gfan global fund advocates network **briefing note**

catalytic investments 101

What are the Global Fund's Catalytic Investments?

The majority of the monies raised by the Global Fund in invested through country grants, but it is well documented that they can leave gaps – not reaching certain groups, in particular key and vulnerable populations, struggling to adopt quickly innovative technology or approaches, or being inefficient in the face of cross-border challenges. The Global Fund is aware of these shortcomings and uses Catalytic Investments to try to fill the gaps left by country grants.

Catalytic Investments fall in one of three categories: Strategic Initiative, Matching Funds, and Multi-country grants, each aimed to address one facet of the limitations of country grants. Strategic Initiatives allow the Secretariat to directly fund specific programs, typically targeted at communities and key populations or to roll-out innovation. Matching Funds incentivize governments to prioritize specific areas in their funding request – human rights, key population and/or adolescent girls and young women – by adding 1 for 1 dollars to the country grants, with a set ceiling, for programs targeting these issues. Multi-country grants, finally, are grants given and managed by a group of country – for example the RAI Initiative in the Greater Mekong Subregion.

Catalytic Investments were allocated over US$800 million during the 2020-2022 Allocation Period, and played an essential role in the Global Fund efforts to leave no one behind. For many civil society and community organizations, Catalytic Investment has become a channel making them independent of the whims of national governments – a true lifeline in a number of challenging environments.

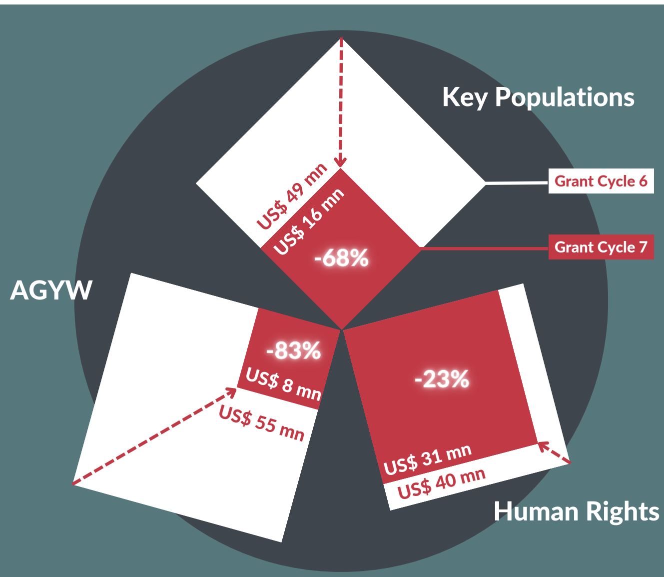
The State of Catalytic Investments in Grant Cycle 7

For the current cycle, the amount that would be set aside for Catalytic Investments was decided before the 7th Replenishment. The Board voted on how funding would be allocated across different priorities within Catalytic Investments, depending on how much would be raised in New York in September.

Had the replenishment met its minimum target – i.e., raised over US$ 18 billion – significantly more would have been allocated to Catalytic Investments; most likely close to the maximum of US$1.1 billion, fully funding the priorities established by the Board before the Replenishment. In the weeks after the 7th Replenishment, seeing that the target had been missed, Catalytic Investments were cut from US$890 million to US$200 million, only to then be increased back to US$400 million. This last minute re-adjustment was necessary to ensure that a number of pledges from the Private Sector, targeted towards specific Strategic Initiatives and Matching Funds, wouldn't be lost. Multi-country grants were also re-included.

Overall, the cuts are unevenly allocated across the different modalities for Catalytic Investments, though final allocation numbers are not yet public. It appears that Matching Funds would be cut the least, while Strategic Initiatives and Multicountry Grants will be cut in half. As a result the split of funding across Catalytic Investments is likely to be heavily biased towards Matching Funds, which would go from representing about a third of all Catalytic Investments during the last cycle to more than half this cycle.

There is still some uncertainty regarding how funds for the Strategic Initiatives and the Multicountry grants will be allocated (or even their final amount), but we have more details regarding the use of Matching Funds. We can already see that matching funds for Human Rights, Key Populations and Adolescent Girls and Young Women (AGYW) were all reduced this cycle to various degrees.



The shrinking of key matching funds in GC7

The Human Rights Matching Funds decreased by 23% - not all bad news some countries such as Ukraine and Indonesia maintained their current levels and there were 4 countries who are receiving new matching funds (Bangladesh, Burkina Faso, Nigeria and Thailand). The 18 other recipients all saw decreases from 17% to 50%.

Key Populations Matching Funds decreased by 68% overall with only one country, Bangladesh, being eligible for the first time. Both Zimbabwe and Kenya, who had been eligible in the past, have been allocated no matching funds this cycle.

The complete withdrawal of matching funds in countries where key population face heightened hardship (see recent LGBT attacks in Kenya, and presidential remarks leading to further tensions – followed by more remarks) is extremely worrying and risk being a major blow to civil society organization trying to operate despite the hostile political environment.

Finally, Adolescent Girls and Young Women Matching Funds decreased by 86%, with no new countries eligible. 7 out of 13 countries eligible in the grant cycle 5 and 6 have zero AGYW matching funds in GC7 – again raising the question of how to ensure that countries will prioritize the need of AGYW, who represent half of all new HIV infections.

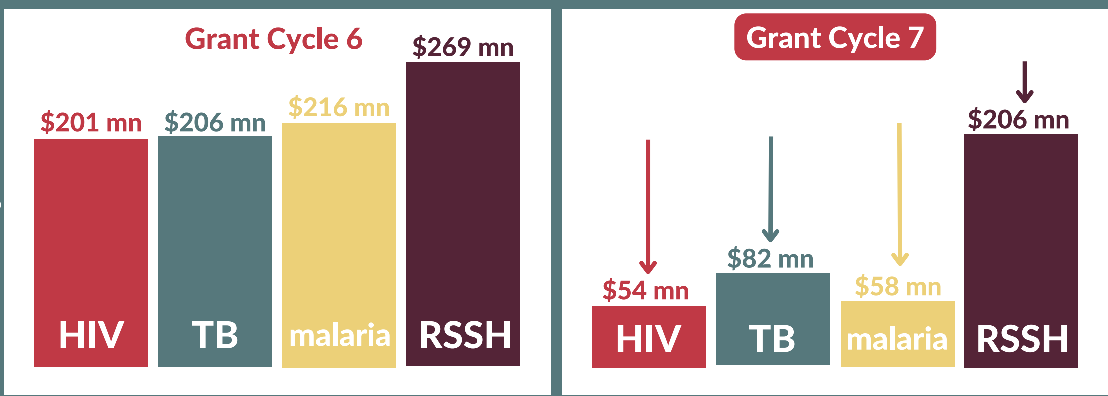
On a more positive note, a new matching fund for effective Community Systems and Responses was created in GC7 with a total of US$42.5 million across 8 countries. Its main objectives are to catalyze investment in 3 areas:

- System readiness for scale, institutionalization and sustainability of the Community Health Worker workforce;
- Community systems strengthening, particularly for community-led organizations (and networks of key and vulnerable communities); and
- Embedding community-led monitoring (CLM) and use of CLM data for decision-making.

We don't yet have a full picture on Multi-Country Grants (MCG) as those listed in the 2023-2025 allocations do not yet include those funded through catalytic investments (although they might include the Regional Artemisinin-resistance Initiative). What we do know is that for those MCGs funded via the allocation and eligibility process there is an overall increase of funding and a new MCG for North Africa with Algeria and Tunisia eligible for up to US$9.5 million in this new cycle although the MCG Caribbean grant has decreased by close to US$260 million.

What we do know however is that stable Catalytic Investments (the US$900 million scenario agreed by the Board) would have seen US$172 million invested in Multi-Country Grants but the current, amended Catalytic Investments for MCGs will fund only a maximum of US$88 million across key population sustainability and impact (US$30 million), the Mekong Artemisinin resistance grant (US$50 million) and Malaria Elimination in Southern Africa (US$8 million) – nearly 50% less than if the Catalytic Initiative had been funded at the same level as the previous cycle.

Catalytic Investments are also split across four Strategic Goals: End AIDS, End TB, End Malaria and Resilient & Sustainable Systems for Health (RSSH). You see that RSSH is the only category to more or less maintain its level of funding (23% decrease) with HIV, TB and Malaria seeing massive decreases (73%, 60% and 73% respectively). This again, reflects the need for adjustment This again, reflects the need for last minute adjustments to secure all private sector pledges, most of which fell under RSSH. As a result, the Catalytic Investments priorities for the next cycle are sharply skewed.



CI Priority Evolution GC6-GC7

The overall picture is dire. **The money allocated to the Catalytic Initiative simply is not enough to fill the gaps that will be left by the country allocations for vulnerable and marginalized group.** We can hope that the new Community Annex and Community Systems matching funds will help improve country funding request by giving more visibility to community priorities – but hope only gets us so far. We need concerted efforts to raise additional funding and prioritize the Catalytic Initiative for additional funds.

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