

34th Board Meeting

Allocation Methodology Framework

GF/B34/12
Board Information

PURPOSE: This document presents a summary of the 16th Strategy, Investment and Impact Committee discussion on the development of the 2017-2019 allocation methodology and agreed next steps.

I. Past Relevant Decisions

1. The following summary of relevant past Board and Committee decision points is submitted for background information and context.

Relevant Past Decision Point	Summary and Impact
GF/B31/DP10: Composition of and Allocation to Country Bands (March 2014)¹	Based on the recommendations of the SIIC, the Board approved: (i) the composition of four country bands for the 2014 – 2016 allocation period; (ii) the indicative amounts of funding allocated to each band; and (iii) the amount of incentive funding available for country bands 1, 2 and 3.
GF/B31/DP09: Transition from the Third to the Fourth Replenishment Period (March 2014)²	Based on the recommendations of the FOPC and SIIC, the Board approved the total amount of funds to be allocated to country bands (the “Total Allocation”). It also approved, to account for the shift from the rounds-based system to the allocation-based funding model, establishing the minimum required level as the greater of: (i) a 25-percent target reduction of a country-component’s most recent available four-year disbursements; or (ii) a country component’s existing grants pipeline as at 31 December 2013.
GF/B31/DP07: Regional Programs (March 2014)³	Based on the recommendation of the SIIC, the Board approved US\$200 million for new Regional Programs over the 2014 – 2016 allocation period, noting and distinguishing that multi-country applications would be funded through their constituent countries’ allocations.
GF/B31/DP06: Special Initiatives (March 2014)⁴	Based on the recommendation of the SIIC, the Board decided that up to US\$100 million would be available over 2014 – 2016 for a specified list of special initiatives, including potential reallocation of funding across the approved special initiatives upon the approval of the SIIC, in consultation with the FOPC.
GF/B30/DP05: Revision of the Policy on Eligibility Criteria, Counterpart Financing Requirements and Prioritization of Proposals for Funding from the Global Fund (November 2013)⁵	Based on the recommendation of the SIIC, the Board approved the amended Eligibility and Counterpart Financing Policy, which sets minimum thresholds for counterpart financing requirements for all applicants of funding.
GF/SIIC09/DP01: Indicators for the Allocation Formula and the Band 4 Methodology (October 2014)	Under authority delegated by the Board, the SIIC approved the following parameters for the 2014 – 2016 allocation: (i) indicators for disease burden and ability to pay; (ii) allocation methodology for Band 4 (i.e., countries with higher income and lower disease burden); and (iii) maximum and minimum shares for apportioning indicative funding to countries.
GF/SIIC09/DP02: Management of Incentive	Under authority delegated by the Board, the SIIC approved the process and methodology for awarding incentive funding as well as

¹ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B31/DP10/>
² <http://www.theglobalfund.org/Knowledge/Decisions/GF/B31/DP09/>
³ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B31/DP07/>
⁴ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B31/DP06/>
⁵ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B30/DP05/>

Relevant Past Decision Point	Summary and Impact
Funding and Unfunded Quality Demand (October 2013)	prioritizing and awarding potential funding for unfunded quality demand.
GF/B29/EDP11: Revising the distribution of funding by disease in the new funding model allocation methodology (October 2013)⁶	Based on the recommendation of the SIIC, the Board approved, for the 2014 – 2016 allocation period, the apportionment of resources available for allocation to country bands among the three diseases based on the following distribution: 50 percent for HIV/AIDS, 32 percent for malaria, and 18 percent for tuberculosis. The Board directed the Secretariat to ensure integrated TB/HIV services are addressed in the country dialogue and concept note development process for countries with high TB/HIV co-infection rates. Furthermore, the Board requested the SIIC to review this decision to develop and recommend appropriate modifications to the Board prior to the 2017 – 2019 allocation period.
GF/B29/EDP10: Division between Indicative and Incentive Funding (October 2013)⁷	Based on the recommendation of the SIIC, the Board approved the method for determining the amount of incentive funding available for the 2014 – 2016 allocation period as well as a minimum required level of funding in the form of a graduated reduction that would be applied to the country components receiving funding above their formula-derived amounts, and deemed those country components receiving more than 50 percent above their formula-derived amounts ineligible for incentive funding. Furthermore, the Board requested the SIIC to review this decision to develop and recommend appropriate modifications to the Board prior to the 2017 – 2019 allocation period.
GF/B28/DP04: Evolving the Funding Model (Part Two) (November 2012)⁸	Based on the recommendation of the SIIC, the Board approved: (i) the alignment of three-year allocation periods with three-year replenishment periods; (ii) the principles for determining and composing country bands; (iii) the principles for allocating to country bands based on ability to pay and disease burden; (iv) the purpose and principles of indicative and incentive funding, as well as unfunded quality demand; and (v) the existence and role of certain qualitative factors that could adjust the results of the allocation formula, including, but not limited to: 1. major sources of external funding; 2. minimum funding levels; 3. willingness to pay; 4. past program performance and absorptive capacity; 5. risk; 6. increasing rates of new infections in lower prevalence countries. Furthermore, the Board requested the regular review of the key elements decided prior to each allocation period.
GF/B27/DP07: Evolving the Funding Model (September 2012)⁹	Based on the recommendation of the SIIC, the Board adopted the principles for key elements of the allocation-based funding model, including a ceiling of 10 percent of the resources available for allocation that could be used for programs or strategic investments outside of the allocation to country bands, and requested the SIIC to work further towards evolving the funding model.

⁶ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B29/EDP11/>

⁷ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B29/EDP10/>

⁸ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B28/DP04/>

⁹ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B27/DP07/>

II. Executive Summary

2. The Board's adoption of an allocation model for 2014-2016 represented a successful shift towards investing more strategically for impact under the Global Fund's 2012-2016 strategy. The allocation model has facilitated greater focus on countries with higher disease burden and lower economic capacity, with 92% of allocations focused on lower and lower-middle income countries, and 95% of allocations targeted to countries with high, severe or extreme disease burdens for the 2014-2016 allocation period.

3. Based on emerging lessons learned, the Strategy, Investment and Impact Committee (SIIC) and Board will review, and as appropriate, update aspects of the allocation methodology for the 2017-2019 allocation period. To inform discussions at the November 2015 Board meeting, this paper presents a synopsis of the lessons learned to date, a summary of the October 2015 SIIC discussions and suggested areas of work to inform refinements to the allocation methodology for 2017-2019. The guidance received at the October 2015 SIIC and November 2015 Board meetings will be used to analyze and develop options for adjustments to the allocation methodology, for decision at the spring 2016 SIIC and Board meetings.

III. Background

4. The Board's allocation model adopted for 2014-2016 represented a significant shift in how the Global Fund invests for impact. Whilst the first allocation cycle has not yet been fully completed, lessons learned to date will be used by the SIIC and Board to review, and as appropriate, update aspects of the allocation methodology for the 2017-2019 allocation period. Refinements to the allocation methodology will aim to reinforce and further enable the principle of differentiating investments along the development continuum. The framework of the 2017-2022 Global Fund strategy, presented in GF/B34/11, will further steer the allocation methodology to achieve the strategy's objectives.

5. The Draft Framework of Allocation 2017-2019 paper (GF/SIIC16/09) presented to the SIIC in October 2015 outlined lessons learned from the implementation of the 2014-2016 allocation methodology and suggested areas for SIIC deliberation and feedback to the Board. An overview of the SIIC discussion at its 16th meeting in October 2015 is presented here, as well as proposed next steps. No decision is requested of the Board at this stage, rather this information is presented to inform the Board's discussions and directions to the SIIC and Secretariat.

6. The Secretariat will continue to develop and analyze options based on the feedback received at the October 2015 meeting of the SIIC and November 2015 meeting of the Board. At its meeting in February 2016, the SIIC will deliberate and agree on the recommendations it will present at the first Board meeting in 2016, to either maintain or amend aspects of the current allocation methodology for the 2017-2019 period. Once the funding available for the Fifth Global Fund replenishment period (2017-2019) is endorsed by the Finance and Operational Performance Committee, the Board will approve the allocation of available resources for the 2017-2019 allocation period. Country allocations will be communicated to countries thereafter.

IV. Discussion

01 Lessons Learned

7. Overall, the allocation methodology has achieved marked success in shifting the Global Fund towards a more predictable, active and impactful approach to financing Global Fund-eligible countries. This has facilitated greater focus on countries with higher disease burden and lower economic capacity. For the 2014-2016 allocation period, 92% of allocations were focused on lower and lower-middle income countries, and 95% of allocations were targeted to countries with high, severe or extreme disease burdens. Nevertheless, there are key areas in which lessons learned can be used to refine the allocation approach for 2017-2019. A synopsis of the lessons learned summarized at the 16th SIIC meeting in October 2015 and in the Draft Framework of Allocation 2017-2019 paper (GF/SIIC16/09) are presented below.

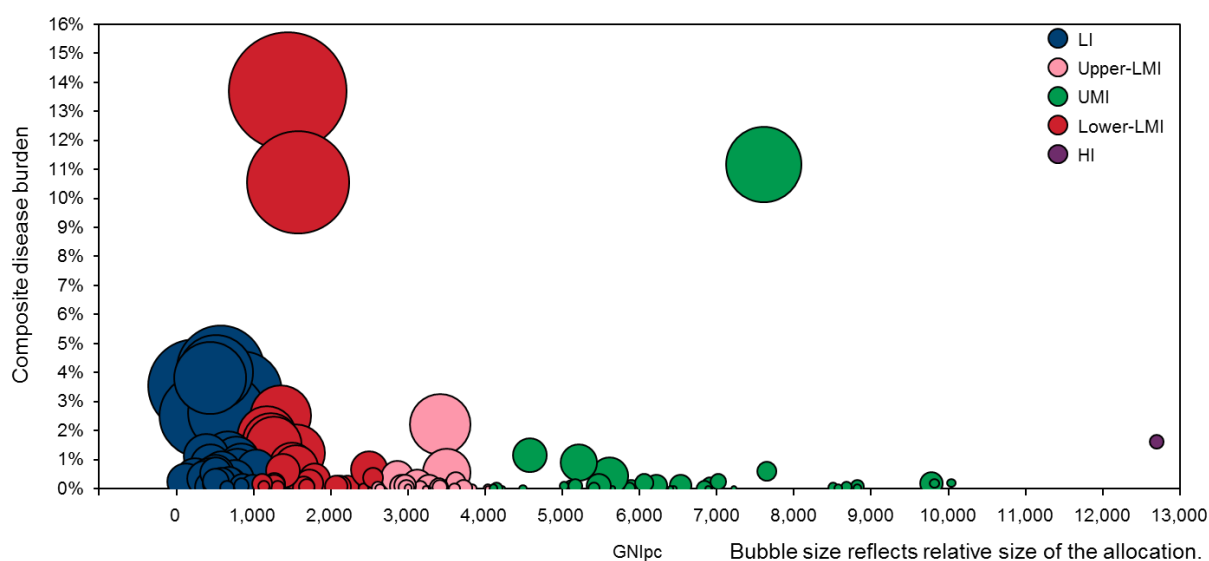


Figure 1 shows the distribution of allocations to countries for the 2014-2016 allocation period. The relative size of each bubble represents the relative size of each country's total allocation, as communicated to countries in March 2014 and does not include any incentive funding subsequently accessed. The allocations are shown in Figure 1 according to their composite disease burden measure and GNIPC.

8. Country grouping and flexibility using qualitative factor adjustments: As no mathematical formula can fully capture the unique epidemiological and economic characteristics of countries, the Board approved the use of a number of qualitative factors (GF/B28/DP4) to enable the appropriate adjustment and refinement of country allocations. The Board currently approves funding by Country Band at the start of each allocation period. However, as Board approval took place prior to the application of the majority of the qualitative factor adjustments (with the exception of external financing and the minimum required level (MRL)), there was no flexibility to reallocate resources between countries in different Bands. In practice, this limited the Global Fund's ability to optimize allocations across the portfolio to account, for example, for cases where indicative funding was insufficient to scale-up or even maintain current levels of service coverage. Indeed 11% (14/129) of components in Band 1 (i.e. countries with highest disease burden and lowest economic capacity) resorted to shortening the duration of their grants in order to maintain or allow for modest increase of services. At the same time, US\$162 million released during qualitative adjustments were 'locked into' Bands 2 and 4 were unable to be reallocated to support scale up in Bands 1 and 3. Increased flexibilities in the allocation model, within certain parameters, could be used to address these issues for the 2017-2019 allocations.

9. **MRL:** The MRL served as a portfolio-level target for minimum reduction on most recent disbursement levels, to ensure a paced reduction in country components which had previously received higher funding than their formula-derived amounts. Despite a successful replenishment, there was a finite pool of resources for allocation. Therefore, in order to maintain higher-than-formula amounts for some country components, other country components that had previously received lower than their formula-derived amounts were not able to fully scale up to their formula-derived funding levels. While the MRL adjustment was acknowledged as an important aspect of the allocation model to maintain the gains of the past, provide a degree of predictability, and responsibly scale down funding levels, it resulted in the biggest shift of resources across the portfolio during the allocation process. However, as the TRP has noted, there is a limit to the pace at which the Global Fund can responsibly reduce funding – a fact made more pointed by simultaneous reductions in bilateral funding. It is important to note that being above formula-derived levels does not mean that countries do not require additional external resources to achieve the targets of the Global Plans for the three diseases and the Sustainable Development Goals.

10. The impact was felt disproportionately in 6-10 above and below-formula countries. The top 6 above-formula countries (9 components) resulted in the movement of approximately US\$1 billion across the portfolio away from high burden, below-formula countries. Nonetheless, the Secretariat have successfully negotiated more than the 25% target reduction in recent funding levels in the case of more than 30 above-formula country components, allowing for the reinvestment of these funds for impact in below-formula countries. However, the formula-driven amount should be understood in context, and as financing is not the only barrier to rapid scale up in below-formula countries and above-formula countries can deliver significant results and impact. Indeed, one focus of the Secretariat's recently launched Implementation Through Partnership (ITP) project is to ensure that 1) partners focus on increasing the effective expenditure of resources in countries with a slow pace of utilization of funds and 2) that previously below-formula components with shortened grant durations, which were needed to maintain or increase coverage levels, are able to work with partners to continue services at scale until they next receive funds under the 2017-2019 allocation period.

11. **Band 4 methodology:** The current indicators used in the allocation formula do not sufficiently capture the particular needs of countries where disease burden is concentrated amongst key populations, or other needs of higher income countries with lower disease burden. Accordingly, a separate "Band 4 methodology" was adopted (GF/B28/DP4; GF/SIIC09/DP01). As discussed by the SIIC at its 10th meeting¹⁰ in February 2014, these countries, which represent 3% of combined disease burden under the indicators for 2014-2016, would have received 2.2% of funds in the absence of a separate methodology and the MRL, or 5.3% of funds if only MRLs were applied¹¹. For the 2014-2016 allocation period, the total funding to countries in this Band was set to 7% of resources available for allocations, considering historical levels of funding. On this basis, minimum funding shares were calculated according to population size and used as a funding floor across the portfolio. However, along with the MRL, these minimum shares resulted in a shift funds away from Bands 1-3 into Band 4¹². These population-based funding amounts also resulted in allocations that were not sufficiently proportional to or tailored to countries' specific needs. Given the increasingly catalytic approach the Global Fund is seeking to play in the context of higher income countries with lower disease burden, the overall approach could have been better focused to address the needs of key populations, and to support sustainability and transition.

¹⁰ GF/SIIC10/04

¹¹ Updates to the formula indicators for the final Board approval of 2014-2016 allocations (GF/B31/DP10) would have meant that the proportion of funds to Band 4 countries would have been 1.5% rather than 2.2% in the absence of a separate methodology for Band 4.

¹² For the 2014-2016 allocation period eligible countries were placed in one of four Country Bands based on a combination of: (i) higher or lower disease burden; and (ii) higher or lower income (GNI per capita) (GF/B28/DP4).

12. **Incentive funding, regional programs and special initiatives:** Efforts to achieve simplicity through the allocation approach were constrained by the multiple channels available for accessing funding. Under the current methodology, funds are allocated to countries through indicative funding, but may also be competitively-accessed through the incentive funding pool¹³ in the case of Bands 1-3. Funding requests deemed technically sound and strategically focused by the TRP that cannot be funded by the indicative and incentive funding available are then registered as unfunded quality demand (UQD). Incentive funding and UQD were established with the aim of incentivizing high impact, well-performing programs and the submission of robust, ambitious requests based on national strategic plans or investment cases (GF/B28/DP4). The opportunity to compete for incentive funding and register UQD did increase expression of demand, and some TRP members recognized that it had stimulated ambitious or innovative approaches. Incentive funding was successfully used in almost 20% of cases to award ambition or in one third of cases to leverage domestic financing¹⁴. However, shortfalls in the amount of indicative funding available for core elements of national program responses often resulted in using incentive funding to prevent critical program gaps. Through the first seven TRP review windows, almost 30% of incentive funding was used specifically to fill critical program gaps, and more than 40% used to facilitate modest scale-up of services, rather than ambitious programming approaches. Feedback received from many countries, through the TERG strategic review and TRP indicated that the incentive funding channel was presenting an overly-burdensome additional application process, with a further drawback of not facilitating predictability of funds to assist in country planning.

13. In addition to incentive funding, two other modalities of funding were established to account for investments not adequately addressed through country allocations (GF/B27/DP7): special initiatives and regional programs. Both funding streams have ensured provision of resources for strategic and regional approaches, which could not be accommodated through the formula. However, in practice multiple funding streams and application processes proved burdensome and complicated to operationalize. In addition, the US\$1.2 billion demand for funding for regional programs vastly exceeded the US\$200 million of resources available.

14. **Co-financing policies:** Finally, the Global Fund currently takes a two-part approach to country co-financing and ensuring accountability to the Global Fund's core principles of additionality, country ownership, and sustainability. The Eligibility and Counterpart Financing Policy (ECFP)¹⁵ sets forth minimum counterpart financing thresholds for countries to be eligible to access Global Fund financing. As noted in the TERG's Strategic Review 2015, the minimum counterpart financing thresholds should be updated to reflect the economic growth that has taken place since they were established in 2009, as currently 95% countries meet these thresholds with current levels of government spending. The willingness-to-pay qualitative factor, introduced with the new allocation-based funding model (GF/B28/DP4), was established to incentivize country co-financing. The willingness-to-pay adjustment has been successful in leveraging nearly US\$6 billion in additional government commitments to co-finance the response to the three diseases and health sector, which have been closely monitored by the Secretariat. However feedback received indicates that the term "willingness to pay" has had negative unintended consequences in a number of countries, which could be addressed going forward. A unified co-financing policy, encompassing both approaches and differentiated along the development continuum would refine and simplify the Global Fund approach to co-financing.

¹³ Incentive funding was established to incentivize high impact, well-performing programs and the submission of robust, ambitious requests based on national strategic plans or investment cases (GF/B28/DP4).

¹⁴ These data correspond to the award of incentive funding by the TRP and GAC over windows 1-7.

¹⁵ Attachment 1 to GF/B30/06 – Revision 1, as approved by the Board under decision point GF/B30/DP05.

02 Overview of SIIC Discussion on Allocation Framework

15. The SIIC discussion focused on the successes and lessons learned from the implementation of the 2014-2016 allocation. The committee discussed potential refinements and adjustments to the methodology, and identified the additional areas of work that would be needed to make decisions on key aspects of the methodology at their February 2016 meeting. In general, the SIIC felt that that allocation model was delivering impact but that aspects required refinement to deliver on its full potential.

16. The discussions highlighted interdependencies between the ongoing work related to the next strategy, replenishment, KPIs and allocation. Discussion also focused on the need to provide clear direction on maintaining or modifying aspects of the allocation to enable further analysis on the impact of various options. Accordingly the discussions at the SIIC were broken down according to aspects of the methodology for country allocations, aspects of the methodology beyond country allocation, and aspects of Board approval, with the aim of narrowing options to give the Secretariat direction and focus for the work ahead.

Methodology for country allocations

17. **Global disease split:** Some SIIC members were in favor of exploring whether updated disease metrics might be useful in reviewing the global disease split. However, in view of the SIIC recommendations based on the reports of three expert institutions tasked to assess the distribution for the 2014-2016 allocation period (GF/B29/ER07), the majority of SIIC members acknowledged that at this stage revised data would be unlikely to bring about any revision to the distribution. Instead the discussion focused on the importance of emphasizing country-level flexibility in determining the split of funds at a country level, consideration of country-level factors in determining the split, and consideration of allocations being communicated to countries under a single country envelope.

18. **Disease burden and country economic capacity indicators:** In line with GF/B28/DP4, the SIIC should assess the indicators used in the formula prior to each allocation period. There was broad support for the Technical Partners' recommendation that the HIV indicator remain the same (updated with latest available data), and to update the TB indicator to reflect a higher coefficient for MDR-TB. The Secretariat reported that the malaria burden indicator is still under refinement with Technical Partners. The Secretariat also highlighted that outcomes of the Equitable Access Initiative may be considered to inform discussions.

19. **Band 4 methodology:** The SIIC discussed the value of incorporating within the formula indicators to account for the needs of epidemics concentrated amongst key populations, as well as other needs of higher income countries with lower disease burden. However, they recognized the limitations of available data. The SIIC also discussed that the Secretariat could explore whether these needs could be otherwise addressed through a strategic approach outside of country allocations (see below on incentive funding), or through qualitative adjustments. Initial ideas on an evolution of such an approach are discussed below, and could include provision of funding to address disparities faced by women and girls, other key populations, harm reduction, human rights and the multi-country needs of malaria elimination. Should an improved methodology for addressing the needs of concentrated epidemics among key populations, as well as other priorities in higher income, lower burden countries be updated, it was noted that the current approach of first allocating 7% resources to Band 4 would need to be altered. Discussions also touched on ways to achieve greater focus of funding applications and investments in upper-middle income and lower-burden country contexts.

20. **MRL:** The SIIC discussed the challenges of ensuring a paced reduction in funding for above-formula countries to sustain the gains of past funding, and scaling up to achieve greater epidemiological impact in countries receiving funding below their formula amounts. It was highlighted that above-

formula countries continue to have financing needs and the potential to achieve significant impact. However, considering that the majority of the funds needed to meet paced reductions are concentrated in a subset of the portfolio, the goals of the MRL might be met by emphasizing the existing flexibility to negotiate reductions on a country-by-country basis rather than applying a one-size-fits-all formula across the portfolio. It was also noted that for the transition between the third and fourth replenishments only, existing grants pipeline served as an additional floor (GF/B31/DP9), and in some cases limited the flexibility to negotiate reductions. Regarding potential metrics to form the basis of the MRL target reduction for the 2017-2019 allocation period, the SIIC discussed that recent disbursement data available at the time of running the next allocation formula will not necessarily reflect the new funding levels under the allocation approach. Accordingly, the Secretariat may consider replacing recent disbursements with the 2014-2016 allocations as the benchmark for the MRL calculations. It was also raised that allocation data do not appropriately reflect the pace at which resources are utilized. This may be addressed by complementing these numbers with the information and data arising through the Implementation Through Partnership work, including on the utilization of funds. In general, the SIIC emphasized the importance of the country negotiations in determining the most appropriate, responsible reductions in a targeted subset of the portfolio that comprise most of the MRL adjustments.

21. **Impact and utilization of funds as qualitative factors:** The SIIC discussed that greater emphasis and use of impact and utilization of funds as qualitative adjustments should be made with any updates to the allocation methodology. These factors could continue to be managed qualitatively and transparently, or be incorporated into the formula. The SIIC requested the Secretariat to further develop options in this regard.

22. **Co-financing policies:** In discussing the current policies on co-financing, the SIIC discussed the successes of the current approaches, especially in leveraging significant increases in domestic financing for health and the importance of tracking leveraged investments. The SIIC expressed support for a single, unified and differentiated co-financing policy.

Methodology beyond country allocations

23. **Incentive funding, regional programs and special initiatives:** The SIIC discussed the challenges for incentive funding in its current form to achieve its intended aims. These challenges arose due to the high transaction cost of applying for incentive funding for countries, operational limitations arising from the fact that its award is limited by Band and funding window, and that its use to encourage ambitious proposals had been limited by the need for it to be awarded to cover essential gaps. The SIIC discussed whether countries' prioritized funding needs should first be accounted for through allocations before evaluating if there are sufficient funds to be apportioned for incentive funding.

24. There was recognition among the Committee that in their current form, all three funding approaches outside of country allocations--incentive funding, special initiatives and regional programs--are not fully meeting their initial aims. The SIIC also expressed concern regarding any potential increase in top-down initiatives directed by the Secretariat and warned against "initiativitis." They also discussed how cross-border, multi-country approaches could be effective alternatives to current funding streams to incentivize progress on specific strategic issues, but that further consideration is needed to ensure such approaches are country-driven, innovative, and impactful. Going forward, the Committee discussed whether these three approaches could be more strategically addressed through modification into a single "flexible funding" form, which unifies their intent in an effort to meet country-level strategic priorities beyond country allocations. The committee emphasized that this evolved, strategic approach should maintain the overall goals of incentivizing high impact programs, and the submission of robust, ambitious requests based on national strategic plans or investment cases. The SIIC highlighted that going forward this strategic approach should be driven by country-level needs, rather than being directed top-down by the Secretariat.

Board approval

25. **Country grouping and flexibility using qualitative factor adjustments:** Many SIIC members felt that Country Bands are an artificial, arbitrary construct based upon divisions without significant epidemiological or economic basis. Many felt that the Bands added little value and would be happy for the concept to be removed, as long as the gains achieved in Band 4 countries could be otherwise maintained. Other members did not feel the need for Bands themselves to be removed. However, there was broad support for adapting the current allocation model to allow greater flexibility for movement of funds across the portfolio during qualitative adjustments to allow allocations to better achieve impact.

V. Next Steps

26. In order to inform input and guidance from the Board on refinements to the allocation methodology at their meeting in November 2015, a summary of the SIIC's recommendations to the Board are presented below.

Methodology for country allocations

27. **Global Disease Split:** The SIIC agreed to maintain the current global disease split. They reinforced that the Global Fund should emphasize flexibility and consideration of country-level factors in the determination of the split of funds at a country level.

28. **Disease burden and country economic capacity indicators:** The SIIC requested involvement in updates to the development of the malaria disease burden indicator, and updates on the outcomes of the Equitable Access Initiative.

29. **Band 4 methodology:** The SIIC requested that the Secretariat explore additional modalities to address and focus funding on the needs of concentrated epidemics amongst key populations, and other needs of countries with lower disease burden and higher economic capacity, including low endemicity malaria and MDR-TB. In doing so, the SIIC requested that the Secretariat explore and present to the SIIC scenarios, how they relate to levels of funding under the MRL, and how they relate to the current 7% of overall funding allocated to higher income, lower burden countries. They also requested an analysis of the programmatic areas funded by allocations in Band 4 countries.

30. **MRL:** The SIIC supported preservation of the principles underpinning MRL, as well as emphasized the use of country-level negotiations to determine the appropriate reductions in the small number of above-formula countries that comprise most of the MRL adjustments. The SIIC requested that the Secretariat explore additional metrics that may better serve as the basis for MRL reductions, such as more nuanced approaches to identifying the funding needed for priority investments to sustain the gains of the past.

31. **Impact and absorption as qualitative factors:** The SIIC requested that the Secretariat examine the use of impact and utilization of funds as qualitative factors to consider how they can be operationalized more strategically to better focus and target investments for greatest impact.

32. **Co-financing policies:** The SIIC supported the development by the Secretariat of a simple, unified co-financing policy, encompassing the current minimum counterpart financing thresholds for eligibility and current willingness to pay qualitative factor, which is differentiated across the development continuum.

Methodology beyond country allocations

33. **Incentive funding, regional programs and special initiatives:** The SIIC requested the Secretariat to explore options for the evolution of these three funding concepts into a simple, flexible, strategic approach to address critical challenges to ending the epidemics not sufficiently addressed through country allocations.

Board approval

34. **Country grouping and flexibility using qualitative factor adjustments:** The SIIC endorsed greater flexibility for movement of funds across the portfolio during qualitative adjustments, potentially within certain parameters. The SIIC also requested that the Secretariat explore alternative approaches for presenting the Board with aggregate funding levels for approval, should Country Bands be removed.