

Description of the 2020-2022 Allocation Methodology

December 2019

The allocation methodology is made up of two parts: country allocations and catalytic investments. Country allocations are the Global Fund's main source of funding to drive impact, comprising approximately 93% of overall resources. Catalytic investments aim to catalyze the use of country allocations to increase impact. For the 2020-2022 allocation period, the Global Fund's Board approved a total of US\$12.71 billion for country allocations and US\$890 million for catalytic investments.

Country Allocations

The Global Fund's Eligibility Policy identifies countries that may receive an allocation for each disease. Allocations are determined through the following allocation methodology, which is approved by the Board and Strategy Committee.

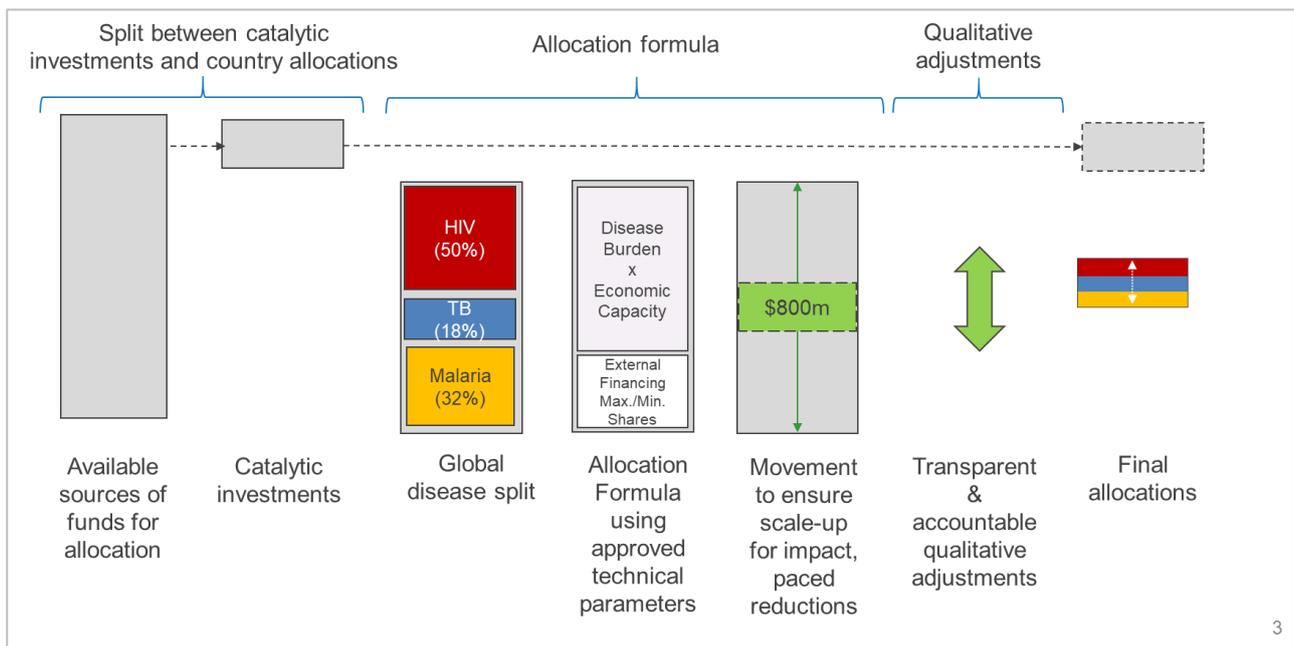


Figure 1: Overview of the 2020-2022 Allocation Methodology

Allocation Formula

To produce country allocations, the allocation formula first divides the total funds available (US\$12.71 billion) by the global disease split. This is 50% of resources for HIV, 18% for TB and 32% for malaria. The global disease split determines the total amount of funding per disease, although the split of resources is different for each country.

The allocation formula distributes funding to each country primarily in line with its disease burden compared to the disease burden of all Global Fund eligible countries. It also accounts for country economic capacity, to give more weight to countries with lower capacity to fund responses to the three diseases and resilient and sustainable systems for health.

For all countries eligible to receive funding for each disease, their raw allocation for the disease is determined by multiplying their disease burden¹ by their country economic capacity². Each country's disease burden multiplied by their country economic capacity is then divided by the sum of disease burden multiplied by economic capacity for all eligible countries, which produces a share for each country. Each country's share is then multiplied by the total available funding for the disease to product an allocation amount. Here is an example of how a country's raw allocation is calculated in the case of malaria:

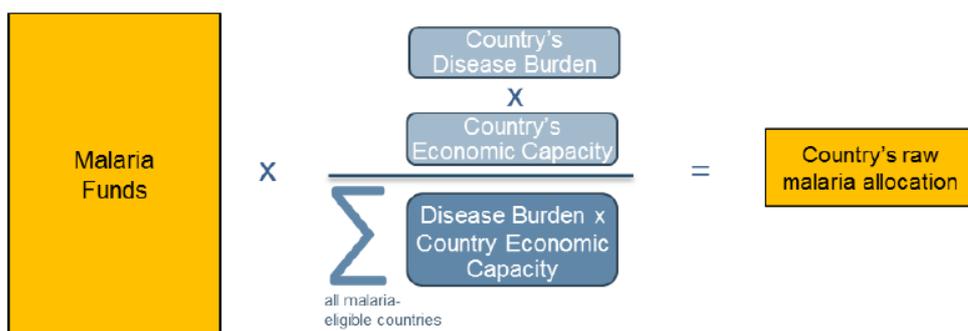


Figure 2: Example of calculating country's raw malaria allocation

The country's raw allocation for the disease is then adjusted to account for:

- Minimum shares (US\$500,000 per disease component) to ensure that the funding is viable;³
- Maximum shares (10% funding available for the disease; 7.5% total funding per country) to ensure that the funding is not overly concentrated in a few countries;
- Projections of other external financing, to help align the global distribution of external resources for the disease in line with the distribution of the allocation formula.⁴

This gives an initial calculated amount for each eligible country disease program.

The initial calculated amounts are adjusted to provide scale-up for country programs that have received less funding from the Global Fund over the 2017-2019 allocation period than the formula has calculated for 2020-2022; and to provide sustainable paced reductions for country programs

¹ Disease burden for the 2020-2022 allocation period is measured by: for HIV: the number of people living with HIV (latest available data); for TB: TB incidence + 10*MDR-TB incidence (latest available data); for malaria: (([mean number of malaria cases]+[mean number of malaria deaths]+[0.05 * mean malaria incidence rate]+[0.05 * mean malaria mortality rate]) * ([population at risk, latest available year] / [mean population at risk])). Mean data from 2000-2004, all indicators normalized except population at risk data.

² Country economic capacity (CEC) values are between 0.95 and 0.14. CEC values are measured by a smooth curve, which decreases as Gross National Income (GNI) per capita increases. For those countries with the lowest GNI per capita, their CEC value is 0.95. The CEC value remains at 0.95 until just after the lower middle income threshold, where the CEC value starts to decrease gradually as GNI per capita increases. This means that if there were two countries with the same disease burden, but one has a much higher GNI per capita than the other, the country with the higher GNI per capita would get calculated a lower raw allocation than the one with the much lower GNI per capita.

³ Subject to assessment through the qualitative adjustment process of the impact that could be achieved, contribution towards achieving strategic objectives, and ability to efficiently manage such programs with differentiated and simplified grant management processes.

⁴ Projections for other external financing are discounted by 50% for data quality and can influence country allocations by only up to 25%.

that have received more funding from the Global Fund for 2017-2019 than the allocation formula has calculated for 2020-2022. This adjustment guarantees increases beyond 2017-2019 levels where scale-up is needed most, and moves up to US\$800 million toward the portfolio of country disease programs that should see more gradual decreases in their funding levels. The US\$800 million is distributed between these countries in proportion to the difference between their 2017-2019 levels and their initial calculated amount, to help smoothen the reductions. After this step, each eligible country disease program has its formula-derived amount.

Qualitative Adjustments

As the final step, the formula-derived amounts are refined through a transparent and accountable qualitative adjustment process approved by the Global Fund's Strategy Committee. The qualitative adjustment process aims to maximize the impact of Global Fund resources by accounting for (1) the needs in specific epidemiological contexts that are not fully captured in the allocation formula's technical parameters; and (2) a single, holistic adjustment to account for all additional country-specific considerations. The process is carried out under the oversight of the Global Fund's Strategy Committee and takes place in two stages:

Stage 1: an adjustment is made to increase HIV formula-derived amounts where there is evidence of high burden of HIV among key populations in countries with concentrated or mixed HIV epidemics, using estimates provided in collaboration with HIV technical partners. The 2017-2019 stage 1 adjustment for low endemicity malaria settings was not used in the 2020-2022 allocation cycle on the recommendation of technical partners. Only HIV allocations therefore had stage 1 adjustments.

Stage 2: to account for other country-specific considerations and to further maximize the impact of Global Fund resources, a single, holistic adjustment is considered for each formula-derived amount and stage 1 adjustment. This holistic adjustment is determined by a small, consistent panel under the oversight of a moderator, to ensure the process is carried out consistently across countries. The panel's decision is based primarily on each country disease program's gap to impact in line with global partner plans and its change in funding from the 2017-2019 allocation, as well as a number of contextual considerations, including programmatic performance, coverage gaps, risk environment, sustainability and transition, absorption and the cost of continuing essential programming.

This process results in final allocations for each country disease program. The total funding for a country is the sum of the allocations for each of its eligible disease programs. This final amount is communicated to the country in the allocation letter. During funding request development, countries are able to adjust the disease split of their allocation to best address their needs and to fund investments to build resilient and sustainable systems for health.

Catalytic Investments

Catalytic investments aim to maximize impact and the use of available funds to accelerate the end of the epidemics. For this period, US\$890 million is available for key priorities that are unable to be addressed through country allocations alone, yet are critical to successful program implementation.

The amount of funding available for catalytic investments for the current cycle is US\$890 million. This funding level was determined by the Board based on the total amount available for allocations, recognizing the importance of synergizing catalytic investments and country allocations to achieve strategic targets and ensure impactful use of funds.

The priority areas for catalytic investments were determined through a prioritization approach in consultation with partners and under the oversight of the Strategy Committee. The approach considered each priority's strategic impact such as its contribution to strategy targets, operational implications including the use of other Global Fund policy levers, and lessons learned from the previous cycle.