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Qualitative adjustments process decision expected from Global Fund's July Committee meetings

Next week, the Global Fund Board's Strategy Committee (SC), Audit and Finance Committee (AFC), and Ethics and Governance Committee (EGC) each meet for two days, between July 15 and 19. The Committee meetings are closed, and the discussions undertaken are usually not made public afterwards – unless some of that content takes the form of recommendations to the Global Fund Board.

The 10th Strategy Committee meeting will be held on 18-19 July. One known item on the agenda, included in a Decision Point approved by the Board at the 41st Board Meeting in May 2019, is a decision to be taken by the committee (rather than finalized as a recommendation to the Board) on the Qualitative Adjustments Process for the 2020-2022 Allocations.

The Decision Point (Board paper GF/B41/DP03 – see [article in GFO 356](#)) approved an updated allocation methodology for determining the allocations to countries for the 2020-2022 allocation period. The Board also decided that up to \$800 million from the funds available for country allocations will be used to ensure scale-up, impact, and 'paced reductions'. (On the more technical side, the Board also acknowledged the Technical Parameters presented in an annex to the Decision Point, and reaffirmed the Core Funding Model Principles presented in an annex to a Board Paper from the 35th Board meeting.)

As a follow-up to the Decision Point, the Board asked the Strategy Committee to review and approve, at July 2019 meeting, the method by which the Secretariat will apply and report on the qualitative adjustment process, which forms part of the allocation methodology. (The Strategy Committee has delegated authority from the Board to approve the qualitative adjustment factors.)

Qualitative Adjustment Process

The Qualitative Adjustment Process is the final step in the Global Fund's allocation process, and leads to the amounts finally allocated to grants. Its purpose is to adjust funding to countries based on a tailoring of the amount proposed by the allocation formula, according to specific country contexts. (The allocation formula is based on disease burden and country economic capacity, among other factors.) The factors that potentially influence qualitative adjustment decisions include gaps in achieving impact targets, funding absorption issues, programmatic performance issues, key populations, and transitions.

The Strategy Committee approved, for the 2017-2019 allocation period, a two-stage qualitative adjustment process. Stage 1 adjustments are intended to refine allocations to take into account HIV incidence among key populations, in order to better account for the disproportionate burden of HIV among key populations in generally low-prevalence settings (less than 2%). Stage 2 adjustments are intended to be more 'holistic', to take into account key contextual and programmatic factors such as absorptive capacity, the risk environment, fiscal space, and other considerations related to sustainability and transition.

Constituency concerns

Various constituencies of the Global Fund Board have made inputs to the Strategy Committee in the leadup to the July Committee meeting, expressing concerns or noting other issues they wish to have taken into account during the committee's deliberations. Members of some constituencies have shared their views. A number of issues seem to be of concern, including:

- (Stage 1) Lack of sufficient data on populations disproportionately affected by TB: Due to lack of data previously, adjustments could not be pursued for the 2017-2019 allocations. Constituencies now wonder how these populations will be adjusted for if the SC finds there is still a lack of sufficient or sufficiently robust data.
- (Stage 2) Absorptive capacity: Concern has been expressed about the measurement of absorptive capacity 'simply' as a measure of the rate of spending, rather than taking into account trends in absorption and key barriers or bottlenecks.
- (Stage 2) Risk environment: Some constituencies have requested that assessment of the risk environment must include risks related to transition (including but not limited to costs incurred for procurement of commodities under national procurement rather than the Global Fund's pooled procurement), human rights, finances including debt burden, access to medicines and health products, and ad hoc disease outbreaks or other health crises.
- (Stage 2) Past impact: The SC has been asked by constituencies to consider adding other factors into the assessment of past impact (in addition to incidence trends and mortality), such as the impact of other health crises (e.g. Ebola), an increase in the weighting of rising incidence trends, and factoring in previous spend on prevention.
- (Stage 2) Coverage gaps: Here some constituencies have requested a broadening of the factors considered in the assessment of coverage gaps, in order to better account for barriers to access (including legal, human rights and gender-related barriers). In addition, a suggestion has been put to the SC that Country Teams and Grant Management be notified about any contextual issues that were taken into account and affected the final allocation, in order to constructively influence the development of future grant requests from a given country.
- (Stage 2) Fiscal space: Constituencies say that they have been told that the Global Fund is conducting fiscal space analyses to better inform their understanding of country economic capacity beyond GNI per capita – but that the status of this process is not clear. They have therefore requested consideration of a number of questions relating to the approach to fiscal space as a consideration in Qualitative Adjustments (for space reasons we cannot list all the questions here), including about indicators used in the calculation of fiscal space, how debt sustainability is being

incorporated, and whether a fiscal space-related adjustment would be applied only to selected countries or across the Global Fund's entire portfolio.

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 made during the 18-19 July meeting. The GFO has requested information from the Secretariat about when the decision will be made public.

In November, once the outcome of the Sixth Replenishment in October is known, the Board will approve funds for allocation for the 2020-2022 allocation period at its 42nd 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%.

Other expected topics on committees' agendas

The 10th Audit and Finance Committee meeting, from 16-17 July, is expected to make decisions during the meeting on three items: the External Audit Plan, the Environmental, Social and Governance Investment Framework & Amended Policy of Financial Administration, and the Methodology for the calculation of announced pledges. Other topics expected to be discussed in the form of informational updates include financial performance, resource mobilization, an OIG progress update (also covering Agreed Management Actions) and risk management.

The 10th Ethics and Governance Committee meeting is expected to discuss next steps on the topic of strengthening committee selection processes, which was tabled as a decision point at the 41st Board Meeting in May 2019, but was withdrawn from decision on the second day of the meeting for further consultation, after the United States and the Developed Country NGO constituency raised objections. At that time, the Board moved this decision point to the agenda for the November 2019 meeting. (See [article in GFO 356](#).)

The EGC is not expected to be taking decisions but is expected to discuss, in addition, the way forward on several topics including the governance culture initiative, lessons learned from the Board leadership selection process, and updates on the Secretariat's work on sexual harassment and on the Privileges and Immunities Agreement, and will hear an update by the Ethics Officer.

Further reading:

- The Global Fund Board's [May 2019 Decision Point on the updated Allocations Methodology](#)
- The GFO's [article on Decision Points from the 41st Board Meeting](#) (17 May 2019)

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