



Independent observer
of the Global Fund

Parameters for the qualitative adjustments for 2023-2025 allocations

Following the Board approval of the global disease split in November 2021, the technical parameters of the allocation formula were reviewed by the Secretariat – together with technical partners on the disease burden indicators – and were recommended to the Strategy Committee (SC) in March/April.

At that meeting, the SC determined the Allocation Methodology for the 2023-2025 allocation period (see the [GFO article](#) on the Board meeting's discussion of the Allocation Methodology); it also discussed the qualitative adjustment process for 2023-2025 allocations and the parameters that will be used to make the adjustments in Stage 1 (epidemiological considerations) and Stage 2 (holistic adjustment – primarily absorption and impact).

In July, the SC will be asked to approve the “transparent and accountable process for qualitative adjustments”.

What are qualitative adjustments?

Qualitative adjustments are refinements to formula-derived amounts (FDAs) to account for epidemiological, programmatic and other factors insufficiently addressed through the allocation formula, to maximize the impact of Global Fund resources in line with the Strategy. For the 2020-2022 allocation period, Phase 1 consisted of adjustments for key populations (KPs) for HIV and for malaria elimination to account for epidemiological contexts that are insufficiently captured in the formula. Phase 2 included adjustments for key programmatic factors and other contextual considerations. All changes and rationale are reported to the SC, and all changes greater than \$5 million and 15% are reported to the Board.

A quick summary of allocation methodology and its components

To be able to understand better the importance of the qualitative adjustments, let's remind ourselves of how the allocation formula are derived.

For the 2023-2025 allocation period, the country allocation methodology will support the delivery of the Global Fund Strategy 2023-2028.

The country allocation methodology produces country allocations to maximize the impact of available resources by focusing funds on countries with the highest disease burden and lowest economic capacity, while accounting for key and vulnerable populations disproportionately affected by the three diseases. It also provides countries with predictable financing through an approach that is simple and flexible. This is achieved through the three key steps of the allocation methodology, namely (i) global disease split, (ii) allocation formula and (iii) qualitative adjustments.

Global disease split: Available funds for country allocations are distributed upfront for HIV, TB and malaria according to the global disease split approved by the Board at its 46th meeting in November 2021. The approved global disease split for the 2023-2025 allocation period is (i) 50% for HIV, 18% for TB and 32% for malaria for the first \$12 billion available for country allocations, and (ii) 45% for HIV, 25% for TB and 30% for malaria for additional amounts over \$12 billion.

Allocation formula

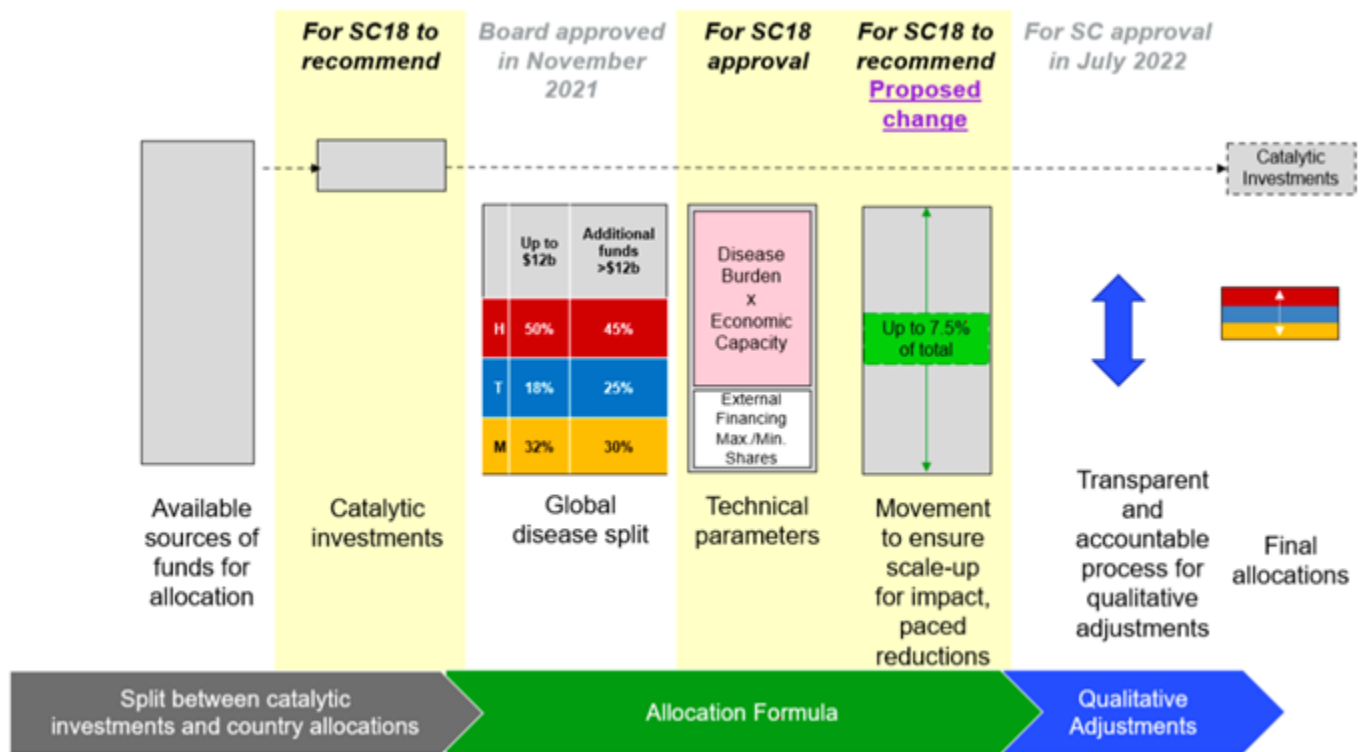
Technical parameters of the allocation formula: Within each disease pool of funding, funds are distributed across eligible components according to the technical parameters of the allocation formula to provide Initial Calculated Amounts (ICA). The technical parameters drive funding in line with disease burden and economic capacity, while accounting for other external financing and maintaining minimum and maximum shares.

Ensuring scale-up and paced reductions in the allocation formula: In the last step of the formula, funds are redistributed across the portfolio to prevent steep decreases in funding from the previous allocation period. Through this step, the formula provides moderated (or paced) reductions in financing for components previously receiving more than their ICA. At the same time, it prioritizes the scale-up of financing for components that previously received less than their ICA, to bring overall funding in line with disease burden and economic capacity. This produces the Formula-Derived Amounts (FDAs).

Qualitative adjustments: The qualitative adjustment process allows for FDAs to be adjusted to address key epidemiological, programmatic and country characteristics, on a case-by-case basis, in order to determine final country allocations.

Outcomes from the 2020-2022 allocations show that the methodology achieved its aims of distributing funding in line with disease burden and economic capacity. For example, the 15 highest burden countries for HIV, TB and malaria received 63% of the 2020-2022 allocations. The aim of the review is to make refinements to the model, where needed, to achieve greater impact with available resources. For the 2023-2025 allocation period, the allocation methodology needs to be prepared for significantly higher funding scenarios in view of the Seventh Replenishment's Investment Case's Ask of \$18 billion.

Figure 1. Overview of the Allocation Methodology



The technical parameters will stay the same

The Secretariat recommended that the Strategy Committee agree to maintain the technical parameters of the allocation formula because, the Secretariat said, they remain robust in the current context. On the allocation methodology, the Secretariat recommends a refinement to the scale-up and paced reduction approach in the allocation formula to provide paced reduction components with less of a decrease in the formula under significantly higher funding levels.

Inputs received that informed this decision

Following the recommendations of an external review, the SC agreed during its October 2021 meeting that gross national income (GNI) per capita should remain the primary indicator for economic capacity for the allocation methodology. Noting the impact of the COVID-19 pandemic, the SC requested the Secretariat to consider using a dashboard of economic capacity indicators as part of the qualitative adjustment process.

Also in October 2021, the SC had inquired about the possibility of considering other disease burden indicators, such as HIV incidence and TB mortality, as well as whether the weighting of Multi-Drug Resistant TB (MDR-TB) needs revision. After reviewing these areas of input, technical partners concluded that the 2020-2022 disease burden indicators of the allocation formula remain the most appropriate and recommend that they be maintained for the 2023-2025 allocation period. However, additional measures could be considered in the qualitative adjustments as relevant.

During the global disease split discussions in October, the SC requested a holistic review of the allocation methodology and its role in delivering the strategic priorities of the Global Fund prior to the next cycle of allocation discussions.

Table 1. Summary of technical parameters for the 2023-2025 allocation period

Parameter	Specification
HIV burden indicator	Number of people living with HIV (PLHIV) Latest available data
TB burden indicator	[1*TB incidence] + [10*MDR-TB incidence] Latest available data [1 * number of malaria cases] + [1 * number of malaria deaths] + [0.05 * malaria incidence rate] + [0.05 * malaria mortality rate]
Malaria burden indicator	Latest available data for the average values between 2000-2004 Number of malaria cases and deaths adjusted by latest Population-At- Risk (PAR) ratio: PAR (latest year) / PAR (2000-2004 average) All indicators normalized
Country economic capacity indicator	Weighting determined by GNI per capita and smooth CEC curve Latest available data
Maximum shares	10% funding at a disease level, 7.5% funding at a country level
Minimum shares	\$500,000 per component, subject to assessment of the impact that could be achieved, contribution towards achieving strategic objectives, and ability to efficiently manage such programs with differentiated and simplified grant management processes
External financing adjustment	Projections discounted by 50% for data quality, and can influence country allocations by up to 25%

Source: Annex 2 of GF/SC18/06 Allocation Methodology for the 2023-2025 Allocation Period presented to the 18th Strategy Committee 28-29 March & 4 April 2022,

Qualitative Adjustments

The FDAs are reviewed through the final step in the allocation formula, a qualitative adjustment process to account for key epidemiological, programmatic and other country contextual factors that cannot be adequately captured in a formula.

The qualitative adjustment process is carried out by the Secretariat under the oversight of the SC. Prior to each allocation period, the SC will approve the qualitative adjustment factors and process for applying the factors. For the 2023-2025 allocation period, the review and approval by the SC is scheduled for its meeting in July 2022.

The qualitative adjustment process aims to maximize the impact of Global Fund resources by accounting for (i) the needs in specific epidemiological contexts that are not fully captured in the allocation formula's technical parameters; and (ii) a single, holistic adjustment to account for all additional country-specific considerations. The process is carried out under the oversight of the SC and takes place in two stages:

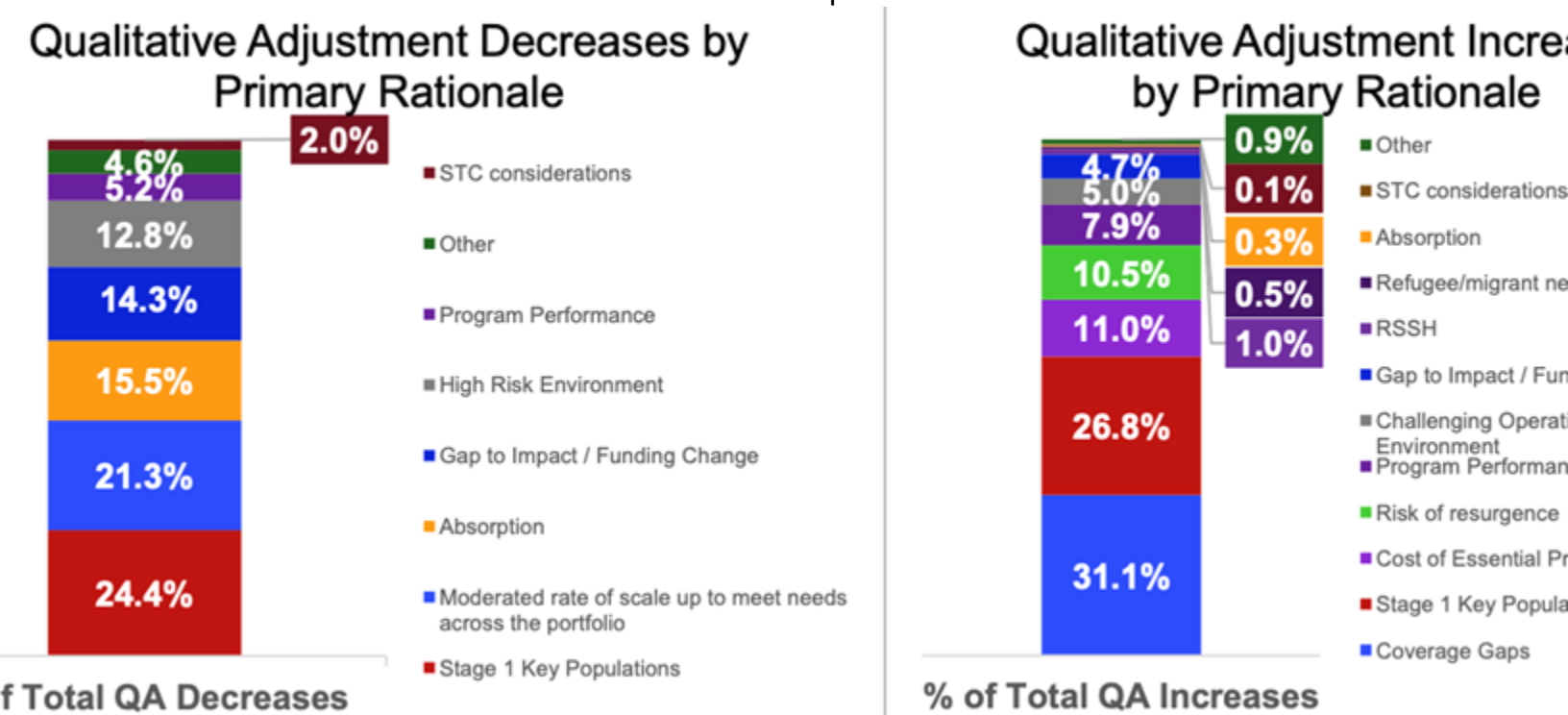
Stage 1: an adjustment is made to increase HIV formula-derived amounts where there is evidence of high burden of HIV among KPs in countries with concentrated or mixed HIV epidemics, using estimates provided in collaboration with HIV technical partners. The 2017- 2019 Stage 1 adjustment for low endemicity malaria settings was not used in the 2020-2022 allocation cycle on the recommendation of

technical partners. Only HIV allocations therefore had Stage 1 adjustments.

Stage 2: to account for other country-specific considerations and to further maximize the impact of Global Fund resources, a single, holistic adjustment is considered for each FDA and Stage 1 adjustment. This holistic adjustment is determined by a small, consistent panel under the oversight of a moderator, to ensure the process is carried out consistently across countries. The panel's decision is based primarily on each country disease program's gap to impact in line with global partner plans and its change in funding from the 2017-2019 allocation, as well as a number of contextual considerations, including programmatic performance, coverage gaps, risk environment, sustainability and transition, absorption and the cost of continuing essential programming.

All adjustments were made to arrive at zero net changes per disease to maintain the global disease split of resources in the final country allocations. Figure 2 provides the primary rationale for the increases and decreases from FDAs through the qualitative adjustments process in 2020-2022.

Figure 2. Primary rationale for changes made in the qualitative adjustments process for the 2020- 2022 allocation period



This process results in final allocations for each country disease program. The total funding for a country is the sum of the allocations for each of its eligible disease programs. This final amount is communicated to the country in the allocation letter. During funding request development, countries are able to adjust the disease split of their allocation to best address their needs and to fund investments to build resilient and sustainable systems for health.

Will the process be smooth sailing or will Board constituencies raise some concerns?

It is not yet known how or when the Secretariat will communicate publicly about the SC's deliberations and the decision on the Qualitative Adjustments process to be made during the July meeting. However, in the run up to the SC meeting that discussed the Qualitative Adjustments process in July 2019 prior to the 2020-2022 allocation period, there was some controversy from various constituencies of the Global Fund Board who raised several issues with the SC in the leadup to the July Committee meeting, expressing

concerns or noting other issues they wish to have considered during the committee's deliberations. It will therefore be interesting to see if the same issues will be repeated.

In November, once the outcome of the Seventh Replenishment in October is known, the Board will approve funds for allocation for the 2023-2025 allocation period at its 48th Board meeting. The Secretariat will then apply qualitative adjustments to grants and will report to the SC on all qualitative adjustments and their rationale, and to the Board on adjustments involving more than \$5 million or 15%.

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