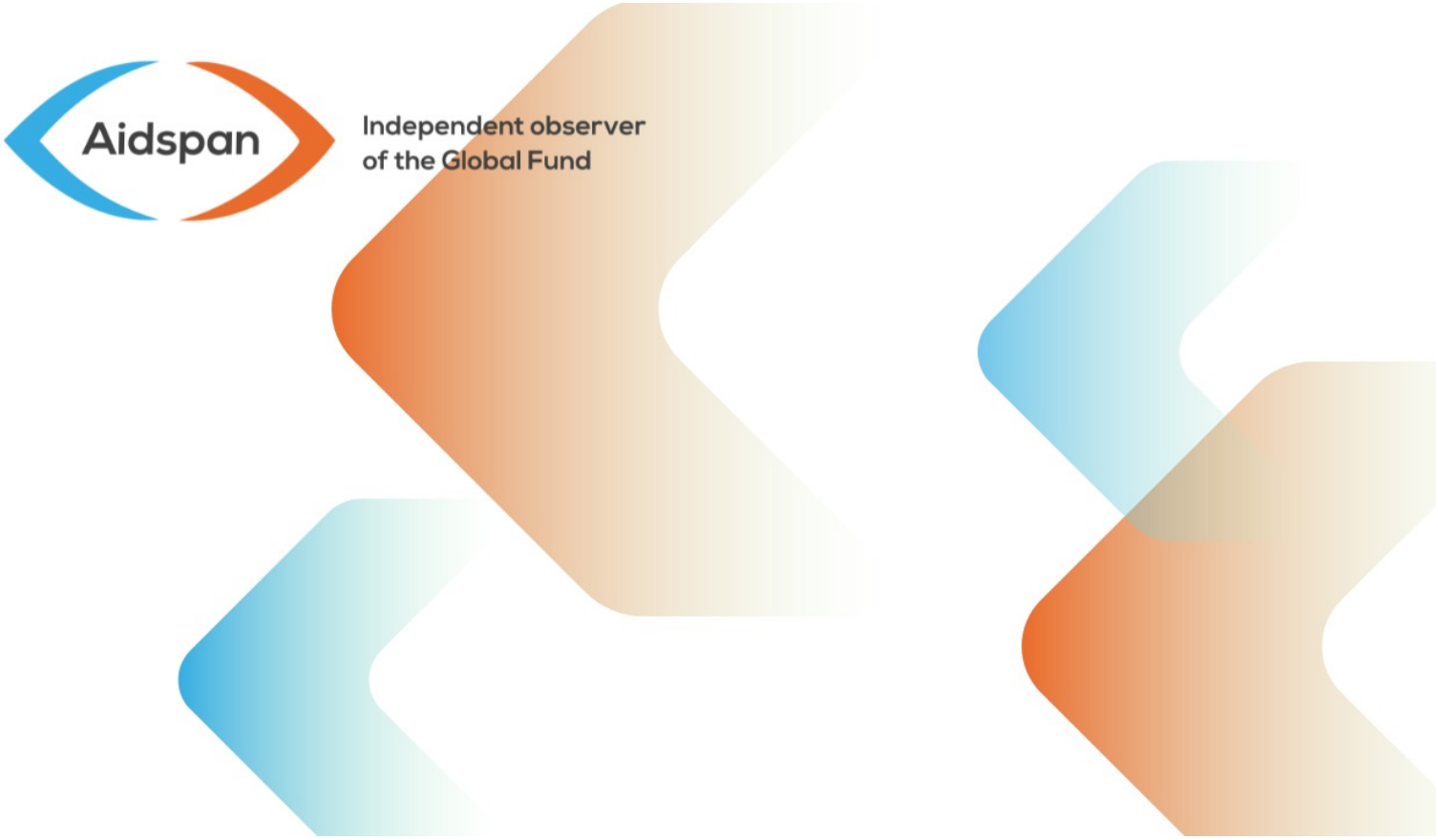

DESCRIPTION OF QUALITATIVE ADJUSTMENT PROCESS FOR 2017-2019 ALLOCATIONS

At first glance, it may appear that the qualitative adjustment process for the 2017-2019 allocations is simpler than the process used for the 2014-2016 allocations. But, in the final analysis, it is probably every bit as complicated.

The Strategy Committee approved the process for 2017-2019 at its meeting on 14-15 June 2016. This was a decision that the Strategy Committee was empowered to make on its own, without reference to the full Board. No public announcement has been made of the committee's decision.

This is the first of two articles on the qualitative adjustment process. It describes the stages of the process. We plan to publish the second article in GFO 302 on 14 December. It will summarize the parameters used to make the qualitative adjustments.

The adjustments are made to the initial allocations derived from the application of the disease burden/income level formula. In the first stage, the adjustments account for epidemiological contexts that may be insufficiently addressed through the allocation formula. The second stage involves a single qualitative adjustment that considers potential for absorption and impact. The Strategy Committee said that this adjustment should be made "holistically" and account for "key contextual considerations and relevant supportive information."

For the 2014-2016 allocations, there was a series of adjustments, including absorptive capacity, risk, minimum funding levels, past performance, sources of external financing and willingness to pay.

One holdover from the 2014-2016 allocations methodology is that no country will be allocated more than

7.5% of the total allocations; and no disease component will be allocated more than 10% of the total allocation for that disease.

Stage 1: Epidemiological considerations

The adjustments in Stage 1 account for two factors, as follows:

- Populations disproportionately affected by HIV. The number of people living with HIV in the allocation formula is known to under-represent the burden of HIV in key populations in concentrated and mixed epidemic settings.
- Settings with low-endemicity malaria. In a small number of countries, where the size of the population risk is small, the malaria burden indicator over-represents current programming needs.

There are particular and very significant challenges affecting the availability of data on populations disproportionately affected by TB. Therefore, following discussions with the World Health Organization and Stop TB, the Fund decided not to include an adjustment factor for these populations for 2017-2019. However, the Fund said it is committed to working closely with the TB community over the next three years to ensure better data availability for the 2020-2022 allocation period and, more critically, to inform TB programming generally.

Stage 2: Holistic adjustment

The Global Fund said that the primary adjustment factors in Stage 2 are absorption and impact, because the formula-derived allocations require further refinement to sufficiently account for a country program's ability to utilize allocation funds and to achieve impact.

The Fund is utilizing the following approach:

- All countries are being located in a matrix according to their higher or lower potential for absorption and impact (this is referred to as the "absorption-impact matrix").
- The approximately 15% of the portfolio with the highest potential for absorption and impact will be reviewed in light of contextual considerations to see if their formula-derived allocations should be adjusted upwards. As a starting point, countries in this category would be recommended to receive an upwards adjustment of 0%-20%.
- The approximately 15% of the portfolio with the lowest potential for absorption and impact will be reviewed in light of contextual considerations to see if their formula-derived allocations should be adjusted downwards. As a starting point, countries in this category would be recommended to receive a downwards adjustment of 0%-20%.
- The approximately remaining 70% of the portfolio with relatively average potential for absorption and impact would not be adjusted, unless contextual considerations suggest otherwise.

The adjustments for the top and bottom 15% are initially made within each disease to ensure that the global disease split (50% for HIV, 32% for TB, and 18% for malaria) is maintained.

The Global Fund said that there are five key contextual considerations which may inform the adjustments made through the absorption-impact matrix (see table).

Table: Contextual considerations

Consideration	Types of data	Guiding directional influence on allocations

Risk environment	External Risk Index, a Secretariat-compiled composite of 10 authoritative published indices highlighting economic, governance, operational, and political risks	Potential increase, if more funds needed to achieve response with potential for impact in risk environment Potential decrease, if level of investment considered risky, and impact better pursued with measures beyond financial
Past impact	Incidence, mortality trends (2010-latest available) – Disaggregated by priority population, per strategy, where possible	Potential increase, if evidence of increasing epidemic and additional funds could be catalytic in reversing the trend No effect or decrease, if no evidence of increasing epidemic, or if there is evidence of increasing epidemic but current scope of investments suggest additional funds would not be catalytic in reversing the trend
Minimum shares 10	Allocations at or near minimum funding amount of $500k per country component; Global Fund's financial share of overall response for disease; current management as multi-country grant	No effect, if funding amount assessed to be impactful, contribute towards achieving strategic objectives, and able to be efficiently managed (through differentiated and simplified grant management processes, including multi-country or multiple-disease grant) No funding, if this cannot be achieved Potential reduction, if this can be achieved, but efficiencies through streamlined management (by pooling or otherwise) imply lower funding needed to do so
(Re)introduction of funding	Recent funding history, recent eligibility, past impact	No effect, if assessment of existing or recent grant or eligibility status and status in transition to domestic financing would indicate financing of country components should be pursued No funding, if (re)introduction of GF financing would contradict domestic sustainability of response or a differentiated and simplified grant management processes
Coverage gaps	ART, DOTS, LLIN coverage gaps, with other measures if available – Disaggregated by priority population, per strategy, where possible	Potential increase, if big gap compared to regional or global benchmarks, but high domestic and low other external financing of the key service (where data available) – to help increase coverage levels; Potential increase, if small gap compared to regional or global benchmarks, but high domestic and low other external financing of the key service (where data available) – to help achieve the 'last mile' in coverage levels No effect, otherwise

Source: The Global Fund

According to the Global Fund, there is other supportive information that will be useful to frame and contextualize decision-making, but that in itself would not lead to a change in allocations. This information will be provided as background for the absorption-impact adjustment process, and may include (but not be limited to) information on data quality; the overall percentage of global disease burden represented by the program; data on recent trends in domestic resources for health and disease programs; the current share

of the program response that is funded by the Global Fund, domestic sources and other external funders; available data on minimum programming levels; past absorption rates; and contextual information arising from the Implementation Through Partnership indicators.

The process approved by the Strategy Committee also set out the parameters to calculate qualitative factors such as potential absorption and adjustments for populations disproportionately affected by HIV and settings with low-endemicity malaria. The parameters will be described in a separate article in GFO 302.

Between June and September, the Secretariat has worked with its technical partners to collect the requisite data and information needed to carry out the qualitative adjustment process. During that period, a full mockup of the qualitative adjustment process was carried out to iron out any kinks.

Now that the sources of funds available for allocation for 2017-2019 have been determined by the Board (see GFO article), the Secretariat has begun the process of running the allocation formula and making the qualitative adjustments. The allocations will be communicated to countries in December (see separate GFO article in this issue, here.)

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