

HEALTH AID in TRANSITION

A Review of The Global Fund to Fight AIDS, Tuberculosis, and Malaria



— THE CENTER FOR —
POLICY IMPACT IN
GLOBAL HEALTH

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Summary

1. The Global Fund to Fight AIDS, Tuberculosis, and Malaria (the Global Fund) has a clear eligibility policy that outlines when a country transitions from support. A country's eligibility is primarily determined by two criteria: income level and disease burden.
2. Ineligibility does not mean a country immediately stops receiving support. Transitions happen at the end of one of the Global Fund's three-year funding cycles.
3. Most transitioning countries can receive a transition grant for one additional allocation cycle after becoming ineligible, unless a country becomes ineligible due to becoming a high-income country, in which case it will transition at the end of its current allocation cycle.
4. Between 2019 and 2025, 21 countries will transition away from Global Fund support for at least one disease component.

Overview

The Global Fund is a partnership between governments, civil society, the private sector, and people affected by the three diseases of the organization's focus. Founded in 2002, it aims to end HIV/AIDS, TB and malaria as epidemics. The Global Fund is the world's largest multilateral financier for health, with about *US\$4 billion in annual disbursements and cumulative disbursements of US\$40 billion* as of February 2019.¹ This funding includes US\$19.6 billion for HIV/AIDS, US\$11.4 billion for malaria, US\$6.4 billion for TB, US\$1.8 billion for joint TB/HIV grants, and US\$708.3 million for other grants. Currently, the Global Fund has 322 active grants in 97 countries.²

Funding is raised in three-year cycles through the *replenishment mechanism*. About 95% of the Global Fund's resources are provided by donor governments and the remaining 5% come from the private sector, private foundations, and innovative financing initiatives.¹ The Global Fund makes funding allocations for each country at the beginning of *three-year funding cycles* based on the funding pledged by

donors for this three-year period. The allocation formula used is primarily based on a country's disease burden and economic capacity. The *sixth replenishment* will raise funding for the *allocation period 2020-2022*. The target is to raise US\$14 billion, an increase of US\$1.8 billion over the US\$12.2 billion mobilized at the fifth replenishment.³ France will host the replenishment conference in October 2019.

Key Policies Related to Transition

Eligibility Policy

The Eligibility Policy was last revised at the May 2018 Board meeting.⁴ This policy determines for which "disease components" (HIV/AIDS, TB, or malaria) countries can request financing from the Global Fund. A country may be eligible for one or more disease components.

Eligibility (Box 1) is determined by a *country's income classification*, as measured by gross national income (GNI) per capita (World Bank Atlas Method⁵), and *disease burden classification*. All low-income countries (LICs) and lower middle-income countries (LMICs) are



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eligible to receive funding for each of the three disease components, regardless of disease burden (there is only one exception: LICs and LMICs cannot receive an allocation for malaria if they are malaria-free). Upper middle-income countries (**UMICs**) need to have at least a “high” disease burden as identified by the criteria laid out in Table 1. In addition, UMICs can only request funding for interventions benefitting key and vulnerable populations.⁶ High-income countries (**HICs**) and members of the OECD DAC are not eligible for Global Fund support.

The Eligibility Policy includes *fundamental transition rules*:

- Countries or disease components that become ineligible at any point during the three-year allocation cycle *will still receive their committed funding for that cycle*.
- Disease components that become ineligible during an allocation period may receive *up to one additional allocation of transition funding “for priority transition needs” in the following three-year allocation cycle*. For example, a country that loses eligibility for TB during the 2017-2019 cycle may receive a TB transition funding grant in the next allocation period, 2020-2022. However, and in line with the Global Fund’s general eligibility criteria, disease components are *not eligible for transition funding* if the country becomes high-income or a member of the OECD DAC.
- The *Global Fund Secretariat sets the appropriate period and amount of transition funding*, considering the Global Fund’s “allocation methodology, country context, and existing portfolio considerations.” Thus, while the Eligibility Policy determines that countries are eligible to receive “up to one allocation” of transition funding (usually for a three-year period), there are flexibilities (for more details, see Box 2).

Sustainability, Transition and Co-financing Policy

In April 2016, the Board approved *the Sustainability, Transition and Co-financing (STC) Policy*, which defines “transition as the mechanism by which a *country, or a country disease component*, moves towards fully funding and implementing its health programs independent of Global Fund support, while continuing to sustain gains and scaling up as appropriate.”⁶

The STC Policy determines that transition funding requests need to be based on a “transition workplan.” In this workplan, critical challenges or barriers for successful

Eligible Countries:

- ☑ All LICs (low-income countries) and LMICs (lower- middle-income countries), except malaria-free countries, which are ineligible for malaria support
- ☑ UMICs (upper middle-income countries) with a “high” disease burden

Ineligible Countries:

- ☑ HICs (high-income countries)
- ☑ G20 members
- ☑ OECD DAC (Organization for Economic Cooperation and Development Development Assistance Committee) members

Box 1: Eligible and ineligible countries

transitions should be addressed. According to the STC Policy, critical issues include “capacity building and support for key and vulnerable populations, interventions that respond to human rights and gender related barriers and vulnerabilities to health, and procurement and supply-chain management issues that are essential for ensuring strong national unified systems.”⁶ *Transition funding should exclusively focus on activities that are included in the transition workplan* and that are essential to achieving, by the end of the grant, full domestic funding and management of activities currently funded by the Global Fund. The funding application process is now tailored, with a specific funding request for transition

Table 1. UMIC disease burden thresholds (‘high’ disease burden)

| HIV/AIDS | TB | Malaria |
|--|---|--|
| HIV national prevalence greater than or equal to (≥) 1% | TB incidence rate per 100,000 greater than or equal to (≥) 50 | Mortality rate greater than or equal to (≥) 0.12 per 1,000 at risk |
| OR | OR | OR |
| Prevalence in a key population greater than or equal to (≥) 5% | Proportion of new TB cases who are drug-resistant (resistance to rifampicin) greater than or equal to (≥) 5 percent | Contribution to global deaths greater than or equal to (≥) 0.25% |
| | | OR |
| | | Mortality rate less than (<) 0.12 AND Morbidity rate greater than (>) 65 per 1,000 at risk |
| | | OR |
| | | Country with documented artemisinin resistance |



applicants, including specific instructions.⁷ The *Guidance Note on Sustainability, Transition and Co-financing* of programs supported by the Global Fund provides details that countries may need to address to manage their transitions successfully, including “enabling factors for transition.”⁸ For example, the guidance note emphasizes the importance of “social contracting” mechanisms (such as accreditation of non-governmental organizations), which will allow governments to fund civil society organizations to implement specific activities. It also mentions the installation of reliable and efficient systems for procurement and supply chain management.⁹

The Global Fund supports countries with transition planning, including through a “transition readiness assessment” (TRA). The TRA should be an inclusive, multi-stakeholder, and country-owned process including communities and civil society, as well as key and vulnerable populations. It should be led by the Country Coordinating Mechanism or another multi-stakeholder coordinating body. The three aims of the transition readiness assessment are to (a) serve as a tool to stimulate dialogue at country level on transition-related needs from both a programmatic and financial perspective; (b) identify key gaps in programming that can be planned for; and (c) highlight areas where technical assistance may be required. The findings from the TRA should feed into the transition workplan. The Global Fund recommends conducting a TRA at least three funding cycles before the transition takes place.

Rather than dealing solely with UMICs that are facing imminent ineligibility, the STC Policy intends to support a proactive approach to transition and sustainability planning based on a differentiated engagement with *countries at all stages of the development continuum*. The policy strongly articulates the need for **transition preparedness** and encourages *all UMICs and those LMICs with one or more components with a low disease burden to strengthen transition preparedness and proactively begin preparing for transition* (Figure 1).

The Global Fund’s transition objectives are also supported by the co-financing component of the STC Policy. The co-financing requirements are twofold. First, while the specific co-financing requirements are differentiated by income group, all countries need to show that over the implementation period, government spending on health and co-financing of Global Fund supported programs will increase (this is a condition to access a Global Fund

The Secretariat sets the appropriate period and amount of transition funding grants, which means transitions could be shorter than three years if countries choose to transition sooner, or if the Secretariat determines that the transition period should be shorter. At the same time, the revised Eligibility Policy from May 2018 notes that the Secretariat may exceptionally seek on a case-by-case basis Board approval for an additional allocation of transition funding. Overall, the flexibilities enshrined in the STC and Eligibility Policies thus allow for shorter and longer transitions in some cases.

The Global Fund has provided instructions for funding requests tailored to transitions.¹⁰ Transition funding requests should describe the country’s sustainability and transition-related priority programmatic and financial gaps identified through a transition readiness assessment (and/or equivalent analysis) at the country level. To ensure proactive planning, countries that are moving to high income status are requested to use a transition application for their last grant.

Box 2: Transition funding

allocation). Second, to further encourage domestic spending, at least 15% of a country’s allocation is a co-financing incentive that will only be made available if countries commit to and realize additional domestic commitments over the implementation period (relative to expenditures over the previous implementation period). For UMICs, 100% of the co-financing contributions should be focused on activities to address roadblocks to transition, with a minimum of 50% invested in specific disease components targeting key and vulnerable populations. Applicants for transition funding are also required to meet the co-financing commitments.

Transition Status

Ongoing Transitions

In the *current allocation period (2017-2019)*, 11 countries received a transition funding grant for 12 disease components (Table 2). These twelve components received a total allocation of US\$ 34.8 million in the 2017-2019 cycle. This amount equals 0.003% of the total country allocations for the 2017-2019 cycle (US\$ 10.2 billion).¹¹ In addition, one country (Panama) became a HIC during the 2017-2019 cycle. Panama became ineligible for TB funding in 2014-2016 and received a TB transition grant in 2017-2019. However, its HIV component became ineligible during 2017-2019 when it became a HIC, and therefore it cannot receive a transition grant for its HIV work in the next allocation cycle.



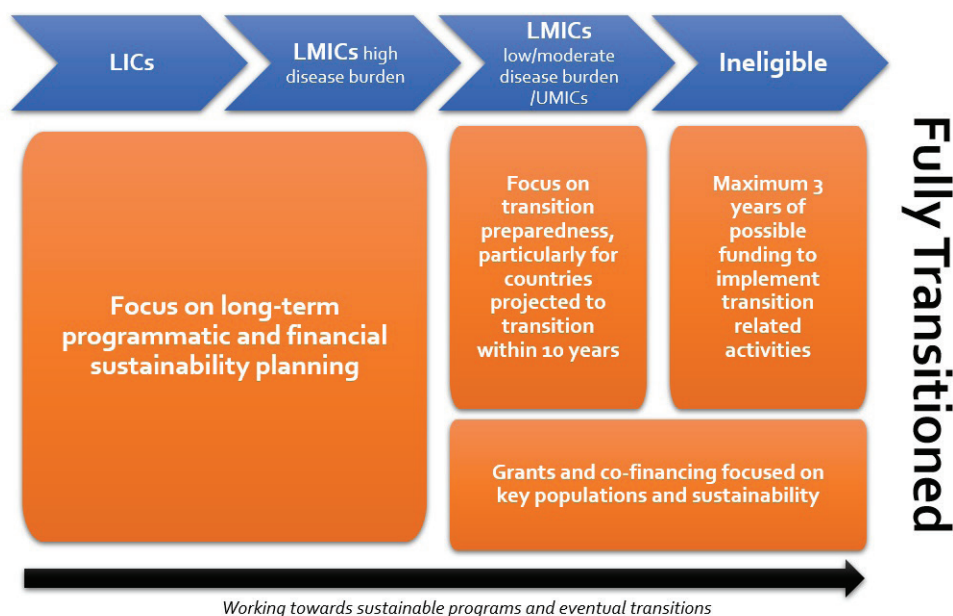


Figure 1: Global Fund approach to sustainability and transition.
 Figure based on a graphic from the Global Fund. See: Guidance Note Sustainability, Transition and Co-financing of programs supported by the Global Fund, 13 January 2017.

Several countries and disease components also regained eligibility for the 2017-2019 allocation period, such as Serbia, Montenegro, and Kazakhstan (in all cases related to HIV).¹² Regaining eligibility for a funding allocation by the Global Fund requires that country components meet the eligibility criteria for two consecutive years.

Projected Transitions

In 2018, the Global Fund produced a list of *components projected to transition from Global Fund financing by 2025* due to anticipated changes in income classification only. Thus, the projections do not take into account countries that may become ineligible because of changes in their disease burden classification, and they also do not consider voluntary transition. The list differentiates between countries and disease components projected to become ineligible in 2017-2019 and 2020-2022 (Table 3). A disease component is considered transitioning during the cycle when it receives its final grant (either transition or traditional), not necessarily when it becomes ineligible.

- **2020-2022:** Six disease components in three countries are projected to become ineligible in 2017-2019 based on their progression to UMIC status—as such, the six components in the three countries *may receive transition funding from 2020-2022*. One country (Malaysia) will move to HIC status in the 2020-2022 allocation period and therefore is ineligible for transition funding and is projected to receive its final grant during this

allocation period. The disease components that are projected to transition from 2020-2022 received a total allocation amount of **US\$37.1 million** from 2017-2019.

- **2023-2025:** An additional seven disease components in five countries are projected to become ineligible from 2020-2022; transition funding for these seven components can be requested in the 2023-2025 allocation period. In addition, two countries are projected to move to HIC status in the 2023-2025 allocation period. The disease components that are projected to transition in the 2023-2025 funding cycle received a total allocation amount of **US\$31.3 million** from 2017-2019.

Table 2: Countries and disease components receiving transition funding in 2017- 2019¹⁴

| Country | HIV Transition Funding | TB Transition Funding | Malaria Transition Funding |
|--------------------|------------------------|-----------------------|----------------------------|
| Albania | X | X | |
| Algeria | X | | |
| Belize | | X | |
| Botswana | | | X |
| Cuba | X | | |
| Dominican Republic | | X | |
| Panama | | X | |
| Paraguay | | X | |
| Suriname | | X | |
| Sri Lanka | | | X |
| Turkmenistan | | X | |
| Total | 3 | 7 | 2 |



Table 3. Transition projections

| Projected to become ineligible in 2017-2019 due to move to UMIC status, and potential to receive transition funding in 2020-2022 | Projected to become ineligible in 2020-2022 due to move to UMIC status, and potential to receive transition funding in 2023-2025 |
|--|--|
| Armenia (HIV, TB) El Salvador (TB, malaria) Sri Lanka (HIV, TB) | Bolivia (malaria) Egypt (TB) Guatemala (TB, malaria) Kosovo (HIV, TB) Philippines (malaria) |
| Projected to become ineligible over 2020-2022 due to move to HIC status (no transition funds) | Projected to become ineligible over 2023-2025 due to move to HIC status (no transition funds) |
| Malaysia (HIV) | Costa Rica (HIV) Kazakhstan (HIV, TB) |

As such, the amount of freed-up funding through transitions continues to be small through 2025. And while the Global Fund's 2017-2022 Strategy emphasizes the critical importance of sustainability and successful transition, only a small number of countries are projected to transition from Global Fund support through 2025 (Figure 2 summarizes transitions through 2025). This finding is in line with another study on donor transitions in global health: Rachel Silverman at the Center for Global Development suggests that unless substantial changes are made to Eligibility and STC Policies, the Global Fund will continue to support many countries through 2025.¹³

Transition Learning

In September 2018, the *Global Fund's Office of the Inspector General (OIG)* released a report on the transition management process to track progress in the implementation of the Global Fund's transition agenda.¹⁴ The main findings of the OIG report include:

- **Governance:** Since the STC policy was approved, the Global Fund Secretariat has enhanced existing governance mechanisms and instituted new ones to support its implementation. The Secretariat has also tailored and enhanced key processes underlying transition including early planning.
- **Predictability and early planning:** The STC policy has increased transparency and predictability for countries and components that are likely to transition. It has also encouraged early planning and stakeholder engagement to address transition challenges.
- **Tailored funding application process:** In addition to

the transition funding request and the transition readiness assessment, a diagnostic tool for public financing of civil society organizations has been developed to support transition planning. The Technical Review Panel (TRP), which reviews funding requests, now includes experts on Strategic Information and Sustainable Financing (SISF) to provide guidance on transition activities and risks.

- **Post-transition governance:** In addition, while the CCM Evolution Project develops options to gradually transfer the role of CCMs to other in-country bodies after transition, post-transition governance within countries was a weakness at the time of the OIG review.¹⁵
- **Monitoring and evaluation:** The OIG recommended that a systematic approach is needed to monitor the performance of transition grants in order to promptly identify and address challenges. On a positive note, the Secretariat developed Implementation Key Performance Indicators to track progress on identified success factors for transition planning. These indicators include domestic investment in key populations and core commodities, and transition planning at the country level.

Transition Impact: Country Experiences

There are several studies on the experiences of countries that transitioned from Global Fund support but these studies pre-date the introduction of the STC policy. Studies conducted by the *Open Society Foundation*¹⁶ and the *TB Coalition in Europe*¹⁷ highlight instances where governments have continued to finance HIV as in the cases of Macedonia and Croatia. However, these studies also



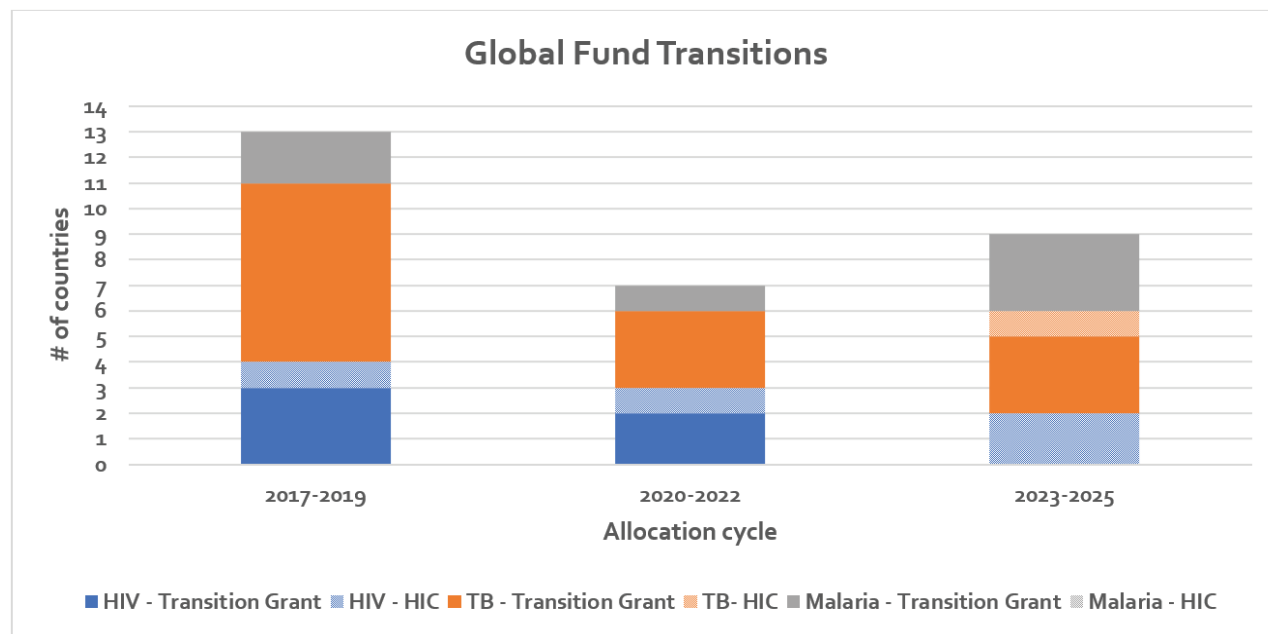


Figure 2: Projected number of countries transitioning by allocation period

identified cases where services ceased or declined after withdrawal of Global Fund support, notably in Serbia and Azerbaijan. As highlighted above, Serbia even became re-eligible for Global Fund support, largely due to a rise in HIV among key populations. Success factors for sustained domestic HIV funding identified by these studies include effective sustainability planning ahead of transition and adequate involvement of civil society and government commitment to address key capacity gaps.

A study by Flanagan et al. found that a lack of planning and preparation for transition, in part caused by the rapid and precipitous departure of the Global Fund, resulted in a substantial funding gap for HIV and services for key populations in Romania. In China, and to a certain extent in Mexico, the transition process was much more successful due to the governments of the two countries showing strong political will.¹⁸

The OIG report on transition management also assessed to what extent transitioning countries increased their financing in line with the STC policy. The report showed that the sampled countries and components provided on average 82% of their previous co-financing commitments (i.e. 82% of the co-funding amounts that countries agreed to provide, while still receiving support from the Global Fund). However, the OIG sample indicates an average funding gap of 33% across countries, even if Global Fund fi-

ancing is still included. This gap raises concerns about the ability of countries to transition to pay domestically for their health programs. Some observers also criticized the Global Fund co-financing approach as “mostly opaque” because levels of co-financing are directly negotiated by the Secretariat with countries, but this process and its outcomes are not transparent.³³

Outlook

In line with the recommendation of the OIG transition management report, the Secretariat agreed to reinforce its approach to monitoring transition grants. It will do so by providing formal guidance to ensure that an appropriate combination of standard programmatic indicators and transition workplan measures are included in performance frameworks for transitioning grants.

Overall, the October 2019 replenishment conference will be a critical milestone in the history of the Global Fund. The success or failure of the replenishment will determine how much funding the Global Fund can allocate to countries in the 2020-2022 allocation period, which in turn may also affect the investments available for countries transitioning from Global Fund support.



Resources

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Methods

Our research included a desk-based review of donor websites, strategy documents, grey literature reports, and academic literature. We triangulated the findings of our desk review with key informant interviews with high-level policy personnel within each of the donor agencies. This project was screened for exemption by the Duke University Institutional Review Board as part of the study 'Driving health progress during disease, demographic, domestic finance and donor transitions (the "4Ds"): policy analysis and engagement with transitioning countries.'



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