Projected Transitions from Global Fund support by 2025 – projections by component

March 2018 update

01 Background

The Global Fund's 2017-2022 Strategy[1] emphasizes the critical importance of sustainability of programs, as well as successful transition to full domestic financing and management of the national disease response, in its effort to achieve greater impact and contribute to accelerating malaria elimination and the end of the HIV and tuberculosis epidemics. The Global Fund believes long-term sustainability is a key aspect of development and health financing, and that all countries, regardless of their economic capacity[2] and disease burden, should be planning for and embedding sustainability considerations within national strategies, program design and implementation.

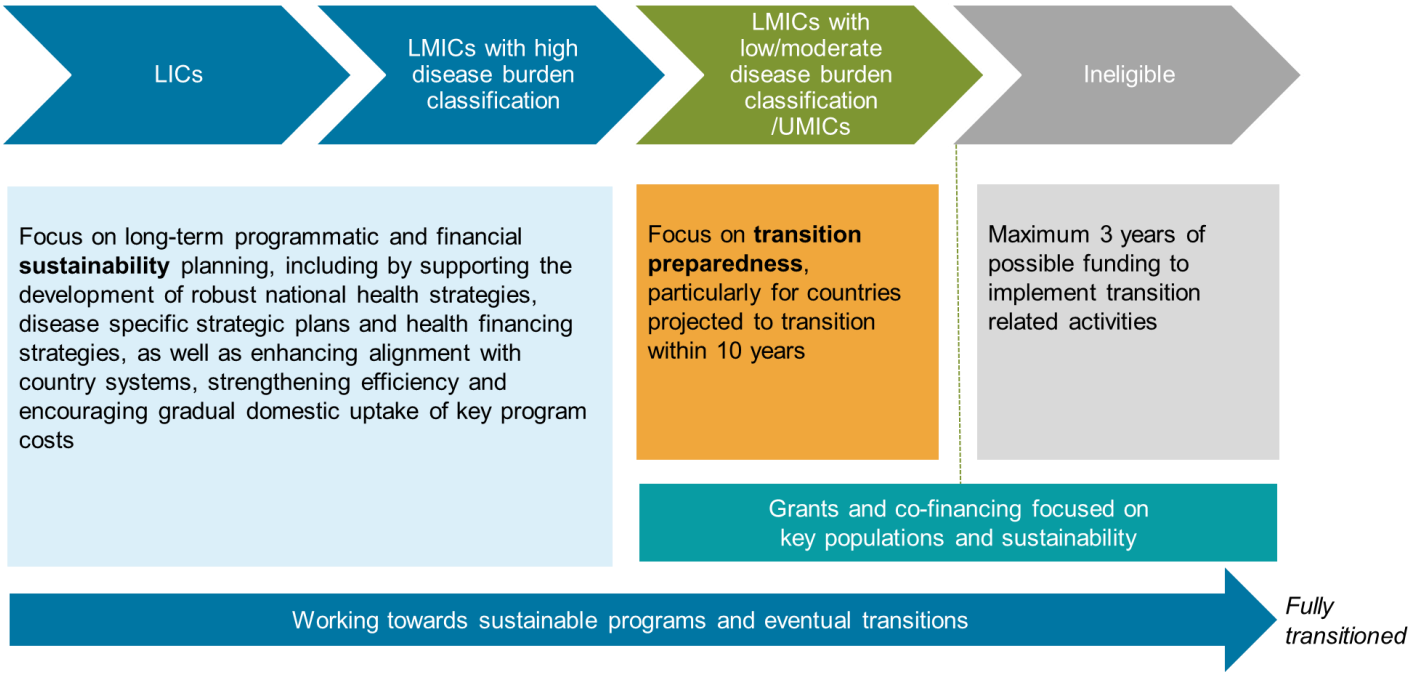
As part of its Sustainability, Transition and Co-financing Policy[3], the Global Fund proactively supports countries in planning for sustainable programs and successful transitions from Global Fund support in order to maintain and accelerate gains against the three diseases. This policy explicitly articulates the need for transition preparedness, which is already a focus in program planning and implementation for many countries.

Recognizing that a successful transition takes time and preparation, the Global Fund strongly encourages countries to start planning for transition at least 10 years before funding for disease components is projected to end.

[1] April 2016. Annex 1 to GF/B35/02 – Revision 1. http://www.theglobalfund.org/documents/board/35/BM35_02-TheGlobalFundStrategy2017-2022InvestingToEndEpidemics_Report_en/

[2] Income level as measured by the World Bank Atlas Method.

[3] April 2016. Annex 1 to GF/B35/04 – Revision 1. http://www.theglobalfund.org/documents/board/35/BM35_04-SustainabilityTransitionAndCoFinancing_Policy_en/



02 Reasons for transition

A country or a disease component may transition from Global Fund support either voluntarily, because they become ineligible based on the Global Fund Eligibility Policy[4] and/or because they have received their final allocation based on discussion with the Global Fund.

A country's eligibility for Global Fund financing is based on a) its income classification as determined by the World Bank[5] and b) disease burden indicators for HIV, tuberculosis and malaria, which are periodically revised by the Global Fund and measured according to the latest available official data provided by WHO and UNAIDS. Components become ineligible if:

1. A country moves to high income status;
2. A country moves to upper-middle income (UMI) status and disease burden for a component is low or moderate;
3. Disease burden for a component decreases to low or moderate in a country classified as UMI;
4. A country is a member of the Group of 20 (G20) countries and moves to UMI status, and the disease burden for a component is less than extreme;
5. A country becomes a member of the Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC).

Therefore, while low income (LI) and lower-middle income (LMI) countries are eligible to receive an allocation and to apply for funding irrespective of their disease burden[6], and high income countries are ineligible regardless of disease burden, UMI countries may be ineligible for one disease

[4] April 2016. Annex 2 to GF/B35/06 – Revision 1. http://www.theglobalfund.org/documents/board/35/BM35_06-Eligibility_Policy_en/

[5] For the purposes of Global Fund eligibility, income classification is determined by using an average of available GNI per capita data over the latest three-year period as well as the latest World Bank income classification thresholds.

[6] With the exception of countries certified as malaria-free by WHO or on the WHO's Supplementary List of Countries who are not eligible for funding (paragraph 8, Annex 2 to GF/B35/06 – Revision 1).

component and eligible for others[7]. It is important to note that eligibility does not guarantee an allocation.

The Global Fund Eligibility Policy allows for 'Transition Funding' for up to three years for priority transition needs for disease components that become ineligible from one allocation period to the next **unless** a country moves to high income status; or is a member of the G20 and moves to UMI status and has less than an extreme disease burden; or becomes a member of the OECD DAC.[8] This transition funding should be used to support transition related activities identified in a country's transition work-plan.

03 Sustainability and Transition Planning

The significant challenges inherent in transitioning fully from external to domestic financing for health underscore the importance of sustainability and transition planning beginning at least 10 years before the projected end of Global Fund financing. Early planning can help proactively address common challenges and bottlenecks to transition, including (but not limited to) procurement of critical commodities, legislative or regulatory changes to allow contracting with civil society organizations, and addressing the prevention, treatment, care and support needs of key and vulnerable populations.

Therefore, with support from the Global Fund and partners, all UMI countries regardless of disease burden and all LMI country components with low or moderate disease burden should begin or build upon existing sustainability and transition planning during the 2017-2019 period. While this does not mean that all of these components are currently transitioning from Global Fund financing, it does mean that planning for eventual transition should be a priority and considerations for transition should be built into country dialogue, co-financing commitments, grant design, and program design. To support transitions that lead to sustained impact against the three diseases, the Global Fund will apply co-financing and application focus requirements tailored to countries in this group of disease components as described in the Sustainability, Transition and Co-financing policy.

All UMI countries regardless of disease burden and all LMI country components with low or moderate disease burden that have a 2017-2019 allocation, and where transition preparedness and transition planning is a priority, are listed here:

Table 1: Components that received a 2017-2019 allocation and are classified as LMI with low or moderate disease burden or UMI

UMI countries	Albania (HIV*, TB*), Algeria (HIV*, TB), Angola (HIV, TB, malaria), Armenia (HIV**, TB**), Azerbaijan (HIV, TB), Belarus (HIV, TB), Belize (HIV, TB*), Botswana (HIV, TB, malaria), Colombia (HIV), Costa Rica (HIV), Cuba (HIV*), Dominica*** (HIV, TB), Dominican Republic (HIV, TB*), Ecuador (HIV), Gabon (TB), Georgia (HIV, TB), Grenada*** (HIV, TB), Guyana (HIV, TB, malaria), Iran (HIV), Iraq (TB****), Jamaica (HIV), Kazakhstan (HIV, TB), Lebanon (HIV), Malaysia (HIV), Marshall Islands*** (HIV, TB), Mauritius (HIV), , Montenegro (HIV), Namibia (HIV, TB, malaria), Palau (TB), Panama (HIV, TB*), Paraguay (HIV, TB*), Peru (HIV, TB), Romania (TB), Saint Lucia*** (HIV, TB), Saint Vincent and the Grenadines*** (HIV, TB), Samoa*** (HIV, TB), Serbia (HIV), South Africa (HIV, TB), Suriname (HIV, TB*, malaria), Thailand (HIV, TB, malaria), Tonga*** (HIV, TB),, Turkmenistan (TB*), Tuvalu*** (HIV, TB)
LMI countries with low or	Bangladesh (HIV, malaria), Bhutan (HIV, malaria), Bolivia (malaria), Cabo Verde*** (TB, malaria), Djibouti (malaria), Egypt (TB), El Salvador (TB), Guatemala (TB, malaria), Honduras (TB, malaria), Kiribati*** (HIV), Kosovo (HIV, TB), Lao PDR (HIV), Micronesia,

[7] UMICs designated under the 'small island economy' exception to the International Development Association lending requirements, are eligible regardless of national disease burden (paragraph 5.d., Annex 2 to GF/B35/06 – Revision 1)

[8] GF/B35/06, paragraph 13.

moderate disease burden classification	Fed. Sts. (HIV), Nicaragua (TB, malaria), Pakistan (malaria), Palestine (HIV, TB), Philippines (malaria),), São Tomé and Principe*** (HIV), Sri Lanka (HIV, TB, malaria*), Sudan (HIV), Swaziland (malaria), Syrian Arab Republic (HIV, TB), Timor-Leste (HIV), Tunisia (HIV), Vanuatu*** (HIV, TB), Yemen, Rep. (TB, malaria)

Source: Global Fund 2018 Eligibility List. Includes countries that received transition funding for 2017-2019. G20 countries and components that did not receive an allocation in 2014-2016 are excluded from the analysis.

* Ineligible and received transition funding for 2017-2019.

** Newly ineligible as per 2018 list and may receive Transition Funding in 2020-2022.

*** Small island economies. These countries are encouraged to plan for transition even though UMI countries in this group are eligible for all components regardless of disease burden as per the Global Fund's Eligibility Policy (see footnote 8).

**** As Iraq is classified as a Challenging Operating Environment (COE) by the Global Fund, and in line with the flexibilities provided under Paragraph 13 (a) of the COE Policy (GF/B35/03), has been deemed eligible for the 2017-2019 allocation period.

Note that country context will influence the specific approach to transition preparedness. This is particularly the case for components that are classified as COEs and are subject to certain flexibilities under the Global Fund's COE Policy (GF/B35/03).

04 Transition Projections

To further support advanced planning, the Global Fund has produced a list of country components projected to transition fully from Global Fund financing by 2025 due to improvements in income classification and based on current eligibility criteria (see Annex 1 for a description of the methodology). These projections are based upon certain assumptions, which are outlined below but subject to change. **As such, these projections are not intended as binding determinations or statements of Global Fund policy, and are only provided as an additional resource to assist countries in transition planning.**

What the transition projections are:

- A resource that can be used, along with additional information, to inform long-term national program planning for successful transition from Global Fund financing.

What the transition projections are not:

- The Global Fund's list of eligible components;
- An input into country allocations;
- An exhaustive or definitive list of components that will transition by 2025;
- Binding determinations or statements of Global Fund policy;
- Permanent, as transition projections, eligibility criteria and data are subject to change and revision.

For all eligible countries, the latest available GNI per capita has been projected to forecast which countries or country components may become ineligible by moving to a higher income group – either to UMI (for components with a low or moderate disease burden) or high income (ineligible regardless of disease burden).[9] These projections are indicative, based on the latest available information, and will be updated annually with the most recent data. These projections use current disease burden data,[10] as defined in the Global Fund Eligibility Policy, which are subject to future revisions. Finally, these projections do not take into account countries that may be considering voluntary transition or countries that may become ineligible because of changes in their disease burden classification.

The country components projected to transition from Global Fund support are provided below, grouped by the allocation period in which they are projected to receive their last allocation. Country components that became ineligible and received a Transition Funding grant in the 2017-2019 allocation period are also listed below. In total, 21 countries are projected to transition in at least one component by 2025, with 10 countries projected to transition fully away from Global Fund financing.[11]

[9] As per 2018 eligibility list. G20 countries and countries that did not receive an allocation in 2017-2019 are excluded from the analysis.

[10] Please see Annex 1 for a discussion on why current disease burden data is used rather than projected burden data.

[11] Includes components that are receiving transition funding in 2017-2019.

Table 2: Transition Projections*

Ineligible since 2014-16 allocation and receiving transition funding in 2017-2019	**Projected to become ineligible in 2017-2019 based on country move to UMI status and may receive transition funding in 2020-2022**	**Projected to become ineligible based on country move to UMI status in 2020-2022 and may receive transition funding in 2023-2025**
Albania (HIV, TB) Algeria (HIV) Belize (TB) Botswana (malaria) Cuba (HIV) Dominican Republic (TB) Panama (TB) Paraguay (TB) Sri Lanka (malaria) Suriname (TB) Turkmenistan (TB)	Armenia** (HIV, TB) El Salvador (TB, malaria) Sri Lanka (HIV, TB)	Bolivia (malaria) Egypt (TB) Guatemala (TB, malaria) Kosovo (HIV, TB) Philippines (malaria)
Countries projected to move to High Income status and become ineligible *(High Income countries are not eligible for transition funding)*		
Projected to become ineligible over 2017-2019	*Projected to become ineligible over 2020-2022*	*Projected to become ineligible over 2023-2025*
Panama (HIV)	Malaysia (HIV)	Costa Rica (HIV) Kazakhstan (HIV, TB)

* Includes all components that received a 2017-2019 allocation, where countries are projected to move to the high income group or – for components categorized as low or moderate disease burden – to the UMI group, except for small island economies and G20 countries. Does not include a projection of countries that may become members of the G20 or the OECD DAC.

** For 2018, Armenia is newly ineligible for HIV and TB because its income classification has changed to UMI and it has less than high disease burden, as reflected in the 2018 Eligibility List.

Given potential changes in GNI per capita, disease burden, and Global Fund Eligibility Policy, the Global Fund encourages all countries approaching transition to actively plan for sustainability. The Global Fund supports these countries through co-financing and application focus requirements in order to guide investments toward successful transitions.

Annex 1: Methodology for the transition projections

The projections estimate which countries could receive their last allocation for a disease component by 2025. **Projections are done on income only.** This is a first-order determinant for eligibility in the Global Fund's Eligibility Policy. These projections assume:

- The Global Fund's current eligibility indicators for income and disease burden are maintained;
- The disease burden classification is constant over this timeframe.

As such, the projections do not account for countries that may transition due to significant improvements in disease burden, or potential future revisions to the Global Fund's eligibility criteria.

Eligibility by income is based on the World Bank income classifications of GNI per capita (Atlas method, current U.S. dollars), based on income thresholds that are updated in July of each year. For all eligible countries, the latest available GNI per capita is projected to forecast which countries may become ineligible by moving to a higher income group – either UMI (for components with a low or moderate disease burden) or high income (for countries regardless of disease burden). Estimates of GNI up to 2016 are taken from the World Bank's World Development Indicators database (http://databank.worldbank.org/data/home.aspx),updated in December 2017.

To estimate which countries would receive their last funding from the Global Fund by 2025, the exercise identifies countries projected to become UMI by 2022. This is the year in which the eligibility list would be produced to determine the 2023-2025 allocations, including for transition funding. For countries projected to move to the high income group, the timeframe is to 2025, as high income countries are not eligible for transition funding and therefore receive their last funding during the allocation cycle in which they become ineligible.

Countries considered for this analysis are all countries that are eligible or in transition according to the 2018 Global Fund Eligibility List. As per the Global Fund's Eligibility Policy, upper-middle income countries designated as "small-island-economy exceptions" to the International Development Association lending requirements category are eligible even with a low or moderate disease burden.[12] Therefore, small island economies are included in the results only if they are projected to move to the high income category by 2025.

As there are no publically available projections on GNI, these projections are based on forecasted GDP growth projections from the IMF's World Economic Outlook database, updated in October 2017 (https://www.imf.org/external/pubs/ft/weo/2017/02/weodata/index.aspx). As forecasted GDP growth may not be a direct predictor of GNI growth, the elasticity of GNI growth with respect to GDP growth is applied to factor in the historical correlation between the two variables.

Specifically, the percentage change in GNI relative to the percentage change in GDP is calculated over the past eight years (2009-2016). The equation for calculating the elasticity of GNI growth with respect to GDP growth is:

$$e = \frac{[GNI_{2016} - GNI_{2009}]/GNI_{2009}}{[GDP_{2016} - GDP_{2009}]/GDP_{2009}}$$

For example, an elasticity of 0.8 implies that for every 1 percent growth in GDP, GNI grows by 0.8 percent. The elasticity is calculated over a multi-year period to mitigate year-on-year fluctuations, specifically, the 2009-2016 period is chosen to capture enough years for a trend, yet avoid possible anomalies from the 2008 crisis. As a sensitivity test, the elasticity of GNI growth with respect to GDP growth was tested over two additional periods: 2010-2016 and 2012-2016. If the elasticities for the three periods diverged greatly for a country (e.g. was less than 1 in a period and greater than 1 in another period) then an elasticity factor was not applied.

[12] Cabo Verde (HIV, TB, malaria), Dominica (HIV, TB), Grenada (HIV, TB), Kiribati (HIV, TB), Maldives (HIV, TB), Marshall Islands (HIV, TB), Samoa (HIV, TB), São Tomé and Principe (HIV, TB, malaria), Saint Lucia (HIV, TB), Saint Vincent and the Grenadines (HIV, TB), Tonga (HIV, TB), Tuvalu (HIV, TB), Vanuatu (HIV, TB, malaria).

The IMF's forecasted annual GDP growth rates in current U.S. dollars, available up to 2022, are then multiplied by this elasticity factor to obtain a projected GNI growth rate. For 2023 onwards, the 2022 growth rate is applied.

Therefore, the projected GNI growth rate in year t is calculated as follows:

$$GNI_t = GNI_{t-1} \times [e \times \Delta GDP_t]$$

For each year, the projected GNI values are then divided by population projections from the UN to provide GNI per capita estimates.

As of 1 July 2017, the World Bank income classification is defined as follows, calculated using GNI per capita, Atlas method:

- Low income countries are defined as those with a GNI per capita of $1,005 or less in 2016;
- Lower-middle income countries are those with a GNI per capita between $1,006 and $3,955;
- Upper-middle income countries are those with a GNI per capita between $3,956 and $12,235;
- High income countries are those with a GNI per capita of $12,236 or more.

Each year, the World Bank adjusts these income group thresholds by a measure of inflation, called the SDR deflator. For this exercise, these income thresholds are assumed to increase annually at 1 percent, based on historical trends. Projections are done in nominal U.S. dollars to align with the World Bank income groupings, which are based on current dollar values of GNI.

To provide a sensitivity analysis on the timeframe by which a country would move to a higher income category, the following alternative methods are applied:

a) For all countries, a back-up approach was taken whereby GNI per capita was projected at historical growth rates. Specifically, GNI per capita was projected at the average growth rate over 2011-2016, weighted to favor the most recent years, under the assumption that most recent data is more relevant to predict future growth, and limited between zero and eight percent, to avoid factoring in anomalous growth.
b) As a second back-up approach, the elasticity factor was removed so that GNI is projected to grow at the forecasted rate of GDP growth.
c) For countries where there is uncertainty in the projections (e.g. where the IMF growth projections fluctuate drastically year-by-year, or where the two back-up methods described above project country income classification changes in a different allocation cycle compared with the primary methodology), additional sources are checked to refine the estimated timeframe for transition. These are the IMF Article IV reports that are produced jointly with the Ministries of Finance and the IMF, as well as the World Bank's Sector Country Diagnostics and Country Partnership Strategy reports.

For the few countries that have missing IMF GDP forecasts or UN population data, GNI per capita is projected to increase at historical trends using average growth over 2011-2016, weighted to favor the most recent years, under the assumption that most recent data is more relevant to predict future growth.

Note on disease burden: While disease burden is a critical eligibility criteria, technical partners of the Global Fund, including WHO, UNAIDS, Stop TB Partnership and Roll Back Malaria, have recommended not projecting which countries might transition based on changes in the disease burden classification using the current eligibility criteria. For tuberculosis, the eligibility classification is based on notification rates, which are not appropriate for projecting disease burden. The malaria disease burden classification is based on historical morbidity and mortality (from the year 2000) to reflect each country's full potential for malaria transmission and mitigate the risk of resurgence; therefore projecting disease burden is not relevant.

For HIV, the indicator is prevalence, which is unlikely to change significantly over the next 10 years: incidence reductions will tend to reduce prevalence; however, this could be offset by improved coverage of anti-retroviral therapy, which could increase prevalence as people receiving treatment live longer. Finally, the Strategy Committee of the Global Fund Board is considering future revisions to eligibility criteria, which if approved would void the utility of projecting based upon current disease burden criteria.