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Global Fund Board reviews allocation methodology in advance of decision at May 2019 meeting

The Global Fund's Technical Evaluation Reference Group (TERG), the Technical Review Panel (TRP) and the Secretariat have jointly concluded that the allocation methodology used for 2017–2019 “is effectively delivering on its objectives by increasing funds to countries of higher burden and lower economic capacity while accounting for populations disproportionately affected by the three diseases.”

This information was contained in a paper prepared for the Board meeting of 14–15 November. The paper contained a summary of discussions on allocation methodology by the Strategy Committee (SC). The committee also discussed catalytic investments.

Although the Board discussed the allocation methodology at this meeting, it is not being asked to approve the methodology until its meeting in May 2019.

Global Fund Head of Strategy and Policy Harley Feldbaum opened the summary presentation to the Board, with “two big contextual pieces of information”. The first was that the review of the allocation formula was undertaken because the Strategy Committee requested it. Given the resulting view that the allocation methodology is working, he said that consideration of potential changes should focus only on areas with evidence and lessons learned.

The second contextual piece of information was that catalytic funding should be reviewed and given even greater emphasis, and matching fund problems addressed (see [GFO article from April 2017 for background information on matching funds](#), and see [GFO article from Nov 2018 for examples of the problems](#) that have arisen when implementing the matching fund stream). The catalytic investments prioritization approach for 2020-2022 to assess existing and new catalytic priorities, presented by the

Secretariat to the Strategy Committee, is based on two criteria: strategic impact and operational considerations.

Feldbaum then raised a further contextual point related to unutilized funds: For 2017–2019, the amount of funding available for country allocations included \$1.1 billion in unutilized funds from the 2014–2016 allocations. As a result of improvements in absorption and portfolio optimization, any carryover from 2017–2019 to 2020–2022 is likely to be considerably smaller. This will affect how much funding is available for country allocations in 2020–2022.

While significant changes to the allocation methodology for the 2020-2022 allocation period are not expected, some refinements are likely. The purpose of the session on allocations at this Board meeting was to seek feedback from the Board on whether the allocation model is working and effective, and to seek any further recommendations prior to the May 2019 Board meeting.

This article presents, below, a summary of the SC's deliberations on allocations methodology and catalytic investments.

Allocation methodology

The allocation methodology currently in use was first introduced for the 2014–2016 allocations. Some refinements were made to the methodology for the 2017–2019 allocation period. According to the paper submitted to the Board, compared to 2014–2016, the 2017–2019 allocation methodology directed a slightly greater proportion of funding towards higher burden, lower-income countries.

High-level summary of the allocation methodology in place for 2017–2019

For the 2017-2019 allocation period, \$10.3 billion was available for country allocations. As per the approved amount was divided up upfront into shares for HIV, TB and malaria according to the Board-approved global disease burden (HIV 32%, malaria 32%, TB 18%). Within each disease share, the allocation formula was applied using approved technical resources in line with disease burden and country economic capacity, while accounting for other external financial factors and maximum and minimum shares.

An amount of funding (\$800 million) was set aside before the allocation formula was run and was then redistributed to balance the need for scale-up (for components that previously received less than what the formula recommended) and providing paced reductions (for components that had historically received more than what the formula recommended).

To account for key epidemiological and contextual factors that a formula cannot capture adequately, qualitative adjustments were applied to produce the final country allocation amounts.

Source: Board Document GF-B40-07, Reviewing the 2020–2022 Allocation Methodology

The Board's decision on the 2020-2022 allocation methodology will come before the outcome of the Sixth Replenishment is known. Consequently, for planning purposes, the Global Fund is evaluating the effects of applying the allocation methodology against five different funding level scenarios for the 2020–2022 allocations:

- Scenario A — \$8.3 billion
- Scenario B — \$9.3 billion
- Scenario C — \$10.3 billion
- Scenario D — \$11.3 billion

- Scenario E — \$12.3 billion

(For 2017–2019, \$10.3 billion was available for country allocations.)

The SC cautioned against interpreting these illustrative planning scenarios as replenishment targets.

The SC said that the illustrative scenarios showed that the allocation formula effectively prioritizes funding for high-burden countries at every funding level. However, at lower funding levels, the committee said that “scale-up among the highest burden countries is limited or non-existent; and in the rest of the portfolio, a number of countries would experience significant reductions compared to their 2017–2019 allocations.”

The SC recommended that the global disease split remain unchanged for 2020-2022 (HIV 50%, malaria 32%, TB 18%). This split has been in effect since the first allocation period in 2014–2016. The committee said that maintaining the same split would avoid creating critical programmatic gaps which would result from a shift in the distribution of Global Fund investments across diseases. Nevertheless, the SC requested that the Secretariat incorporate a disease-split analysis into planning for future allocation periods.

The SC also recommended that the amount of resilient and sustainable systems for health (RSSH) investments should not be determined through the allocation methodology; the same “rule” was in effect for both the 2014-2016 and 2017-2019 allocation periods. This means that it would still be up to individual countries to determine what portions of their disease allocations will be spent on RSSH.

Technical parameters

In March 2019, the SC, under delegated authority from the Board, will formally determine the technical parameters of the allocation formula for 2020-2022. (See Figure 1 for a description of the technical parameters used for the 2017-2019 allocations.)

Figure 1: Technical parameters for the 2017–2019 allocation methodology

Source: Board Document GF-B40-07, Reviewing the 2020–2022 Allocation Methodology

The Global Fund’s technical partners are currently reviewing the disease burden indicators and are scheduled to recommend possible changes by December 2018. No changes are expected for HIV. For TB, technical partners are expected to continue to recommend the use of TB incidence but are reviewing the weighting of MDR-TB incidence used in the indicator in light of new treatment recommendations from the WHO.

For malaria, partners are expected to recommend that the use of 2000 data be maintained. However, partners are exploring ways to better account for elimination, population growth, resurgence, and drug and insecticide resistance challenges through qualitative adjustments or catalytic priorities.

The SC said that the other technical parameters – country economic capacity, external financing, and maximum and minimum shares – should be retained as is.

Qualitative adjustments

For the 2017–2019 allocation period, the SC adopted what it termed a “transparent and flexible qualitative adjustment process” applied in two stages: (1) to adjust for specific epidemiological contexts insufficiently addressed through the allocation formula; and (2) to account for country-specific contextual considerations. The latter included each country component’s potential for impact and absorption, as well

as other factors such as coverage of gaps and the cost of continuing essential programming.

The committee recommended that for 2020-2022, the Secretariat consider additional factors for the second stage, including (a) HIV incidence among adolescent girls and young women; and (b) key populations affected by TB.

Catalytic investments

For 2017–2019, the country allocations were supplemented by \$800-million worth of catalytic investments to allow the Global Fund to address certain strategic priorities that could not be adequately addressed by the country allocations alone. The investments were implemented through three modalities: matching funds (\$346 million); multi-country approaches (\$260 million); and strategic initiatives (\$194 million).

The SC said that catalytic investments have contributed to a greater share of resources going to strategic priorities such as programs for adolescent girls and young women (AGYW) and for key populations; programs to remove human rights–related barriers; as well as initiatives to find missing TB cases and to eliminate malaria.

“However,” the committee said, “there have been challenges in operationalizing the 2017-2019 catalytic investments, in particular the matching funds, due in part to the timing of Board approval of the catalytic priorities, which occurred in November 2016, only a month before the allocations were announced.” For 2020-2022, the Board decision on catalytic priorities is scheduled for May 2019, six months earlier in the funding cycle.

In addition, the SC noted that funding for the strategic initiatives was divided into multiple small pools, which has been very burdensome for the Secretariat to operationalize because each initiative requires staffing for grant creation, management and ongoing oversight. The committee said that prioritization and consolidation of the strategic initiatives should be considered, along with dedicated Secretariat resources for their implementation.

Similarly, the committee said, for the eight TB multi-country grants, the funding may have been scattered across too many initiatives.

The budget for catalytic investments for 2020-2022 is not yet known. The SC has been provided with a range of possible budgets derived from the illustrative funding scenarios described above.

The SC said that the catalytic priorities for 2020–2022 will be determined after a consultative process led by the Secretariat and involving the committee, technical partners, communities and civil society. The SC will provide its recommendations to the Board for consideration at the Board’s May 2019 meeting.

Timelines

Figure 2 depicts the activities and timelines for determining the 2020–2022 allocations.

Figure 2: Activities and timelines — 2020–2022 allocations

Source: Board Document GF-B40-07, Reviewing the 2020–2022 Allocation Methodology

Editor's note: This article is dated 15 November, which is when this article was uploaded into our automated system. The article was not published until 16 November, the day following the Board meeting. This respects our agreement with the Global Fund concerning when we publish articles that are based on the content of the Board papers.

Board Document GF-B40-07, Reviewing the 2020–2022 Allocation Methodology in Preparation for the May 2019 Board Decision, should be available shortly at

<http://www.theglobalfund.org/en/board/meetings/40.R>

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