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MSF briefing paper

# *Defying expectations: Mozambique's battles with funding shortfalls in the Global Fund's New Funding Model*

## 1. Introduction – impact of funding shortfall on Mozambique's HIV and TB response

*When the Global Fund to Fight AIDS, TB and Malaria (GFATM) rolled out its New Funding Model in 2014, it was with the objective to 'invest for impact'. However, in the case of Mozambique, despite significant funding needs and progress in the fight against HIV, the 'resource envelope' allocated through the new model did not reflect the funding needed to support the trajectory of HIV treatment scale up. The Global Fund's formula-based allocation model combined with a shortfall of funds from a weak replenishment resulted in lower than expected allocations to many countries compared to overall funding needs. The effects of such low allocations were particularly striking in the case of Mozambique.*

Despite the disappointing first announcement of an HIV allocation representing only US$ 3,5 million in addition to existing funding, Mozambique was encouraged to remain ambitious.

The experience of Mozambique demonstrates the importance of preserving country-led funding processes that allow countries to submit proposals based on overall needs and country ambition, regardless of funds available at a certain time. Without such opportunity we would have had less and weaker visibility to the fact that the country was poised to make a greater impact in the fight against HIV.

While the immediate funding needs for continued HIV and TB treatment scale up may be covered, serious funding gaps remain in ensuring effective prevention and quality of care programming in 2016 as well as continued antiretroviral treatment (ART) scale up in 2017.

Joint action by the government of Mozambique and donors should be taken to ensure the remaining funding gap of US$ 143,9 million resulting from the concept note, is closed. The Global Fund should maximise the use of existing resources and make new funding from the next replenishment available to countries as early as possible in 2017.

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Moreover, while some broader lessons potentially can be learned from the case of Mozambique, such as the need for better alignment of allocations to countries' needs, changes to the New Funding Model should be based on more robust multi-country analyses of the model as a whole.

Regardless of how funding allocations are calculated, the overall funding shortfall in the Global Fund must be addressed. The inadequate allocation to Mozambique should not be used as a justification for imposing additional funding caps and restrictions for other countries, resulting in pitting the needs of affected populations in different countries against each other.

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## 2. Mozambique's HIV and TB response – challenges and advances

There are an estimated 1.6 million people living with HIV in Mozambique. HIV/AIDS is the leading cause of death in adults in Mozambique, accounting for 40% of adult mortality, and the second leading cause of death for children (after malaria).[1] While HIV transmission rates among children have decreased since 2010 as a result of scaling up of prevention of mother to child transmission (PMTCT), incidence and mortality among adults remain high, placing Mozambique among the top five countries with highest proportion of new infections and number of deaths globally.[2]

The Mozambican government has made notable progress in the fight against HIV/AIDS in the past years, in large part by increasing access to ART. From 2008 to 2012, the number of people on ART nearly tripled.[3] Implementation of the National Acceleration Plan increased access to care, support, and ART to over 646 000 people by end of 2014 (up from around 497 000 at the end of 2013), and superseded HIV testing targets, reaching 20% of the population in 2013. Despite these efforts, only 33% of all adults and 22% of all children living with HIV were on ART by the end of 2013 although Mozambique reported 59% ART coverage based on epidemiological projections using Spectrum.[4]

In its Acceleration Plan, Mozambique aims to enroll 80 % of people eligible for ART by end of 2017. The plan promotes specific strategies and priority program areas to target the 71 districts with the highest HIV prevalence, including: decentralization and a package of community interventions targeting key populations to reduce new HIV infections through access to primary prevention, testing, care and treatment services. Strategies to increase adherence to treatment include Community Adherence Support Groups (GAAC).[5]

Mozambique is among the 22 countries with highest burden of TB, and is among the top five with the highest burden of TB/HIV co-infection, with 56% co-infection rate. While an increasing number of drug-resistant tuberculosis (DR-TB) cases are detected in Mozambique and progress has been made in TB case notification and treatment success rates, the detection rates for all forms of TB remain low at 37% and the current DR-TB treatment success rate remains below 40%.[6]

The national strategic plan for TB 2014-2018 aims to reduce incidence by 28% and mortality by 24% in 2018.[7] Through intensified HIV/TB collaboration efforts, Mozambique is also aiming to reduce mortality in co-infected patients through improved case finding and early ART and TB treatment.

These ambitions were introduced in the concept note submitted to the Global Fund in 2014. However, following the outcome of the request to the Global Fund as well as PEPFAR funding projections, the robust investments necessary to support the implementation of the plan are uncertain. And unless additional funds are found to finance the program, the continued progress in increasing quality and access to treatment care and support will be jeopardized.

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[1] Ministério da Saúde. Plano de Aceleração da resposta ao HIV e SIDA 2013-2015. Maputo; 2013.
[2] The Gap Report, Unaids http://www.unaids.org/sites/default/files/media_asset/UNAIDS_Gap_report_en.pdf
[3] WHO country information – Mozambique http://www.afro.who.int/en/mozambique/country-programmes/disease-prevention-and-control/hivaids.html
[4] As of end of 2013, 33% of all adults living with HIV were on treatment based on total estimated population living with HIV, The Gap Report, Unaids 2014 http://www.unaids.org/sites/default/files/media_asset/UNAIDS_Gap_report_en.pdf
The 2014 UNAIDS GARPR report refers to 59% of eligible adults which based on epidemiological projections using Spectrum.
http://www.unaids.org/en/dataanalysis/knowyourresponse/countryprogressreports/2014countries/MOZ_narrative_report_2014.pdf
[5] Ministério da Saúde. Plano de Aceleração da resposta ao HIV e SIDA 2013-2015. Maputo; 2013
[6] Ministério da Saúde, Direcção nacional de Saúde Pública, Programa Nacional de Controlo da Tuberculose. Relatório de Actividades desenvolvidas durante o Ano de 2013. 2014.
See also Global Tuberculoses Report 2014, WHO
http://www.who.int/tb/publications/global_report/gtbr14_annex2_country_profiles.pdf?ua=1
[7] National Strategic plan for TB, 2014-2018


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## 3. The HIV and TB funding landscape in Mozambique

The national HIV and TB programs are funded primarily by the US Government (PEPFAR), the Global Fund, United Nations agencies and the Government of Mozambique. The TB program has seen an overall decrease in funding since 2012 and was reported as 78% underfunded in 2014.[8] Following a steady increase in external funds for HIV over the past decade, funding is now starting to level off. The HIV response relies on external assistance, and accounted for 95% of overall expenditures for HIV in 2011. PEPFAR and the Global Fund have contributed to recent increases of international funding and together represented about 80% of all HIV funding in 2011.[9] In the same year, domestic public resources represented 5,1% of the response.[10]

The support from other bilateral donors to the HIV programs has progressively decreased since 2008.[11] By 2015, Unitaid's support to pediatric ARV treatment (supporting more than 40 000 children) is projected to come to an end, with the expectation that the Global Fund and PEPFAR will offset the funding loss.

**PEPFAR** has been the main external donor for the HIV response, together with the Global Fund. It increased its budget for commodities to cover a large part of the acceleration plan in 2013 and has directed its priorities towards epidemiological control and activities in high prevalent regions. PEPFAR was expected to increase its budget from US$241 million in FY 2014 to US$247 million in 2015. Currently, PEPFAR is supporting a broad set of programmatic categories, with a focus on pediatric and adult ART including commodities, PMTCT, and male circumcision, along with support to orphan and vulnerable children (OVC), prevention activities and health system strengthening (HSS).[12]

[8] Global Tuberculosis Report 2014, WHO http://www.who.int/tb/publications/global_report/gtbr14_annex2_country_profiles.pdf?ua=1
[9] Global AIDS Response Progress Report (GARPR) Mozambique 2014 UNAIDS. http://www.unaids.org/en/dataanalysis/knowyourresponse/countryprogressreports/2014countries/MOZ_narrative_report_2014.pdf
[10] Global AIDS Response Progress Report (GARPR) Mozambique 2014 UNAIDS. http://www.unaids.org/en/dataanalysis/knowyourresponse/countryprogressreports/2014countries/MOZ_narrative_report_2014.pdf
[11] TB and HIV Concept Note, CCM Mozambique, October 2014 http://www.theglobalfund.org/ProgramDocuments/MOZ/ConceptNotes/2014/MOZ-TH_ConceptNote_0_en/
[12] PEPFAR Country Operation Plan 2014 http://www.pepfar.gov/documents/organization/240261.pdf

**The Global Fund** has been the second largest donor in HIV and the main donor for the TB response since 2013. The ongoing grants include the Round 8 cross-cutting Health System Strengthening (HSS) grant (US$17.5 million) focusing on financial management, supply chain management, human resources for health (HRH), lab, and monitoring & evaluation (M&E). Round 9 financed ART services, referral procedures, PMTCT services, community based organizations, and the development of adherence support groups.

In August 2013, the Global Fund approved Round 9 Phase 2 (US$233.7 million) as interim funding (awaiting the roll out of the New Funding Model) to fund at least a quarter of the total Acceleration Plan's costs. From 2013, the Transitional Funding Mechanism (TFM) for the TB program (US$8.7 million) together with funding through an interim application (US$27 million) provide funding to cover TB commodities, with minor participation from the MoH.[13]

The vast majority of Global Fund resources (88%) have been allocated for care and treatment followed by counselling and testing (6%) and PMTCT (4%).[14]

**Domestic public resources:** While domestic funding for health has in absolute numbers increased from 2013 to 2014,[15] Mozambique is still far from complying with the Abuja target of dedicating 15% of its GDP to health, reaching only 6.4% in 2012, 7.8% in 2014,[16] and a projected 8.8% of GDP to be allocated to health in 2015. The yearly per capita health expenditure is only at US$37, well below the WHO recommendation of US$60 per capita.[17] However, the state budget represents the third largest individual source of funding with US$ 21 million allocated to HIV and TB in 2013.


## 4. The Global Fund's HIV/TB funding allocation to Mozambique

Following the Global Fund's interim funding grant in 2013 to support Mozambique's Acceleration Plan, the expectations and assumptions from both in-country stakeholders and the Global Fund was that funding through the New Funding Model in 2014 would continue this support. However, the indicative allocation amount announced to Mozambique in March 2014 effectively meant that no additional funds for program scale up would be available for the allocation period. Apart from pre-existing grants, Mozambique would receive only US$ 3.6 million as additional funding for HIV.

Members of the Civil Society Platform for Health and HIV in Mozambique subsequently wrote to the Global Fund Secretariat and Board to express deep concern particularly regarding the low funding allocation for HIV.

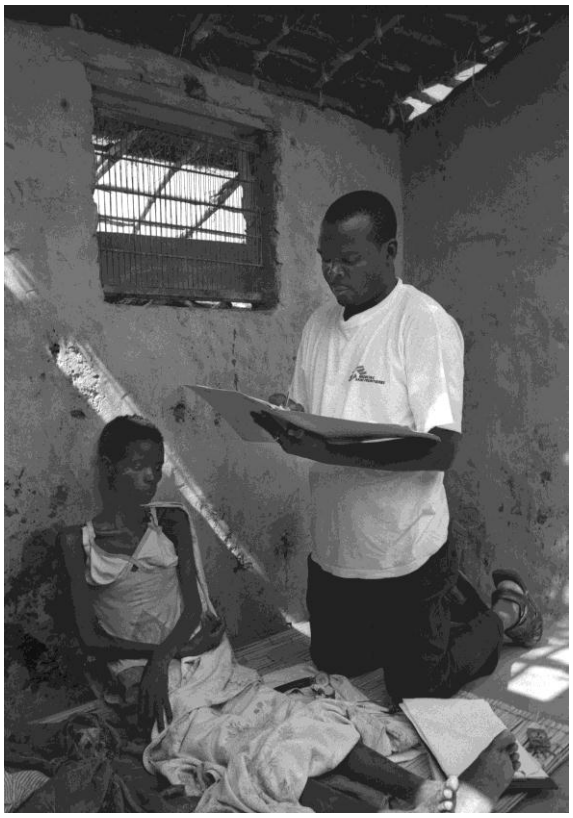
[13] Transitional Funding Mechanism for TB 2013-2015
[14] Global AIDS Response Progress Report (GARPR) Mozambique 2014 UNAIDS. http://www.unaids.org/en/dataanalysis/knowyourresponse/countryprogressreports/2014countries/MOZ_narrative_report_2014.pdf
[15] Relatório de Execução Orçamental e Financeira (REO) Sector da Saúde 2014 (Preliminar)
[16] Estimated data until final accounts are closed from presentation at HPG June 2015 - Health Public Expenditure presentation CONFIRM
[17] National health Account 2012

The Global Fund secretariat recognised that the overall HIV allocation, while representing an increase compared to previous years due to consistently low contributions awarded by the Global Fund for HIV in Mozambique, nonetheless remained very low for a country which has the fifth highest HIV burden in the world. The low average disbursement amount over the previous years (US$109 million in disbursed in total 2010-2013) was one of the factors considered in determining the allocation, while assessed separately from other factors such as performance and capacity in country implementation.

Out of the total HIV/TB indicative allocation for 2014-2016 of US$293.5 million (including pre-existing grants and an additional US$3.6 million for HIV and US$18.3 million for TB), Mozambique would according to the Technical Review Panel (TRP) have US$58.7 million remaining in its allocation amount for grant making by the start of the grant in July 2015.

Despite the discouraging first announcement of the limited allocation, the Mozambique Country Coordinating Mechanism (CCM) and its partners were encouraged to submit an application based on its "full expression of demand."[18] Incentivized by the opportunity to access additional funding from the reserve of "incentive funding"[19] and having any additional unmet needs to be registered as Unfunded Quality Demand (see box*), Mozambique subsequently included a request above its indicative HIV/TB allocation.
Owing to these critical elements of the funding model, Mozambique could submit a proposal that more fully and accurately reflected its actual funding needs. It also enabled a quality review of Mozambique's ambitions and plans. Moreover, the Global Fund Secretariat encouraged Mozambique to apply for a shorter grant duration until end of 2016 to maximise impact with funds available, while still including its budgeted plans through to the end of 2017.

The Mozambique HIV/TB concept note submitted in October 2014 is based on the ambitions in the Acceleration Plan (as described in section 2) and was commended by the TRP and the Global Fund Secretariat's Grant Approval Committee (GAC) as a high-quality and ambitious proposal. Out of the US$455 million requested, US$ 452.4 million was considered by TRP as "quality demand"[20]



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*Unfunded Quality Demand (UQD)

All applicants are encouraged to demonstrate ambitious vision in a funding request. Any requests that are considered strategically focused and technically sound by the Technical Review Panel, but for which there are not enough resources currently available, will be placed on the Register of Unfunded Quality Demand for possible future financing over a three-year period, by the Global Fund or other donors when resources become available.

[18] All countries are encouraged to submit their "full expression of demand" by including an 'above allocation' request in their concept note. If the Technical Review Panel considers all or part of the funding request to be technically sound, then the request may be placed on a register of unfunded quality demand.
Global Fund, Frequently Asked Questions, Allocation amounts,
http://www.theglobalfund.org/documents/fundingmodel/FundingModel_CountryAllocation_FAQ_en/
[19] Incentive funding is a separate reserve of funding that encourages ambitious requests for programs with a potential for increased, quantifiable impact. It is made available, on a competitive basis, to applicants in the same band whose requests are based on robust national strategic plans or a full expression of prioritized demand for strategic interventions, based on a program review. Applicants apply for incentive funding in the concept note by submitting a funding request above the allocation amount.
http://www.theglobalfund.org/documents/fundingmodel/FundingModel_CountryAllocation_FAQ_en/
[20] The Global Fund concept note review and recommendation form

Since the initial review of the funding request, the grant making has resulted in three signed grants for HIV and TB amounting to US$266 million. Of this US$65.4 million is new grant funding (including US$ 43.6 million in "incentive funding").
The remaining part is primarily roll-over funds already committed for payment of commodity orders made in 2014 due to be delivered and paid during the course of the new grant period, as well as result of efficiencies found during grant making which were directed to decrease the treatment commodity gap in 2016 and 2017.

The Global Fund grant for the HIV/TB program is available for implementation from 1st of July 2015 through 31 December 2016.

The Ministry of Health (MoH) and the Fundaçã para o Desenvolvimento da Comunidade (FDC), a national NGO, have been identified to implement the program, divided in three grants as follows: US$203 million for MoH-HIV, US$41 million for MoH-TB and US$22 million for FDC HIV-TB). The MoH grants predominantly consist of health commodities (96% of the HIV budget and 65% of the TB budget), while the FDC grant focuses on prevention and treatment adherence at the community level.

## 5. Funding shortfall leaves yawning gaps and threatens implementation

Combined with support from PEPFAR and other partners, the board-approved Global Fund budget will allow for a continued implementation of scale up plans according to the ART acceleration plan to achieve 53% ART coverage for all people living with HIV by 2016. Other areas where advances should be possible include prevention activities and TB case notification rates.[21]

*However, the grant decision leaves a total funding gap of US$ 143.9 million, which include funding for activities requested for implementation in both 2016 and 2017 and is placed on the register of Unfunded Quality Demand (UQD). The bulk of the unfunded demand represents funding for ARV treatment to finance continued scale up in line with the Acceleration plan in 2017. In addition, the Global Fund has committed to cover for continuity of ART services in 2017 for those patients on treatment with support from the Global Fund (costed at US$ 87.1 million).*

Unless additional funds can be secured, Mozambique is facing serious challenges in its efforts to continue to scale up needed TB and HIV treatment services as well as to secure quality components of the response

The funding gap will primarily affect activities in 2017, but, even before that the funding shortfall jeopardises several critical components ensuring program quality.

According to the register of Unfunded Quality Demand, (see table below), the modules experiencing funding gaps include *scale up of ART services (particularly in 2017), including regular Viral Load monitoring, as well as HIV/TB integration, strengthening of procurement and supply management, strong support to adherence to improve retention in care, and increasing health work force especially in rural areas. Also, prevention activities for the general population as well as for key populations such as sex workers, young women and girls and other vulnerable populations suffer significant funding gaps.*

[21] http://www.theglobalfund.org/en/mediacenter/newsreleases/2015-06-17_Mozambique_and_Global_Fund_Aiming_Higher_with_New_Grants/

## Register of Unfunded Quality Demand – Mozambique HIV/TB component[22]

| Module | Intervention | Description | UQD ($ Million) |
|---|---|---|---|
| Treatment, care and support | Antiretroviral Therapy (ART) | Scale-up of ART program aligned with National Acceleration Plan 2012-2017 | $111.96 M |
| HSS - Procurement supply chain management (PSCM) | PSM infrastructure and development of tools | Vehicles and warehouse rehabilitation | $7.78 M |
| HSS - Health information systems and M&E | Surveys | Printing of routine reporting forms | $5.72 M |
| HSS - Health and community workforce | Scaling up health and community workers | Health sector trainings | $4.03 M |
| TB/HIV | Engaging all care providers | Health sector trainings | $4.98 M |
| Prevention programs for general population | HIV testing and counselling as part of programs for general population | Procurement of rapid testing kits | $5.78 M |
| Prevention programs for sex workers and their clients | Behavioural change as part of programs for sex workers and their clients | Expansion to additional priority districts | $1.55 M |
| Prevention programs for adolescents and youth, in and out of school | Behavioural change as part of programs for adolescent and youth | Expansion to additional priority districts | $1.00 M |
| Prevention programs for other vulnerable populations | Behavioural change as part of programs for other vulnerable populations | Expansion to additional priority districts | $0.62 M |
| Program management | Policy, planning, coordination and management | Overhead costs for expansion to new districts | $0.46 M |
| **Total:** | | | **$143.89 M** |

While the funding gap for ARVs foreseen in 2017 constitutes the largest amount on the UQD, it does not take into account the funding needed should Mozambique move forward with early initiation of ART at CD4 500 in line with the 2013 WHO recommendations.

In addition to ARVs, there are critical enablers that must be addressed to ensure program success.
A persistent challenge is the weak capacity of the supply system to ensure uninterrupted supply of ARVs to the health centres. While a plan was introduced in 2013 (the PELF[23]) to revise the pharmaceutical logistics system, there is currently no capacity to hold sufficient buffer stock of ARVs at national level. In anticipation of earlier treatment initiation and providing extended ART re-fill intervals commodity security should be a priority.

Other examples include the need to expand the health workforce, since Mozambique has only 89 health care workers per 100 000 inhabitants, well below the WHO recommendations of 230/100 000.[24] Training programs for healthcare workers are necessary to enhance specialization for improved psycho-social support of HIV patients.

Leaving this area underfinanced jeopardizes other activities around retention and adherence, in a country with a worryingly low rate of retention in care of 67% after 12 months. Additionally the roll out of viral load monitoring will require more focus on enhanced adherence counseling activities to prevent switching patients to second-line treatments, as along with the expansion of the GAAC model where counselors have proven vital.

Finally, significant gaps remain in prevention activities for key as well as general populations, while it is clear that for a sustainable and holistic approach, prevention activities are critical. People need to be tested regularly, new infection must be limited in order to curb the epidemics, and much of the population still lacks knowledge and tools to prevent transmission.

While the UQD does not provide an exhaustive list and unmet needs for the national HIV/TB response, the modules listed are defined by in-country partners as priority areas for the response and if left unfunded they risk hampering the progress towards critical targets.

[22] UQD register as at 2 of July 2015 http://www.theglobalfund.org/documents/core/grants/Core_UQD_Tool_en/
[23] Plano estrategico da logistica farmaceutica, Central de Medicamentos e Artigos Medicos 2013
[24] MISAU – DRH. Relatório Anual dos Recursos Humanos. Maputo, Abril 2014

# 6. Conclusions

MSF has witnessed a strong commitment towards the implementation of the Acceleration Plan, and its impact. However, for the country to move towards the UNAIDS 90'90'90 recommendations, there is much yet to be done. Mozambique still faces low ART coverage, low levels of retention in care, no viral load monitoring in place, and the challenge of having one of the lowest rates of HRH per habitant.

## Joint action needed to address remaining gaps

The financial constraints in Mozambique need to be addressed in a way that does not jeopardize access to lifesaving treatment of people. But other critical unfunded areas must also be addressed to avoid set-backs in the hard-won gains and missing opportunities to curb the epidemic in Mozambique.

- We urge the Global Fund and PEPFAR, other bilateral donors as well as the government of Mozambique, to come together for a plan to mobilise the resources needed to ensure quality and scale up of the disease programs.
- The Government of Mozambique should contribute with funding according to its capacity. Scale up strategies need to be supported by broader resources funding, including an increase in domestic funding for health in Mozambique. The government should assume responsibility towards allocating more resources in the fight against TB and HIV in line with the Abuja declaration target of allocating 15% of the national budget for health. Meanwhile, premature withdrawal of donor funding before the country has the capacity to absorb the costs is detrimental to progress against these diseases. The Government should also increase its efforts to optimize its absorption capacity and ensure that targets and strategies are achieved on time.
- The contraction of funding sources has been a growing concern in Mozambique.[25] However, PEPFAR as the other main donor as well as the World Bank, CHAI, and others that have provided support to commodities in the past, should consider and intensify efforts to fill the gap of the HIV responses to ensure access to life-saving quality treatment and other critical services.
- The Global Fund should take measures to facilitate timely and maximum use of donor funding within this replenishment period 2014-2016. New funds from upcoming replenishment should be made available to countries in need early in 2017
- The Global Fund must also continue its core mission of attracting additional funding from donors. A resource mobilization strategy should be in place to call upon donors to contribute to the Unfunded Quality Demand register.

## Lessons learned about the GF allocation-based funding model from the case of Mozambique

- The use of a blunt formula to steer resources towards countries with the greatest needs and least ability to pay, and methodology used to calculate each country's allocation should be reviewed as it hides a real-time assessment of needs and capacities. A more country-specific assessment should be sought, beyond criteria such as country income, or historic levels of disbursements, where the country's own articulation of needs and ambition provides the basis for funding decisions, rather than a top-down analysis of country needs.
- While Mozambique's allocation was particularly inadequate in reflecting the actual funding need and implementation potential, it is unlikely that Mozambique would have received an initial envelope that fully covered the programmatic needs. Guided by the principle of country ownership, countries should continue to prepare concept notes taking full consideration of scale-up needs and priorities irrespective of the allocation ceiling. The mechanisms that facilitate and encourage a country's ambition and 'full expression of demand' should be reinforced, not undermined.
- Finally, the overall funding shortfall should be addressed, rather than exploring options for focusing on fewer countries to share the larger pieces of the pie. Pitting affected populations in different countries against each other based on simplistic modelling would create the wrong incentives and undermine the Global Fund's mission to fight the diseases where they are.

[25] HIV scale up and the politic of global health-A special issue of Global health,(2014) http://somatosphere.net/2014/03/hiv-scale-up-and-the-politics-of-global-health-a-special-issue-of-global-public-health.html