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## Update on Global Fund Country Funding and Portfolio Optimization

The Secretariat presented the 46th Global Fund Board meeting with an Update on Country Funding. We look first at the picture painted by this Country Funding Update, and then we discuss the Global Fund's financial performance as of 30th June 2021, presented to the 46th Board meeting for information.

This article is based on the slide deck presented at the Board meeting, with the latest picture regarding expenditures taken from the Board paper, Financial Performance as of 30th June 2021.

### Portfolio optimization

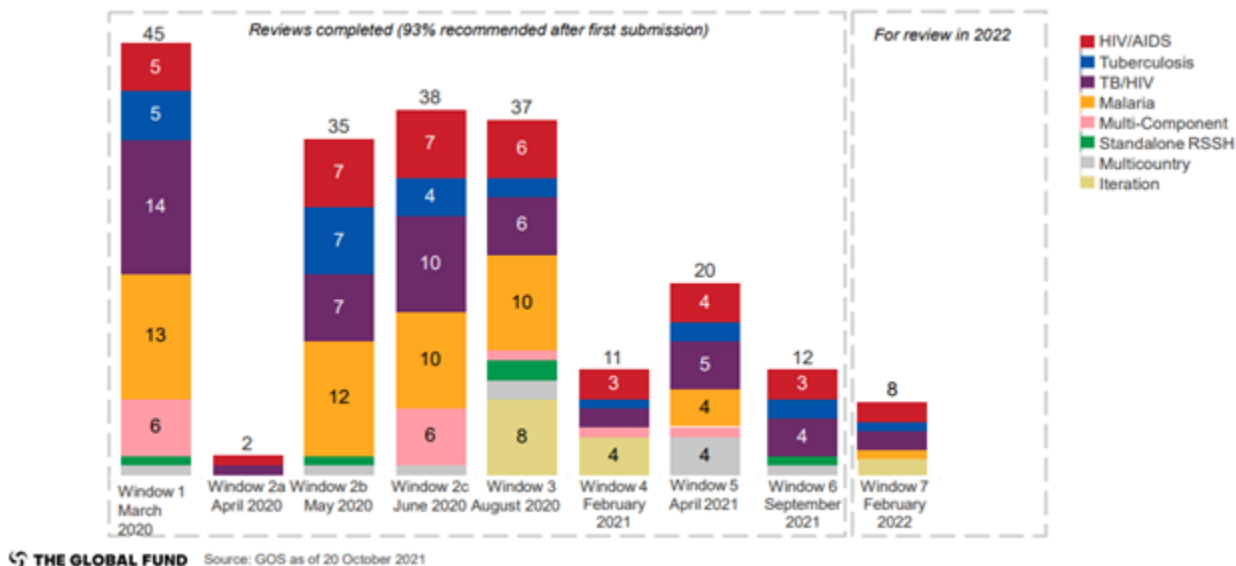
Portfolio optimization is one of the ways in which investment and portfolio management. In the normal course of grant management, the Global Fund Secretariat and partners work together continuously with countries to address the root causes of bottlenecks in implementation. As a first step to use funds to their best purposes in portfolio optimization, countries can actively reprogram potentially unutilized funds within the same country disease component throughout the grant lifecycle, including towards priorities registered as unfunded quality demand (UQD). Countries with implementation challenges or barriers to scale-up are not penalized in the implementation of the prioritization framework: individual grants with low absorption will retain the possibility of catching up with spending and programmatic activities until the end of their grant implementation period.

As of the end of June this year, the Fund's financial performance was deemed to be positive and hence the Audit and Finance Committee (AFC) had approved \$100 million to be made available for portfolio optimization. Usually, the Update on Country Funding and Portfolio Optimization would also include a progress report on Portfolio Optimization (PO) but there have been no new PO decisions in 2021, therefore no information about this was included in the update.

## Funding Request reviews and recommendations

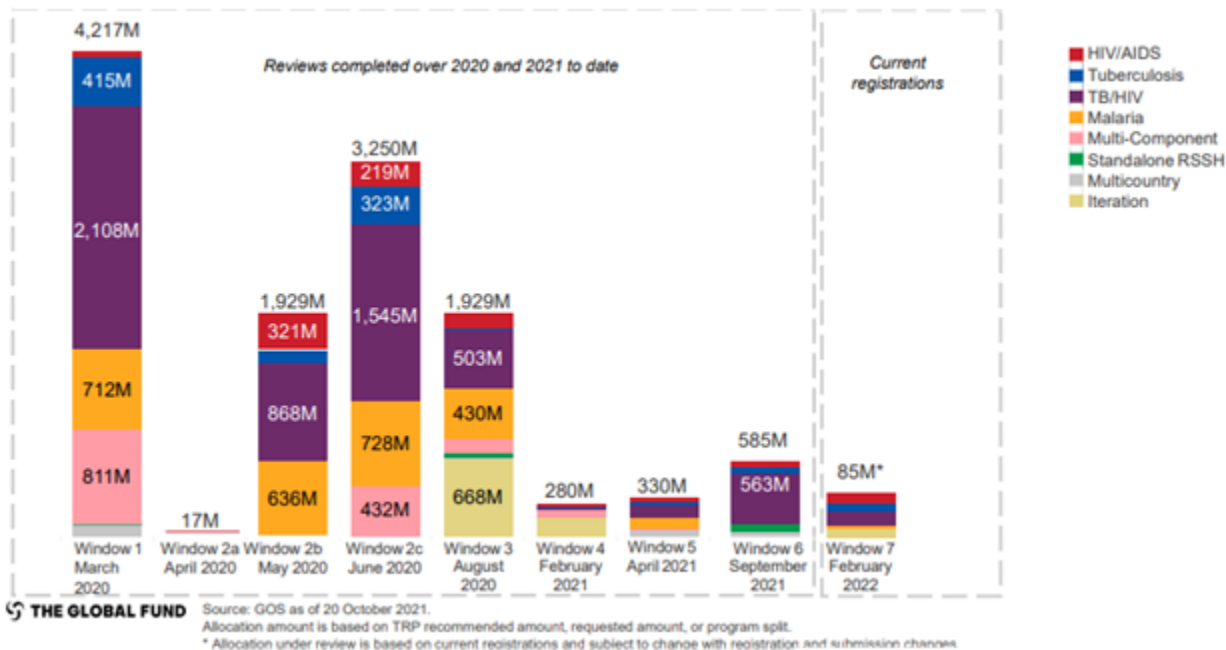
As of 20 October 2021, 186 out of 200 Funding Requests reviewed in Windows 1-6 by the Technical Review Panel (TRP) had been recommended for grant-making, with a 7% iteration rate ? when the TRP requests that a funding request be revised and resubmitted ? across all reviews completed. Eight country applications are expected for review in 2022. See Figure 1.

Figure 1. TRP Funding Request Reviews Completed in Windows 1-6



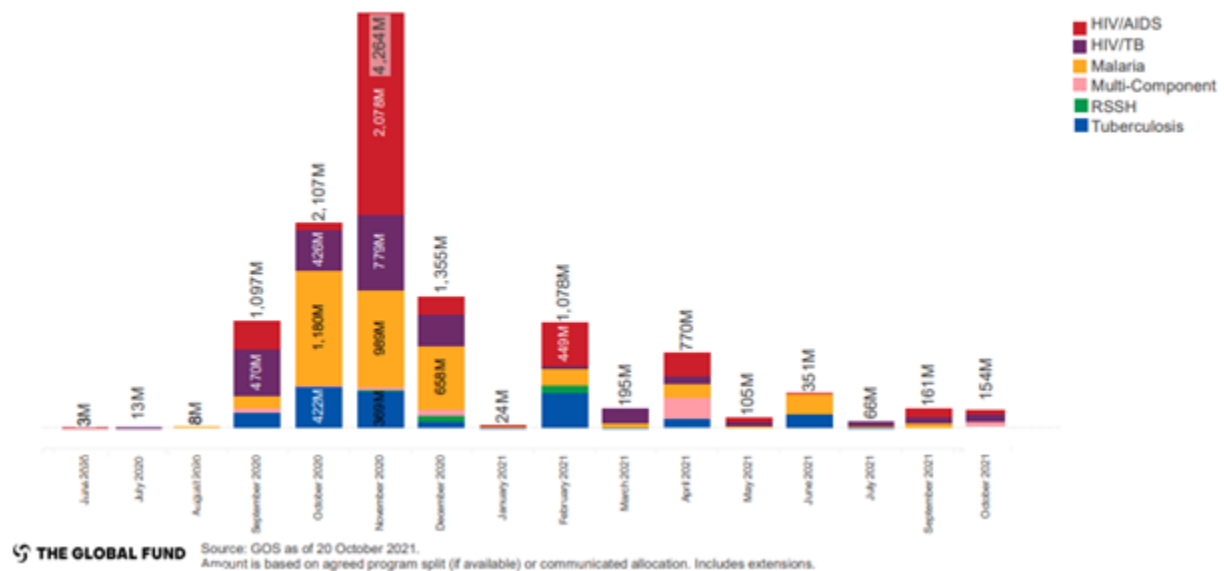
Including Window 6, the TRP has now recommended \$12.51 billion for grant-making (see Figure 2). Approximately \$135 million worth of Funding Requests remain to be reviewed in the remainder of 2021 and early 2022

Figure 2. Allocation Reviews by TRP window



By the end of October 2021, the Grants Approval Committee (GAC) had reviewed and recommended a total of \$11.8 billion in allocation funds, representing 93% of the allocation – see Figure 3.

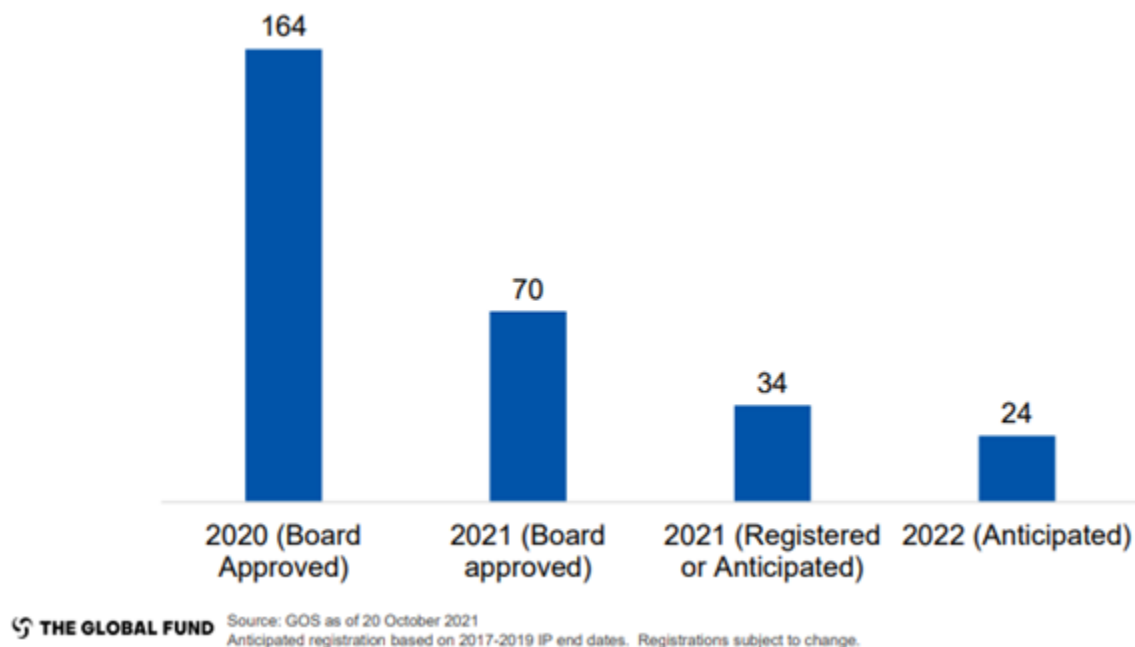
Figure 3. Allocations Recommended by GAC



95% of catalytic matching funds (\$325.5 million) and 68% of catalytic multi-country funds (\$156 million) were also reviewed and recommended by the GAC.

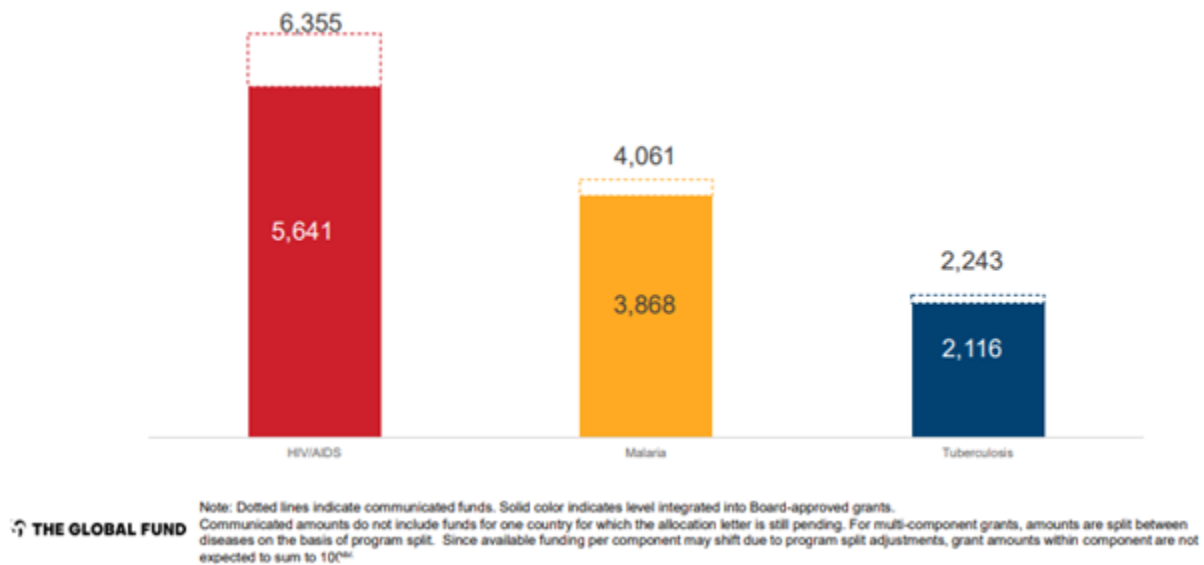
By the end of 2020, the Board had approved 164 new grants and, by the end of October 2021, 70 new grants were additionally approved by the Board. About 34 new grants are still expected to be reviewed and approved in 2021, with about a further 24 expected in 2022. This projection is based on the end-dates of current grants.

Figure 4. Grants Approved and Pending Approval by the Board



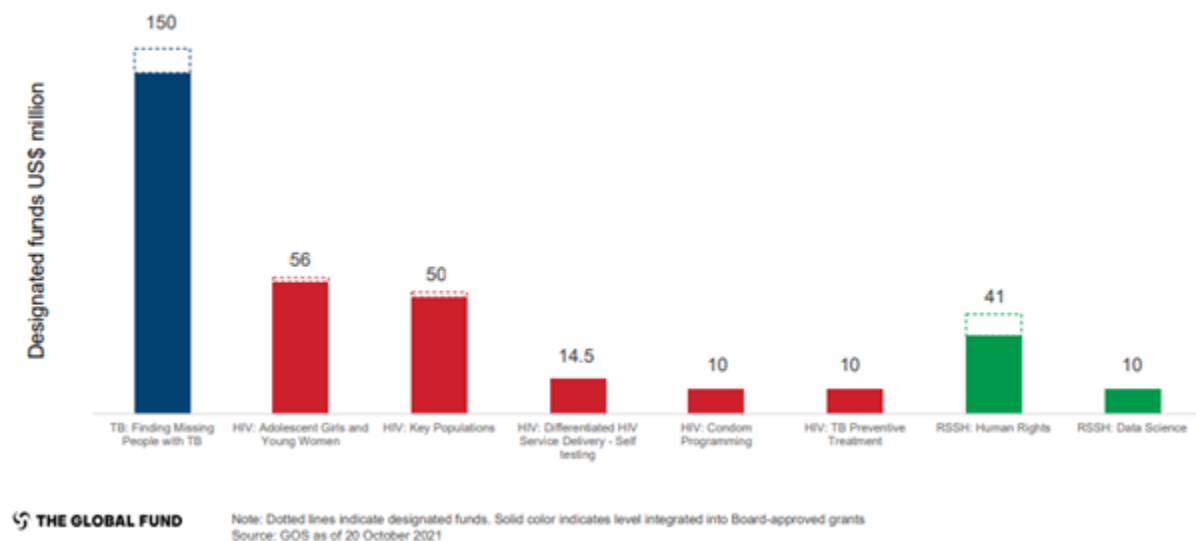
\$12.71 billion is available for country allocations, of which \$11.6 billion (91%) was integrated into Board-approved grants by the end of October 2021.

Figure 5. Allocation of Funding up to end-October 2021



Of the \$341.5 million designated for Matching Funds, \$318.8 million was integrated into Board-approved grants by end-October 2021 – see Figure 6.

Figure 6. Matching Funds: at end-October 2021



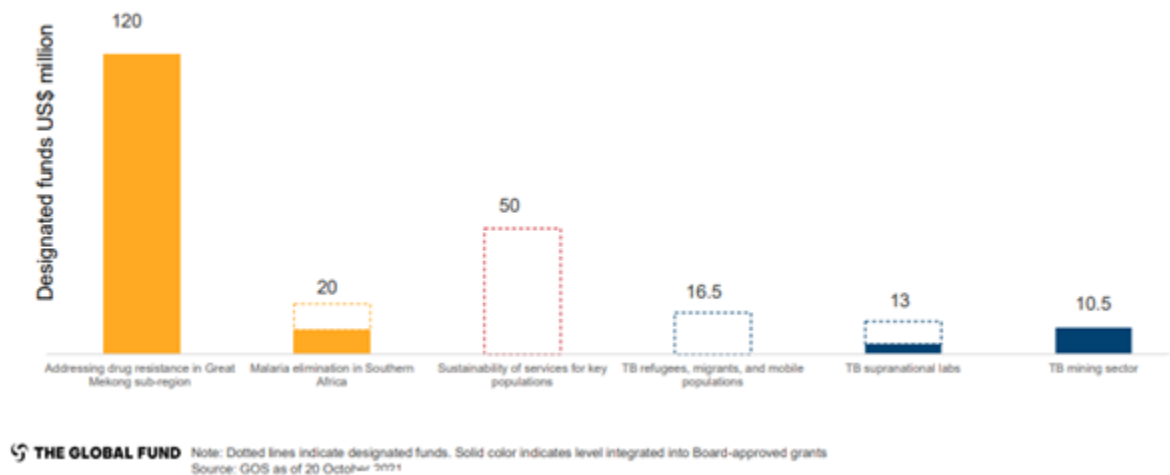
[Matching funds](#) are designed to inspire innovation and ambitious evidence-based programming approaches to maximize impact in specific strategic priority areas. \$317 million from [catalytic investment funds](#) are designated for 2020-2022 matching funds in certain priority areas where the Global Fund feels that countries may need additional resources:

- HIV prevention: Adolescent girls and young women in high prevalence settings
- HIV prevention: Scaling up community-led key population programs
- HIV prevention: Condom programming
- HIV: TB preventive treatment for people living with HIV, with a family approach
- TB: Finding missing people with TB
- TB: Strategic engagement in Western and Central Africa
- Cross-cutting: Programs to remove human rights-related barriers to health services

In order to access matching funds, applicants must meet specific conditions on how their regular allocation funds are budgeted towards the matching funds priority areas. These conditions are outlined in allocation letters sent to countries and more details are in the Applicant Handbook 2020-2022. Technical assistance, including a webinar, is also available to help countries operationalize matching funds.

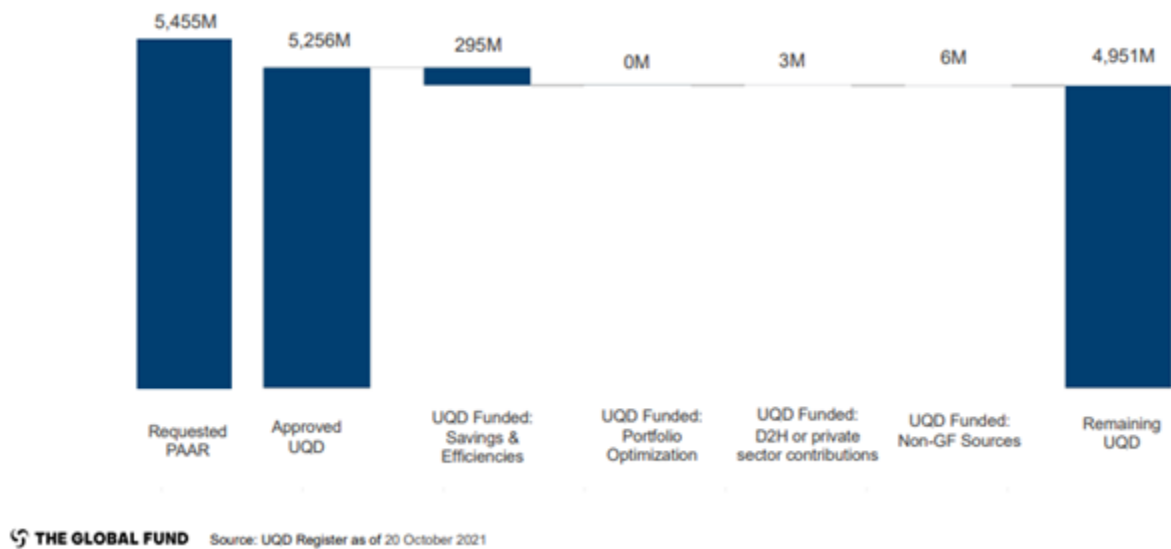
Of the \$230 million designated for Multi-country Funds (see Figure 7), \$144 million was integrated into Board-approved grants by end-October 2021. Grants for the remaining priority areas are in development.

Figure 7. Multi-country Funds: at end-October 2021



Despite a significant (23%) increase in allocations across the portfolio, even more urgent need exists (unfunded quality demand/UQD). To date, the TRP has approved \$5.3 billion in UQD with more to come as more Funding Requests and Prioritised Above Allocation Request (PAAR) submissions are reviewed. See Figure 8.

Figure 8. 2020-2022 Unfunded Quality Demand



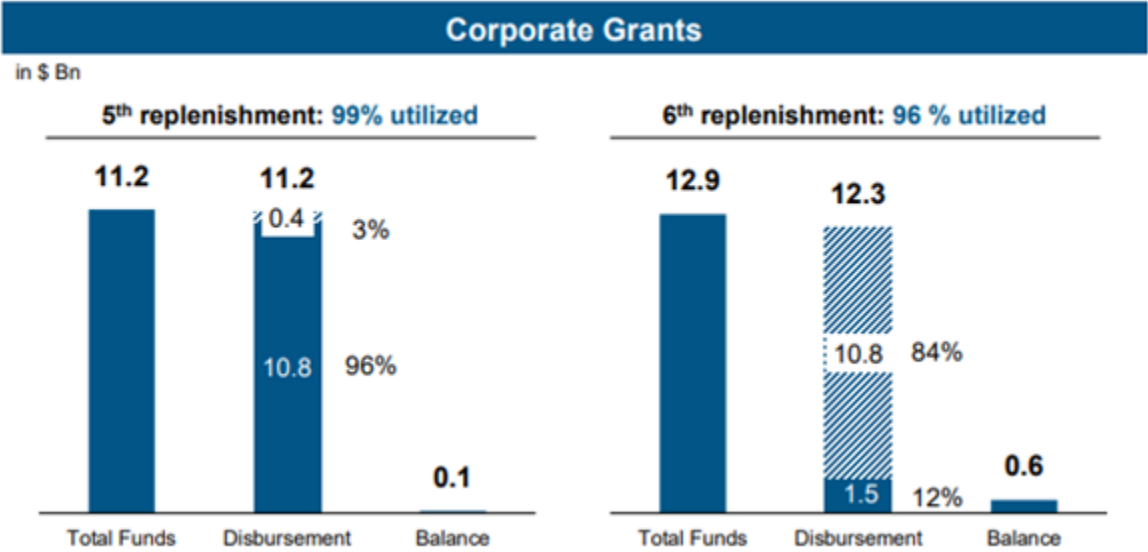
Portfolio Optimization will continue to be a key mechanism to invest additional resources in the 2020-2022 allocation period. There has not yet been a Portfolio Optimization wave in 2021. This may be for several reasons but it is most likely due to countries having a good grant absorption rate or contributory factors such as the flexibilities and reprogramming allowed for COVID-19 impact mitigation.

Pledges

Pledges during the cycle show continued growth, primarily driven by contributions to the COVID-19 Response Mechanism (C19RM) and moderated by risk adjustments (+ \$3,634 million since January 2021). The position performance of investment income and foreign exchange generated \$183 million of net gains over the cycle. This is composed of +\$36 million from active foreign exchange hedging (- \$3 million since AFC’s 16<sup>th</sup> (AFC16) meeting) and + \$148M of Investment Income (+ \$41 M since AFC16).

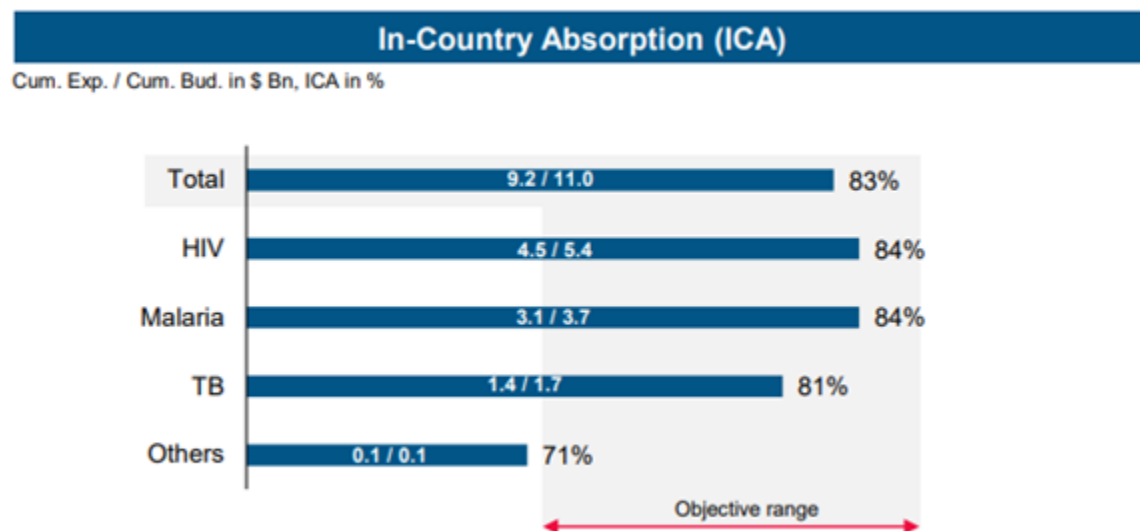
Grants

Figure 9. Grant Utilization in 5<sup>th</sup> and 6<sup>th</sup> Replenishment Cycles



There has been a high level of utilization in both 5th & 6th funding/replenishment cycles (Figure 9 above) and the achievement of the In-Country Absorption (ICA) target of 85% was confirmed (Figure 10 below).

Figure 10. In Country Absorption, 5<sup>th</sup> and 6<sup>th</sup> replenishment cycles



In fact, the Allocation Utilization was above 95% for both cycles. This is the highest disbursement level after the first six months of new grants' implementation in the history of the Global Fund, with \$2.1 billion disbursements mainly driven by the improved phasing of regular grant budgets and early initiation of procurement orders.

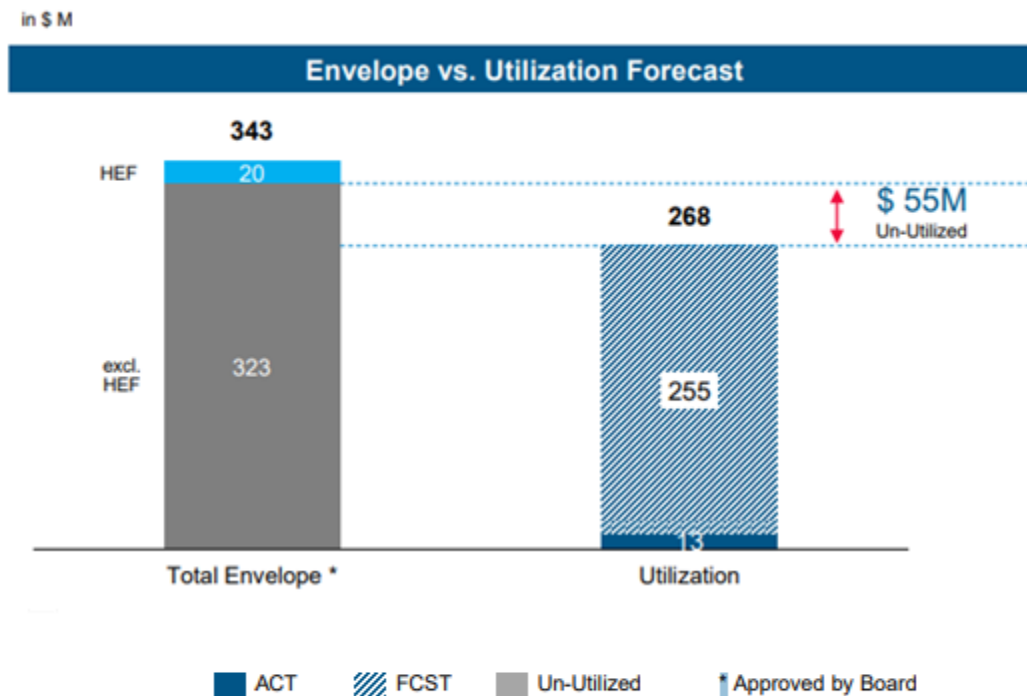
Regular HTM grant disbursements: at \$2.1 billion (\$1.5 billion for the 6th cycle and \$0.6 billion for the 5th), they were 12% higher than actual disbursements in the first half of 2020 at \$1.9 billion. This strong in-country performance, with an absorption of 83% for the 5th funding cycle grants, is in line with the Secretariat's target and represents an achievement of the ICA target of 85% confirmed – considering the agreed margin of +/- 4-5%.

The ICA was maintained at a high level despite the COVID-19 context thanks to program adaptations ? +8% above the Board-approved key performance indicator (KPI) of 75%. Higher in-country absorption is at 87% for grants ended up to December 2020 (closure is still ongoing), i.e., 12% above the Board-approved KPI. The Secretariat is continuously integrating improvements and alignment of programmatic and financial performance in the ongoing 6th replenishment grants.

#### Strategic Initiatives (SIs)

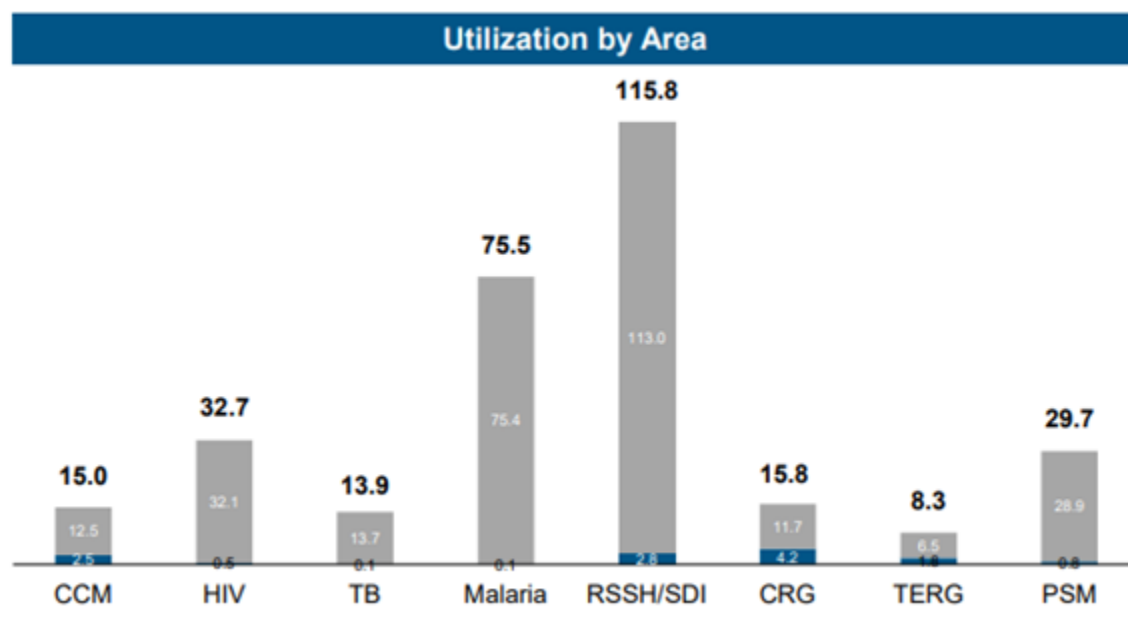
Delayed utilization of SI funds in the first half of 2021 has resulted in a forecasted fund utilization of 83% (Figure 11). The lower forecast was driven by first-year delays in approval, contracting, and bringing the workforce on board (\$13 million of actuals at the end of June or 4% of the total envelope).

Figure 11. Strategic Initiatives' envelope versus utilization forecast



For the 2020-2022 cycle, \$268 million or 83% fund utilization (out of which \$13M are actuals and \$255 million are remaining Forecast) down from 94% in the previous forecast. Implementation delays have been affected by stricter funding reviews and extended contracting efforts including negotiations with technical partners on partnership agreements and bringing staff on board; \$55 million is expected to remain unused by the end of the cycle or 83% SI utilization. This situation will be reassessed after the end of year 1, including a review of reprogramming and reallocation or reinvestment opportunities.

Figure 12. Utilization by expenditure area





SI in \$M	Total	Managed by Partners	Managed by TGF
Funding	323	20%	80%
Utilization	13	0%	5%

By the end of June 2021, there had been a cumulative \$13 million or 4% fund utilization. The implementation of partner-managed SIs had still not started. However, some initiatives like CCM Evolution and CRG had benefited from an early start and/or continuation of activities. The AFC noted that for directly managed SI, acceleration in contracting will be key to catching up.

### Operating Expenses (OPEX)

The OPEX Forecast shows an overall budget execution of 98 % for 2021, in line with the half-year actuals given the COVID19 disruptions. It is expected to be at \$309 million below the 2021 Budget: the first half-year actual execution of \$137 million (43% of the 2021 Budget) and accelerated spending forecasted in the second half-year of \$172M (55%) – 98% of Budget execution at the end of the year. See our separate article [Global Fund Operating Expenditure Budget 2022](#).

### Integrating lessons from C19RM 2020

There has been a strong acceleration for C19RM 2021 related processes

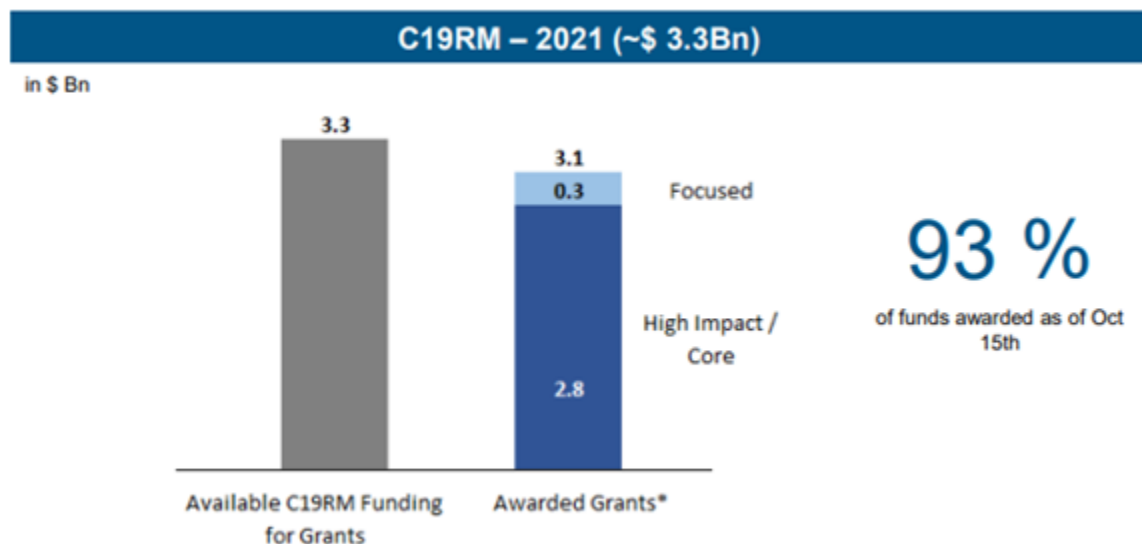
In September 2020, after eight months 80% of awards had been granted based on the impact of COVID-19 on implementers' abilities to rapidly execute and provide timely reporting in the current context. The Global Fund took one of its infamous 'deep dives' into C19RM to provide an analysis based on High Impact and Core Countries representing 90% of investments. The updated in-country utilization estimates of \$565 million for Hi/Core countries resulted in a utilization rate of 63% as of 30 June 2021. 90% of expenditure estimates (\$507 million) were based on validated reports or were still being verified by Local Fund Agents. The analysis found that challenges in the supply chain pipeline impacted the timely delivery of products: delays encountered for products valued at \$57 million with an expected June delivery date. The 63% to 70% utilization for an average of six-eight months of in-country execution of a new initiative is above the historical Secretariat trend for HTM grants and SIs.

Figure 13. C19RM and grant flexibilities, 2020



By October 2021, after six months 93% of awards had been granted. This illustrates accelerated deployment enabled by dedicated Secretariat resources, says the AFC. The disbursement forecast for 2021 of \$1.2 billion or 95 % of available funds are forecasted to be disbursed by December 2023 (including the transfer of unused C19RM 2020 funds to C19RM 2021). Lessons from the C19RM 2020 award and execution processes are being mitigated through the monitoring and oversight framework. Accelerated Award Approval has been facilitated by the Investment Committee and the Co-payment Technical Advisory Group (CTAG) review and enabled advanced procurement ordering and follow-up. The Secretariat also finalized the 'pulse check portal' (whatever this is) for data collection launch from implementors (quarter 4 of 2021). Specific country 'deep-dives' were undertaken as part of the Investment Committee's approach to manage bottlenecks

Figure 14. C19RM, 2020



\* Total may not sum due to rounding. Total Awards at 15 October 2021 is \$ 3,050 billion.

#### AFC 17 recommendations

As noted above, \$100 million was approved for portfolio optimization. The AFC suggested that the Secretariat consider providing an additional focus on technical assistance to Principal Recipients (PRs)

and insights on Strategic Initiatives.

The Board Document GF/B46/16, Financial Performance as at 30th June 2021. should be available shortly at <https://www.theglobalfund.org/en/board/meetings/46>.

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