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

April 2024 update

01 Background

As part of its efforts to end the HIV and tuberculosis epidemics and accelerate malaria elimination, the Global Fund's 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 emphasizes long-term sustainability, aligned with national approaches, as a key aspect of development and health financing and encourages all countries, regardless of economic capacity[2] and disease burden, to plan for and embed sustainability considerations, both financial and programmatic, within national strategies, program/grant design and implementation. Sustainability planning should be undertaken holistically from a health systems perspective, in conjunction with key partners in country and well in advance of eventual transition from Global Fund financing.

As part of its Sustainability, Transition and Co-financing (STC) Policy[3], the Global Fund proactively supports early, robust, multi-stakeholder, and country-owned sustainability and transition planning, to maintain and accelerate gains against the three diseases and strengthen systems for health. 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 likely to be ineligible for Global Fund financing by 2028. 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 reductions in disease burden expected as we approach the 2030 goal to end the three diseases.

Note: This analysis makes use of projected economic data for 2024 and beyond. As such, we emphasize the high level of uncertainty in these projections of Global Fund transition that may result from a change in eligibility status. We further reiterate that **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 sustainability and transition planning.**

[1] November 2021. Annex 1 to GF/B46/03 – Revision 1. The Global Fund Strategy 2023-2028: Fighting Pandemics and Building a Healthier and More Equitable World. https://www.theglobalfund.org/media/11612/strategy_globalfund2023-2028_narrative_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

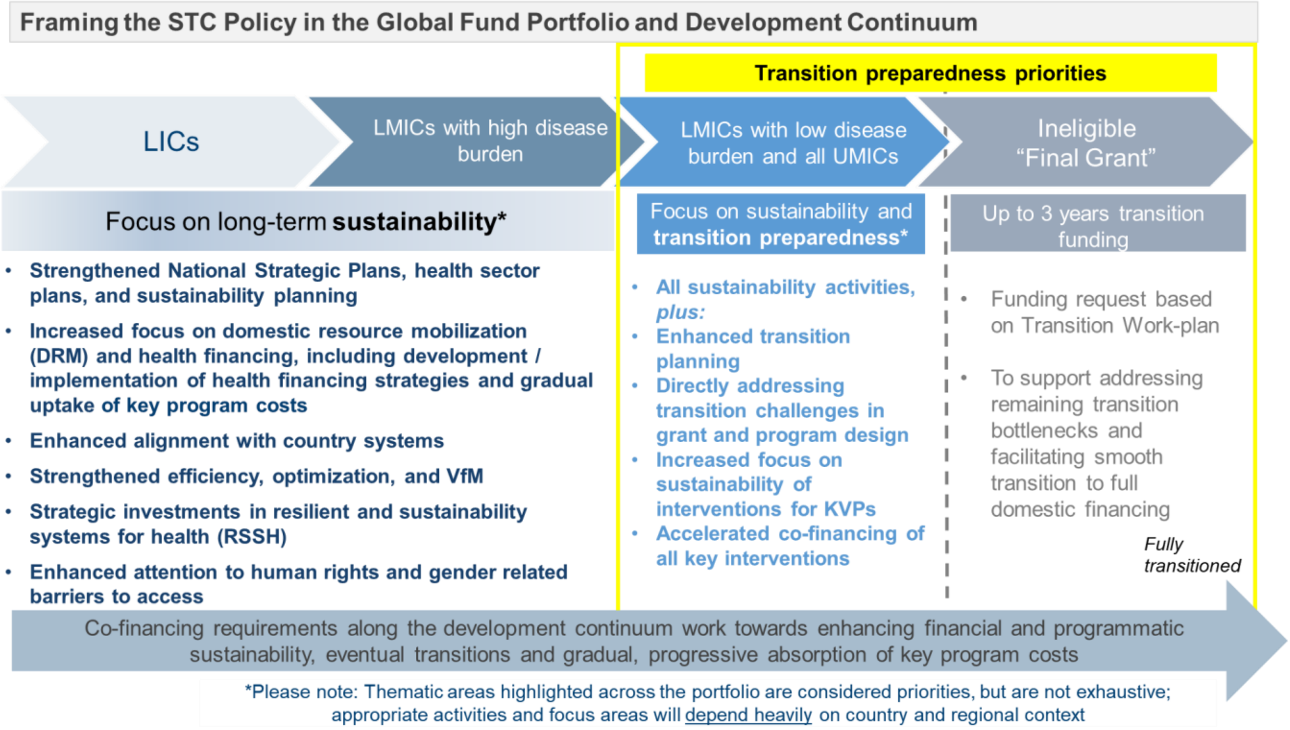

Figure 1. The STC Policy and the development continuum. LIC = low-income country, LMIC = lower-middle-income country, UMIC = upper-middle-income country

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[4] and/or iii) because they have received their final allocation based on discussion with the Global Fund. 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; or
5. A low, LMIC or UMIC is determined to be 'malaria-free' by the WHO and is included in the official register of areas where malaria elimination has been achieved; or are included on the WHO 'Supplementary List' of countries that are malaria-free but not certified by WHO.

4 May 2022. Annex 1 to GF/B47/02. The Revised Eligibility Policy. https://www.theglobalfund.org/media/7443/core_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 UMICs may be eligible for funding: in the event of an exceptional resurgence of malaria (paragraph 11, Annex 1 to GF/B47/02) 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/B47/02).

LICs and LMICs are eligible to receive an allocation irrespective of disease burden,[7] while HI countries are ineligible regardless of disease burden. Please note that UMICs 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 three-year allocation of 'Transition Funding'[9] 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 UMICs, and all LMICs with 'Not High' disease burden, should prioritize or build upon existing sustainability and transition planning during Grant Cycle 7[11] (GC7). See Table 1 for a list of these countries. 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[12], and proactively supports country transition and sustainability 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[13].

[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/B47/02).

[8] UMICs classified by the International Development Association (IDA) as 'IDA-eligible Small States, including Small Island Economies' are eligible for an allocation regardless of national disease burden (paragraph 9.a., Annex 1 to GF/B47/02).

[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/B47/02.

[11] Grant Cycle 7 (GC7) refers to allocations funded from the 7th Replenishment, corresponding to the 2023-2025 allocation period.

[12] 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

[13] 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

Table 1. **UMI and LMI with 'Not High' disease burden.** Includes only country components that received an allocation for GC7.

UMICs	Armenia (HIV*, TB), 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), Equatorial Guinea (HIV, Malaria), Fiji (HIV, TB), Gabon (HIV, TB, Malaria), Georgia (HIV, TB), Grenada** (HIV, TB), Guatemala (HIV, TB*, Malaria*), Guyana** (HIV, TB, Malaria*), Iraq (TB), Jamaica (HIV), Kazakhstan (HIV, TB), Kosovo (HIV*, TB*), Lebanon (HIV), Libya (TB), Malaysia (HIV), Marshall Islands** (HIV, TB), Mauritius (HIV), Moldova (HIV, TB), Montenegro (HIV), Namibia (HIV, TB, Malaria), Paraguay (HIV), Peru (HIV, TB), Russian Federation (HIV), Saint Lucia** (HIV, TB), Saint Vincent and the Grenadines** (HIV, TB), Serbia (HIV), South Africa (HIV, TB), Suriname (HIV, Malaria), Thailand (HIV, TB, Malaria), Tonga** (HIV, TB), Turkmenistan (TB), Tuvalu** (HIV, TB), Venezuela (HIV, TB, Malaria)
LMICs with 'Not High' disease burden	Algeria (HIV), Bangladesh (HIV, Malaria), Bhutan (HIV, Malaria), Bolivia (Malaria), Cabo Verde** (TB, Malaria*), Comoros** (HIV, TB), Djibouti (Malaria), Egypt (TB), El Salvador (HIV), Haiti (Malaria), Honduras (TB, Malaria), Indonesia (Malaria), Iran (HIV), Jordan (TB*), Kiribati** (HIV), Lao PDR (HIV), Micronesia** (HIV), Nepal (Malaria), Nicaragua (TB, Malaria), Pakistan (Malaria), Palestine (HIV, TB), Philippines (Malaria), Samoa** (HIV, TB), Sri Lanka (HIV), Timor-Leste** (HIV), Vanuatu** (HIV, TB)

Source: Allocation awards and Global Fund 2024 Eligibility List.
Includes countries receiving funding via multicountry grants.
* These components have received Transition Funding in GC7.
** Classified by the International Development Association (IDA) as IDA-eligible Small States. These countries are encouraged to plan for transition even though UMICs 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 UMIC 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 UMICs (transition via Pathway 1), the Global Fund uses the disease burden categorization from the 2024 Eligibility List.

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 become ineligible by 2028;
- Binding determinations or statements of Global Fund policy; and
- Permanent, as transition projections, eligibility criteria and data are subject to change and revision.

In total, seven LMICs with components with 'Not High' disease burden are projected to move to UMI status by 2028, while an additional three countries (with 6 components that received an allocation for GC7) 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 IDA-eligible small states are excluded from this list, unless they are projected to move from UMI to HI status. Only components that received an allocation in GC7 are included. These projections 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.

Pathway 1: Countries projected to move to UMI status with 'Not High' disease burden	
Components projected to become ineligible in GC7 **May be eligible for Transition Funding in GC8**	Components projected to become ineligible in GC8 **May be eligible for Transition Funding in GC9**
El Salvador (HIV) Indonesia (Malaria)	Bangladesh (HIV, Malaria) Egypt (TB) Iran (Islamic Republic) (HIV) Philippines (Malaria) Vanuatu (HIV, TB)
Pathway 2: Countries projected to move to HI status	
Countries projected to become ineligible in GC7[14] **If they move to High Income status, will not be eligible for Transition Funding**	Countries projected to become ineligible in GC8 **If they move to High Income status, will not be eligible for Transition Funding**
Costa Rica (HIV) Guyana (HIV, TB, Malaria) Saint Lucia (HIV, TB)	

Note that due to missing or incomplete economic data, projections were not made for Bhutan, Cuba, Kosovo, Lebanon, Pakistan, Palestine, Sri Lanka, Tonga, Ukraine and Venezuela.

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 in the tables above. For those included in Table 2, proactive transition and sustainability planning is essential.

[14] Country disease components that become ineligible during an allocation period will remain eligible for the duration of that period, although the Secretariat may require specific timebound actions to facilitate eventual transition from Global Fund financing in line with the Sustainability, Transition and Co-financing Policy.

In addition, UMICs 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 previous 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.

Table 3. Components currently receiving transition funding and components that have become ineligible in GC7

Components that received transition funding in GC7 are expected to transition away fully from Global Fund financing following these final three years of grant support.

Received Transition Funding in GC7	Have become ineligible in GC7 as per Eligibility List **May be eligible for Transition Funding in GC8**
Armenia (HIV)** Cabo Verde (Malaria) Guatemala (TB, Malaria) ** Guyana (Malaria)** Jordan (TB) Kosovo (HIV, TB)**	Georgia (HIV)

*Components marked ** received Transition Funding for GC6 and were exceptionally Board-approved for an additional award of Transition Funding in GC7 in light of the COVID-19 pandemic*[15]

[15] May 2022. GF/B47/DP04

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 2022 are taken from the World Bank's World Development Indicators database (http://databank.worldbank.org/data/home.aspx), updated in July 2023.

To estimate which countries would receive their last Global Fund country allocation by 2028, the exercise identifies countries projected to become UMI by 2028. This is the year in which the Eligibility List would be produced to determine the post 2028 allocations, including for Transition Funding. For countries projected to move to the HI group, the timeframe is to 2028 as HI 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 2024 Global Fund Eligibility List. As per the Global Fund's Eligibility Policy, UMICs 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 October 2023 (https://www.imf.org/en/Publications/WEO/weo-database/2023/October).

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:

$$e = \frac{[GNI_{2022} - GNI_{2015}]/GNI_{2015}}{[GDP_{2022} - GDP_{2015}]/GDP_{2015}}$$

The percentage change in GNI relative to the percentage change in GDP is calculated over the past eight years (2015-2022), 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.

The IMF's forecasted annual GDP growth rates in current U.S. dollars, available up to 2027, which are then multiplied by this elasticity factor to obtain a projected GNI growth rate. For 2028, the 2027 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 2023, the World Bank income classification is defined as follows, calculated using GNI per capita, Atlas method:

- LICs are defined as those with a GNI per capita of $1,135 or less;
- LMICs are those with a GNI per capita between $1,135 and $4,465;
- UMICs are those with a GNI per capita between $4,465 and $13,845;
- HI countries are those with a GNI per capita of $13,845 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 2013-2022 were used to calculate an average annual growth in thresholds, which was then used to project income thresholds from 2023-2028. Using this method, the income thresholds from 2023 onwards are assumed to increase annually at 0.92 percent for Upper- middle income and 0.96 percent for High income.

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 2023 onwards. Income thresholds were calculated using 0.92% and 0.96% annual growth rate for Upper-middle income and High income respectively.

b) **Previous Year Grip.** 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, for example, the IMF Article IV reports that are produced jointly with the Ministries of Finance and the IMF, as well as the World Bank's Country Private Sector Diagnostics and Country Partnership Framework reports.