



Independent observer  
of the Global Fund

## DISCUSSION, BUT NO DECISIONS YET ON CHANGES TO THE ALLOCATION METHODOLOGY FOR 2017-2019

The allocation methodology for 2017-2019 was much discussed at the Board meeting on 16-17 November. There were two slots on the agenda devoted to this topic, but the Board was not asked to make any decisions.

Under the rules that enables Aidspan to attend Board meetings as observers, we are not allowed to report on what is said around the Board table. However, we can report on the contents of the paper on allocation methodology that was provided to the Board for its discussion. The paper, which was called Allocation Methodology Framework, was not really a framework, but rather (a) a summary of lessons learned from the methodology that was used for the 2014-2016 allocations; and (b) a description of some of the changes the Strategy, Investment and Impact Committee is considering to the methodology for 2017-2019.

At its meeting in February 2016, the SIIC will recommend an allocation methodology which the Board will be asked to approve at its next meeting on 27-28 April 2016.

### Lessons learned

Most of the lessons learned had been identified previously. What follows is a summary of what the paper said about some of these lessons.

- Country bands. The way funding was allocated to the bands prevented the Secretariat from re-allocating funding between countries in different bands. This limited the ability to optimize allocations across the portfolio to account, for example, for cases where base funding was insufficient to scale up or even maintain current levels of service coverage. As a result, 11% of the components in Band

1 (i.e. the countries with highest disease burden and lowest economic capacity) had to resort to shortening the duration of their grants in order to maintain or allow for modest increase of services. At the same time, \$162 million that became available during qualitative adjustments were “locked into” Bands 2 and 4, and could not be reallocated to support scale-up in Bands 1 and 3.

- Adjustment for minimum required level (MRL). An MRL adjustment was necessary to ensure “a paced reduction” in country components which had previously received higher funding than their “formula-derived amounts” (i.e. the amounts the allocation formula said they should have received). However, in order to maintain higher-than-formula amounts for some country components, other country components that had previously received less than their formula-derived amounts were not able to fully scale up to their formula-derived amounts. The MRL adjustment resulted in the biggest shift of resources across the portfolio during the allocation process. The impact was felt disproportionately in 6-10 above- and below-formula countries. The top six above-formula countries (representing nine components) resulted in the movement of approximately \$1 billion across the portfolio away from high burden, below-formula countries. Despite this, the Secretariat has successfully negotiated a greater than 25% reduction in the allocations for more than 30 above-formula country components, allowing for the reinvestment of these funds in below-formula countries. (The paper did not provide further details.)
- Band 4 methodology. Having a separate methodology for Band 4 countries ended up shifting funds away from countries in Bands 1-3. Also, the separate methodology didn’t meet the needs of key populations in many of the Band 4 countries. Nor did the approach advance efforts to support sustainability and transition. (The discussion in the paper was far more technical than what we have summarized here, but that’s the nature of the allocation methodology – it is exceedingly technical.)
- Incentive funding, regional programs and special initiatives. None of these approaches are fully meeting their initial aims. The availability of incentive funding increased expression of demand in some instances, and stimulated some innovative approaches. However, shortfalls in the amount of base funding available for core elements of national program responses often resulted in countries using incentive funding to fund basic services. Feedback received from many countries, and from the Technical Evaluation Reference Group and the Technical Review Panel, indicated that having an incentive funding stream created an overly-burdensome application process, and did not facilitate the predictability of funding. The \$1.2 billion demand for funding for regional programs vastly exceeded the \$200 million set aside for these programs.

#### Discussions re possible changes and next steps

One section of the paper described some of what the SIIC has been discussing concerning possible changes to the methodology.

**Global disease split.** The majority of SIIC members do not believe that it is necessary to revise the global disease split that was used for the 2014-2016 allocations (50% HIV, 32% malaria and 18% TB). The discussion at the SIIC focused primarily on the importance of countries having the flexibility to determine the split at a country level; what factors countries should consider; and whether the allocations should be communicated to countries under a single country envelope (as opposed to being broken out by disease or component).

**Country bands.** So far, there has been no consensus among SIIC members concerning whether country bands should remain part of the allocation methodology. However, there is broad agreement on the need for more flexibility to move funds across the full portfolio during qualitative adjustments.

**Indicators for the formula.** The SIIC agreed with the recommendations of the technical partners that the

HIV indicator remain the same (updated with latest available data); and that the TB indicator be updated to reflect a higher co-efficient for MDR-TB. The paper noted that the malaria burden indicator is still being refined with the technical partners. Finally, the paper noted that the outcomes of the Equitable Access Initiative may be considered if they are available in time. (The Global Fund believes that the allocation methodology must be finalized by the time of the Board meeting on 27-28 April 2016 to ensure that countries are informed of their allocations by November 2016.)

Band 4 methodology. The SIIC discussed several possible approaches, including the possibility that the needs of key populations in higher income countries could be addressed through an approach separate from country allocations.

MRL. The SIIC believes that the goals of the MRL might be met by emphasizing the existing flexibility to negotiate reductions on a country-by-country basis rather than applying a one-size-fits-all formula across the portfolio. In addition, the committee said, the 2014-2016 allocations might be a better benchmark for the MRL calculations than recent disbursement data.

Qualitative adjustments. Discussions at the SIIC have centered around putting more emphasis on impact and utilization of funds as qualitative adjustments.

Incentive funding, regional programs and special initiatives. In its discussions, SIIC members expressed concern regarding any potential increase in top-down initiatives from the Secretariat and warned against "initiativitis." Some committee members believe that cross-border, multi-country approaches might be the best way to make progress on specific strategic issues. There was also discussion about whether these three approaches could be more strategically addressed through a single "flexible funding" modality driven by country-level needs.

Most people GFO talked to at the Board meeting believed that the most contentious issues to be resolved with respect to the allocation methodology for 2017-2019 are incentive funding, regional funding, the MRL, country bands, and the Band 4 methodology.

#### Reflections from the TRP and the TERG

In a separate Board paper, the TRP and the TERG provided reflections on the allocations methodology. Both entities said that the methodology used for the 2014-2016 was a big improvement over the approach taken under the rounds-based system and that it should not be radically altered for 2017-2019. However, they identified several aspects of the methodology that could be improved.

In terms of lessons learned, the TRP and the TERG said that the varying quality of national strategic plans made for cumbersome concept notes and a cumbersome review process. They recommended that consideration be given to using multi-component concept notes, and that more use be made of differentiated approaches not just for the applications process but throughout the grant life cycle.

Both the TRP and the TERG believe that incentive funding is not serving its intended purpose and should be revisited. In addition, both entities were of the opinion that a disproportionate amount of time was spent on access to funding compared to grant implementation.

The TRP said that while the concept notes reflected a growing focus on non-discrimination and inclusion of key populations, they did not always contain activities to make this happen and they rarely included monitoring plans. The TRP said that there should be more attention paid in concept notes to expanding advocacy efforts to create an enabling environment for key populations.

The TRP noted that that proposed program split is rarely critically reviewed in countries and seldom includes HSS. It also noted that while there are now many joint TB/HIV concept notes being submitted,

the programs are still structurally separate.

For its part, the TERG said that although there have been improvements in data systems, they remain weak and limited in most countries. The TERG recommended that the Global Fund invest now in program reviews, national strategic plan development, and joint assessment of NSPs. It also suggested that the Fund move towards NSP-based grants.

#### Open letter from EECA countries

Prior to the Board meeting, a number of organizations in Eastern Europe and Central Asia sent an [open letter](#) to Board members that included a section on the allocation methodology. In their letter, the organizations stated that the discussions already underway concerning the resources that will be available for higher-income and lower-disease-burden countries, and the availability of funding through the incentive funding stream, special initiatives and regional programs, “would drastically shift the manner in which the Global Fund allocates its investments.”

The letter said,

“We are very concerned about whether all these significant changes to allocation methodology are being driven by evidence or by politics. It is essential that any modifications of the allocation methodology be made in response to actual gaps and challenges experienced during the first phases of implementation. We don’t think there has been enough time to analyze the challenges, results and lessons learned from NFM implementation to make informed decisions about its re-structuring.”

The letter pointed out that civil society organizations have provided extensive input on these issues during a number of meetings, including the partnership forums. “But we do not know whether and how our recommendations are being reflected in the current decision-making process,” the letter stated. “We believe that we have a right to know what is being considered and demand involvement in this decision-making process.”

The letter went on to say,

“We ask the Global Fund delegations and Secretariat to become more open about the options being considered for the allocation methodology for the period 2017-2019, to improve communication with civil society partners on that issue, and to organize a public consultative process regarding this issue.”

The Allocation Methodology Framework, Board Document GF-B34-12, should be available shortly at [www.theglobalfund.org/en/board/meetings/34](http://www.theglobalfund.org/en/board/meetings/34). The TERG and TRP Reflections, Board Document GF-B34-09, should be available shortly at the same site.

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