

**REVISING THE DISTRIBUTION OF FUNDING BY DISEASE IN THE NEW FUNDING
MODEL ALLOCATION METHODOLOGY**

Purpose:

This report summarizes the recommendations of the Strategy, Investment and Impact Committee (SIIC) to the Global Fund Board in relation to the implementation of the new funding model, and proposes one Decision Point to the Board, as follows:

- GF/B29/EDP11 Revising the distribution of funding by disease in the new funding model allocation methodology

This document is part of an internal deliberative process of the Global Fund and as such cannot be made public at this point in time.

FOR DECISION

1. As part of the implementation of a new allocation methodology within the new funding model (NFM), the Board, at its Twenty-Eighth Meeting, approved the principles of an allocation formula for apportioning funding to Country Bands. The Board further decided that an upfront distribution of resources between HIV/AIDS, tuberculosis (TB) and malaria, based on historical ratios, would be used as an interim measure for the transition to the NFM (GF/B28/DP5, paragraph 3).
2. For the purposes of the full roll-out of the NFM, the Board has requested that the Secretariat, under the oversight of the Strategy, Investment and Impact Committee (SIIC), develop a methodology to replace the upfront historical notional allocation (GF/B27/DP7). This replacement methodology must be presented for approval by the Board.
3. This methodology would “first split the total projected resources for a given allocation period between the three diseases” and should be based on a “measure that can be used to estimate disease burden and financial demand across all three diseases” (GF/B28/DP4, paragraph 4c).
4. The SIIC endorsed the use of expert institutions to generate options for the Committee to consider, allowing the process to benefit from a spectrum of unbiased views. Some SIIC members referred to the demand forecast exercise presented at the Fourth Replenishment Preparatory Meeting in Brussels in April 2013 as an input into this work.
5. Three institutions were engaged to propose approaches to determine the upfront global distribution of resources across the three diseases to be used in the allocation formula:
 - The Health Economics and HIV/AIDS Research Division (HEARD) at the University of KwaZulu-Natal;
 - Imperial College London; and
 - The Institute for Health Metrics and Evaluation (IHME) at the University of Washington.
6. The upfront distribution of resources is an input to the allocation formula. However, specific country allocations are determined by application of the wider allocation methodology, which includes the allocation formula and qualitative factors. Furthermore, the Board has previously decided that “applicants will have flexibility in deciding how to allocate financing between the three diseases for their individual country programs” (GF/B27/DP7).

OUTCOME OF DISCUSSION ON DECISION POINT

7. The findings of HEARD, Imperial College and IHME were shared with the SIIC. Although the three expert institutions utilized unique approaches (based on demand, weighted capitation payments and disability adjusted life years, respectively), and worked independently, the resultant recommended distributions were in the range of the historical distribution used for the transition to the NFM. Furthermore, a Secretariat analysis showed that, when each proposed split was input into the allocation formula, the resultant band and country allocations were similar to those generated using the historical distribution.
8. The approaches and results of the three institutions were discussed at two technical partner consultations in Geneva on 29 May and 1 July 2013, with high level participation from the technical partners and participation from the SIIC leadership. The general consensus was that no one single approach was the right one (each had its unique strengths and weaknesses). Meeting participants understood that contextual issues would limit major deviations from the historical split and that qualitative factors and country flexibility may mean that the final distribution of resources deviates from the upfront disease split. Finally, given the current data

limitations, it was recommended that the Secretariat work with Partners to improve data quality over the coming allocation period.

9. The Secretariat was commended by the Committee for engaging external institutions. The commitment of technical partners, who had been very involved in this process, was also noted.
10. Subsequent discussion among Committee members resulted in substantial agreement on the following updates to the upfront global distribution of resources: HIV (from 52% to 50%), TB (from 16% to 18%), and malaria (remaining at 32%). It was emphasized that this should not be viewed as a reduction in funding for HIV, as even under a moderate replenishment outcome absolute funding for all three diseases should be higher compared with the recent three-year funding levels. In addition, with the re-balancing from HIV to TB, an increase in HIV-TB programs is to be strongly encouraged.
11. Committee members requested that the following points be included in any communication related to the global disease split decision:
 - The principle of flexibility at the country level means that the global disease split, used in the allocation formula, does not determine the final split between the diseases at country level;
 - The change in the HIV percentage from 52% to 50% is in no way intended to convey that adequate funding was being committed to HIV;
 - Further technical analyses on the disease split would not bring significant additional clarity to the decision being taken;
 - These modest changes in the overall split do not result in significant differences at the band or country levels. Even countries with very uneven disease profiles, which in principle have the highest sensitivity to changes to the upfront disease split, show only minor changes in their allocations. Due to the existence of a separate allocation methodology for Band 4 countries, these countries are in general not affected by the upfront disease split; and
 - The changes in HIV and TB percentages should be seen as an additional joint opportunity for HIV and TB, and joint proposals to promote the integration of TB and HIV services should be encouraged as previously agreed by the Board.
12. With the above taken into account, the following Decision Point is recommended, with abstentions from two constituencies represented on the SIIC (Developed Country NGOs and Communities Living with the Diseases).

DECISION POINT ON REVISING THE DISTRIBUTION OF FUNDING BY DISEASE IN THE NEW FUNDING MODEL ALLOCATION METHODOLOGY

The Strategy, Investment and Impact Committee (the “SIIC”) recommends the following decision point to the Board for electronic approval prior to its Thirtieth Meeting.

Decision Point GF/B29/EDP11: “Revising the distribution of funding by disease in the new funding model allocation methodology”

The Board decides:

- 1. Prior to the initial allocation of available resources to Country Bands for the 2014 – 2016 allocation period, the Secretariat will apportion such resources among the three diseases based on the following distribution: 50% for HIV/AIDS, 32% for malaria, and 18% for tuberculosis.***
- 2. In accordance with Board Decision GF/B27/DP7, applicants will have flexibility in deciding how to allocate financing between the three diseases for their individual country programs.***
- 3. The Board reaffirms its prior decision to recognize the importance of core TB-HIV collaboration services to achieve successful outcomes in TB and HIV grants (GF/B18/DP12). Taking note of the insufficient progress in implementing this prior decision on TB-HIV collaboration services, the Board requests 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, as set forth in the WHO policy on collaborative TB/HIV activities: “Guidelines for National Programs and Other Stakeholder” (2012).***
- 4. The Strategy, Investment and Impact Committee will review this decision and propose appropriate modifications to the Board for approval prior to the 2017 – 2019 allocation period.***

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