

Introduction to Holistic Sustainability Policy Decisions 52nd Board Meeting

GF/B52/08A

20 – 22 November 2024, Lilongwe, Malawi

Board Information

Purpose of the paper: This document sets out the context for the holistic set of sustainability-related policy decisions (Eligibility, Allocation Methodology, Sustainability Transition and Co-financing, and Catalytic Investments) that are recommended by the Strategy Committee to the Board for decision in November 2024 ahead of Grant Cycle 8, to increase the sustainability of progress towards the Global Fund's mission and Strategy.

Executive Summary

As we look ahead to the second half of our Strategy, the Global Fund's mission is facing unprecedented challenges, with extraordinary fiscal pressures facing implementer and donor countries alike, increasingly regressive rights and gender movements, restrictive civic spaces, global conflicts and climate change. The Global Fund's efficient and effective model continues to deliver tremendous gains, with more than 65 million lives saved to date. However, in the face of mounting challenges, the Global Fund needs to adapt to the changing context to deliver sustainable impact, protect the gains, continue progress towards ending AIDS, TB and malaria and deliver on the promise of SDG3.

At its Retreat in July 2024, the Board endorsed activating a suite of policy and operational sustainability levers to preserve programmatic progress and safeguard the sustainability of the Global Fund's mission. The Board has also requested that holistic changes to the four policies most influential in guiding how resources are allocated and used be approved in Q4 2024 ahead of the launch of the 8th Replenishment Investment Case in early 2025. Accordingly, revisions have been made to the Eligibility Policy to give clarity on transition from Global Fund financing; to the Allocation Methodology to drive further funding towards low and lower middle income countries and to respond to the changing landscape; to the Sustainability Transition and Co-financing (STC) policy to reinforce sustainability and transition preparedness levers through Global Fund financing and more strategic use of domestic co-financing; and to the proposed Catalytic Investments to respond to mission critical needs in the sustainability and delivery of the Strategy.

At its 26th meeting in October 2024, the Strategy Committee reviewed the proposed policy updates and recommended them to the Board. These proposed updates have been made holistically and in an interconnected manner to ensure that the updates, together, have maximum impact in protecting our mission and driving sustainable progress ahead of Grant Cycle 8 (GC8). However, as acknowledged by the Board, the sustainability levers alone cannot fully offset the impact of the lowest replenishment scenarios, and so it is absolutely critical for the partnership to rally with an unwavering focus on maximizing 8th Replenishment outcomes to safeguard the mission of the Global Fund for the communities we serve.

This paper gives an introduction and context to the recommended holistic revisions to the four major sustainability-related policies, which are set out in individual papers: Eligibility (GF/B52/08D), Allocation Methodology (GF/B52/08B), STC Policy (GF/B52/08E) and Catalytic Investments (GF/B52/08C). The policy revisions are recommended for Board decision in November 2024, to support delivery of the Global Fund's historic results with lasting impact in a changing global environment.

Context

1. As we look ahead to implementation of the second half of our Strategy¹ under GC8, we find ourselves in an ever-changing and challenging landscape. Implementer and donor country governments alike are facing extraordinary fiscal pressures, with the Global Fund's mission competing for much needed resources alongside wider health, development and domestic priorities. Broader global challenges are also affecting progress in the fight against HIV, TB and malaria (HTM) and in building resilient and sustainable systems for health (RSSH). These include increasingly regressive rights and gender movements and restrictive civic spaces in a growing number of contexts, conflicts globally resulting in displacement and exacerbating wider HTM vulnerabilities, and the planetary challenge of climate change affecting disease transmission and the fragility of health systems.
2. In the face of these challenges, the Global Fund's efficient and effective model, as confirmed through a series of reviews², has delivered tremendous gains, with more than 65 million lives saved to date, significant reductions in new HTM infections, market shaping capabilities that have resulted in an unprecedented scale in the number of people reached with quality and cost-effective health products, strengthened and more resilient and sustainable systems for health in numerous contexts, and reductions in health inequities in countries in which the Global Fund operates³. These strengths and achievements have contributed significantly to progress towards universal health coverage (UHC) and the global goals. However, there is much more that needs to be done in the face of these mounting challenges, with significant gaps remaining towards the fast-approaching 2030 SDG3 targets and increasing funding gaps towards achievement of the targets set out in the HTM global plans^{Error! Bookmark not defined.}.

Recap of July 2024 Board Retreat

3. It was in this context that the Global Fund's Board and Strategy Committee met at its Retreat in July 2024 to consider how the Global Fund should adapt to the changing global environment and fiscal context, with a goal to deliver sustainable impact, protect the gains, continue progress towards ending AIDS, TB and malaria and deliver on the promise of SDG3.
4. At the Retreat, the Board and Strategy Committee discussed four different categories of levers that could be activated to respond to the changing environment: levers that can

¹ https://www.theglobalfund.org/media/11612/strategy_globalfund2023-2028_narrative_en.pdf

² For example, see Strategic Review 2023 <https://www.theglobalfund.org/en/iel/evaluations/2024-04-01-end-term-strategic-review-2017-2022/>; OIG Audit of the Effectiveness of the Global Fund Model in Delivering the New Strategy, 2024, document number forthcoming; Global Fund MOPAN 2021-2022 <https://www.mopanonline.org/assessments/globalfund2021/index.htm>

³ See Delivering sustainable impact: protecting the gains, ensuring sustained momentum: GF/BR2024-07/03.

maximize Global Fund resources; levers that can maximize the impact of Global Fund investments; levers that can maximize financial investments from domestic and other sources; and levers that can maximize the impact from investments from domestic and other sources. These levers are reinforced by a set of key actions that will be undertaken in any circumstance to underpin sustainability efforts. The 4 categories of sustainability levers and the key underpinning actions are set out below.

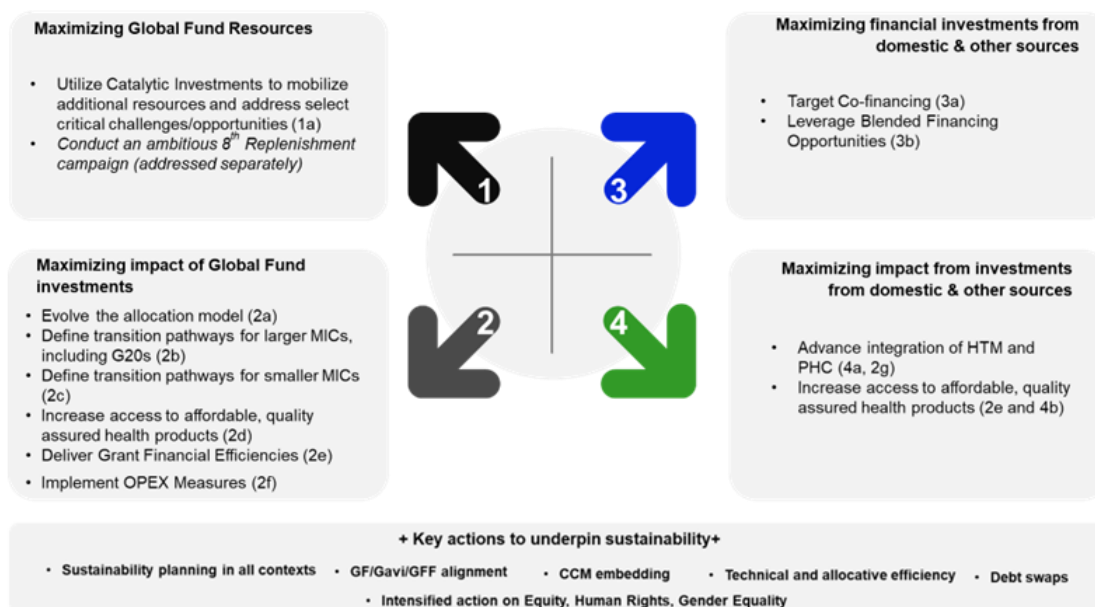


Figure 1: Categories of sustainability levers and key actions discussed at the Board Retreat in July 2024.

5. The Board and Strategy Committee discussed and debated these levers over two days, and were broadly in favor of activating most of these policy and operational levers. They agreed that responsibly activating a set of sustainability policy levers, including revisions of policies on Eligibility, Allocation Methodology, STC and Catalytic Investments, in advance of GC8 would help prepare the Global Fund to preserve programmatic progress and safeguard the sustainability of its mission. However, it was also acknowledged that these levers alone cannot fully offset the impact of lowest replenishment scenarios, and a critical focus must be maintained on maximizing 8th Replenishment outcomes.

Overview of policy updates

6. For ease of reading, the coordinated recommended updates to be made to these four major policies are set out in individual papers (see GF/B52/08B-E). However, they should be reviewed as a whole to understand the scope of the holistic changes proposed to increase the sustainability of progress towards our mission and Strategy. A summary of the changes proposed to each of the policies is set out below:

- i. Eligibility policy updates (GF/B52/08D) focus on reinforcing sustainability considerations with greater clarity around transitioned country components becoming ineligible following transition funding; additional flexibility for transitioned components to be included in multi-country grants; improved clarity around the absence of World Bank income classification data; and minor clerical changes.
- ii. Allocation methodology policy updates (GF/B52/08B) intend to reflect the current landscape, drive impact and direct resources where needs are greatest. This includes adjusting the Country Economic Capacity (CEC) Curve to shift funding towards low income (LICs) and lower middle income countries (LMICs); revising the Global Disease Split to provide a greater share of funding for tuberculosis and malaria in a scenario of above US\$12 billion available funds for country allocations; updating the allocation formula's technical parameters for malaria upon technical partners recommendation; and setting out the proposed total funding for Catalytic Investments by scenario of sources of funds for allocation.
- iii. STC policy updates (GF/B52/08E) respond to the sustainability agenda, lessons learned from policy implementation to date (including independent reviews), and account for the changed global economic context. Recommended changes aim to guide better investment of domestic and Global Fund resources to address critical sustainability and transition challenges in strengthening systems for health and delivering national HTM responses. The revised policy re-emphasizes the importance of inclusive (including key and vulnerable populations, communities and civil society) sustainability and transition planning across the entire portfolio; acknowledges the broader array of dimensions and thematic areas that the Global Fund partnership must work to address to strengthen sustainability; reinforces the importance of increasing alignment with and implementation of Global Fund resources through country systems; provides flexibility to define accelerated transition timelines in a sub-set of the Global Fund portfolio to enhance predictability and proactive planning; and supports more strategic impact of the Global Fund's co-financing efforts by elevating the importance of co-financing for specific programmatic interventions and strengthening differentiation to ensure co-financing is focused where it can have most impact.
- iv. Catalytic Investment priorities (GF/B52/08C) focus on key investments that are needed to address mission critical needs in the sustainability and delivery of the Strategy, which cannot adequately be addressed through country allocations alone, and to mobilize additional aligned areas of investment, including from private and non-traditional donors, that advance the Strategy. The recommended catalytic priorities are set out by scenario of total sources of funds for allocation

and were determined based on a methodology, principles and prioritization approach endorsed by the Strategy Committee in July 2024.

7. This suite of policy decisions also responds to the clear steer of the Board at its July 2024 Retreat that, in an increasingly challenging environment, Global Fund resources should be prioritized towards LICs and LMICs, where support is needed the most, while maintaining the Global Fund's resolute commitment and support to key and vulnerable populations (KVPs) and communities. These policy changes will collectively deliver a step-change shift in distribution of Global Fund resources towards these contexts through the Allocation Methodology CEC revision to drive increased funding to lower income settings and away from upper-LMICs and upper-middle income countries (UMICs). This will be further reinforced through negotiated allocation reductions and through flexibility in the updated STC Policy to set accelerated transition timelines in the relevant middle income country (MIC) contexts. The Global Fund will maintain its focus on responsible MIC transitions and steadfast support for KVPs and communities through additional flexibility in the Eligibility Policy for transitioned components to be included in multi-country grants; protections in the Allocation Methodology to responsibly pace allocation reductions and ensure minimum funding shares are meaningful by country context; STC Policy revisions to strengthen focus of funding and domestic co-financing requirements on KVP support and other programmatic areas critical for sustainability and transition; and Catalytic Investments to support communities, addressing human rights and gender-related barriers, sustainability and transition planning, and to leverage additional resources (including for MIC transition contexts) through blended financing.
8. At its 26th meeting in October 2024, the Strategy Committee reviewed, debated and recommended to the Board updates to the four key policies. The Strategy Committee made no further revisions to the proposed updates to the Eligibility Policy and the Allocation Methodology. The Strategy Committee made revisions to the Catalytic Investments proposal by increasing available funding under the lowest scenario to ensure minimum funding amounts for the *Optimizing RSSH* and *Human Rights & Gender* priorities; and further clarifying the approach through which catalytic investment amounts would be proposed in a scenario below US\$ 12.26 billion. During the 26th meeting, the Strategy Committee provided steer to guide further STC Policy revisions, including the need for clear reporting, clarity in directional language, more robust language on sustainability planning expectations, strengthening focus on collaboration with partners, ongoing evaluation and learning, better reflecting sustainability challenges related to interventions to support access for KVPs, and the importance of robust operationalization of the updated Policy. This steer was used to make additional revisions to the STC Policy. The Strategy Committee then recommended the updated STC Policy to the Board at a follow up meeting in October 2024. Overall, the Strategy Committee was reassured that the holistic package of recommended policy revisions will position the Global Fund to be

as prepared as possible to sustainably deliver the second half of its Strategy through GC8 in a challenging and changing environment.

9. This coordinated set of policy decisions are presented for decision at the November 2024 Board meeting in response to the clear Board request for all policy decisions relating to GC8 to be accelerated and finalized ahead of the 8th Replenishment Investment Case launch in Q1 2025.
10. Under the umbrella of our inter-organizational collaboration work, this set of policy decisions has also been developed in discussion with Gavi, the Vaccine Alliance, which is also concurrently undertaking substantive revisions to many of its core policies. The revisions have been coordinated to ensure that both organizations are driving consistent and aligned policy messages around areas of common direction to implementer countries, such as on co-financing requirements.

Holistic, interconnected set of sustainability policy lever decisions

11. In order to ensure that, collectively, the sustainability-related policy revisions deliver the maximum impact in protecting our mission and driving sustainable progress, the set of four major policy revisions has been designed in a holistic and interconnected manner. The revisions proposed across all four policies are intended to work together and provide a comprehensive update to the Global Fund's policies on sustainability in advance of GC8.
12. The following are examples of the interconnected nature of the policy revisions:
 - i. To deliver the levers to *maximize Global Fund resources*: Allocation Methodology updates propose the split of total funding between country allocations and Catalytic Investments, to balance the importance of maximizing country envelopes while accounting for the investments critical for the sustainability of our mission that cannot be undertaken through country allocations alone. This is then supported by the Catalytic Investments recommendation, which sets out which of the latter critical investments are best placed to mobilize additional resources through private sector and non-traditional donor matching;
 - ii. To deliver the levers to *maximize the impact of Global Fund investments*: Allocation Methodology updates to drive increased funding to countries with lowest economic capacity are complemented by STC Policy changes to reinforce the importance of sustainability and transition planning and to leverage co-financing for specific programmatic interventions relevant to sustainability and transition. These are then complemented by Catalytic Investments to support

transition preparedness and to continue critical support for communities. The Eligibility Policy changes support these shifts by making transitioned country components ineligible for future country allocations, while allowing them to be included in multi-country grants to help them to address ongoing challenges such as policy barriers;

- iii. To deliver the levers to *maximize financial investments from domestic and other sources*: revisions to the STC policy aim to maximize mobilization of domestic resources in support of the Global Fund's mission and wider UHC aims, while the Catalytic Investments recommendation proposes investments to support use of blended financing to create opportunities for increased investments by multilateral development banks in health and in support of specific disease outcomes; and
- iv. To deliver the levers to *maximize the impact from investments from domestic and other sources*: Allocation Methodology revisions to reduce overall funding to UMICs are complemented by a revised STC Policy with a co-financing focus on domestic uptake of programmatic interventions that are critical to preserve and expand progress, including for interventions to support access for KVPs. This is supported by proposed Catalytic Investment priorities to facilitate domestic use of pooled procurements to help national resources go further in sustaining the mission, and to expand public financial management to reinforce public systems and to support partners to integrate investments 'on budget'.

Wider operational sustainability levers

13. The Board Retreat also discussed a number of operational levers that need to be put into place to deliver the sustainability agenda. Work is underway on these wider operational sustainability levers, with more detailed updates to come to the Strategy Committee and Board in 2025 alongside preparations for GC8. This staggered timing is to enable the Strategy Committee and Board to focus its immediate attention on the major policy changes proposed to be adopted in Q4 2024, on the requested accelerated schedule ahead of the 8th Replenishment Investment Case launch, with the operational details to be finalized based on the approved policy changes. An early summary on progress on these operational levers is set out in Annex 1.

Conclusions

14. As we look ahead to GC8, with this interconnected set of policy changes, the Global Fund has the opportunity to maximize the sustainable impact of available Global Fund

and domestic resources and to ensure that they are influenced and used most effectively in protecting our mission and achievement of our Strategy. The Board is requested to holistically review and approve the coordinated set of major policy revisions to the Eligibility Policy, Allocation Methodology, STC Policy and Catalytic Investments with the aim of supporting delivery of the Global Fund’s historic results with lasting impact in a changing global environment.

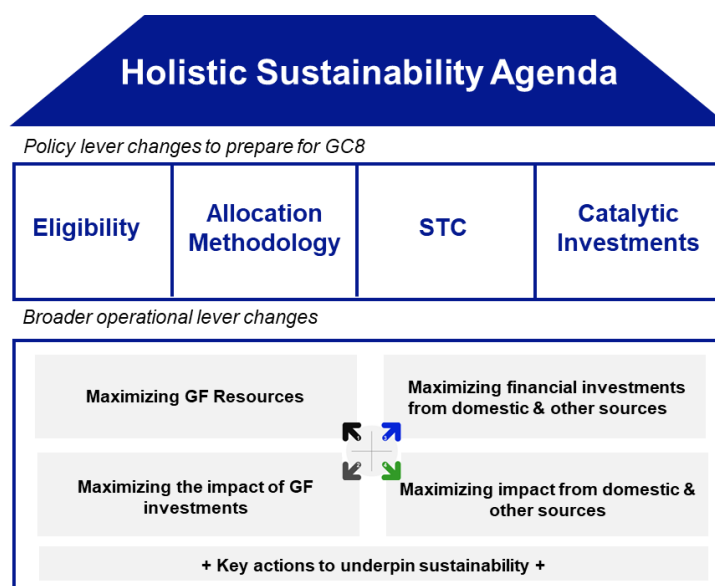


Figure 2: High level depiction of the four major policy lever changes and wider operational lever changes plus key actions that will deliver the holistic sustainability agenda for the Global Fund.

Next steps

15. Should the Board approve the holistic set of sustainability policy changes in November 2024, immediate next steps will focus on the launch of the 8th Replenishment campaign and preparations for GC8 (including on the operational sustainability levers) with these four policy decisions serving as their basis. Once the 8th Replenishment outcome is known, further policy decisions will be taken in Q4 2025 ahead of the launch of GC8, including on Sources and Uses of Funds for Allocation, associated finalization of Catalytic Investments according to the total funds available, OPEX, as well as any other needed changes in line with the Replenishment context.

16. A high-level overview of the next steps is as follows:

- Q1 2025: 8th Replenishment Investment Case launched;
- Throughout 2025: Ongoing updates on operational sustainability levers and wider preparations for GC8;

- Q2 2025: Strategy Committee policy decision on Qualitative Adjustment process – to be undertaken synergistically with sustainability work;
- Q3/Q4 2025: Replenishment Conference; and
- Q4 2025 Committee and Board meetings: Decisions on Sources and Uses of Funds for Allocation, associated finalization of Catalytic Investments, OPEX, as well as any other needed changes according to the Replenishment context.

Annexes

The following items can be found in Annex:

- Annex 1: Brief update on operational levers
- Annex 2: Summary of Previous Board Input
- Annex 3: Links to Relevant Past Documents & Reference Materials

Annex 1: Brief update on operational levers

1. A brief summary of work underway on the wider set of operational sustainability levers is set out below. They are grouped by the four different categories of levers discussed at the Board Retreat: those that can *maximize Global Fund resources*; those that can *maximize the impact of Global Fund investments*; those that can *maximize financial investments from domestic and other sources*; and those that can *maximize the impact from investments from domestic and other sources*.

i. Levers to *maximize Global Fund resources*:

- *Lever 1a: Mobilize additional resources through CIs*: For the next grant cycle, this lever is being taken forward under the proposed Catalytic Investments for 2026-2028.

ii. Levers that can *maximize the impact of Global Fund investments*:

- *Lever 2a: Evolve the Allocation Model*: This lever is being taken forward through the proposed updates to the Allocation Methodology.
- *Lever 2b: Define transition pathways for larger MICs, including G20*: The updates to the CEC curve proposed in the Allocation Methodology paper would drive more funding towards lower income countries, and as a result, there would be accelerated reductions for the larger MICs to support longer-term sustainability efforts. Any additional reductions beyond these levels would take place through country dialogue in advance of the GC8. Advanced communications will be critical to support timely country planning.
- *Lever 2c: Define transition pathways for smaller MICs*: Allocation reductions to the 'long tail' of small MICs would take place through the proposed update to the Allocation Methodology CEC curve described above. A range of options for more efficient and effective management of smaller grants, along with relevant implementation contexts and enabling/ hindering factors, are being explored - potentially including small grant modalities (such as for communities/civil society funding), managing allocations regionally and differentiated access to funding approaches. This work would be supported by the proposed STC Policy updates that would give flexibility to discuss and define transition timelines with countries, and Eligibility Policy updates to extend eligibility for multi-country proposals to include previously eligible countries and for countries that have received transition funding not to become re-eligible.

- *Lever 2d: Increase access to affordable, quality assured health products:* Funding needed to implement this lever is detailed in the Catalytic Investment paper.
 - *Lever 2e: Deliver grant financial efficiencies:* Updates are currently being made to the Budgeting Guidelines to reflect the changes described by this lever. The Guidelines will be finalized ahead of launch of GC8.
 - *Lever 2f: Implement OPEX measures:* The OPEX adjustments outlined through this lever will be discussed with the Audit and Finance Committee (AFC) ahead of recommendation to the Board at the end of 2025, in line with the total funds available under the 8th Replenishment.
- iii. Levers that can *maximize financial investments from domestic and other sources:*
- *Lever 3a: Target co-financing:* This lever will be operationalized through the recommended STC Policy, including by elevating the financing of specific programmatic interventions as a stand-alone requirement for countries in all income levels; further differentiation of co-financing requirements to focus where they can have the most impact based on country context; and allowing for adjustments to financial co-financing requirements for certain portfolios to respond to country context. The revised policy will be supported next year by updates to operational guidance to support countries and country teams in implementing this lever.
 - *Lever 3b: Leverage blended financing opportunities:* Funding needed to implement this lever is detailed in the Catalytic Investment paper. Blended financing opportunities will be actively sought out for relevant portfolios ahead of GC8.
- iv. Levers that can *maximize the impact from investments from domestic and other sources:*
- *Lever 4a: Facilitate domestic use of pooled procurement:* Funding needed to implement this lever is included in the Catalytic Investment paper.
 - *Lever 4b: Expanding public financial management for integration and sustainability:* Funding needed to continue to implement this lever is detailed in the Catalytic Investment paper.

Annex 2 – Summary of Previous Board Input

Prior Committee / Board input	Link to document
GF/BR2024/02: Summary report of the Board Retreat (July 2024, Satigny)	See informal report: https://tgf.sharepoint.com/sites/vgt/SitePages/BoardRetreatJuly2024.aspx

Annex 3 – Relevant Past Documents & Reference Materials

Relevant past Decision Point	Summary and Impact
GF/B47/DP06: Catalytic Investments for the 2023-2025 Allocation Period ⁴	The Board approved catalytic investments for the 2023 –2025 allocation period as set forth in the scenarios under GF/B47/DP06.
GF/B47/DP05: Approval of the 2023-2025 Allocation Methodology ⁵	Approved the allocation methodology for the 2023-2025 allocation period (Grant Cycle 7)
GF/B47/DP03: Approval of the Revised Eligibility Policy ⁶	This decision approved the amended “Eligibility and Counterpart Financing Policy”;
GF/B46/DP03: Approval of the Strategy Narrative for the Global Fund Strategy 2023-2028 (November 2021) ⁷	Approved the Strategy of the Global Fund for the period 2023-2028.
GF/B35/DP08 Sustainability, Transition and Co-financing Policy ⁸	The Board approved a sustainability, transition and co-financing Policy for the Global Fund which outlined principles and requirements around sustainability, transition planning, focus of applications and co-financing for Global Fund supported countries. The policy states that the Secretariat will explore the use of innovative financing mechanisms to encourage increased co-financing and program sustainability.

⁴ <https://www.theglobalfund.org/kb/board-decisions/b47/b47-dp06/>

⁵ <https://www.theglobalfund.org/kb/board-decisions/b47/b47-dp05/>

⁶ <https://www.theglobalfund.org/kb/board-decisions/b47/b47-dp03/>

⁷ <https://www.theglobalfund.org/kb/board-decisions/b46/b46-dp03/>

⁸ <https://www.theglobalfund.org/kb/board-decisions/b35/b35-dp08/>