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## GLOBAL FUND MUST DEVELOP A MORE STRATEGIC FUNDING MODEL, STUDY SAYS

“The Fund should consider abandoning the use of income status as an eligibility criterion”

Authors call for an approach based on disease burden and financial need

Ten years after its formation, the Global Fund is now entering a phase that will require it to allocate its funds more carefully and strategically. It can only do so by addressing the tension between being a responsive, demand-driven funder and being a more directive, supply-led funder, a new study has concluded.

The study was carried out by Dr David McCoy and Kelvin Kinyua for Aidspan, and was published on 9 May 2012 in the journal PLoS ONE. The study described the Global Fund’s pattern of disbursements in relation to total health expenditure, government health expenditure, income status and the burden of HIV, TB and malaria. It also examined the potential for recipient countries to increase domestic public financing for health.

The study covered 104 countries that received Global Fund money in 2009. It analysed data on disbursements, health financing indicators, government revenue and expenditure, and disease burden.

A total of 862 disbursements amounting to \$2.6 billion were made to the 104 countries, broken out as follows: 58% to low-income countries (LICs), 34% to lower-middle-income countries (LMICs), and 7.3% to upper-middle-income countries (UMICs).

The study found that Global Fund financing constituted 0.37% of total health expenditures in the 104 countries. However, there was a wide variation among countries, ranging from 0.002% to 53.4%. The study found a similar pattern for Global Fund financing as a percentage of government health expenditure. In three countries, more than half of government health expenditure came from the Global Fund. However, the study found that levels of overall health spending within a country do not appear to influence the Global Fund's pattern of resource allocation.

The study highlighted the fact that 22 countries were, to a lesser or greater extent, "dependent" on the Global Fund in the sense that should the Fund stop making disbursements, there would be a significant financial impact on total or government health expenditure.

The authors stated that the Global Fund should reconsider its overall approach to resource allocation. On the surface, they said, income status and burden of disease are clearly reasonable criteria to use because the former helps prioritise poor countries, while the latter is designed to allocate resources according to burden of disease. However, the authors pointed out, there is now a poor correlation between (a) the global distribution of people living in poverty and suffering from the three diseases and (b) the income status of countries.

Furthermore, according to the authors, "not only is the average income status a poor marker of the burden of need," it can also be a poor indicator of the ability of a country to finance an adequate response to the three diseases. "A more sophisticated approach is required, combining an assessment of the financial need of a country and its burden of disease."

In discussing the concept of "financial need," the authors noted that many countries have the potential to expand domestic financing for health, and suggested that the Global Fund should assess the size of this potential. This would require examining: the adequacy of total health expenditure and government health budgets; the contribution of other donors; the potential to expand government budgets and revenue; and the potential to increase the allocation of government budgets to health. As such, "social and political factors inhibiting an adequate or appropriate domestic response to the three diseases would need to be considered."

The authors pointed out that the Global Fund's counterpart financing rules encourage the preferential allocation of Fund resources to countries that are already spending money on HIV, TB and malaria. They are not designed to get the Fund to compensate for low or poor levels of domestic funding. As a result, the authors said, the counterpart financing rules could end up punishing those most in need of Global Fund support because of the decisions of their government. "Here lies a tension for the Global Fund," the authors stated. "On the one hand, it wants to use its grant-making power to leverage greater domestic health spending on the three diseases. On the other, it seeks to respond to people in need which may require approving grants in spite of or because of government neglect."

According to the authors, counterpart financing rules would be more effective if they were designed not just to increase government spending on HIV, TB and malaria programmes, but to also improve a country's overall commitment to health financing and health systems development.

According to the authors, managing the tension between being responsive to country-led applications and responding to the health needs of populations and the financial needs of countries could be solved by adopting a three-track approach. One track would have the Global Fund providing assistance and

capacity development for countries to produce sound and appropriate HIV, TB and malaria plans. The second track would consist of the current demand-led model of having countries apply for grants. And the third track would entail a more explicit resource allocation formula that would set country-specific budget ceilings and floors based on the Global Fund's own budget, as well as an assessment of the combined health and financial needs of recipient countries.

The authors noted that there have been suggestions that the Global Fund incorporate measures of financial risk in its resource allocation strategy to reduce the Fund's exposure to fiduciary problems. "In our view this would be inappropriate and potentially counter-productive," the authors stated. "While an assessment of financial risk should influence the design of appropriate financial procedures and fiduciary controls, a resource allocation strategy should be determined by a combination of health and financial need. Those countries with weak financial management systems and inadequate fiduciary controls are often those in need of additional development assistance for health and long-term systemic developments."

The study, "Allocating Scarce Resources Strategically – An Evaluation and Discussion of the Global Fund's Pattern of Disbursements," is available [here](#). Dr David McCoy ([david.mccoy@aidspan.org](mailto:david.mccoy@aidspan.org)) is a public health physician and honorary senior clinical research fellow at University College London. He serves as a consultant to Aidspace and also works part-time in the UK National Health Service. Kelvin Kinyua ([kelvin.kinyua@aidspan.org](mailto:kelvin.kinyua@aidspan.org)) is a Senior Systems Officer with Aidspace.

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