

2023 – 2025 Allocation Period: Sources and Uses of Funds

48th Board Meeting

GF/B48/03 A – Revision 1
15-17 November 2022, Geneva, Switzerland

Board Decision

Purpose of the paper: This paper provides the Audit and Finance Committee's recommendations to the Board and makes necessary updates to the 'Base Case Scenario' to reflect the actual amount of additional funds, net of adjustments, recognized as of the 48th Board Meeting, on (i) the amount of sources of funds for allocation for the 2023 – 2025 allocation period, from which the amount of sources of funds for catalytic investments and the amount of sources of funds for country allocations can be determined; and (ii) an additional amount of funds (the 'overallocation') for country allocations from forecasted unutilized funds during the 2023 – 2025 cycle. This paper also provides (i) the recommendation of the Secretariat, to supplement the recommendation of the Strategy Committee, on the amount available for catalytic investments for the 2023-2025 allocation period and (ii) the recommendation of the Secretariat to update the delegated authority granted to the Secretariat to increase the amount of funding available for the Emergency Fund.

Decision

Decision Point: GF/B48/DP04: Sources and Uses of Funds for the 2023–2025 Allocation Period

1. **Based on the recommendation of the Audit and Finance Committee (AFC), as presented in GF/B48/03A_Rev1, the Board approves US\$ 12.903 billion as sources of funds for allocation for the 2023-2025 allocation period. The total amount of sources of funds for allocation comprises, in accordance with the Comprehensive Funding Policy set forth in Annex 1 to GF/B36/02 – Revision 1 and approved through decision point GF/B36/DP04:**
 - i. **US\$ 13.678 billion, derived from the announced replenishment results for the Seventh Replenishment, net of adjustments;**
 - ii. **US\$ 0.250 billion of forecasted unutilized funds from the 2020-2022 allocation period; and**
 - iii. **a deduction of US\$ 1.025 billion of forecasted aggregate operating expenses for the 2023-2025 allocation period.**
2. **Based on the recommendation of the Secretariat to supplement the recommendation of the Strategy Committee, as presented in GF/B48/03A_Rev1, the Board approves the use of an additional US\$ 0.200 billion for catalytic investments for the 2023-2025 allocation period, bringing the total amount, from sources of funds for allocation, for catalytic investments for the 2023-2025 allocation period to US\$ 0.400 billion, to be made available for the priorities and associated costs set forth in Annex 1 of GF/B48/03A- Revision 1, and based on the recommendation of the Secretariat, the Board approves updating the delegated authority to the Secretariat established in paragraph 7 of GF/B47/DP06 so that the Secretariat may increase the amount of funding available for the Emergency Fund by up to an additional US\$ 0.020 billion, using funding approved as available by the AFC for portfolio optimization.**
3. **Additionally, based on the recommendation of the AFC and to help ensure the maximum amount of impact and use of funds over the 2023-2025 allocation period, the Board requests that the Secretariat include an additional US\$ 0.625 billion in the amount used to determine country allocations pursuant to the allocation methodology for the 2023-2025 allocation period in accordance with decision point GF/B47/DP05 (Allocation Methodology).**
4. **Accordingly, the Board approves that the amount of sources of funds for country allocations for the 2023-2025 allocation period is US\$ 12.503 billion, to which US\$ 0.625 billion will be added prior to determining the country allocation, for a total of US\$ 13.128 billion, to be used in accordance with the Allocation Methodology and decision point GF/B47/DP05.**

A summary of relevant past decisions providing context to the proposed Decision Point can be found in Annex 3.

Executive Summary

Context

- The Comprehensive Funding Policy (CFP)¹ establishes the Board's responsibility to approve, based upon the recommendation of the Audit and Finance Committee (the AFC), the sources of funds for allocation, which shall be available at the start of an allocation period. The sources of funds for allocation, in turn, shall determine the amount of sources of funds for catalytic investments and the amount of sources of funds for country allocations in accordance with the Allocation Methodology.²
- This paper describes the basis of the Board decision for the sources of funds for the 2023-2025 allocation period. This paper also includes, for decision, the Secretariat's recommendation, which supplements the Strategy Committee's (SC) recommendation to the Board, to approve an additional amount of US\$ 0.200 Bn, to be used for catalytic investments for the 2023-2025 allocation period.
- The Seventh Replenishment took place in a highly volatile economic context for resource mobilization with several factors impacting the available sources of funds, namely tensions on technical assistance as an increasing proportion of pledges, donor conditions affecting recognition and use of funds, and adverse foreign exchange (FX) impact of a stronger U.S dollar (US\$) on non-US\$ denominated pledges. The financial impact of a volatile resource mobilization context has adverse effects on the available sources of funds for allocation, which is a proxy for and has a direct bearing on achieving the ambition of the new strategy and enabling effective and efficient program implementation.
- The relative strength of the US dollar adversely impacted the replenishment outcome by US\$0.58 – 0.86 Bn when compared to FX rates applicable to the Sixth Replenishment pledges (October 2019) and the launch of the Investment Case (February 2022).

Questions this paper addresses

- A. What is the outcome of the Seventh Replenishment Pledging Conference and the effect on resulting sources of funds for allocation?
- B. What are the developments and considerations post Seventh Replenishment Pledging Conference that inform the development of the Base Case Scenario to determine the sources of funds for allocation?

¹ The Board approved the CFP, as set forth in Annex 1 to GF/B36/02 – Revision 1, pursuant to decision point GF/B36/DP04 (November 2016).

² The Board approved the Allocation Methodology, as set forth in Annex 1 to GF/B47/03, pursuant to decision point GF/B47/DP05 (May 2022).

- C. What is the recommended sources of funds for allocation, as updated to reflect additional pledges recognized after the Seventh Replenishment Pledging Conference, and how should such funds be used?

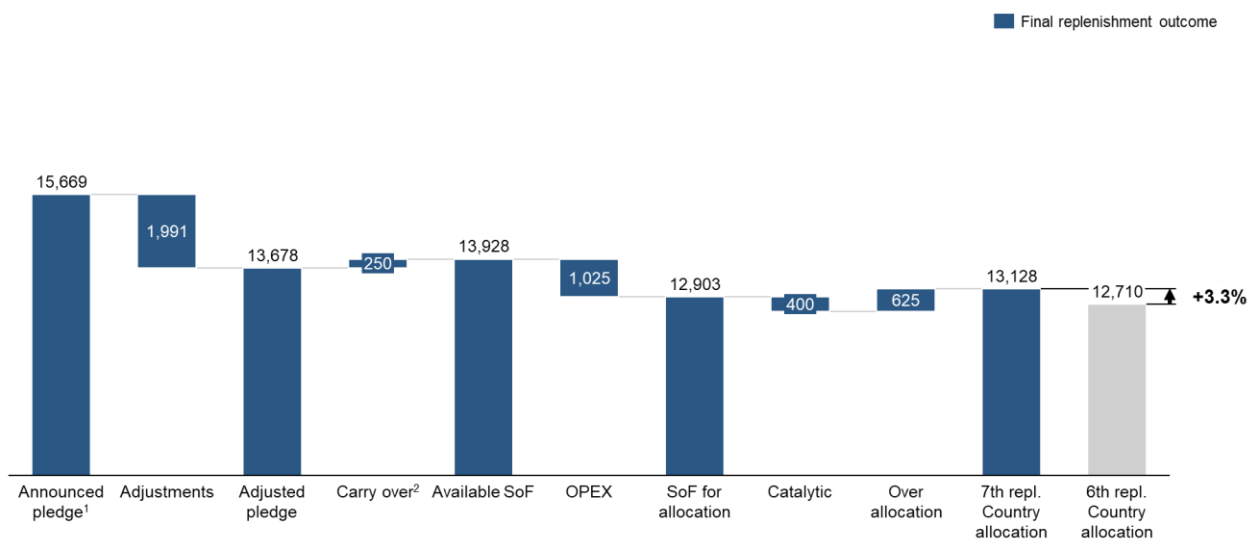
Conclusions

- A. Amidst the volatile economic context surrounding the Seventh Replenishment, donors confirmed pledges of **US\$ 15.669 Bn** (including additional pledges and donor conditions confirmed since pledges of **US\$ 14.257 Bn** were announced during the Seventh Replenishment Pledging Conference).
- B. As of the Pledging Conference, some major donors had yet to finalize their pledges and the Secretariat reviewed several potential sources of funds scenarios. To support the Board's deliberations pending finalization of actual amounts for its decision, the Secretariat elaborated a "Base Case" Scenario which included additional anticipated pledges from pending donors. These assumptions were based on information received from the relevant donors by the Secretariat as of the date of preparing the first version of this paper. Total sources of funds has subsequently been finalized with the actual amounts of additional pledges confirmed the week of the Board meeting, in accordance with the CFP and AFC instruction.
- C. The final sources of funds for allocation on the basis of the actual amounts of additional confirmed pledges amounts to US\$ 12.903 Bn, comprising:
- US\$ 13.678 Bn of net adjusted pledges (US\$ 15.669 Bn of announced donor pledges less US\$ 1.991 Bn of pledge adjustments e.g., set asides comprising technical adjustments, donor matching conditions, among others);
 - Adding US\$ 0.250 Bn of forecasted unutilized funds from the 2020-2022 allocation period carried over to the 2023-2025 allocation period;
 - Less US\$ 1.025 Bn, representing qualifying deductions for the forecasted aggregate amount of operating expenses for the 2023-2025 allocation period, subject to Board approval;

The sources of funds available for country allocation is US\$ 12.503 Bn after taking into account US\$ 0.400 Bn for catalytic investments for the 2023-2025 allocation period, determined according to the Board-approved formula (which includes an additional US\$ 0.200 Bn as recommended by the Secretariat with input from the Strategy Committee).

The total amount proposed for Board approval for the 2023 – 2025 country allocation is US\$ 13.128 Bn after including US\$ 0.625 Bn as an additional allocation (the 'overallocation'), representing the forecasted unutilized funds from the 2023 – 2025 allocation.

A chart summarizing the final replenishment outcome is presented below (amounts in US\$ millions).



The Board decision is based on additional pledges received and recognized in accordance with the CFP (reflecting the confirmed pledges of **US\$ 15.669 Bn** received as of the 48th Board Meeting). As the actual amount of additional pledges recognized in accordance with the CFP at the time of the Board decision differs from the Base-Case Scenario presented to the AFC, the Secretariat has updated the amounts included in the proposed Decision Point accordingly, and pursuant to the instruction in AFC decision point GF/AFC20A/DP01 (November 2022).

The trade-offs and prioritization, applied by the Secretariat, focused on striking the right balance to achieve optimum levels of operating expenses (OPEX), catalytic investments and country allocations, while ensuring that focus remains on mitigating any negative impact on grant programs and life-saving interventions including continuity of services.

The Board is requested to approve the Decision Point presented on Page 2.

Input Received

- At the 19th AFC meeting in July 2022, the methodology for calculating the announced replenishment results was approved. This decision approved by the AFC indicated that all donor pledges received on or before the date of the Seventh Replenishment Pledging Conference would be converted to United States Dollars using the spot rate of currencies other than the United States Dollar on the day of the Seventh Replenishment Conference.³

³ Due to the exceptional circumstance of no material public pledge in a certain non-US\$ currency being announced at the Seventh Replenishment Pledging Conference, and therefore being outside the referenced time frame of the AFC decision (GF/AFC19/DP01), the Secretariat has applied the spot rate applicable on the date of the pledge to calculate the conversion for such currency to United States Dollars for inclusion in the announced replenishment results for the Seventh Replenishment.

- At its 20th meeting in October 2022, the AFC, considering the Seventh Replenishment Conference outcome and the pending pledges from some major donors, suggested the Secretariat to consider further prioritization and trade off decisions (including OPEX levels) that would mitigate any negative impact on the available sources of funds for country allocation, thereby mitigating any adverse impact on grant program implementation and life-saving interventions, including continuity of services. See annex 1 for additional details of committee input received.
- At the additional session of its 20th meeting in November, the AFC acknowledged the unprecedented circumstances of the Seventh Replenishment remaining open for additional pledges and the effect on allocation decisions for the 2023-2025 allocation period. On this basis, the AFC reviewed the Base-Case for sources of funds for the Seventh Replenishment and discussed considerations of amounts included for carry-over, OPEX and over-allocation. The Secretariat further elaborated on additional pledges expected to be received and reaffirmed that the figures presented for approval to the Board would be revised based on actual pledges received up to the Board decision. On this basis, the Committee approved the recommendation to the Board for Sources and Uses of Funds for the 2023–2025 Allocation Period. The Committee also approved the recommendation to the Board of the OPEX budget and workplan for 2023 in line with the Base Case of US\$ 0.335 Bn and acknowledged that the amount of US\$ 0.995 Bn of forecasted aggregate operating expenses for the 2023-2025 allocation period reflects prioritization and trade-off decisions, noting that additional amounts may be needed as needs and the Strategy Costing principles and methodology evolve.
- At the additional session of its 20th meeting in November, the SC reviewed the Base Case and a proposed prioritization approach from the Secretariat. In this approach, all sources of funds were analyzed with a core focus on protecting country allocations – maintaining as close to current cycle investment levels as possible. The SC recommended an extension of C19RM to maximize synergies with funding requests and kick-start RSSH and PPR interventions. The SC also supported the methodology and proposal for an additional US\$ 0.100 Bn for catalytic investments to leverage private sector pledges and incentivize select cross cutting priorities. The SC finally provided input on the trade-offs described for OPEX that sustain 2022 budget levels while integrating existing and emerging functions.

Context

1. This section describes the Secretariat's determination of the total amount of the sources of funds available for allocation, as updated from the base case to reflect the final Seventh Replenishment pledges, net of adjustments, recognized as of the 48th Board Meeting, for the 2023-2025 allocation period, comprising:
 - i. US\$ 12.903 Bn as the amount of sources of funds **for allocation** for the 2023 – 2025 period (before catalytic investment and country allocation), of which:
 - a. US\$ 13.678 Bn represents the announced replenishment results of the Global Fund's Seventh Replenishment conference on 21 September 2022 and pledges subsequently received up to the Board decision, net of certain adjustments;
 - b. US\$ 0.250 Bn represents forecasted unutilized funds from the 2020 – 2022 allocation period, derived from the asset-liability management (ALM) balance as at 30 June 2022, and available for inclusion in the sources of funds for the 2023 – 2025 allocation period;
 - c. US\$ (1.025) Bn represents qualifying deductions for the estimated aggregate amount of forecasted operating expenses for the 2023 – 2025 allocation period.
 - ii. US\$ 13.128 Bn as the amount available **for country allocation** for the 2023 – 2025 period:
 - a. US\$ (0.400) Bn deduction for the allocation to catalytic investments; and
 - b. US\$ 0.625 Bn additional allocation (the 'overallocation'), representing the forecasted unutilized funds from the 2023 – 2025 allocation.

Announced Replenishment Results: US\$ 15.669 Bn

2. The announced pledges for the Seventh Replenishment period (2023-2025) of US\$ 15.669 Bn, comprises US\$ 14.257 Bn⁴ pledges publicly announced at the Replenishment conference in New York and US\$ 1.412 Bn additional pledges confirmed since then.
3. The US\$ equivalents of public pledges announced on or before the date of the Seventh Replenishment Pledging Conference in currencies other than US\$ were converted

⁴ [2022seventhreplenishmentpledges](#)

based on spot rates prevailing on 21 September 2022, in line with the methodology approved pursuant to AFC decision point GF/AFC19/DP01 (July 2022).

Adjustments to pledges: US\$ 1.991 Bn

4. Adjustments were made to announced replenishment results, based on a detailed review by the Secretariat, to reflect the following:
 - i. Increased donor withholdings for technical assistance (compared to the Sixth replenishment);
 - ii. Other donor specified conditions, including matching requirements and pledges expected to be received as complementary restricted financial contributions; and
 - iii. Adjustments for risk of non-payment;
5. Adjustments for foreign exchange risk management, while envisaged by the CFP, have been minor, as:
 - i. The US\$ equivalent value of public pledges received in currencies other than the US\$ on or before the Pledging Conference is a fair value estimate as rates used for the calculation of such pledges are prevailing spot rates on 21 September 2022; and
 - ii. A policy of systematic hedging of the economic exposure arising from pledges has been successfully implemented by the Secretariat in accordance with the Global Foreign-Exchange Management Framework.
6. Overall, pledge adjustments have been kept to a minimum, while ensuring they reflect a reasonable assessment of applicable conditions and risk of non-payment.
7. In aggregate, adjustments to announced pledges amount to **US\$ 1.991 Bn**.

Sources of Funds attributable to the 2020-2022 Allocation Period that are forecasted to remain unutilized: US\$ 0.250 Bn

8. At the 20th AFC meeting, the Secretariat presented its regular update on “Financial Performance: Oversight on Sources and Uses of Funds”⁵, including the net ALM balance calculation as US\$ 1.259 Bn, with US\$ 0.364 Bn directly attributable to HIV, tuberculosis and malaria programs.
9. Considering the inherent uncertainties in forecasted components, the Secretariat therefore considers a prudent carry-over amount of US\$ 0.250 Bn (forecasted to remain unutilized at the end of the 2020-2022 allocation period).

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Deduction for the forecasted aggregate amount of operating expenses for the 2023-2025 allocation period.

10. At the additional session of its 20th meeting in November 2022, when additional pledges were still unconfirmed, the AFC approved an aggregate forecasted operating expenditures of US\$ 995 M based on the Base Case Scenario.
11. Subsequently between the November AFC meeting and the Board Meeting, additional pledges were confirmed, leading to the finalization of the SoF. The additional confirmed pledges, which are higher than the Base-Case Scenario, allowed flexibility to revise the forecasted aggregate operating expenses by an additional US\$ 30 M, amounting to US\$ 1.025 Bn for the 2023 – 2025 allocation period, to fund identified gaps for strategy implementation, which is presented for Board decision.
12. In addition to pledge adjustments, the Secretariat applied qualifying deductions for the forecasted aggregate amount of operating expenses for the 2023 – 2025 allocation period. The forecasted aggregate amount of US\$ 1.025 Bn represents the 3-year forecasted expenses (including US\$ 0.340 Bn for 2023).

Secretariat recommended supplement to Strategy Committee recommendation on additional funds (+US\$ 0.200 Bn) for catalytic investments: US\$ 0.400 Bn

13. As determined by the Board decision on Catalytic Investments for the 2023-2025 Allocation Period (GF/B47/DP06), US\$ 0.200 Bn is available for sources of funds for catalytic investments. Under the Base-Case Scenario, the SC recommended an additional US\$ 0.100 Bn be made available for catalytic investments for the 2023-2025 period with the expectation that sources of funds would be below the mid-point of the defined range in the scenarios approved by the Board under GF/B47/DP06⁶ (US\$ 12.500 Bn). However, as the total amount of sources of funds for allocation for the 2023-2025 period (US\$ 12.903) is above such mid-range, the Secretariat recommends utilizing the Board-approved flexibility under GF/B47/DP06 to increase catalytic investments by US\$ 0.200 Bn for a total of US\$ 0.400 Bn for the 2023-2025 Allocation Period.
14. Maintaining the default funding level/distribution for catalytic investments would jeopardize earmarked private sector pledges as well as the ability to deliver on key, cross cutting objectives of the Strategy that are not addressed by allocations.
15. To determine a potential reinvestment in the Board-approved catalytic priorities, the Secretariat developed four guiding principles, shared with the Strategy Committee: 1. Leverage the TERG recommendations to inform (re)investments – fewer and more

⁶ Pursuant to GF/B47/DP06, in the event that sources of funds for allocation for the 2023-2025 allocation period are above the midpoint of the funding range specified for any scenario in Table 1 of GF/B47/DP06, the Secretariat may recommend to the Board to approve additional amounts for Catalytic Investments (up to 50% of the difference in total catalytic funding for the applicable scenario and the next higher funding scenario) to be invested in the priority areas for the next higher funding scenario.

focused with “sufficient resources to make a meaningful contribution”; 2. Prioritize *cross-cutting* investments under-resourced (or not at all) in disease allocations that accelerate impact; 3. Build from the Board-approved prioritization with figures considered from adjacent scenarios to determine amounts; and 4. Secure priorities with additive Private Sector pledges & consider opportunities for additional resources from set asides and additive technical support funds.

16. To translate these guiding principles into a *methodology*, the Secretariat analyzed each priority in the approved US\$ 0.200 Bn scenario as well as the adjacent US\$ 0.600 Bn scenario (those with no funding in either scenario were deprioritized, per the guiding principles to maintain prioritization), assessing the responses to the following questions: 1) Will the priority be invested in through country allocations in the *absence* of catalytic investment incentives? 2) Are there *sufficient funds* to make an impact in the current or adjacent scenario through a minimal, additional investment? and, 3) Without additive resources, can the private sector funding be secured?
17. When all three of these questions were answered “no”, this triggered an additive investment consideration. Seven of the twenty-two priorities were proposed to the SC for additional investment, aligned to the guiding principles. The SC agreed with the prioritization approach across the sources of funds and the methodology utilized for catalytic investments, including securing private sector resources and focusing on cross cutting and RSSH catalytic investments. The SC voiced concerns about the reduced number and resources for catalytic investments as a key lever for impact (for example, the Key Populations Sustainability and Impact multi-country priority, not included given the focus on cross cutting investments). The SC agreed with the prioritization approach and difficult trade-offs assessed, and recommended the additional US\$ 0.100 Bn investment, impacting seven catalytic investment priorities.
18. Following the increase of resources available for allocations, the flexibility to access up to 50% of the difference between scenarios (GF/B47/DP06) was triggered. The Secretariat reviewed the priorities again, leveraging the methodology with a focus on what cannot be met through country allocations and securing private sector pledges. This analysis resulted in a recommendation by the Secretariat to access an additional US\$ 0.100 Bn, bringing the additional catalytic investment funding to a recommended US\$ 0.200 Bn.
19. In addition to the seven priorities recommended to the Strategy Committee to secure private sector investment (4) and increase resources to deliver on cross cutting and RSSH priorities (3), the Secretariat further identified one additional CI to reprioritize – Key Populations Sustainability and Impact - given the ability to fund, consistent with the methodology, with the increased resources made available. The resulting eight catalytic investments fall into the below categories across the US\$ 0.200 Bn investment

- i. A US\$ 0.055 Bn investment match needed to secure the private sector resources for four catalytic investments – this applies to Malaria Elimination in Southern Africa; Incentivizing RSSH Quality and Scale (focus on laboratory strengthening and digital health private sector co-investment, plus additional investment for RSSH Innovation Challenge Fund as approved); Effective Community Systems and Responses and the Emergency Fund.
 - ii. A US\$ 0.145 Bn investment in four cross cutting and one multi-country approach with amounts from the two adjacent scenarios – Equitable Access to Innovation and Health Products through NextGen; Key Populations Sustainability and Impact; Scaling up programs to remove human rights and gender related barriers (utilized figures from the US\$ 800 M scenario to maximize sufficiency, per the guiding principles); and, Health Financing (reflects a 50% proportion of the associated amount in the US\$ 600 M scenario due to constrained funding and the potential to leverage other resources, per the learning in the current cycle).
20. Per the prioritization approach across funding sources, the methodology for catalytic investments focused on *cross-cutting* investments aligned with the mutually reinforcing contributory objectives from the Strategy. These are not easily invested in through country allocations (only two disease specific priorities, Malaria Elimination in Southern Africa and Key Populations Sustainability and Impact were prioritized given the consideration of the private sector partnership and programmatic need not met through country allocations). The remaining fourteen catalytic investments analyzed fell into the two categories below, neither of which trigger a recommendation for *additional* funding from sources of funds for allocations:
- i. Deprioritized in adjacent funding scenarios (at \$0 in the US\$ 0.200 scenario and US\$ 0.600 scenario) – per the guiding principles of maintaining Board prioritization, these five included Implementation support for innovation, precision and scale in HIV prevention; E2030: Drive towards elimination and facilitate prevention of reestablishment; Regional Coordination and targeted Technical Assistance (RCTA); Empowering regional reference laboratories and national diagnostic networks; and Data⁷.
 - ii. Not responsive to all criteria (many because they *are funded* in the US\$ 200 M scenario and/or were disease specific) – the remaining nine included Prevention for key populations, AGYW and sexual partners; ; Find and successfully treat the missing people with DS-TB and DR-TB; Scale up TB prevention; Country readiness for innovation and quality TB programming; Technical support to the TB matching funds; Biologic threats in malaria case management in Africa; Resistance to Artemisinin (RAI); Addressing vector control threats and

⁷ Private sector investments supporting laboratory systems strengthening and data for digital health have been aligned under the broader priority of Incentivizing RSSH Quality and Scale. These will be implemented as focused modalities (MC, SIs and/or MFs), per the commitments of the pledge under the Board approved Amended and Restated Policy on Restricted Financial Contributions.

opportunities: supporting country readiness for an expanding toolbox; and, Community engagement.

21. As discussed during the Strategy Committee, solutions to counterbalance the absence of some planned investments included ensuring clear Allocation Letters and increased focus on country allocations that create the greatest impact against the diseases and strengthen health and community systems. Set asides and/or additive resources were also discussed as possible options to fill gaps left by catalytic investments where priorities align.
22. The final catalytic priorities and associated costs recommended by the Secretariat, to supplement the Strategy Committee's recommendation to the Board, to be funded from sources of funds for allocation, totals US\$ 0.400 Bn.

Secretariat recommendation on delegated authority to increase the amount of the Emergency Fund

23. As also determined by the Board through its decision on catalytic investments for the 2023-2025 Allocation Period (GF/B47/DP06), the Secretariat was delegated authority to increase the amount of funding available for the Emergency Fund by up to 50% of the amount approved for this priority, using funding approved as available by the Audit and Finance Committee for portfolio optimization and without presenting such increase to the SC for approval.
24. Under the current scenario with the Board for approval, this delegation would limit the Secretariat's ability to increase funding for the Emergency Fund by up to US\$ 0.006 billion (50% of US\$ 0.012 billion). Based on the increases required during the 2020-2022 allocation period, the Secretariat recommends the delegated authority established in paragraph 7 of GF/B47/DP06 be updated to allow the Secretariat to increase the amount of funding available for the Emergency Fund by up to an additional US\$ 0.020 billion, using funding approved as available by the AFC. Paragraph 6.iv of the such decision would continue to not apply to increases to the Emergency Fund and any proposed increase above US\$ 0.020 billion will be presented to the Board for its urgent, no-objection approval.

Additional funds for country allocations (5% increase): US\$ 0.625 Bn

25. In addition to the components of sources of funds for allocation described above, the Secretariat anticipates forecasted unutilized funds from the 2023-2025 allocation period in the amount of at least US\$ 0.625 Bn. The forecast reflects target allocation utilization for the 2023-2025 allocation period, and historical allocation utilization patterns for the 2014-2016, 2017-2019 and 2020-2022 allocation periods, to which a prudent risk-based adjustment has been applied by the Secretariat.
26. The Secretariat proposes the additional amount of US\$ 0.625 Bn be used to increase country allocations in accordance with the Allocation Methodology.

27. As evidenced in the 2020-2022 cycle, the integration of additional funds early in the grant cycle helps achieve earlier impact, increased absorption and lower transaction costs, compared to making this amount available later in the allocation period.
28. Currently, in the 2020-2022 cycle, allocation utilization is forecasted to be 93% over the cycle
29. In order to disburse all approved funding available for country grants, and assuming allocation utilization would remain at 93% for the 2023 – 2025 allocation period, a 7% increase would be required (as 93% of 107% = 99.5%).
30. The Secretariat is proposing to maintain 5% taking into account the dynamic nature of forecasting and the mitigating measures required to avoid a negative ALM. On the basis of historical experience under the 2020-2022 allocation period, risks from uses of funds considerations and risks on the ALM are currently considered very limited.
31. Based on the above considerations, the Secretariat is proposing to increase the total amount available for country allocations by US\$ 0.625 Bn, or 5%.

On-going monitoring during the allocation period

32. The Secretariat presents, at each AFC meeting, a position of the ALM. Changes to the net ALM balance arising from changes in sources of funds, or uses of funds, including changes to forecasted unutilized funds, will continue to be reported to the AFC in accordance with the CFP.
33. Should sources of funds exceed uses of funds during the allocation period, the Secretariat might propose to the AFC an amount for optimization on uses of funds.

Recommendation

34. Based on the above considerations, the Board is recommended to approve the Decision Point presented on Page 2.

Annexes

The following items can be found in Annex:

Annex 1: Catalytic Investments for the 2023-2025 Allocation Period

Annex 2: Relevant Past Board Decisions

Annex 3: Links to Relevant Past Documents & Reference Materials

Annex 1 – Catalytic Investments for the 2023-2025 Allocation Period

The table below sets forth the Board approved catalytic priorities and associated available funding amounts to be funded for the 2023-2025 Allocation Period.

Strategy Goal or Objective	Priority	Indicative Modality	US\$16b +	US\$15-16b	US\$14-15b	US\$13-14b	US\$12-13b	Updated US\$12-13b
End AIDS	Prevention for key populations, AGYW and sexual partners	MF	\$107	\$87	\$78	\$73	\$24	\$24
	Implementation support for innovation, precision and scale in HIV prevention	SI	\$12	\$10	\$9	\$0	\$0	\$0
	Key populations sustainability and impact	MC	\$41	\$34	\$30	\$28	\$0	\$30
	HIV Incidence Reduction Total		\$160	\$131	\$117	\$101	\$24	\$54
End TB	Find & successfully treat the missing people with DS-TB and DR-TB	MF	\$179	\$161	\$152	\$123	\$82	\$82
	Scale up TB prevention	MF	\$54	\$48	\$45	\$37	\$0	\$0
	Country readiness for innovation and quality TB programming	MF	\$18	\$16	\$15	\$12	\$0	\$0
	Technical support to the TB matching funds	SI	\$16	\$13	\$12	\$11	\$0	\$0
	End TB: Accelerate progress to End TB by 2030 Total		\$267	\$238	\$224	\$183	\$82	\$82
End Malaria	Biologic threats in malaria case management in Africa	SI	\$20	\$16	\$14	\$13	\$0	\$0
	E2030: Drive towards elimination and facilitate prevention of reestablishment	SI	\$7	\$6	\$5	\$0	\$0	\$0
	Malaria Elimination in Southern Africa	MF/MC	\$13	\$11	\$10	\$10	\$0	\$8
	Resistance to Artemisinin Initiative (RAI)	MC	\$110	\$100	\$100	\$80	\$50	\$50
	Regional Coordination and targeted Technical Assistance (RCTA)	SI	\$9	\$7	\$7	\$0	\$0	\$0
	Addressing vector control threats and opportunities: supporting country readiness for an expanding toolbox	SI	\$16	\$13	\$12	\$11	\$0	\$0
	Malaria Total		\$175	\$153	\$148	\$114	\$50	\$58
Maximizing People-centered Integrated Systems for Health	Empowering regional reference laboratories and national diagnostic networks	MC	\$33	\$27	\$24	\$0	\$0	\$0
	Data	SI	\$29	\$24	\$21	\$0	\$0	\$0
	Equitable access to innovation and health products through NextGen Market Shaping	SI	\$140	\$85	\$49	\$23	\$0	\$49
	Incentivizing RSSH quality and scale	MF	\$60	\$40	\$30	\$20	\$0	\$60
	Effective community systems & responses (CS&R)	SI/MF	\$90	\$74	\$66	\$61	\$0	\$25
Maximizing Health Equity, Gender Equality and Human Rights	Community engagement	SI	\$20	\$18	\$18	\$15	\$14	\$14
	Scaling up programs to remove human rights and gender related barriers	MF/SI	\$49	\$40	\$36	\$33	\$20	\$36
Mobilizing Increased Resources	Health Financing	SI	\$37	\$30	\$27	\$20	\$0	\$10
End AIDS, TB, Malaria	Emergency Fund	SI	\$40	\$40	\$40	\$30	\$10	\$12
	RSSH / Cross-Cutting Total		\$498	\$378	\$311	\$202	\$44	\$206
Amounts in US\$m	TOTAL		\$1,100	\$900	\$800	\$600	\$200	\$400

Annex 2 – Relevant Past Board Decisions

Relevant past Decision Point	Summary and Impact
<p>GF/B47/DP06⁸</p> <p>Catalytic Investments for the 2023 – 2025 Allocation Period</p> <p>(May 2022)</p>	<p>Based on recommendations of the Strategy Committee, the Board:</p> <ul style="list-style-type: none">(i) approved funding scenarios for determining the amount of sources of funds for catalytic investments for the 2023 – 2025 allocation period, contingent upon the total amount of sources of funds for allocation for the 2023 – 2025 allocation period;(ii) Approves that the total amount of funding for catalytic investments in the 2023-2025 allocation period (“Catalytic Investments”) will be determined by the total amount of sources of funds for allocation for the 2023-2025 allocation period;(iii) Agrees that the Secretariat will have delegated authority to increase the amount of funding available for the Emergency Fund, by up to 50% of the amount approved for this priority, using funding approved as available by the Audit and Finance Committee for portfolio optimization, and that paragraph 6.iv above will not apply to increases to the Emergency Fund. Any increase above 50% will be presented to the Board for its urgent, no-objection approval.
<p>GF/B47/DP05⁹</p> <p>Allocation Methodology 2023 - 2025</p> <p>(May 2022)</p>	<p>Based on the recommendations of the Strategy Committee, the Board:</p> <ul style="list-style-type: none">i. Approves the allocation methodology presented in Annex 1 to GF/B47/03 (the “Allocation Methodology”);ii. Acknowledges the Technical Parameters for the 2023 – 2025 allocation period, as presented in Annex 2 to GF/B47/03 andiii. Approves that no more than 7.5% of the total sources of funds available for country allocations be used to ensure scale-up, impact and paced reductions, as described in paragraph 4.c of the Allocation Methodology;

⁸ <https://www.theglobalfund.org/kb/board-decisions/b47/b47-dp06/>

⁹ <https://www.theglobalfund.org/kb/board-decisions/b47/b47-dp05/>

Relevant past Decision Point

Summary and Impact

GF/B41/DP05¹⁰

Approval of the Amended and Restated Policy on Restricted Financial Contributions (May 2019)

Based on recommendations of the AFC, the Board approved changes to the Amended and Restated Policy on Restricted Financial Contribution, as set forth in Annex 1 to GF/B41/06 – Revision 1, which allows the Secretariat to mobilize and receive contributions to grant activities, the Register of Unfunded Quality Demand and to support other Board approved priorities, such as Catalytic Investments.

GF/B36/DP04¹¹

Approval of the Amended and Restated Comprehensive Funding Policy (November 2016)

Based on recommendations of the AFC, the Board approved changes to the Amended and Restated Comprehensive Funding Policy to:

- (i) align terminology with the refined allocation methodology adopted by the Board in April 2016;
- (ii) integrate the portfolio optimization mechanism developed over the 2014 – 2016 allocation period; and
- (iii) update the methodology for determining sources of funds for an allocation period.

GF/B42/DP03¹²

Sources and Uses of Funds for the 2020-2022 Allocation Period (November 2019)

Based on the recommendation of the Audit and Finance Committee (the “AFC”), as presented in GF/B42/02, the Board decides the amount of sources of funds for allocation for the 2020-2022 allocation period is USD 13.00 billion, comprised of the following amounts, in accordance with the Comprehensive Funding Policy set forth in Annex 1 to GF/B36/02 – Revision 1 and approved through decision point GF/B36/DP04:

- (i) USD 13.25 billion, derived from the announced replenishment results of the Sixth Replenishment (2020-2022), net of certain adjustments; and
- (ii) USD 0.65 billion of forecasted unutilized funds from the 2017-2019 allocation period;
- (iii) to which a reduction of USD 0.90 billion of forecasted aggregate operating expenses for the 2020-2022 allocation period is applied.

¹⁰ <https://www.theglobalfund.org/kb/board-decisions/b41/b41-dp05/>

¹¹ <https://www.theglobalfund.org/board-decisions/b36-dp04/>

¹² <https://www.theglobalfund.org/kb/board-decisions/b42/b42-dp03/>

Annex 3 – Relevant Past Documents & Reference Materials

1. [Comprehensive Funding Policy \(CFP\)](#)
2. [Amended and Restated Policy on Restricted Financial Contributions](#)
3. [Catalytic Investments for the 2023 – 2025 Allocation Period](#)
4. [Allocation Methodology 2023 - 2025](#)