The Global Fund

Review of Allocation Methodology for Grant Cycle 8: Background, Evaluation Response and Workplan

51st Board Meeting
For Board Input
GF/B51/12
22 – 24 April 2024, Geneva, Switzerland
Allocation Methodology Background
Maximize the impact of available resources by focusing funds on the countries with the highest disease burden and lowest economic capacity, while accounting for key and vulnerable populations disproportionately affected by the three diseases.

*In addition, the Grant Cycle 7 (GC7) Allocation Methodology aimed to:*

- Support delivery of the “Global Fund Strategy (2023-2028)”
- Provide countries with predictable financing through an approach that is simple and flexible
Key steps of the GC7 Allocation Methodology

Split between catalytic investments and country allocations

Allocation Formula

Qualitative Adjustments

Available sources of funds for allocation

Catalytic investments

Global Disease Split

Technical parameters

Movement to ensure scale-up for impact, paced reductions

Transparent and accountable process for qualitative adjustments

Final allocations

<table>
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<tr>
<th></th>
<th>Up to and incl. $12b</th>
<th>Additional funds &gt;$12b</th>
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<tbody>
<tr>
<td>H</td>
<td>50%</td>
<td>45%</td>
</tr>
<tr>
<td>T</td>
<td>18%</td>
<td>25%</td>
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<tr>
<td>M</td>
<td>32%</td>
<td>30%</td>
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- **HIV Burden x Economic Capacity**
  - External Financing Max./Min. Shares
  - Up to 7.5% of Total

- **TB Burden x Economic Capacity**
  - External Financing Max./Min. Shares
  - Up to 7.5% of Total

- **Malaria Burden x Economic Capacity**
  - External Financing Max./Min. Shares
  - Up to 7.5% of Total

Up to and incl. $12b

Additional funds >$12b

HIV Burden

Economic Capacity

External Financing

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Final allocations
What is the Global Disease Split?

- The Global Disease Split (GDS) determines the overall distribution of resources across diseases in the Allocation Methodology.
- Allocations are communicated to countries with an indicative split across eligible diseases, which is not the same as the upfront Global Disease Split.
- Countries have the flexibility to request changes to the indicative split when they submit funding requests. This flexibility is key to enable countries to adjust their indicative disease allocations as needed, based on a robust process.

After the upfront split, every step of the allocation methodology is applied within disease to maintain the global disease split.
What are the technical parameters of the allocation formula?

<table>
<thead>
<tr>
<th>Disease Burden</th>
<th>Country Economic Capacity</th>
<th>Maximum and Minimum Shares</th>
<th>External Financing</th>
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<tbody>
<tr>
<td>HIV</td>
<td>Base on GNI per capita</td>
<td>Maximum: 10% funding of each disease component; 7.5% of all countries</td>
<td>Projections of other external financing – discounted by 50% to account for data quality</td>
</tr>
<tr>
<td></td>
<td>Weighted according to a smooth curve, for which the value decreases as GNI per capita increases</td>
<td>Minimum: USD 500,000 per component for eligible countries</td>
<td>Can influence component allocations by up to 25%</td>
</tr>
<tr>
<td>TB</td>
<td>[1<em>TB incidence] + [10</em>MDR-TB incidence]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaria</td>
<td>[1<em>number of malaria cases] + [1</em>number of malaria deaths] + [0.05<em>malaria incidence rate] + [0.05</em>malaria mortality rate]</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Note: Malaria data from 2000-2004, all indicators normalized, cases and deaths adjusted for latest Population-at-Risk</td>
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What is the Qualitative Adjustments (QA) approach?

**Stage 1**  
Refining for epidemiological contexts

**Stage 2**  
One comprehensive adjustment considering key epidemiological, programmatic and other relevant factors to account for effectiveness and need

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**Adjustment of HIV allocations by accounting for the needs of key populations**

Upward adjustment to account for key populations in <2% prevalence settings, based on 4 categories

- Funds taken from countries with >=2% general prevalence
- *except those with increase in incidence rate, which are excluded from adjustment*

**Key contextual factors**

- Program performance
- Absorption
- Coverage gaps
- Cost of essential programming
- Economic capacity and other Sustainability, Transition and Co-Financing considerations
- Incidence and mortality trends
- RSSH
- Challenging Operating Environments

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**Impact gap\(^1\) / funding change matrix**

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**Supportive Information**

**Applied through a transparent and accountable process:**

- Strategy Committee (SC) approves QA factors and process.
- Secretariat applies the adjustments and reports all changes and rationale to the SC. Changes greater than $5m and 15% are reported to the Board.
The allocation methodology has been reviewed and refined every cycle to better deliver its objectives.

<table>
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<tr>
<th>Grant Cycle 4</th>
<th>Grant Cycle 5</th>
<th>Grant Cycle 6</th>
<th>Grant Cycle 7</th>
<th>Grant Cycle 8</th>
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</table>
| Model developed to achieve greater impact by funding in line with highest burden and lowest economic capacity | A number of refinements made to the model to deliver impact in line with Strategy, correct problems, and improve flexibility, simplicity | Key updates:  
  • Malaria burden indicators updated to account for population growth  
  • Qualitative adjustment factors refined  
  • Catalytic investments linked to funding scenarios to ensure sufficient scale-up in country allocations | Key updates:  
  • Global disease split revised considering latest evidence  
  • Scale-up and paced reduction step refined to be better suited at different funding levels  
  • Catalytic investments evolved to deliver new Strategy | • Approaching 2030 timeline to achieve SDG goals  
 • Support the delivery of the second half of the Strategy  
 • Review latest context and challenges to inform any potential adjustments |

Deliver 2017-2022 Strategy | Delver 2023-2028 Strategy
Context: All three diseases are off-track to meeting the SDGs, particularly TB and malaria
Context: what has changed since the last allocation review?

• Challenging global funding landscape.

• Debt and unprecedented fiscal pressure, population growth and conflict – particularly in lower-income countries where disease burden is high.

• Increasingly complex malaria response due to climate change and drug/insecticide resistance. New and more effective technologies have been introduced to fight malaria, with further ones in the pipeline.

• Growing and ageing treatment cohort for HIV; erosion of human rights in many countries affecting access to life-saving services.

• Momentum in TB programmatic scale-up, partly due to COVID-19 Response Mechanism (C19RM) investments in lab infrastructure and tests.

• Significant price reductions in key health products for all three diseases.

• Wide-ranging views on a Resilient and Sustainable Systems for Health (RSSH) allocation and expectations on what this would deliver. Also, important sustainability challenges on RSSH funding with C19RM scheduled to end in December 2025.

• Independent evaluation on the allocation methodology, focusing on the Global Disease Split review and the pros/cons of introducing an RSSH allocation.

The Allocation Methodology plays a role in delivering the Strategy and responding to the external environment, but it is only one of many Global Fund levers.
Secretariat Management Response to the Evaluation and Workplan for Grant Cycle 8
The Secretariat welcomes the evaluation report and appreciates the independent acknowledgement that many aspects of the Allocation Methodology are working well, as well as the recognition of the constant willingness to review, challenge, and improve the methodology.

Many of the evaluation’s recommendations are to continue current approaches, which in our view signifies confidence in the Allocation Methodology.

On the Global Disease Split (GDS), the Secretariat agrees with the recommendation to keep an upfront split in the Allocation Methodology. The evaluation also recommends that the GDS be revised in favor of TB to better align with the epidemiological context. However, there is no recommendation on whether the increased share for TB should come from HIV, malaria, or both.

The evaluation concludes that creating a fourth share for RSSH in the upfront split of the Allocation Methodology is not recommended, which the Secretariat agrees with given the identified risks and challenges.

Rather, the report recommends that the allocation letters include a percentage of each country’s allocation to be dedicated to RSSH, and more directive messaging on RSSH priorities. The Secretariat recognizes the need to strengthen RSSH investments, agrees that both options should be considered to improve the impact of RSSH investments in GC8, and agrees that all available levers should be explored so that the most appropriate measures are taken forward to increase RSSH impact.

The Secretariat will consider the findings and recommendations as part of the cyclical review of the Allocation Methodology in preparation for Grant Cycle 8 (GC8), including to inform consultations with technical partners, the Strategy Committee and Board.

The Secretariat appreciates the strong collaboration with the ELO on this second review conducted under the new independent evaluation function.

The Secretariat broadly endorses the key findings and the high-level conclusions from the report and partially agrees with the recommendations, and endorses the publication of the report, along with the IEP Commentary.
Given the evaluation findings and changing context, we propose to focus the allocation methodology on the following areas:

- **Malaria burden indicator**: With reversed malaria trends in many countries due in part to climate, resistance and conflict, review historical burden rationale.
- **TB burden indicator**: Review 10:1 weighting as MDR costs have dropped.
- **Globally Disease Split**: Review Global Disease Split; assess pros and cons of RSSH allocation.

With potentially constrained funding and LICs disproportionally affected by debt, pop growth etc., does this warrant shifting more funding to lower income countries? By shifting the CEC curve? And/or reducing funding for countries nearing transition?

Given significant C19RM investments in RSSH (and TB to some extent), should the allocations account for this, and if so, how?

Building on the independent evaluation findings,

- Malaria burden indicator: with reversed malaria trends in many countries due in part to climate, resistance and conflict, review historical burden rationale.
Global Disease Split: Proposed approach for the review

### A. Direction of change

**Review available evidence on**
- Disease Burden
- Financing Landscape
- Progress to SDGs
- Costs, effectiveness and impact

**Assess increasing or decreasing trends since last GDS review**

**To inform whether directional change is warranted compared to GC7 split**

### B. Degree of change

**Determine if/by how much the split could change given current Global Fund investments and funding scenarios**
- Prioritize preserving continuity of services – “do no harm”
- Determine the rate(s) of increase (based on appropriate rate(s) of decrease)

### C. Levers and Context

**Consider all levers and the broader context that affect the overall funding to diseases**
- Levers – leveraging domestic funding, program split flexibility, country dialogue
- Bigger picture – sustainability, replenishment dynamics

### Next steps for 2024

- **Before July**
  - GDS consultations with technical partners to gather additional information and considerations on the needs for each disease

- **July SC25**
  - GDS discussion and review of evidence – for SC input

- **October SC26**
  - GDS – for SC recommendation to the Board

- **November B52**
  - GDS – For Board Decision
RSSH: Considering all levers to increase the impact of GF investments

An RSSH allocation is:
- An amount of GF resources committed to all or a selection of eligible countries;
- Applied to meet the aims of the allocation methodology and driven by clear principles;
- For direct RSSH only, because contributory RSSH is defined as disease investments that strengthen RSSH;
- Driven by the equivalent of a burden metric which is rigorous, relevant to our mission, up-to-date and available in all countries;
- Arrived at formulaically and adjusted in QA, or determined in QA, aligned to SC approvals; and
- An RSSH amount communicated to countries in the allocation letters.

Without an RSSH allocation, the GF can use other levers to increase impact, including:

Allocation Letter
- Previous and/or recommended RSSH funding levels
- Recommended RSSH priorities
- Recommended implementation arrangements
- Required co-financing
- Required integrated approach to funding requests
- Differentiated approach with more prescriptive messaging for RSSH priority countries

Grant Cycle 7 Allocation Letters
- For RSSH priority countries, the GF “…expects the country to maintain or increase its RSSH and pandemic preparedness (PP) investments and would suggest a focus on the following priority areas…”
- All other countries, the GF “…recommends that the level of country investment in RSSH be maintained where appropriate and increased where possible”

CCM
- Strengthen CCM’s for better RSSH oversight, improve implementation arrangements to better deliver, and to ensure technical assistance (TA) arrangements are fit-for-purpose

Grant Reporting
- Strengthen tracking and accountability of investments throughout grant lifecycle

Next step for 2024
July SC25: Discussion on options to increase the impact of RSSH investments – for SC input
High-level decision-making timeline
Allocation Methodology GC8

**PART 1**
High-level aspects of the methodology
*Global Disease Split*

**PART 2**
Other aspects of the methodology
*technical parameters, allocation methodology, qualitative adjustment factors and process, catalytic funding scenarios*

**Evaluation findings**
- SC
- Board

**Focus of Allocation Methodology review, decision timeline GC8**
- SC
- Board

**2024**
- Q1
- Q2
- Q3
- Q4

**2025**
- Q1
- Q2
- Q3
- Q4

**Input**

**Recommendation**

**Decision**

**Sources of Funds**
- Replenishment (date TBD)
- Qualitative Adjustments
- Allocation letters

**SC** (GDS)
- SC (GDS, RSSH levers beyond upfront split)
- SC (Allocation Methodology, catalytic funding scenarios)
- SC (Technical Parameters)
- SC (Qualitative Adjustment factors and process)

**Board**
- (GDS)
- (Allocation Methodology, catalytic funding scenarios)
- (Allocation Methodology, catalytic funding scenarios)
Questions for the Board

• Does the Board have questions or comments on the allocation methodology evaluation?

• Does the Board agree with the proposed focus of review for the GC8 allocation methodology?

• Does the Board agree with the proposed approach to the Global Disease Split review? What additional factors should we consider?

• Does the Board agree to explore all levers to expand RSSH impact outside of an allocation?

• Does the Board agree with the decision-making timeline?