



Independent observer  
of the Global Fund

## \$10.3 BILLION IS AVAILABLE FOR THE 2017-2019 ALLOCATIONS TO COUNTRIES

The amount of money available for country allocations for 2017-2019 is \$10.3 billion. This amount includes \$1.1 billion in unutilized funds from the 2014-2016 allocation period. See the table for details on how the final amount was calculated.

Table: Calculation of amount available for allocations to countries in 2017-2019 (\$US)

Item	Balance
5 <sup>th</sup> replenishment results as announced 2016-09-17 (\$12.9 billion)	\$12.9 b
Minus adjustment of \$0.89 billion to reflect spot rates as at 2016-09-22	\$12.02 b
Minus adjustment of \$1.12 billion for technical assistance and other donor conditions	\$10.9 b
Minus Global Fund operating costs of \$0.9 billion	\$10.0 b
Plus \$1.1 billion in forecasted unutilized funds from 2014-2016 allocation	\$11.1 b
Minus \$0.8 billion set aside for Catalytic Investments	\$10.3 b
Amount available for allocations to countries	\$10.3 b

When the Global Fund announced that the Fifth Replenishment had generated US\$12.9 billion, it used a five-year simple moving average (SMA) to convert pledges made in local currencies into U.S. dollars. However, for the purposes of determining how much money is available for the allocations, which are made at the end of 2016, foreign exchange spot rates were used. This explains the downwards adjustment of \$0.89 billion.

The downwards adjustment of \$1.12 billion for technical assistance and other donor conditions is broken down as follows:

- \$0.35 billion to account for certain donors withholding portions of their announced pledge amounts to finance technical assistance in countries where Global Fund grant program are implemented;
- \$0.16 billion to account for Debt-to-Health pledges or other permitted earmarked pledges that cannot be considered for allocation purposes given the restricted, targeted nature of such pledges; and
- \$0.61 billion to account for other donor-specified conditions, including any matching pledge amounts from certain donors, up to any predetermined amounts or according to any pre-announced ratios or performance conditions, as well as risk provisions based on historical and anticipated pledge performance across donors.

Bottom line: Only \$9.2 billion of the \$12.9 billion raised for the 5<sup>th</sup> Replenishment will go towards allocations to countries. (This figure is arrived by deducting the \$1.1 billion in forecasted unutilized funds from 2014-2016 allocation from the \$10.3 billion total in the above table.) This may surprise and even disappoint many people, but the Global Fund was simply following the same process used for the 2014-2016 allocations.

The inclusion of unutilized funds from the 2014-2016 means that the allocations for 2017-2019 will once again consist of a mix of new funding (from the 5<sup>th</sup> Replenishment) and existing funding (from the 2014-2016 allocations).

The Global Fund decided that no money from the \$1.1 billion in unutilized funds from the 2014-2016 allocations would be used to finance initiatives on the Unfunded Quality Demand (UQD) register. The rationale for this decision is as follows: Many initiatives initially registered as UQD have now been financed through grant-making efficiencies and optimization efforts have partially or fully addressed other 2017 funding priorities. Initially, the Secretariat recommended using funds from the 2017-2019 allocation to finance \$36 million of the remaining registered UQD. However, of the \$700 million validated by the Finance and Operating Performance Committee in March 2016 as available for portfolio optimization, nearly \$40 million remains available after covering all 2017 priorities with respect to shortened grants and early applicants. So that \$40 million more than covers the \$36 million required for the UQD initiatives.

### Comprehensive Funding Policy

The Board made some changes to the Comprehensive Funding Policy, most of them of the housekeeping variety. Some changes were required to reflect the allocation methodology adopted by the Board in April 2016.

The revised policy includes a description of the methodology for portfolio optimization, including clarification that during an allocation period, new funding may become available due to additional pledges and contributions; unutilized funds from a grant from a previous allocation period; and forecasted unutilized funds from grants in the current allocation period.

Other changes included clarifying how the announced replenishment results are derived, and updating the methodology for determining how much money is available for allocations to countries.

The revised policy clarifies that the proposed methodology for a given allocation period is decided by Secretariat but approved by the Audit and Finance Committee prior to its application.

### Civil society concerns

The Developed Country NGO Delegation issued a statement on 13 November which raised some concerns and advanced some recommendations to the Board.

The delegation said that the decision to use the spot rate for currency conversions rather than the SMA

rate meant that the U.S. pledge was effectively \$3.86 billion rather than the maximum \$4.33 billion. (According to U.S. law, the country can only contribute 33% of total contributions.) “Access to the full \$4.33 billion will rely on the Global Fund raising additional funds to reach the target of \$13 billion by September 2017,” the delegation said.

The delegation said that the \$13 billion replenishment target was estimated as the minimum amount needed to keep the fight against the diseases “at the right side of the tipping point.” However, the delegation added, UNAIDS, the Stop TB Partnership, and Roll Back Malaria estimate that even with a \$13 billion Global Fund contribution, and even after accounting for contributions from other external funders and domestic investments, “there is a gap of \$20 billion between available resources and global need.”

The delegation said that using the amount of money available for allocations to country, it has done some calculations concerning the funding countries and regions can expect to receive. Its calculations reveal three trends that it labels “problematic”:

1. Most countries face a level of support that is flat-lined compared to previous allocations.
2. The region of sub-Saharan Africa is also expected to receive a flat-lined allocation.
3. Dramatic funding reductions are expected in three regions: Eastern Europe and Central Asia; Latin America and the Caribbean; and the Middle East and North Africa.

However, there is one important caveat: The delegation’s calculations could not take into account the qualitative and other adjustments that the Global Fund will perform after it runs the income level/disease burden model to determine initial allocations to countries. These adjustments can have a considerable impact on what some countries receive.

The delegation recommended that the Secretariat develop an ambitious strategy to mobilize additional resources for the 2017-2019 replenishment cycle. The delegation said that a concrete action plan should be presented to the 27<sup>th</sup> Board meeting, and that a mid-term replenishment meeting should be organized for 2018 and should include a pledging session.

Regarding the Comprehensive Funding Policy, the delegation criticized the requirement in the current policy that all grants approved in a given replenishment period be funded by money available in that period. It said that the Fund should “explore flexibilities” to ensure that funds raised in one replenishment period are spent in that period. “A substantial part (if not all) of the funding of grants that are mainly implemented in a subsequent replenishment term” – i.e. period – “could be funded from resources mobilized in that new replenishment term,” the delegation said.

The information for this article came from two Board papers – Document GF-B36-02 Comprehensive Funding Policy; and Document GF-B36-03 2017-2019 Allocation: Sources and Use of Funding. Both documents should be available shortly at [www.theglobalfund.org/en/board/meetings/36](http://www.theglobalfund.org/en/board/meetings/36). Additional information came from a statement released by the Developed Country NGO Delegation, a copy of which should be available on the delegation’s website: <http://globalfund-developedngo.org/>

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