Projected transitions from Global Fund country allocations by 2028: projections by component

November 2019 update

01 Background

As part of its efforts to accelerate malaria elimination and end the HIV and tuberculosis epidemics, the Global Fund's 2017-2022 Strategy [1] emphasizes the critical importance of strengthening sustainability of programs and supporting successful transitions to full domestic financing and management of the national disease response. The Global Fund believes long-term sustainability is a key aspect of development and health financing and that all countries, regardless of economic capacity[2] and disease burden, should be planning for and embedding sustainability considerations within national strategies, program/grant design and implementation.

As part of its Sustainability, Transition and Co-financing (STC) Policy[3], the Global Fund encourages and proactively supports early, robust, multi-stakeholder, and country-owned sustainability and transition planning, to maintain and accelerate gains against the three diseases. Recognizing that a successful transition takes time and preparation, the Global Fund strongly encourages countries to start planning for eventual transition at least 10 years – or approximately three allocation cycles – before funding for disease components is projected to end.

To further support advanced planning and enhance predictability of potential transition timelines, the Global Fund has produced a list of country components that are most likely to transition from Global Fund financing. This document includes details on the components projected to transition in the coming allocation cycles, as well as the methodology behind these projections. It is important to note that these projections are based only on potential changes in income classification, and do not take into account potential reductions in disease burden expected as we approach the 2030 goal to end the three epidemics.

[1] April 2016. Annex 1 to GF/B35/02 – Revision 1. The Global Fund Strategy 2017-2022: Investing to End Epidemics. https://www.theglobalfund.org/media/1176/bm35_02-theglobalfundstrategy2017-2022investingtoendepidemics_report_en.pdf

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

[3] April 2016. Annex 1 to GF/B35/04 – Revision 1. The Global Fund Sustainability, Transition and Co-financing Policy. https://www.theglobalfund.org/media/4221/bm35_04-sustainabilitytransitionandcofinancing_policy_en.pdf

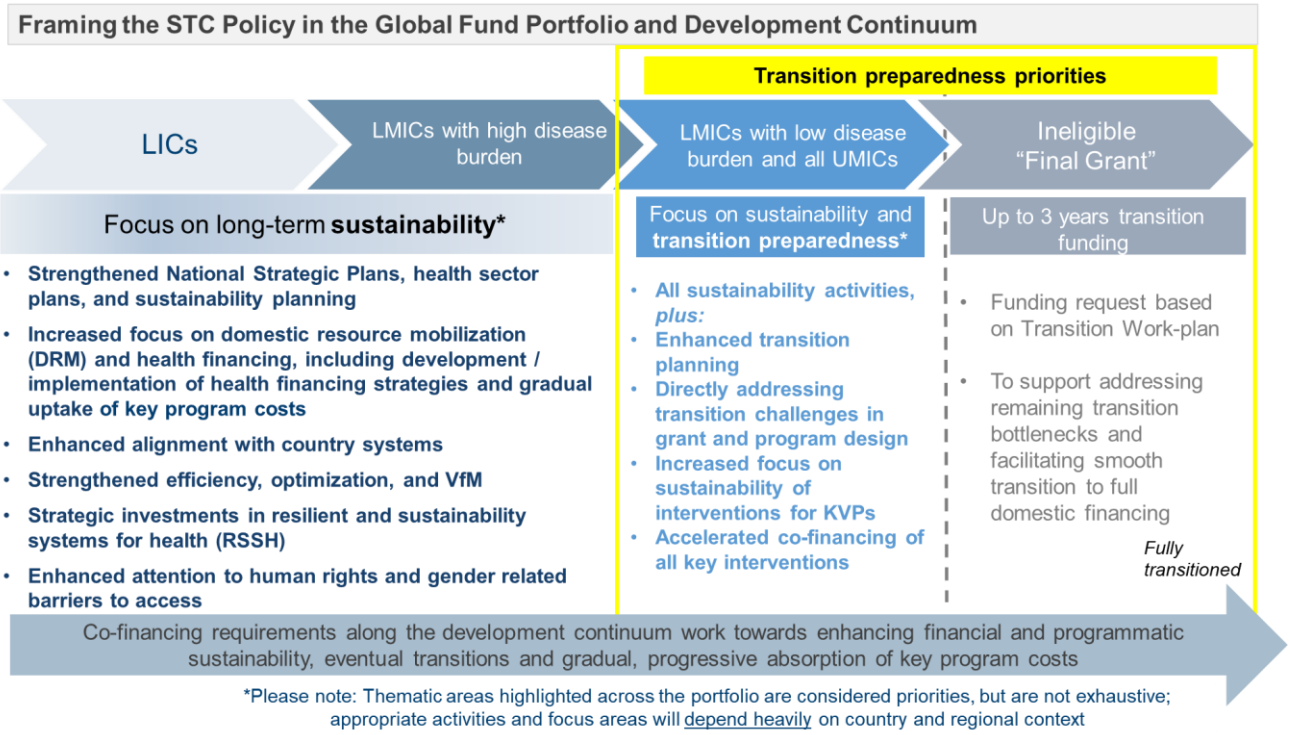

Figure 1. The STC Policy and the development continuum. LIC = low-income country, LMIC = lower-middle-income country, UMIC = upper-middle-income country

02 Reasons for transition

A country or a disease component may transition from Global Fund support either i) voluntarily, ii) because they become ineligible based on the Global Fund Eligibility Policy and/or iii) because they have received their final allocation based on discussion with the Global Fund.[4] Please note that eligibility does not guarantee an allocation.

A country's eligibility for Global Fund financing is primarily based on a) its income classification[5] and b) disease burden indicators for HIV, tuberculosis, and malaria[6]. Disease burden is measured using the latest available official data provided to the Global Fund by WHO and UNAIDS. In general, components become ineligible if:

1. A country moves to high income (HI) status;
2. A country becomes a member of the Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC);
3. A country moves to upper-middle-income (UMI) status and the disease burden for a component is Not High;
4. Disease burden for a UMI component is reclassified as Not High;
5. A low-, lower-middle- or upper-middle-income country is determined to be 'malaria-free' by the WHO and is included in the official register of areas where malaria elimination has been

[4] May 2018. Annex 1 to GF/B39/02. The Revised Eligibility Policy. https://www.theglobalfund.org/media/7409/bm39_02-eligibility_policy_en.pdf

[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 and the latest World Bank income classification thresholds.

[6] Two special cases exist in which otherwise ineligible UMI countries may be eligible for funding: in the event of an exceptional resurgence of malaria (paragraph 11, Annex 1 to GF/B39/02) or if there are demonstrated barriers to providing HIV services for key populations in a country not on the OECD-DAC list of ODA recipients (paragraph 9.b., Annex 1 to GF/B39/02).

achieved; or are included on the WHO 'Supplementary List' of countries that are malaria-free but not certified by WHO.

As such, low-income (LI) and lower-middle-income (LMI) countries are eligible to receive an allocation irrespective of disease burden,[7] while HI countries are ineligible regardless of disease burden. Please note that UMI countries may be ineligible for one disease component while remaining eligible for others[8].

For disease components that become ineligible and have an existing grant, the Global Fund Eligibility Policy allows for one allocation of 'Transition Funding'[9] (up to three-years) to support priority transition needs identified in a transition work-plan, unless a country has moved to HI status or has become a member of the OECD DAC.[10] Please note that being eligible to receive "Transition Funding" does not guarantee that an individual disease component will receive this allocation.

03 Sustainability and Transition Planning

Given the significant challenges inherent in transitioning to domestic financing and the potential for fluctuations in Global Fund allocations, it is critical that sustainability and transition planning begin at least 10 years before the end of Global Fund financing. Early planning can help proactively address country-specific challenges and bottlenecks to successful transitions.

It is therefore recommended that all UMI countries (regardless of disease burden) and all LMI countries with Not High disease burden should prioritize or build upon existing sustainability and transition planning during the 2020-2022 period (Table 1). For each of these disease components, countries should incorporate transition and sustainability considerations into country dialogue, co-financing commitments, grant design, and program design. To further enhance transition preparedness and support sustained impact against the three diseases, the Global Fund also applies co-financing and application focus requirements tailored to these disease components[11], and proactively supports country transition planning (where relevant).

Please note that country context will significantly influence the specific approach to transition preparedness. This is particularly the case for components that are classified as Challenging Operating Environments (COEs) and are subject to certain flexibilities under the Global Fund's COE Policy[12].

Table 1. UMI and LMI with Not High disease burden. Includes only country components that received an allocation in the 2020-2022 allocation cycle.

UMI countries	Azerbaijan (HIV, TB), Belarus (HIV, TB), Belize (HIV), Botswana (HIV, TB), Colombia (HIV), Costa Rica (HIV), Cuba (HIV), Dominica** (HIV, TB), Dominican Republic (HIV), Ecuador (HIV), Gabon (TB), Grenada** (HIV, TB), Guatemala (HIV, Malaria*, TB*), Guyana (HIV, Malaria*, TB), Iran (HIV), Iraq (TB), Jamaica (HIV), Jordan (TB), Kazakhstan (HIV, TB), Kosovo (HIV*, TB*), Lebanon (HIV), Malaysia (HIV), Marshall Islands** (HIV, TB), Mauritius (HIV), Montenegro (HIV), Namibia (HIV, Malaria, TB), Paraguay (HIV), Peru (HIV, TB), Russian Federation (HIV), St. Lucia** (HIV, TB), St. Vincent and the Grenadines** (HIV, TB), Samoa** (HIV, TB), Serbia (HIV), South Africa

[7] With the exception of countries either certified as malaria-free by the WHO or on the WHO's Supplementary List of Countries (paragraph 15, Annex 1 to GF/B39/02).

[8] UMICs classified by the International Development Association (IDA) as 'Small Island Economy Exceptions' are eligible for an allocation regardless of national disease burden (paragraph 9.a., Annex 1 to GF/B39/02).

[9] The Secretariat may exceptionally request on a case-by-case basis that the Global Fund Board approve one additional allocation of Transition Funding in order to allow for the financing of critical transition activities that are essential to supporting transition from Global Fund financing.

[10] paragraph 18, Annex 1 to GF/B39/02.

[11] April 2016. GF/B35/04 – Revision 1. The Global Fund Sustainability, Transition and Co-financing Policy. https://www.theglobalfund.org/media/4221/bm35_04-sustainabilitytransitionandcofinancing_policy_en.pdf

[12] April 2016. Annex 1 to GF/B35/03. The Global Fund Challenging Operating Environments Policy. https://www.theglobalfund.org/media/4220/bm35_03-challengingoperatingenvironments_policy_en.pdf

	(HIV, TB), Suriname (HIV, Malaria), Thailand (HIV, Malaria, TB), Tonga** (HIV, TB), Turkmenistan (TB), Tuvalu** (HIV, TB)
LMI countries with Not High disease burden classification	Armenia (HIV*, TB), Bangladesh (Malaria), Bhutan (HIV, Malaria), Bolivia (Malaria), Cabo Verde** (HIV, Malaria, TB), Comoros** (HIV, TB), Djibouti (Malaria), Egypt (TB), Eswatini (Malaria), Honduras (Malaria, TB), Kiribati** (HIV), Lao PDR (HIV), Mauritania (HIV), Micronesia** (HIV), Nicaragua (Malaria, TB), Pakistan (Malaria), Palestine (HIV, TB), Papua New Guinea (HIV), Philippines (Malaria), Sao Tome and Principe** (HIV), Sri Lanka (HIV, TB), Sudan (HIV), Timor-Leste** (HIV), Vanuatu** (HIV, TB), Yemen (HIV, Malaria, TB)

Source: Global Fund 2020 Eligibility List. Includes countries receiving funding via multi-country grants. Please note that in addition to the components listed above, the following components received transition funding in 2017-2019: Albania (HIV, TB), Algeria (HIV), Belize (TB), Botswana (malaria), Dominican Republic (TB), Paraguay (TB), Panama (TB), and Sri Lanka (malaria). As they continue implementing grants, these components are strongly encouraged to continue the focus on transition preparedness and planning priorities.
* These components are newly ineligible as per the 2018-2020 lists and have received 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).

04 Transition Projections

To further support advanced planning, the Global Fund has produced a list of country components that are projected to transition from Global Fund financing by the two main transition pathways:

1. Pathway 1: A country with a Not High disease burden moves from LMI to UMI
2. Pathway 2: A UMI country with any disease burden moves from UMI to HI

These lists are in no way binding determinations or statements of Global Fund policy and are only provided as an additional resource to assist countries in transition planning.

To predict when countries are likely to change from one income category to the next, the Global Fund has projected country income data using GNI per capita from the World Bank (see Annex for methodology). To evaluate the disease burden of UMI countries (transition via Pathway 1), the disease burden categorization from the 2020 Eligibility List is used.

What the transition projections <u>are</u>:

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

What the transition projections <u>are not</u>:

- The Global Fund's list of eligible components;
- An input into determinations of country allocations;
- An exhaustive or definitive list of components that will transition by 2028;
- Binding determinations or statements of Global Fund policy;
- Permanent, as transition projections, eligibility criteria and data are subject to change and revision.

In total, 12 LMI countries with components with Not High disease burden are projected to move to UMI status by 2028, while an additional 11 countries (with 16 components that received an allocation in 2020-2022) are projected to become HI countries (Table 2). Please note that these projections do not estimate changes in G-20 or OECD-DAC membership or malaria-free status, and exclude any transitions that are voluntarily initiated by countries and/or components that have received their final allocation via discussion with the Global Fund.

Table 2. Transition Projections. Note that countries designated as small island economies are excluded from this list, unless they are projected to move from UMI to HI status. Only components that received an allocation in 2020-2022 are included.

Pathway 1: Countries projected to move to Upper-Middle Income status with Not High disease burden		
Have moved to UMI status between 2018-2020 and eligible for transition funding in 2020-2022	**Projected to become ineligible in the 2020-2022 allocation period based on country move to UMI status and may be eligible for transition funding in 2023-2025**	**Projected to become ineligible in the 2023-2025 allocation period based on country move to UMI status and may be eligible for transition funding in 2026-2028**
Armenia (HIV) Guatemala (TB, malaria) Guyana (malaria) Kosovo (HIV, TB)	Bolivia (malaria) Eswatini (malaria) Philippines (malaria) Sri Lanka (HIV)	Bhutan (HIV, malaria) Cabo Verde (HIV, TB, malaria) Egypt (TB) Lao PDR (HIV)
Pathway 2: Countries projected to move to High Income status		
Projected to become ineligible in the 2020-2022 allocation period (not eligible for transition funding)	**Projected to become ineligible in the 2023-2025 allocation period (not eligible for transition funding)**	**Projected to become ineligible in the 2026-2028 allocation period (not eligible for transition funding)**
Costa Rica (HIV) Malaysia (HIV) Mauritius (HIV)	Dominica (HIV, TB)* Grenada (HIV, TB)* Guyana (HIV, TB)	Dominican Republic (HIV) Gabon (TB) Kazakhstan (HIV, TB) Lebanon (HIV)* St. Vincent & the Grenadines (HIV, TB)*

Note that due to missing economic data, projections for Cuba, DPR Korea, South Sudan, and Syria could not be made.
* Operationalized in a multi-country grant during 2017-2019 allocation period

As highlighted above, given potential changes in GNI per capita, disease burden, Global Fund Eligibility Policy, and/or potential reductions in Global Fund allocations, the Global Fund strongly encourages all countries approaching transition to actively plan for sustainability, even if they are not included on this list above. For those included in Table 2, proactive transition and sustainability planning is essential.

In addition, UMI countries may become ineligible due to disease burden changing from High to Not High, and these transition projections do not project changes in disease burden. This is in line with guidance from technical partners of the Global Fund, including WHO, UNAIDS, Stop TB Partnership and Roll Back Malaria, recommending not to project transitions on the basis of disease burden classification using the current eligibility criteria.

Annex 1: Methodology

Overview of transitions projections

The projections estimate which countries may receive their last allocation for a disease component by 2028. **Projections are based on income classification changes 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.

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 Not High disease burden) or high income (for countries regardless of disease burden). Estimates of GNI up to 2018 are taken from the World Bank's World Development Indicators database (http://databank.worldbank.org/data/home.aspx), updated in July 2019.

To estimate which countries would receive their last GF country allocation from the Global Fund by 2028, the exercise identifies countries projected to become UMI by 2025. This is the year in which the eligibility list would be produced to determine the 2026-2028 allocations, including for transition funding. For countries projected to move to the high income group, the timeframe is to 2028, 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 2020 Global Fund Eligibility List. As per the Global Fund's Eligibility Policy, UMI countries designated as "small-island-economy exceptions" to the International Development Association lending requirements category are eligible even with a not high disease burden.[13] Therefore, small island economies are included in the results only if they are projected to move to HI by 2028.

Forecasted GNI per-capita

As there are no publicly available projections on GNI, these projections are based off of forecasted GDP growth projections from the IMF's World Economic Outlook database, updated in April 2019 (https://www.imf.org/external/pubs/ft/weo/2019/01/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. For example, an elasticity of 0.8 implies that for every 1 percent growth in GDP, GNI grows by 0.8 percent.

The equation for calculating the elasticity of GNI growth with respect to GDP growth is:

$$e = \frac{[GNI_{2018} - GNI_{2012}]/GNI_{2012}}{[GDP_{2018} - GDP_{2012}]/GDP_{2012}}$$

The percentage change in GNI relative to the percentage change in GDP is calculated over the past seven years (2012-2018), a range chosen to maximize the range of data when calculating a trend, while avoiding possible anomalies from the 2008 crisis. To avoid the effect of extreme values, the elasticity is limited between 0.5 and 1.5 and set to be 1, if the elasticity is not available.

[13] 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 2024, which are then multiplied by this elasticity factor to obtain a projected GNI growth rate. For 2025 onwards, the 2024 growth rate is applied.

Therefore, the projected GNI growth rate in year *t* is calculated as follows, in which *e* is the applied elasticity:

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

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

Income category thresholds

As of 1 July 2019, 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 $1,025 or less in 2018;
- Lower-middle income countries are those with a GNI per capita between $1,026 and $3,995;
- Upper-middle income countries are those with a GNI per capita between $3,996 and $12,375;
- High income countries are those with a GNI per capita of $12,376 or more.

Each year, the World Bank adjusts these income group thresholds by a measure of inflation, called the Special Drawing Rights (SDRs) deflator. To approximate the SDR over the projection timeframe, historical income threshold data from 2009-2018 were used to calculate an average annual growth in thresholds, which was then used to project income thresholds from 2019-2025. Using this method, the income thresholds from 2019 onwards are assumed to increase annually at 0.13 percent. As a sensitivity analysis, the analysis was also conducted with thresholds held constant. This method changed the projected year of income category transition for 16 countries, and in only 5 cases did it change the allocation cycle in which a country as projected to transition.

Sensitivity analysis

To provide a sensitivity analysis on the timeframe by which a country would move to a higher income category, the following methods are applied. The final results are derived using the Static Elasticity, selected for being the most robust and conservative method assessed.

a) **Static Elasticity (base method).** The base method calculated GNI growth rate using the GDP growth rate and applying the calculated elasticity of GNI growth with respect to GDP. To convert to a per-capita metric, projected GNI was divided by projected population from 2019 onwards. Income thresholds were calculated using 0.13% annual growth.
b) **Previous Year GNIpc.** For all countries, a back-up approach was taken whereby the income categorization is determined by the GNI per capita of previous year, instead of three-year average as applied in the base method.
c) **No Elasticity.** In this method, no elasticity factor is applied and a one-to-one relationship between GDP and GNI growth is assumed. All other parameters are the same as the base method.
d) **No Population Factor.** In this method, per-capita GNI is extrapolated at the same growth rate as the GDP growth as reported by the IMF's World Economic Outlook, rather than projecting total GNI and applying the population divisor. All other parameters are the same as the base method.

For countries where there is uncertainty in the projections (e.g. where the IMF growth projections fluctuate drastically year-by-year, or where the alternative methods predicted transitions in different allocation cycles), 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 two countries[14] that have missing IMF GDP forecasts or UN population data, GNI per capita is projected to increase at historical trends using average growth over 2013-2018, weighted to favor the most recent years, under the assumption that most recent data are more relevant to predict future growth.

[14] Based on the data published in 2019, Pakistan and Syria are the only two countries missing projected GDP forecasts.