“Significantly over-allocated” countries see limits on their resources under new funding model’s allocations

Countries considered by the Global Fund to be “significantly over-allocated” have seen dramatic reductions in their allocations under the new funding model (NFM), and will be limited to implementing existing grants until the end of 2016.

Modest reductions had been expected, but the situation in many countries appears to have been aggravated by the decision to include both existing and new funding in the allocations announced to countries on 12 March.

Under the methodology adopted for allocation under the NFM, those countries considered “over-allocated” in the past – receiving more than the new formula suggests they are entitled to – were to see their envelopes for the 2014–2016 period reduced by some 25%. Future allocation periods would see comparable staggered reductions until the pre-determined level was reached. This process was dubbed a “graduated reduction” in the run-up to the roll-out of the NFM. (For more information on graduated reductions, see Annex 1 in the Aidspan paper, “The New Funding Model Allocation Methodology Explained: Version 2.”)

That methodology did not, however, make any reference to “significantly over-allocated” countries: a description that, when it was included in letters received by Ukraine and others, came as a bit of a shock.

Ukraine is an upper middle-income country. In the letter received by Ukraine, a copy of which was shared with Aidspan, the Secretariat said: “The allocation formula used in the new funding model indicates that Ukraine’s HIV and TB components are receiving more funding than the country’s fair share of Global Fund resources. This is because of the existing volume of funds in Ukraine’s grants. Given the need to balance limited resources across the entire Global Fund portfolio, with focus on the highest disease burden and lowest income level countries, this allocation will need to be gradually reduced”.

But Ukraine’s allocation was more than “gradually reduced.” Because the Global Fund considered that both of the country’s disease components were “significantly over-allocated,” Ukraine’s funding until 2016 was limited to existing grants (see Table 1, taken from the allocation letter).

Table 1: Summary of 2014–2016 allocation to Ukraine

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[1] Existing funding, as of 31 December 2013, is taken into account in the funding allocation. Existing funding includes: (1) committed funding that remains undisbursed; (2) uncommitted transition funding of the new funding model approved by the Board; and (3) uncommitted rounds-based funding (whether or not Board approved). Any such funding not yet approved by the Board will be adjusted by performance-based funding criteria and for Board-mandated savings.

Column 2, labeled “existing funding”, is misleading: while it is money to cover the costs of existing grants, some of it comes from funding that had yet to be disbursed as of 31 December 2013. Some of it also comes from commitments pledged during the Fourth Replenishment. This is because there was not enough money from 2011–2013 to cover all of the costs of the existing grants pipeline. As it was explained to Aidspan during the 31st Board meeting held 6-7 March in Jakarta, the existing pipeline was valued at $9.06 billion, whereas just $5.55 billion was available from earlier replenishment cycles. So, to cover the shortfall of roughly $3.5 billion, the Fund has dipped into the pledged funds. See Table 2 for details.

Table 2: Estimated existing grants pipeline at 31 December 2013,
showing costs to be covered by 2014–2016 revenues

Item	Cost ($ billion)
Signed into grant agreements but not yet disbursed	5.74
Board approved but not yet signed into grant agreements	+ 0.97
Approved in principle by the Board but subject to further approvals	+ 2.35
Total existing grants pipeline [A]	9.06
Estimated unutilized pre-2014 sources of funds [B]	– 5.55
Estimated existing grants pipeline costs to be covered from the Fourth Replenishment (2014ï¿½2016) [A-B]	3.51

For Ukraine, this means there will be some new funding for both HIV and TB but there will be no “additional funding” for new grants from 2014–2016 commitments: no money for scale-up without an overhaul of existing grants or an additional source of revenue.

The consequences for Ukraine run even deeper, according to Andriy Klepikov, of AIDS Alliance Ukraine. In an email conversation with Aidspan, he said that the $137 million allocated to HIV is actually $46 million less than what was “nearly fully approved” in December 2013 for Phase 2 of Ukraine’s HIV grants. (The Grant Approvals Committee has not provided a final recommended amount for Phase 2.)

Also, the $47 million allocated for TB during this next cycle is approximately how much remained for disbursement under Phase 2 of grant UKR-913-G11-T: money that was to be spent by 2015. Now, however, as no additional funding has been allocated to Ukraine for TB, those $47 million will be stretched to cover activities until the end of 2016, or until the start of the next allocation period in 2017.

The allocation letter to Ukraine signed by the head of the Grant Management Division, Mark Edington, said: “While the suggested allocation for the period 2014–2016 remains at par with the level of funds disbursed over the last three years ($179 million between 2011–2013), we realise that this allocation represents an overall decrease to the expected funding levels.”

“As the total allocation to HIV under the new funding model is less than the CCM requested amount, the CCM will need to review the program plans [for its existing grants].”

Suggestions from the Secretariat for the CCM to consider included a revision of Ukraine’s renewals request for the HIV grants and a reprogramming of the TB grant for funding to extend through 2016. The CCM could also submit a new concept note covering all of its existing funding, which would be an integrated concept note due to the high rate of TB-HIV co-infection.

Whatever the decision, it will require some tough programming choices for Ukraine, which is also facing a political crisis that Klepikov and other activists say is likely to have severe consequences for public health.

The effects of the political crisis could also limit Ukraine’s ability to access its complete envelope. New “willingness to pay” requirements mandate a certain level of domestic co-financing of programs supported by the Global Fund, which in Ukraine will mean a significant increase of government contributions to TB and HIV disease programs. With the political future of the country still uncertain, this additional requirement could prove the most onerous for Ukraine’s ongoing activities against the two diseases.

It is likely that Ukraine is not the only country experiencing this allocation shock. Of the handful of countries whose allocation letters were shared with Aidspan, two were informed that their HIV components had been “significantly over-allocated.”

According to a draft working paper being prepared by the Center for Global Development, a majority of the top 25 recipients of HIV grants from the Global Fund have received funding that has been disproportionately high “relative to their need, performance and ability to pay”.

The over-allocation conundrum is only one aspect of the allocations causing bewilderment within countries. Predictably, those who have been informed that they are over-allocated and have thus seen their envelopes shrink are making the most noise. Yet even among those countries that have seen increases in their allocations, there is considerable confusion about the implications of transition, the flexibility in the spending period and the timeline for integrating existing grants into the new proposal writing process. Aidspan has sought clarification from the Secretariat on all of these issues and will continue examining them in depth.

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