RESTRICTIONS ON ACCESS TO FUNDING BY MIDDLE-INCOME COUNTRIES

The debate concerning what proportion of Global Fund money should go to low-income countries (LICs) has been going on for years. Some of the donors to the Global Fund feel very strongly that the bulk of the Fund's money should go to the poorest countries. They are particularly concerned that as more and more countries increase their gross national income and transition from low-income to middle-income, the proportion of Global Fund money that goes to LICs will steadily go down, whereas they want it to go up.

Over the years, these donors have managed to convince the Global Fund Board to impose both minimum floors concerning how much money should go to LICs, and restrictions on the ability of middle of middle-income countries (MICs) to access money. The most recent example of this was the 55% rule, adopted in November 2011. This rule says that each year, 55% of all funding must go to low income countries.

In February 2012, a few months after the Board adopted the 55% rule, the Board Chair announced that for countries classified as lower-middle-income and above, funding for each grant renewal would be limited to 75% of what had originally been approved, as one means of achieving the 55% objective.

The 55% rule has been strongly opposed, not only by MICs but also by many civil society organisations (CSOs), including those represented on Board delegations. They point out that more than half of the world's poor now live in MICs.

Although the focus recently has been on the 55% rule, the debate is really about the broader issue of what restrictions (if any) ought to be placed on MICs.

At its meeting in May 2012, the Global Fund Board discussed concerns about the impact of the "55%

rule." As we reported in GFO 184, the Board determined that further analysis of the 55% rule was required. It also decided to freeze implementation of the 75% ceiling. Further discussions on the 55% rule are expected to occur at a Board meeting in September 2012. The decision to freeze the ceiling effectively kills the 55% rule for 2012 because that rule cannot be implemented without the ceiling (or without similar measures).

This article provides some background information, and summarises some of the arguments that have been advanced recently by CSOs.

Restrictions on MICs

The Global Fund has had restrictions on access to funding by MICs for many years.

(The World Bank classifies countries by income level based on gross national income per capita. The Bank uses the following categories: low income, lower-middle income, upper-middle income, and high income. The classifications are updated annually on 1 July. High-income countries have never been eligible to apply for Global Fund money.)

In November 2007, the Board adopted a cap of 10% on funding to upper-middle-income countries (UMICs) in any given round of funding.

In May 2011, the Global Fund decided that rounds of funding would have both a general pool and a targeted pool; the latter was intended for proposals targeting most-at-risk populations. Funding for the targeted pool was to be limited to 10% of a given round of funding. Ceilings were imposed on funding for Individual proposals in the targeted pool. UMICs with a disease burden of high or above could apply only under the targeted pool.

That same month, changes were made to the Fund's eligibility and counterpart financing requirements. Some of the new rules placed additional restrictions on MICs. For example, proposals in the general pool from lower-middle income countries (LMICs) must focus at least 50% on most-at-risk populations or high impact interventions; for UMICs, the figure is 100%.

In November 2011, the Board adopted new policies for grant renewals that further restricted access to funding for MICs (including the 55% rule).

Rationale for the latest restrictions

The Global Fund Secretariat argued that without any changes to the rules, renewals in 2011–2013 would be heavily skewed towards MICs. The Secretariat said that between 2011 and 2013, the share of renewals represented by LICs would decline from 54% to 43%; and the share represented by lower LMICs would decline from 34% to 21% – whereas the share represented by UMICs would increase from 8% to 20%. The main reason for this trend is that a number of countries have transitioned to a higher income level.

With respect to funding for new proposals, the report of the Technical Review Panel (TRP) and the Secretariat on Round 10 showed that compared to Round 9, there was a marked decrease in the share of recommended funding for LICs – from 71% to 55% – and a corresponding increase for MICs. The report said that the UMIC share of recommended funding had gone from less than 1% in Round 8 to 4% in Round 9, and to 12% in Round 10 (above the limit set by the Board in 2007).

Concerns expressed recently by CSOs

CSOs have argued that the 55% rule goes too far. They have also questioned the use of country income levels to determine access to funding for key populations. Many of the concerns are described in a policy brief prepared by the Developed Country NGO Delegation in May 2012, a version of which was provided to all Board members.

The delegation paper said that “using country income categories as the main guidance for deciding whether or not to allocate resources to specific vulnerable populations may ultimately be counterproductive as income alone is not indicative of countries’ ability to pay for the cost of their disease responses.” The delegation said that, historically, decisions about who is eligible for funding and how funding should be prioritised considered both disease burden and country income; and that before the changes in 2011, the Global Fund’s eligibility requirements led to a high correlation between grant size and disease burden (0.84). Given the changes placing greater emphasis on country income category, the delegation said, it is doubtful that the current requirements will lead to nearly such an effective funding distribution.

In fact, the delegation said, the 55% rule may inadvertently prevent the Global Fund from investing adequately in countries with the highest disease burdens and greatest need. The paper explained this as follows:

“Many countries are transitioning from low to middle income, but poverty in middle income countries remains high…. Middle-income countries have higher burdens of HIV and TB than low-income countries….The capacity of middle-income countries to pay for health and their disease responses varies…. The Global Fund will only achieve its targets if investment is proportionate to disease burden.”

The delegation argued that many bilateral funders, including the UK, have focused their funding on low-income countries because they believed that their obligations towards MICs were being met through their contributions to the Global Fund.

The delegation called for a more nuanced approach to funding that takes into account disease burden, income levels, the distribution of wealth within countries, ability to pay and the sustainability of the interventions. However, although the delegation paper argued for the removal of the 55% rule, it did not question other restrictions on access to funding by MICs. In fact, it stated that the existing policies (e.g. eligibility, prioritisation, counterpart financing and the targeted pool) already shape the Global Fund portfolio appropriately “by directing resources and requiring middle-income implementing countries to contribute financial resources to the response.”

(Proponents of maintaining or even increasing restrictions on access to Global Fund money by MICs say that, yes, many of the world’s poor live in MICs, but the governments of those countries have a responsibility for taking care of their poor. One person we talked to cited the case of Guatemala, He said that the middle class has forced the government to keep income tax at a low level; that this prevented the government from increasing care for the poor; and that this, in turn, has resulted in taxpayers in the West paying, through aid, for services to the poor of Guatemala that taxpayers of Guatemala are not willing to pay for.)

In a study on resource allocation conducted for Aidspan and published in the journal PLoS ONE, Dr David McCoy and Kelvin Kinyua also argued for a different approach to resource allocation. The authors pointed out that there is currently 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. The authors added that 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,” they concluded.

The debate will continue. It is noteworthy that while the Board froze implementation of the 75% ceiling, it did not revoke the 55% rule per se. At it meeting in September 2012, the Board could decide to “resurrect” the 55% rule for 2013 and beyond, perhaps with a different number or in some other form.

The Global Fund is working now, in consultation with stakeholders, to design new funding models for a September 2012 launch. The new models are intended to be quite different from the rounds of funding that were used in the past. At least one of the existing rules affecting eligibility – funding for UMICs capped at 10% in any given round of funding – will probably not make any sense under the new models. It is difficult to see, therefore, how the Fund can design these models without reviewing existing rules on eligibility, prioritisation and counterpart financing. Trying to do both – i.e., design new models and review the eligibility criteria – by September will be very challenging.

The policy brief prepared by the Developed Country NGO Delegation is available for direct download here . The report on the study of resource allocations is available here.

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