The underfunding of catalytic investments has aroused much debate

Context

At the 49th Board meeting being held in Hanoi the Board was briefed on the Update on Country Funding and Catalytic Investments. The update focused on three important aspects: (i) an overview of funding request (FR) status; (ii) the grant approval process; and (iii) the conversion of national allocations into signed grants.

This article outlines the update provided to the 49th Board meeting and summarizes stakeholders’ views on the Update. It is based on the Board paper of the same title.

Update on Country Funding

After the last Board meeting in November 2022, Allocation Letters were sent to applicants inviting them to submit FRs under the new funding cycle, Grant Cycle 7 (GC7). These Letters specified the total amount for the country and any other issues to be taken into consideration in the FR. The Secretariat and its partners have been actively supporting country dialogue in preparation for GC7. The expectations related to the new Global Fund Strategy 2023-2028 have been embedded in the trainings, webinars, e-learnings and applicant guidance material made available from July 2022 onwards.

The Board thanked the Secretariat for its work in the face of several constraints: in preparing and sending out the Allocation Letters before the end of 2022, despite delays due to waiting for Replenishment Conference pledges to be forthcoming; and in supporting applicants in the development of high-quality FRs. The Board were informed of the organization’s close engagement with technical partners; it appreciated the integration of specific modules for resilient and sustainable systems for health (RSSH) and human rights and gender (HRG) in the capacity building offered by the Fund and such partners, supporting countries to better integrate these topics into Global Fund grants.

The application process is now well underway

The diagram below shows the timeline for the GC7 period which began with the publication of the new materials in July 2022, the development and delivery of training webinars for the Secretariat and then the wider partnership, support for partner-hosted workshops and meetings, and the e-learning portfolio. It
shows how country dialogue was launched last year and continues on an ongoing basis throughout this FR-development year, 2023. It also indicates the first two deadlines for Windows 1 and 2, the Windows under which the majority of eligible countries will submit their FRs.

**Figure 1. Allocation period 2023-2025 timeline**

Between January and December 2024, the Global Fund will disburse the first tranche of funding to approved countries and CG7 program implementation begins in earnest.

**Figure 2. What did applicants think of their experience?**

Change coordination efforts

To date, more than 6,800 users have been involved in the process to enable countries to submit their grant applications. The Secretariat calls this “change coordination” since there were several new components and enhanced focus areas in GC7, resulting not only from the new Strategy 2023-2025 but other global guidance and reviews from the Technical Review Panel (TRP) and others on what had and had not worked (for example, see the [2020-2022 TRP Observations Report](https://www.globalfund.org/newsroom/trp-observations-report-2020-2022)).
Funding request registration by TRP Window and amounts allocated

The Global Fund opened four TRP Windows for GC7 for invited countries to submit funding applications to address the three diseases. Once submitted, these are evaluated by the TRP based on a set of criteria, including programmatic impact, financial sustainability, and risk management.

During the 2023-2025 allocation period, approximately 205 applications for funding are expected. 136 funding requests, or approximately 66%, have been registered to date. The majority of FRs for this allocation period will be reviewed by the TRP in the first half of 2023.

The amounts allocated by window vary. For this allocation period, the FRs currently registered for consideration in 2023 amount to $11.8 billion, or 90% of the country-communicated allocation of $13.1 billion.

Figure 3. Funding request application by TRP Window

Figure 4. Allocation a
Currently, $13.128 billion is available for country allocations, of which $4.9 billion was recommended for grant-making in Window 1.

Figure 5. Allocation now in grant-making by component

Applicants have submitted disproportionately high amounts in PAAR in GC7 Window 1, already more than half of the PAAR submitted in NFM3 (GC6). In GC6, 96% of PAAR was approved as Unfunded Quality Demand (UQD); in Window 1 of GC7, only 82% of PAAR was considered UQD.

Figure 6. Substantive increase in size of PAAR submissions
2020-2022 portfolio optimization

The investment of funds made available by the Audit & Finance Committee (AFC) for portfolio optimization (PO) in NFM3 (as of March 2023) are as follows:

- In December 2021, following a SC recommendation, the Board approved $12 million in PO funds to be used to address the health crisis in Venezuela (GF/B46/EDP02).
- The Board approved PO funds to be used to top up the Emergency Fund on two occasions (1) $30 million in March 2022 (GF/B46/EDP17) and (2) $40 million in October 2022 (GF/B47/EDP17).
- “Available Funds” include funds not yet awarded and funds returned to the PO pool post-Grant Approvals Committee (GAC) award due to savings and efficiencies identified in the PO grant revisions process.

Figure 7. 2020-2022 Portfolio Optimization

Update on Catalytic Investments

The Secretariat provides a semesterly update on Catalytic Investments (CIs) operationalization for the SC and Board. These comprise three components Matching Funds (MFs), Strategic Initiatives (SIs) and Catalytic Multi-country Funds.

For SIs, updates include an overview of portfolio performance with information on financial and programmatic progress in reaching targets. SI by SI implementation plans (including theories of change, objectives and results frameworks) are assessed by the TRP and approved by the GAC. Similar to grants, regular updates and proposed shifts in SI interventions are also shared with the GAC. More granular updates, including on the design and development of GC7 SIs, are shared with technical working groups, disease “situation rooms”, advisory groups and other partnership fora.

At its meeting in March 2023, the SC commended the work already undertaken toward CI operationalization. The SC noted the concerns and challenges implied by reduced CI funding in GC7 and, through the Comprehensive Funding Policy (CFP), that unused NFM3 CI funding could not be allocated to CI priorities in GC7.

In this context, the SC highlighted the importance of utilizing any projected underspend within the SI portfolio to respond to emerging country demand. The Secretariat committed to meeting this need through the approved tools of revisions within existing SIs to maximize potential; among SIs through reallocation; and, to develop a prioritization framework for SI optimization given the high level of commitments which leave limited flexibility to revise and/or reallocate.
Readers should note that, as of December 2022, the SIs had utilized 43% of GAC-approved budgets; and commitments at over 80% indicate increased implementation in the final year and limited room for reallocation.

Programmatic progress

The programmatic progress in this semester has been strong, averaging 82%, reflecting portfolio acceleration in S4.

Considerations and insights for the programmatic progress

Note that SI programmatic progress is measured semesterly whereas financial performance is cumulative (fund utilization and commitments) against GAC-approved budgets (approximately three years in length).

Programmatic results may not always translate in significant fund utilization but are important in assessing progress in meeting SI objectives

Not all metrics are the same, nor should they be – 42% of metrics reported in S4 are process-focused (vs results) as milestones against the broader objective(s) the SI seeks to catalyze. To differentiate, SIs where more than half of indicators reported against are process focused are marked with * in Figure 6 above.

Given the projected underspending, it is essential to meet country demand by reallocating SI funds and looking at how to optimize their use.

Recommendations and feedback for GC7 CI readiness

In addition to maximizing NFM3 underspend, the AFC and SC provided feedback, including recommendations for GC7 CI readiness as seen in the diagram below.
The next steps on CI operationalization to maximize GC 6 impact and ensure GC7 implementation readiness are shown in Figure 10 below.
Stakeholder feedback

The underfunding of CIs has been fairly controversial. Several stakeholders felt that the underfunding threatened the achievement of the new Strategy’s objectives and targets.

For this reason, several beneficiaries have asked the Secretariat to provide a more concrete analysis and plan for supporting the CI portfolio, including clarity on how the Secretariat will prioritize catalytic investment, or the investment of any new funds raised, in meeting the many competing and critical funding gaps in country allocations and in development programs.

People also pointed several challenges, such as the fact that the cuts to the SIs undermine and worsen the shrinking space for civil society groups and communities to engage with the national Global Fund processes and structures including in grant implementation.

Civil society activists noted that there is insufficient attention to the FR Annex 2 (Funding Priorities of Civil Society and Communities most Affected by HIV, Tuberculosis and Malaria) as well as a mismatch between community priorities identified in the Annex and the final country proposal. In some countries, it was pointed out, country dialogues were conducted by ministries of health rather than by the Country Coordinating Mechanisms (CCMs), undermining the transparency and accountability processes of the Global Fund and threatening country ownership.