replenishment period.

**Never before has the Global Fund explored such innovative strategies to document need, understand gaps and mobilize additional resources.**

But, observers fear, some countries are not effectively engaging with the three options listed above. There appear to be a number of reasons for this:

1. Because no one told them, or the guidance they received was conflicting, or discouraging;
2. Because they don't believe it's worth the effort, as they don't think additional funds are available to the sufficient amount and on time [to meet country/programming timelines];
3. Because they are not ready or sufficiently supported to articulate their "full expression of demand" or to form prioritized, costed incentive stream funding requests.

In view of these challenges, skeptics may argue that it would be simpler, and more effective, to simply redistribute incentive funds to bump up country envelopes (indicative allocations). But investing a small portion of the Global Fund's resources now to encourage and reward more holistic or innovative strategic approaches could pay major dividends in the years to come. The health system governance and investment rationale that drove the creation of these strategies still stands.

No-one said that these concepts (allocations, incentive funding, etc.) would be simple to translate into practice. They represent a step-change towards a world where funding is strategic and driven by need. We need to address the concerns that are now bubbling up - and fast – if we are to avoid them derailing the initiative. Some practical recommendations are offered in this document.

**Rather than abandoning innovation at this stage, the Global Fund and partners must do more to understand and address the challenges, in order to make the New Funding Model work.**

## CHALLENGES & RECOMMENDATIONS:

### Challenge #1: no one told them, or the guidance they received was conflicting, or discouraging;

In their most recent Issue Brief, MSF expressed concern that countries were receiving "unclear" and "inadvertently contradicting" messages about the flexibilities supposedly built into the NFM applications process (i.e., frontloading investments, incentive funding, and UQD). In response to MSF's concerns, the Global Fund's August Progress Update on the NFM (report ref GF/B31/ER21) stated that "The Global Fund strongly supports all efforts to increase funding for health, especially in low-income countries and those with high disease burden" (paragraph 12), and that "In all official communications, trainings and materials, the Global Fund has consistently encouraged applicants – regardless of incentive funding eligibility – to express their full demand in their concept notes." (paragraph 17).

However, the Developed Country NGO Delegation's own findings support MSF's concerns. To cite two examples, the Developed Country NGO Delegation have been told that:

- During in-country briefings about the NFM, Malawi, Kyrgyzstan and Tajikistan were given only very limited information about incentive funding. Communication from the Global Fund was instead strongly focused on the allocation.
- Mozambique, after having been strongly encouraged (initially) to use the flexibility to shorten the implementation period, received a discouraging letter from the Global Fund.

Members of the Developed Country NGO Delegation have further observed that, following recent guidance issued by the TRP, there are now mixed messages from the Global Fund Secretariat (GFS) about what information countries will need to provide for year 3 even if approved to apply for a shortened 2 year grant. The danger is that this confusion threatens to undermine ambition and the purpose of the year 3 flexibility.

MSF's report rightly pointed out that a "key principle" of the Global Fund is that "countries should be in the driver's seat to define demand and determine strategic priorities. The built in mechanisms to incentivise ambition were created to preserve this unique characteristic of the Global Fund. A prerequisite for countries to use these mechanisms, however, is that they receive unambiguous information and clear guidance on the opportunities and (technical) support on how to use them." In view of our own findings and in light of the importance of this matter (as highlighted by MSF's point reiterated here) the Developed Country NGO Delegation feels that the Global Fund's assurances in the August Progress Update are not sufficient: this matter warrants further attention.

**Our recommendations, related to Challenge #1:**

**The Global Fund and TA providers should offer clearer, more consistent, and more encouraging messaging.** Appropriate boundaries (Global Fund right to refuse, and warnings about potential limited availability of funds) should be articulated in more measured fashion (i.e., as caveats to, rather than substance of, the main message) so as not to discourage full expression of demand. As stated in the MSF Issue Brief: "the allocations from the Global Fund should not be considered a funding ceiling to restrain concept notes or National Strategic Plans". These recommendations should be shared from the highest level of the Secretariat so that all parties - especially the Grant Management Division and TA networks - are on the same page.

The TRP is well-placed to document lessons learned during the review of submissions. **Any TRP recommendations adopted should be translated and shared as explicit practical advice to countries** (for example, clarity is urgently needed regarding the extent to which countries are now obliged to indicate where funding for year 3 might come from. It should be acceptable to simply request that year 3 be registered as UQD, if funding sources have yet to be determined. ).

Broadly speaking, **clarity around the roles of GFS and TRP in their issuing of guidance** to countries is needed.

**Challenge #2: Countries don't believe it's worth the effort / that additional funds are truly available**

Our own observations confirm the message in the MSF paper that in some cases, country allocations fall dramatically short of covering the funding needs, including merely for continuation of existing Global Fund supported programs. In that context, MSF stated that "It is crucial that donors are aware that additional money is needed to reduce morbidity, mortality, and to drive down new cases of infection across the three diseases" and have called for "more ambitious resource mobilisation targets, both for donors and implementing countries".

The Developed Country NGO Delegation was surprised to observe in the August Progress Update that the Global Fund seem to suggest that the setting aside of resources for incentive funding has effectively ''exacerbated '' the lack of funding (paragraph 14). Such a statement ignores the point of an overall funding shortfall along with the reference in MSFs issue brief to the importance of the NFM's built-in mechanism to incentivize ambition. Furthermore, it constitutes a serious departure from a fundamental aspect of the NFM as adopted by the board, namely to continue to foster ambitious, high-impact investments through availability of incentive funding (and the UQD register). The Developed Country NGO Delegation would argue that countries with disappointingly low allocations should remain ambitious and that full expressions and visible expression of demand are particularly necessary in these countries not only to identify possible investments for the incentive funding and the UQD register, but also to drive resource mobilization for health from domestic and donor resources. For example, recent alarming data from HIV and drug use priority countries such as Ukraine indicates that with additional funding from domestic government or other external donors will not forthcoming, the full expression of demand for high impact services such as harm reduction could be critical for exploring the possibility of further funds from the UQD register.

The lack of clear communication around the Global Fund's (continuous) resource mobilization and how it relates to allocation cycles seems to have affected countries ability to assess opportunities and (during the country dialogue) express interest to shortening their implementation period. The Delegation had already become aware that in some countries, stakeholders have been exposed to Global Fund skepticism about the availability of funds to meet full expression of demand:

- Following communications with the GFS, Ukraine understood that their allocation amount should be stretched to cover 2017 in order to minimize risk of a gap between the current and next allocation period. This has meant a further reduction in funding for each individual year beyond what was initially indicated.
- Mozambique was told by GFS that "given the inherent uncertainty in timelines, it may be prudent for grants to continue until the end of 2017. This way, there is little risk of grants ending before new funds can be disbursed"
- Guinea was told they should implement into 2017 since the GFS wasn't sure if there would be funds available starting Jan 2017.

The Delegation feels that ''shifting the blame'' for the lack of resources to the incentive funding mechanism is inappropriate – moreover, the funding gaps are far greater than the value of funds set aside for that initiative. Does the Global Fund feel that the special initiatives as well as the MRL are also "exacerbating" the underfunding of countries?

The solution will not lie in dissolving the incentive funding stream. The underlying problem can only be addressed through ongoing, ambitious replenishment efforts. It would be immensely questionable and would significantly undermine the GF's credibility if the incentive funding mechanism were to be abandoned because it was wrongly assumed to be a primary contributing factor determining the amount of funds available. In this context the UQD register can be extremely helpful, but in order for this to be the case the TRP should review all expressed demand, including the components that cannot be funded from the current funding envelope (and not at a later stage when additional funding becomes available).

**Our recommendations, related to Challenge #2:**

**An ongoing, ambitious replenishment effort** is critical (a) to ensure funds are available to meet demand and (b) to reassure those involved in developing CNs that supply concerns are being addressed. To support this effort, the UQD register should consist of TRP reviewed components of grant proposals and **UQD awards should prioritize the highest-impact interventions irrespective of country bands** (e.g. interventions to protect GF gains in IDU infection from being reversed by denial of nationally-funded service).

GFS should **provide clarity regarding timelines** - (i) when allocations for the 2017-2019 period will be communicated, and (ii) when funding for new programs will be available for disbursement in 2017.

**The GFS and TA providers should showcase examples that prove that requests can be successful.** For example: Uganda and Nigeria, whose requests to apply for shorter grant periods approved on the basis of a need to sustain previous GF supported gains / Zimbabwe and Myanmar whose ambitious budgets exceeded indicative allocations, and were subsequently granted additional funds.

**Challenge #3: Countries are not ready or sufficiently supported to articulate their "full expression of demand" or to form prioritized, costed incentive stream funding requests.**

There are signs that country programs are severely overstretched to get the basics of the NSP and CN development process right, especially regarding incentive (above allocation) funding. That being the case, the Developed Country NGO Delegation was reassured to read in the Global Fund's August Progress Update that new tools (new e-learning course and "simple form for above allocation requests") are about to be released that will further encourage and support countries to articulate their "full expression of demand" and/or to form prioritized, costed above allocation funding requests (paragraphs 18 and 19). But such tools may not be enough: further clarification and streamlining of processes and uniform instructions remain essential and urgent to address overly cumbersome processes. In some contexts, the processes are viewed to be overshooting the purpose, and are posing an inordinate drain on scarce in-country and external TA resources and temporarily putting implementation work at risk.

**Our recommendations, related to Challenge #3**

The Global Fund should be mindful that countries may "miss the boat" (i.e. fail to apply for full demand at the same time as they program against their envelope) simply because of lack of familiarity with the new NFM tools, or lack of TA support on the ground. Ironically, those may be the weakest countries, where coverage rates tend to be lowest, and where catching-up is paramount. To mitigate the repercussions of such scenarios, **ALL countries should be allowed to "refresh" their UQD** - delayed submission of the new "simple form for above allocation requests" described in the August Progress report should be open to everyone.

The GFS and TA providers should **remind countries that a well-costed and prioritized NSP is a crucial first step.** The GF's guidance about strategic planning (and in particular, about CS/KP engagement in that process) should be revisited to ensure it is clear and concise.

Technical partners should **strengthen active support to countries in the exercise of articulating full expression of demand and prioritization of activities** within the GF concept note. As also suggested by MSF such support should be most urgently targeted to countries working on incentive stream requests / grant duration period shortening.

**The GFS and TA providers should showcase good examples of prioritized above allocation requests.** For example: Vietnam TB bid (which stakeholders claim presents a very clear request).

## CONCLUSION:

The Progress Update states that "Overall, the Global Fund has seen applicants who were eligible for incentive funding being much more ambitious than the funds available." (paragraph 16). But - while the Developed Country NGO Delegation acknowledges that the data presented (Aug Progress Update, Table 1) suggests a high demand for incentive funds – we:

- remain skeptical that the data reflects what the "full demand" is, or could be
- fear that the data does not confirm that interventions targeting CS/KPs were prioritized, or even accounted for, within those requests; and
- have observed that the Global Fund's own findings (paragraph 20) actually indicate that the number of countries submitting ambitious requests is in fact decreasing (above allocation requests from countries eligible for incentive funding dropped from 100% to 81%, and above allocation requests from countries not eligible for incentive funding dropped from 60% to 33%, between June and July windows). This clearly contradicts the initial suggestion that countries are being ambitious in their demands (paragraph 16).

For these reasons, the Developed Country NGO Delegation is not satisfied with the data and assurances laid out in the Aug Progress Update. In view of the additional insights and discussions presented in this discussion paper, the Developed Country NGO Delegation urges the Global Fund to consider again the concerns that have been raised, and take on board our recommendations that have been offered, in that context.