

The Global Fund's update on Grant Cycle 7: Progress, financial shortfalls, and future prospects

The Global Fund's latest update on Grant Cycle 7 (GC7) presents a mix of achievements and daunting hurdles. While the integration of 88% of country grants and 89% of matching funds into programs marks significant progress, a substantial \$5.4 billion funding gap poses a serious threat. This shortfall endangers the Global Fund's ambitious goals to combat HIV, tuberculosis (TB), and malaria, as well as its efforts to strengthen health systems globally. Without addressing this financial gap, the full potential of GC7's targets may remain out of reach.

Country funding progress: A strong start with gaps remaining

The Global Fund's GC7 has seen significant achievements through the swift approval and integration of funding into country programs. As of mid-September 2024, the Board had approved 88% of country allocations, allowing for the launch of 156 grants at the start of the year, with additional grants anticipated by year's end. Out of the \$13.128 billion designated for GC7, \$11.6 billion has already been disbursed to countries, showcasing the Global Fund's capacity to maintain progress despite ongoing global health challenges. These grants cover a diverse array of countries, highlighting the Fund's commitment to equitable distribution based on disease burden and specific country needs.

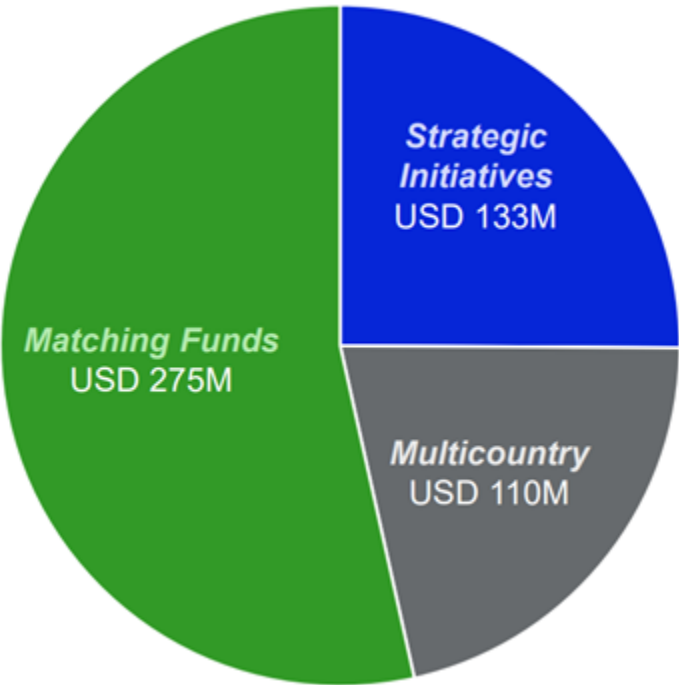
However, the Global Fund faces a major challenge with a \$5.4 billion gap in unfunded quality demand. These essential, well-designed programs, aligned with strategic goals, have been approved by the Technical Review Panel but remain unfunded due to limited resources. This gap delays the implementation of high-impact interventions, particularly in low- and middle-income countries, where health systems are already under pressure. To bridge the gap, the Global Fund has worked to maximize savings from grant-making efficiencies and attract non-traditional donors, but these efforts alone may not be sufficient. The reliance on savings and re-engagement of donors highlights the growing complexity of global health financing, especially as the world continues to deal with the economic fallout from the COVID-19 pandemic.

Catalytic investments: Strengthening health systems

The Global Fund spends most of the money it raises through country grants, supporting efforts to fight diseases like HIV, TB, and malaria. However, these grants often miss key and vulnerable populations, adopt new technologies slowly, or fail to tackle cross-border challenges. To address these issues, the Global Fund uses Catalytic Investments, which fill the gaps and enhance program effectiveness. These

investments fall into three categories: Strategic Initiatives, Matching Funds, and Multi-country Grants (Figure 1).

Figure 1: Distribution of Global Fund Catalytic Investments



Strategic Initiatives enable the Secretariat to directly fund specific programs, often aimed at communities, key populations, or supporting innovation. Matching Funds incentivize governments to prioritize key areas such as human rights, key populations, and adolescent girls and young women by offering a dollar-for-dollar match to country grants, up to a set limit. Multi-country Grants are managed by groups of countries, like the Resistance to Artemisinin Initiative (RAI) in Southeast Asia, which works to eliminate falciparum malaria in the Greater Mekong Subregion and prevent the spread of Artemisinin resistance.

By September 2024, the Global Fund had already incorporated 89% of Matching Funds into approved grants, enabling countries to strengthen efforts in areas like HIV prevention for vulnerable groups, tuberculosis case detection, and digital health innovations. This highlights the Global Fund’s focus on sustainability and efficient resource use, helping countries maximize program impact.

In contrast, progress on Strategic Initiatives, which are designed to build long-term health system capacity, has been slower. By mid-2024, only 6% of the allocated \$133 million for these initiatives had been spent, a pattern seen in previous grant cycles. These initiatives—such as regional manufacturing capacity-building, digital health accelerators, and strengthening national laboratory systems—are expected to gain momentum in the coming years as they move from planning to delivering measurable health outcomes.

Meanwhile, Multi-country Grants have shown positive progress. By mid-2024, \$74 million of the \$110 million allocated had been approved and integrated into grants. Although some of the more complex regional programs

remain in early stages, the collaborative nature of these efforts positions them to play a vital role in improving health outcomes across borders.

Key challenges and corresponding recommendations

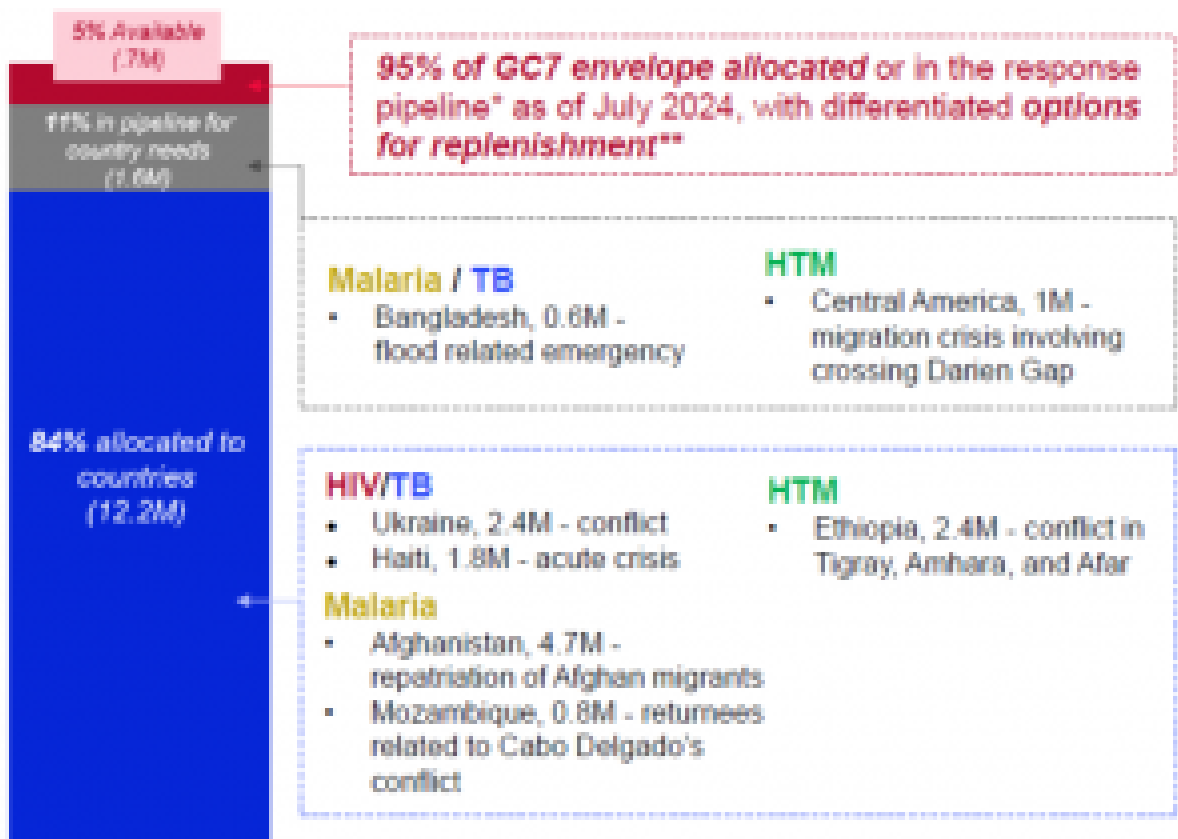
The Global Fund faces several significant challenges as it seeks to implement GC7 effectively, particularly concerning funding shortfalls, slow progress in catalytic investments, complex global health threats, insufficient local capacity and ownership, and the need for agility in operations.

One pressing issue is the stark contrast between allocated funds and the \$5 billion in unfunded quality demand. The current donor financing model heavily relies on traditional donors, which limits the effectiveness of programs in low- and middle-income countries. To address this challenge, the Global Fund must diversify its funding sources. By actively engaging the private sector and forming partnerships with pharmaceutical companies, tech firms, and industry leaders, the Fund can secure co-investments in essential health infrastructure projects. Additionally, exploring alternative financing mechanisms such as social impact bonds could unlock new capital streams for long-term projects focused on building health system resilience.

Progress in catalytic investments, particularly Strategic Initiatives, has also been sluggish, with only 6% of allocated funds utilized by mid-2024. This slow pace raises concerns about the Fund's ability to deliver meaningful outcomes within GC7's three-year timeframe. To counteract this, the Global Fund should prioritize optimizing resource use by fast-tracking catalytic investments. This can be achieved by providing enhanced technical assistance to countries and regional partners, enabling quicker deployment of funds for crucial projects like regional manufacturing and supply chain resilience.

The pandemic has introduced new complexities to global health, including the rise of drug-resistant diseases and supply chain disruptions. These factors make multi-country and regional grants more vital than ever, yet funding gaps and slow execution timelines hinder their effectiveness. To strengthen these efforts, the Global Fund should enhance its collaboration with regional bodies such as the African Union, The Association of Southeast Asian Nations, and the Caribbean Community. By leveraging political and financial support from these organizations, the Fund can improve resource allocation and facilitate quicker responses to health emergencies that transcend borders. Currently, the Emergency Fund does most of the heavy lifting in this area, with nearly \$14 million from ending HIV, TB, and malaria being used to address these critical gaps (Figure 2). Recognizing the need for speedy response, the Secretariat has been granted higher sanctioning powers, allowing them to approve a greater percentage of funds at their level. This enhanced authority helps ensure a more agile response to emerging threats and enables more efficient allocation of resources where they are needed most.

Figure 2: Emergency Fund



Achieving sustainable health outcomes also hinges on strengthening local capacity and ownership. Currently, there is insufficient engagement with national governments, civil society organizations (CSOs), and regional institutions, which hampers alignment with local priorities. To address this issue, the Global Fund should work more closely with these stakeholders to align investments with local needs and build long-term resilience. Initiatives aimed at improving community health systems should emphasize capacity-building at the national level, enabling countries to sustain the benefits of these investments beyond the GC7 cycle.

Finally, the need for agility in operations has never been more critical. Emerging global health challenges, such as antimicrobial resistance and climate-related health crises, require the Global Fund to adapt quickly to new realities. To facilitate this adaptability, the Fund should develop a more flexible funding and operational model. This includes establishing funding pools that can be rapidly allocated to address emerging health threats and adjusting decision-making structures to allow for swift approvals of changes to grant allocations and strategic priorities.

By addressing these key challenges with targeted recommendations, the Global Fund can enhance the effectiveness of its programs, overcome obstacles, and continue its mission to combat HIV, tuberculosis, and malaria on a global scale.

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