

2026 – 2028 Allocation Period: Sources and Uses of Funds

54th Board Meeting

GF/B54/04A – Revision 2
12 – 13 February 2026, Geneva, Switzerland

Board Decision

Purpose of the paper: This paper outlines the Secretariat's response to current organizational challenges and the methodology for determining available sources of funds. This methodology informs the Board decision on: (i) the total sources of funds for allocation for 2026–2028, including amounts for catalytic investments and country allocations; and (ii) an additional 'overallocation' for country allocations from forecasted unutilized funds during the cycle.

Decision

Decision Point: GF/B54/DPXX: Sources and Uses of Funds for the 2026–2028 Allocation Period

1. **Based on the recommendation of the Audit and Finance Committee, as adjusted by the Secretariat to reflect changes in pledges confirmed following the recommendation and as presented in GF/B54/04A – Revision 2, the Board approves US\$ 10.780 billion as sources of funds for allocation for the 2026-2028 allocation period. The total amount of sources of funds for allocation comprises, in accordance with the Comprehensive Funding Policy set forth in Annex 1 to GF/B36/02 – Revision 1 and approved through decision point GF/B36/DP04:**
 - i. **US\$ 12.055 billion, derived from the announced replenishment results for the Eighth Replenishment, net of adjustments;**
 - ii. **US\$ 0.200 billion of forecasted unutilized funds from the 2023-2025 allocation period;**
 - iii. **a deduction of US\$ 0.930 billion of forecasted aggregate operating expenses for the 2027-2029 allocation utilization period; and**
 - iv. **an adjustment of US\$ 0.544 billion for restricted financial contributions for the 2026-2028 allocation period.**
2. **Based on the recommendation of the Secretariat, in accordance with GF/B52/DP06, the Board approves the use of US\$ 0.260 billion for catalytic investments for the 2026-2028 allocation period, to be made available for the priorities set forth in GF/B54/09 - Revision 2 and in accordance with decision point GF/B54/DP03.**
3. **Additionally, based on the recommendation of the AFC and to help ensure the maximum amount of impact and use of funds over the 2026-2028 allocation period, the Board requests that the Secretariat include an additional US\$ 0.263 billion in the amount used to determine country allocations pursuant to the allocation methodology for the 2026-2028 allocation period presented in presented in Annex 1 to GF/B52/08B (the “Allocation Methodology”) and in accordance with decision point GF/B52/DP05.**
4. **Accordingly, the Board approves sources of funds for country allocations for the 2026-2028 allocation period of US\$ 10.520 billion, to which US\$ 0.263 billion will be added prior to determining the country allocation, for a total of US\$ 10.783 billion, to be used in accordance with the Allocation Methodology and decision point GF/B52/DP05.**

A summary of relevant past decisions providing context to the proposed Decision Point can be found in Annex 1.

Executive Summary

Context

The Comprehensive Funding Policy (CFP)¹ establishes the Board's responsibility to approve, based upon the recommendation of the Audit and Finance Committee (the AFC), the Sources of Funds (SoF) for allocation, which shall be available at the start of an allocation period. The sources of funds for allocation, in turn, shall determine the amount of sources of funds for catalytic investments and country allocations in accordance with the updated catalytic priorities for Grant Cycle 8 (GC8) and the Allocation Methodology.²

This paper describes the basis of the Board decision for the sources and uses of funds for the 2026-2028 allocation period.

The Eighth Replenishment achieved a successful result despite a challenging landscape marked by uncertainty, fiscal tightening in global Official Development Assistance (ODA) and declining external financing for HIV/AIDS, tuberculosis and malaria, which reflects continued confidence in the Global Fund partnership and model. Private sector contributions reached their highest level to date, though much of this funding is earmarked and does not increase country allocations.

The outcome provides a foundation for planning for GC8, with a sharper focus on prioritizing limited resources, supporting sustainability and transitions, and catalyzing impact in differentiated country contexts.

Questions this paper addresses

- A. How has the Secretariat adapted strategically to navigate the current context, whilst maintaining the required level of financial safeguards?
- B. What is the outcome as of the date of this report, since the Eighth Replenishment Summit and the effect on resulting sources of funds for allocation?
- C. What are the developments and considerations post the Eighth Replenishment Summit to determine the SoF for allocation?
- D. What is the recommended SoF for country allocation?
- E. What are the next steps to mitigate uncertainty?

¹ The Board approved the CFP, as set forth in Annex 1 to GF/B36/02 – Revision 1, pursuant to decision point GF/B36/DP04 (November 2016).

² The Board approved the Allocation Methodology, as set forth in Annex 1 to GF/B52/08B, pursuant to decision point GF/B52/DP06 (November 2024).

Conclusions

- A. The Secretariat has built on lessons learnt during the current cycle, citing increased uncertainty in sources of funds, driving evolution in liquidity and ALM management tools including reprioritization, and deallocation. Anticipating this increased level of uncertainty in donor pledges, the Secretariat developed a pledge confidence framework which allowed effective management of uncertainty of the announced pledges, whilst maintaining robust safeguards with appropriate levels of provisions on liabilities, protecting the principles laid out in the CFP.
- B. Amidst the volatile economic context surrounding the Eighth Replenishment, donors confirmed pledges of **US\$ 12.643 Bn** (including changes in pledges confirmed since **US\$ 11.340 Bn** announced on 21 November 2025 at the Eighth Replenishment Summit). Pledge quality increased significantly (95% in the Eighth Replenishment vs. 86% in the Seventh Replenishment).
- C. Some major donors were not yet in the position to announce their pledges at the time of the AFC recommendation, and based on ongoing engagement with these donors, the Secretariat has secured total announced pledges of **US\$ 12.643 Bn (US\$ 10.783 Bn in country allocations)** ahead of the Board approval of sources and uses of funds for the 2026-2028 allocation period, within +/- 10% financial margin of error of the AFC recommendation to the Board (**\$ 12.892 Bn (US\$ 11.111 Bn in country allocations)**).
- D. The final outcome reflects changes in pledges from donors who have reaffirmed their commitment and continued support to the Global Fund partnership, as well as the impact of reclassified donor earmarking requirements. The SoF for allocation amounts to US\$ 10.780 Bn, comprising:
- US\$ 12.055 Bn of net adjusted pledges (US\$ 12.643 Bn of donor announced pledges less US\$ 0.588 Bn of pledge adjustments, e.g., set asides for technical assistance, and risk and FX adjustments, among others);
 - Adding US\$ 0.200 Bn of forecasted unutilized funds from the 2023-2025 allocation period carried over to the 2026-2028 allocation period;
 - Less US\$ 0.930 Bn, representing qualifying deductions for the forecasted aggregate amount of operating expenses for the 2027-2029 allocation utilization period, subject to Board approval of the annual budget.

The SoF available for allocation is US\$ 10.780 Bn before taking into account US\$ 0.260 Bn for catalytic investments for the 2026-2028 allocation period, recommended by the Secretariat.³ This amount is complemented by earmarked funding⁴ of US\$ 0.544 Bn comprised of US\$ 0.428 Bn from the private sector towards catalytic investments⁵ as well as US\$ 0.117 Bn in public donor pledges for Debt2Health (D2H),

³ Refer to decision point GF/B52/DP06 (November 2024).

⁴ Earmarked funding is excluded from sources of funds available for allocation.

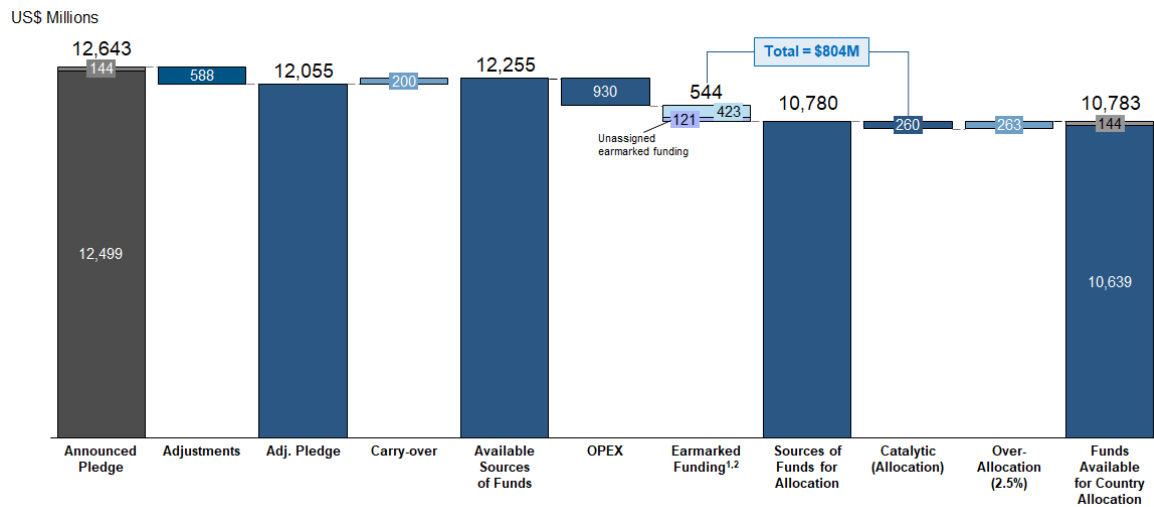
⁵ Comprised of Private Sector investment in catalytic investment priority areas (US\$ 306.3M), and an unassigned component of US\$ 121.2M.

which further complements sustainability investments through Global Fund Catalytic Investments.

To maximize impact and the total amount for 2026 – 2028 country allocation, the Secretariat recommends that an additional amount of US\$ 0.263 Bn, representing the forecasted unutilized funds from the 2026 – 2028 allocation, be included as an ‘overallocation’, bringing the total sources of funds for country allocation to US\$ 10.783 Bn.

A chart summarizing the Sources of Funds cascade is presented below.

Figure 1 – Sources of Funds Cascade (amounts in US\$ millions)



E. The key risk mitigation strategy for incorporating uncertain C3 pledges into these scenarios is embedded in the 90-90-90 principle laid out in the Pledge Confidence Framework (PCF) and enabled through the inclusion of a **deallocation provision** in all allocation letters. C3 pledges should be formalized before TRP Review and/or grant-making. This ensures that should an anticipated pledge not materialize, the corresponding funds can be responsibly managed without disrupting the overall financial integrity of the grant cycle. Any residual uncertainty will be adjusted by leveraging withholding and grant forecast adjustments as a secondary mitigation on the use of those funds until deallocation is formalized no later than Q1-2027. These financial tools provide the foundation for the specific, prudent decisions required to shape GC8.

The Board is requested to approve the Decision Point presented on Page 2.

Input Received

In December 2025, AFC and Strategy Committee (SC) discussions affirmed broad support for the risk-based provisional recommendation on the Source of Funds, especially maintaining the Catalytic Investment (CI) funding from the source of funds for allocation at US\$ 260 million, which, combined with US\$ 290 million from private sector contributions, results in US\$ 550 million for total investment funding. Some concerns were raised, particularly regarding the planned 6.6% reduction in country allocations (to a provisional recommendation of US\$ 11.111 billion), which may result in resource-based planning, endanger disease trends, and necessitate greater rigor and prioritization in country programs. Committee members also sought clarity on the US\$ 930 million aggregate estimate for Operating Expenses (OPEX), confirming that the "aggregate forecast" is used for the funding allocations calculation, and that the final OPEX budget remains subject to AFC recommendation and Board approval on an annual basis. Key requests for clarification included the rationale for selecting a 2.5% overallocation and the enforcement steps for the deallocation provisions included in allocation letters to manage geopolitical uncertainty and pledge conversion risk.

Context

The Global Fund is navigating the Eighth Replenishment for the 2026-2028 allocation period within a global financial environment defined by significant challenges and uncertainty. This context of heightened fiscal pressure and volatility demands a strategic recalibration of our financial planning and resource allocation. Therefore, we have recalibrated our approach to be more agile, risk-calibrated, and dynamic than ever before to ensure we can continue to deliver on our mission effectively.

Four primary external financing pressures have been identified that directly shape our strategy, each with direct implications for our ability to mobilize resources and enable planning confidence:

- **ODA Contraction:** ODA is tightening globally. In parallel, multiple global health institutions were conducting replenishments in 2025. This requires the Global Fund to engage in more deliberate donor engagement and prioritization, and underscores the importance of every pledge secured.
- **Domestic Financing and Transition Expectations:** There is an accelerated expectation for recipient countries to strengthen domestic financing, establish clear transition pathways, and plan for long-term sustainability. This pressure exists even as many of these countries face their own constrained fiscal space, making the path to self-reliance more complex.
- **Heightened Pledge and Fiscal Uncertainty:** Widespread political and economic volatility has reduced the predictability of both the timing and the ultimate conversion of donor pledges. This uncertainty demands the development of flexible financial mechanisms that allow for responsible planning while maintaining rigorous fiduciary safeguards.

- **The Mandate for Agile Planning:** Taken together, these factors create a rapidly changing funding landscape. This new reality requires more dynamic planning tools that can effectively balance the need for predictability in country allocations with the agility to respond quickly as financial information evolves.

These undeniable external challenges demand a corresponding evolution in the internal strategic framework, which is engineered to safeguard the Global Fund's life-saving work and maximize the impact of every dollar entrusted to the partnership.

Renewed Strategic Framework: Embracing Agility and Risk Calibrated Decision-Making

In response to external pressures, the strategic framework for the R8 planning cycle is being reinforced with specific shifts designed to enhance financial management and programmatic delivery. While this framework is underpinned by the Global Fund's proven governance model and steadfast commitment to the CFP, the Secretariat is embedding new approaches to manage uncertainty and guide prioritization in a resource-constrained environment.

The foundation of our R8 plan is built upon three strategic core choices:

- **Strengthening Agility to Manage Pledge Uncertainty:** The Secretariat is introducing a more flexible mechanism to responsibly navigate the heightened uncertainty surrounding donor pledges. This approach allows for more effective early-stage planning and facilitates a smoother allocation process by distinguishing between confirmed and probable resources, all while maintaining the robust fiduciary safeguards which partners expect.
- **Leveraging Risk-Based Decision-Making to Maximize Outcomes:** The Secretariat is embedding a disciplined, risk-calibrated methodology at the core of financial decision-making. This framework will guide the difficult trade-off assessments required in this cycle, ensuring we strike the right balance between taking manageable risks and maximizing health outcomes at the country level, supported by extensive collaboration across the Secretariat.
- **Embedding Dynamic, Scenario-Driven Forward Planning:** Forward planning is being strengthened through the use of dynamic, scenario-driven financial pathways. By modeling different potential funding outcomes, financial planning can support organizational readiness as new information becomes available and ensure the appropriate sequencing of key decisions throughout the allocation cycle.

These strategic shifts are grounded in tested financial management and governance frameworks. The successful execution of the GC7 reprioritization and associated deallocation, which was managed rapidly and effectively, demonstrates the organization's ability to manage uncertainty with confidence and provides a strong foundation for the agile approach adopted for R8.

Pledge Confidence Framework: A tool developed to implement an agile framework

The Pledge Confidence Framework (PCF) is a key strategic innovation for the R8 cycle, engineered to integrate financial uncertainty with robust fiscal control. It enables pragmatic flexibility by categorizing pledges based on their level of certainty, which allows for early planning based on probable resources while maintaining compliance with the CFP. The PCF is a management tool that enhances agility while protecting the integrity of forward planning and resource allocation.

The framework classifies pledges into three distinct categories:

Table 1 – Pledge Confidence Framework Classification

Category	High-Level Definition	Treatment Summary
C1: Announced Pledge	Formally announced (including public announcement) and fully documented with all pledge conditions (e.g., signed pledge sheet, inclusion in national budget).	Recorded under the donor's name with standard pledge recognition adjustments.
C2: Pledge Intent	Donor indication of a forthcoming pledge that is not yet formalized through public announcement or formal documentation; the pledge may be an explicit amount or a range.	If the amount is explicit and conditionalities are known, the pledge may be recorded under the donor's name; otherwise, it is recorded under "Other Public Donors" until formalized.
C3: Anticipated Pledge	No formal pledge or written letter of intent, but an internal assessment based on ongoing negotiations indicates a high probability of materialization.	Inclusion of this amount in Sources of Funds must be mitigated by a deallocation provision in the final allocation letter.

For a pledge to be classified as C3 (anticipated pledge), it must meet a set of specific, defined criteria to ensure a robust and reliable assessment:

1. **90% Confidence Level:** There must be an internal confidence rate of 90% that the pledge will materialize, with the rationale duly documented.
2. **Unearmarked Contributions and Scale:**
 - a. At least 90% of the anticipated pledge amount must be unearmarked to maximize flexibility for country allocations.
 - b. The pledge must be for at least US\$ 10 million equivalent.
3. **90-Day Transformation Window:** There is a clear expectation that C3 pledges will be transformed into C1 (Announced Pledge) within 90 days or risk adjusted as part of a subsequent forecast, promoting timely financial commitment and planning.

The PCF is designed to enhance our strategic flexibility. It allows us to manage replenishment optics and plan responsibly based on probable resources while maintaining strict compliance with the CFP. This framework provides a mechanism for proactive risk mitigation and supports more dynamic, evidence-based decision-making as pledges are formalized over time.

Applying this framework allowed the Secretariat to develop a robust, projected Eighth Replenishment sources of funds landing.

Eighth Replenishment (R8) Sources of Funds Outcome

Resource mobilization for the Eighth Replenishment was a dynamic process. The flexibility and decision-making tools employed by the Secretariat allowed for planning with agility as efforts to secure pledges were continuous.

The outcome of sources of funds available for the 2026-2028 allocation period is:

- Total Pledge: **US\$ 12.643 billion**
- Final Funds Available for Country Allocation: **US\$ 10.783 billion**

The financial cascade is:

Financial Cascade	Amount (US\$ Bn)
Total Pledge	\$12.643
Adjusted Pledge	\$12.055
Available Sources of Funds	\$12.255
Sources of Funds for Allocation	\$10.780
Sources of Funds for Country Allocation	\$10.783

The key risk mitigation strategy for incorporating uncertain C3 pledges into these scenarios is the inclusion of a **deallocation provision** in all allocation letters. This ensures that should an anticipated pledge not materialize, the corresponding funds can be responsibly managed without disrupting the overall financial integrity of the grant cycle. In the event that projected pledges do not materialize, the related uncertainty will be adjusted by leveraging withholding and grant forecast adjustments as a secondary mitigation on the use of those funds until deallocation is formalized no later than Q1 2027. These financial tools provide the foundation for the specific, prudent decisions required to shape GC8.

Strategic Trade-Offs and Allocation Decisions for GC8

The funding envelope for the Eighth Replenishment is smaller than for the Seventh Replenishment. This reality requires a series of deliberate, strategic trade-offs to balance resource constraints with the imperative to sustain delivery and impact. The following key decisions are recommended based on the outcome of US\$ 12.643 billion in total pledges.

1. Carryover: US\$ 0.200 Billion

- **Comparison:** This is reduced from the GC7 carryover of \$0.250 billion.
- **Rationale:** This decision reflects the efficient and maximized utilization of resources across GC7 after all optimization levers, such as investment income and RSSH rebalancing, were activated. This amount represents the maximum prudent carryover possible given GC7's uses of funds and the integration of the 2026 transitional operating expenses.

2. 'Overallocation': US\$ 0.263 Billion (2.5%)

- **Comparison:** This is a reduction from the GC7 overallocation level of 5.0%.
- **Rationale:** Overallocation of an amount of forecasted unutilized funds from the cycle remains an effective tool for optimizing country planning and asset-liability management. However, given the smaller GC8 country allocation envelope, this must be applied more prudently. A 2.5% level is financially manageable and demonstrates confidence in the Secretariat's financial controls, balancing the provision of additional resources within a tight fiscal environment.

3. 3-Year OPEX Aggregate Forecast (2027-2029): US\$ 0.930 Billion

- **Comparison:** This represents a 9.3% nominal reduction from the GC7 OPEX of US\$ 1.025 billion.
- **Rationale:** This budget (which remains subject to AFC recommendation and Board approval on an annual basis) returns to the nominal levels of GC6 and accounts for the wind-down of the C19RM mechanism and its associated Secretariat resources in 2026. However, its real purchasing power is significantly constrained due to cumulative inflation and the impact of sustained Swiss Franc appreciation.

4. Earmarked Funding and Catalytic: US\$ 0.804 Billion

- **Comparison:** While the total increases, allocation-funded catalytic investments are declining materially from GC7.
- **Rationale:** The overall increase is driven primarily by a 228% rise in earmarked contributions from the private sector, reflecting record resource mobilization in this area. Earmarked funds⁶, however, are not available for general country allocation. Debt2Health is a complementary sustainability financing instrument, while catalytic

⁶ Earmarked funding comprised of Private Sector investment in catalytic investment priority areas (\$306.3M), Debt2Health (\$116.7M) and an unassigned component of \$121.2M.

investments funded from the core allocation are being reduced to prioritize country allocation.

The total amount of Earmarked Funding and Catalytic Investments is broken down as follows:

- **Catalytic Allocation:** US\$ 0.260 Billion
- **Earmarked Private Sector Contributions:** US\$ 0.428 Billion⁷
- **Debt2Health:** US\$ 0.117 Billion

Earmarked contributions are managed separately from the ALM, and will be allocated to Board approved priorities or initiatives subject to the applicable Global Fund rules and regulations (including GAC review and Board approval, if allocated to grant programs), based on the Secretariat’s matching of sources and uses of funds arising from such contributions, prior to inclusion in a grant program. Implementation and disbursement only follows receipt of funds by the Global Fund from the earmarking donor.

These high-level financial decisions translate directly into the transparent impact on operational and programmatic budgets for the upcoming cycle.

Impact on Core Allocations: A Comparison with Grant Cycle 7

The direct consequence of the reduced funding envelope and the necessary strategic trade-offs is that GC8 will operate with a smaller financial footprint than GC7. This will have a direct impact on both country allocations and the operational expenses needed to deliver on GC8, requiring a disciplined focus on prioritization and efficiency.

The following table compares key allocations between GC7 (post-reprioritization) and the potential for GC8 based on the recommended allocations.

Allocation Area	GC7 Amount⁸ (US\$M)	GC8 Amount (US\$M)	Percentage Change
Country Allocations	\$11,895	\$10,783	-9.3%
Earmarked Funding & Catalytic (ex. D2H & CMLI)	\$530	\$688	+29.7%
OPEX (HTM Only)	\$1,025	\$930	-9.3%

⁷ Private Sector includes earmarked funding of \$428M includes \$306.3M assigned to Catalytic Investment priority areas, and an unassigned component of \$121.2M which may be used for Board approved priorities pending donor confirmation.

⁸ GC7 amount shown is post-reprioritization (deallocation) and excludes C19RM funding.

The 9.3% nominal reduction in OPEX is a significant headline figure reflecting the Secretariat's efforts to maximize country allocations, but the underlying operational challenge and strategic trade-off for the Secretariat is far greater, given the macroeconomic impact and volatility of foreign exchange exposure against the appreciated Swiss Franc (CHF) compared to the previous cycles.

Recommendation

Based on the above considerations, the Board is requested to approve the Decision Point presented on Page 2.

Annexes

The following items can be found in Annex:

Annex 1: Relevant Past Board Decisions

Annex 2: Summary of Committee Input

Annex 3: Links to Relevant Past Documents & Reference Materials

Annex 1 – Relevant Past Board Decisions

Relevant past Decision Point	Summary and Impact
GF/B52/DP06⁹ Catalytic Investments for the 2026 – 2028 Allocation Period (Grant Cycle 8) (November 2024)	Based on recommendations of the Strategy Committee, the Board: <ul style="list-style-type: none">i. Approved funding scenarios for determining the amount of sources of funds for catalytic investments for the 2026 – 2028 allocation period, contingent upon the total amount of sources of funds for allocation;ii. Approves that the total amount of funding for catalytic investments in the 2026-2028 allocation period will be determined by the total amount of sources of funds for allocation;iii. Agrees that catalytic investments will still be necessary should sources of funds for allocation for GC8 be less than US\$12.26 billion, but that amounts for specific priorities will need to be determined at a later date, based on recommendation by the Secretariat, in coordination with Strategy Committee leadership, to the Board; andiv. Agrees that the Secretariat will have certain delegated authority to increase the amount of funding available for the Emergency Fund.
GF/B52/DP05¹⁰ Allocation Methodology 2026 - 2028 (Grant Cycle 8) (November 2024)	Based on the recommendations of the Strategy Committee, the Board: <ul style="list-style-type: none">i. Approves the allocation methodology presented in Annex 1 to GF/B52/08B (the “Allocation Methodology”);ii. Requests the Strategy Committee to review and approve, in 2025, the method by which the Secretariat will apply and report on the qualitative adjustment process; andiii. Acknowledges the Allocation Methodology and Technical Parameters for the 2026 – 2028 allocation period shall apply to Grant Cycle 8.
GF/B41/DP05¹¹	Based on recommendations of the AFC, the Board approved changes to the Amended and Restated

⁹ <https://www.theglobalfund.org/kb/board-decisions/b52/b52-dp06/>

¹⁰ <https://www.theglobalfund.org/kb/board-decisions/b52/b52-dp06/>

¹¹ <https://www.theglobalfund.org/kb/board-decisions/b41-dp05/>

Relevant past Decision Point

Summary and Impact

Approval of the Amended and Restated Policy for Restricted Financial Contributions (May 2019)

Policy on Restricted Financial Contribution, as set forth in Annex 1 to GF/B41/06 – Revision 1, which allows the Secretariat to mobilize and receive contributions to grant activities, the Register of Unfunded Quality Demand and to support other Board approved priorities, such as Catalytic Investments.

GF/B36/DP04¹²
Approval of the Amended and Restated Comprehensive Funding Policy (November 2016)

Based on recommendations of the AFC, the Board approved changes to the Amended and Restated Comprehensive Funding Policy to:

- i. Align terminology with the refined allocation methodology adopted by the Board in April 2016;
- ii. Integrate the portfolio optimization mechanism developed over the 2014 – 2016 allocation period; and
- iii. Update the methodology for determining sources of funds for an allocation period.

Annex 2 – Summary of Committee Input

Full Committee Meeting report is available : AFC 29B - Meeting Report

AFC Discussion

The discussion focused on detailed components of the proposed resource allocation cascade, the underlying assumptions, and strategic tradeoffs. The Committee inquired/discussed:

1. Operating Expenses (OPEX). Committee members questioned the rationale for the \$930 million OPEX estimate, noting that earlier models suggested potentially lower amounts, and asked about the savings achieved from the current reduction in force. A member also asked about the tradeoffs associated with the 9.3% reduction compared to GC7. Clarification was sought on whether the \$930 million was an absolute amount, an 'up to' amount, or merely a placeholder, given the planned broader OPEX conversation in the future.

2. Catalytic Investments (CI) and Funding Pressures. Concern was raised regarding whether the \$260 million in allocated CI funding was sufficient to mitigate risks, particularly for transitioning and upper-middle-income countries facing

¹² <https://www.theglobalfund.org/board-decisions/b36-dp04/>

reductions in core allocations. The SC leadership provided an update on the SC input noting that the Strategy Committee (SC) broadly supported maintaining the CI funding from SOF for allocation at \$260 million. However, some SC members expressed interest in additional funding for NextGen market shaping and community networks, citing cost-saving potential and expanded reach.

3. Pledge Quality, Adjustments, and Risk Management. Inquiry was made into the make-up of the \$632 million adjustment figure, specifically the split between set-asides and risk. Question regarding the comparison between the 95% pledge quality cited for R8 versus the 86% for R7. Inquiry into the tradeoffs and risk impact of deciding on a 2.5% overallocation instead of a higher percentage, such as 5%. Query regarding the potential inclusion of deallocation provisions within the allocation letters and how those provisions would be enforced.

4. Co-financing, Country Allocation Reduction, and Malaria Flexibility. Concern was voiced that the reduction in country allocation puts disease trends at risk and forces "resource-based planning" rather than results-based planning. A member suggested revisiting the STC Policy to increase the required percentage (e.g., to 30% or 35%) to safeguard country allocations and encourage domestic resource mobilization, particularly for countries that can bear the increase. SC leadership reported significant concern about funding pressures for malaria in the lowest income settings, as the shifts in the country economic capacity curve did not provide the same relief for malaria as for HIV and TB.

5. Debt2Health Mechanism. A member inquired why the Debt2Health mechanism (\$140 million) was excluded from the sources of funds calculation for allocation.

Secretariat Response

6. Operating Expenses (OPEX). The \$930 million is an aggregate forecast, not an affirmative budget approval or a maximum amount. It is required for the SOF cascade as it is a input for calculating country allocation. The figure is indicative; when considering FX impact (with CHF:USD exchange rate shifting from 1.03 to 1.24 between GC7 and Gc8), the true value for the 2027–2029 period is approximately \$834 million, a significant decrease from the 2023-2025 cycle. This necessitates rethinking the operating and delivery model. Formal OPEX approval is sought annually from the AFC and the Board.

7. Catalytic Investments (CI) and Funding Pressures. The \$260 million is aligned with the Board decision. However, by structuring CI to maximize private sector investment, the total funding is \$260 million from allocation sources + \$290 million mobilized from the private sector).

8. Pledge Quality, Adjustments, and Risk Management. Roughly \$550 million is estimated for GC8 set-asides. The net effect of set-asides and risk adjustments is about 5% of the overall net liquidity flow. Pledge quality measures the net liquidity flow (the adjusted pledge) after adjusting for set-asides and risk. The R8 estimate (95%) is not comparable to the 86% pledge quality for R7 coming from the Financial Performance update (as the 86% represents the view at 30 Sept 2025) but can be compared to the estimate (85%) at the same stage. The 2.5% overallocation figure reflects the estimated lower end of in-country cash balances expected to be unlocked by the end of GC7 (estimated range: 2.5% to 3.5%), down from previous cycles (5% to 8%). Deallocation provisions reflect geopolitical uncertainty and lessons learned from the GC7 process, enabling proactive management. Risk is managed through three levers before formal deallocation: 1) working with country teams on disbursement forecasting; 2) formal withholding of disbursements as a budgetary control; and 3) formal deallocation, as a measure of last resort, on the basis of a substantial materialization of non-payment risk.

9. Co-financing, Country Allocation Reduction, and Malaria Flexibility. The revised STC Policy was approved last year. Flexibility exists to increase co-financing percentages (up to 30% previously) or waive requirements for fragile low-income countries. Many countries are already facing significant steps-ups due to additive USG bilateral co-financing requirements. The Secretariat proposed creating limited flexibility (up to 2% across diseases) during the qualitative adjustment process to channel funds to high-burden, low-income contexts to address urgent malaria needs. This shift does not require additional funds but grants flexibility to move existing resources.

10. Debt2Health Mechanism. Debt2Health is a complex, country-specific negotiated debt swap modality. It is earmarked (along with the private sector restricted funds) and is not integrated into the general allocation model. It is presented separately to provide full visibility on all managed resources.

Decision

The decision point (GF/AFC29B/DP01) passed unanimously.

Annex 3 – Relevant Past Documents & Reference Materials

1. [8th Replenishment Methodology for the calculation of announced pledges](#)
2. [Comprehensive Funding Policy \(CFP\)](#)
3. [Amended and Restated Policy on Restricted Financial Contributions](#)
4. [Catalytic Investments for the 2026-2028 allocation period \(Grant Cycle 8\)](#)
5. [Allocation Methodology for the 2026-2028 allocation period \(Grant Cycle 8\)](#)