

# 39<sup>th</sup> Board Meeting

## Global Fund approach to Non-eligible countries in crisis

GF/B39/03 – Revision 1

09-10 May 2018, Skopje

### **Board Decision**

Purpose of the paper: This paper outlines how the Global Fund may engage in non-eligible countries facing emergencies that adversely impact progress against HIV, TB, and Malaria

## Decision

**Decision Point GF/B39/04: Potential Engagement with Non-eligible Countries in Crisis**

- 1. The Board acknowledges that a health crisis may emerge in an ineligible non-high income country that could have an adverse impact on the global response against HIV/AIDS, tuberculosis, and/or malaria, and that the health crisis may be of such a magnitude that the Global Fund should consider providing support; and***
- 2. Based on the recommendation of the Strategy Committee, the Board requests the Secretariat, in consultation with relevant partners, to present potential investment cases meeting the criteria described in GF/B39/03 – Revision 1 to the Strategy Committee for review and recommendation to the Board. Any such proposals shall also include options for how the proposed investment should be funded.***

**Budgetary implications: This decision is likely to have future budgetary implications for country funding and/or Secretariat OPEX, but the actual amounts will depend on specific size of the crisis and potential response. These will be detailed in any proposals that result from this decision.**

A summary of relevant past decisions providing context to the proposed Decision Point can be found in Annex 1.

# Executive Summary

## Context

- The Board at its 37<sup>th</sup> Board Meeting requested that the Strategy Committee (“SC”) “discuss exceptional circumstances in non-eligible countries as part of the ongoing review of the Eligibility Policy”.<sup>1</sup>
- The Global Fund Eligibility Policy identifies countries that may be eligible for a Global Fund allocation. The Eligibility Policy is intended to ensure that available resources are allocated and invested in countries and regions with the highest burden of the disease, the least economic capacity, and to key and vulnerable populations that are disproportionately affected by the three diseases. All low-income and lower-middle income countries are eligible for financing regardless of disease-burden (with the exception of malaria-free countries, which are not eligible for malaria allocations), while all Upper-middle income countries (UMICs) must meet minimum disease burden criteria and/or other specific criteria to be eligible.
- Among global health funders, the Global Fund has a broad geographical reach and provides grants in over 100 countries. As a comparison across grant-making global health multilateral organizations, 123 countries are eligible for Global Fund support, 75 countries for World Bank IDA support, and 54 for Gavi support. The World Bank’s Global Financing Facility currently supports 26 of the 67 high-burden low-income and lower-middle-income countries that are eligible. The Global Partnership for Education, a comparable multilateral financier for education, supports 65 countries.
- In 2017, 90.4% of the total disease burden for the three diseases was in eligible low and middle-income countries.<sup>2</sup> 41 of 56 UMICs were eligible to receive Global Fund financing for at least one disease component, with 37 UMICs eligible for HIV, 26 for TB, and 6 for malaria. The cohort of countries that are not eligible for Global Fund financing consists of 42 malaria-free low and middle-income countries<sup>3</sup> and 15 non-eligible UMICs. The latter group of ineligible UMICs includes large G-20 countries that do not meet partner-endorsed disease burden requirements and/or additional conditions for UMIC eligibility. These 15 countries together comprise 4.0% of global infectious and parasitic disease burden<sup>4</sup>, and have approximately 4.2% people living with HIV, 10.9% of new TB cases per year (with China comprising 9% of burden), and 0.5% estimated malaria cases.<sup>5</sup>

## Questions this paper addresses

- A. What is the need or opportunity?
- B. What do we propose to do and why?
- C. What do we need to do next to progress?

## Conclusions

- A. Despite the existing broad reach of Global Fund investments, in extreme cases crises in non-eligible countries could adversely impact communities affected by HIV/AIDS, TB and malaria and have the potential to impact regional progress against the three diseases in neighboring countries receiving Global Fund support. Responsive, well-timed investments in such contexts could prevent large future costs and safeguard progress against the three diseases.

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<sup>1</sup> GF/B37/DP11, available at <https://www.theglobalfund.org/board-decisions/b37-dp11/>

<sup>2</sup> Simple average of (HIV incidence, HIV deaths, PLWHA; TB incidence, TB deaths; Malaria incidence, Malaria Deaths) in Low Income and middle income countries. Income category based on three-year average of GNI p.c.

<sup>3</sup> This includes two groups: i) countries certified as malaria-free by WHO that are included in the official WHO register of areas where malaria elimination has been achieved; or (ii) countries on the WHO ‘Supplementary List’ of countries that are malaria-free but not certified by WHO.

<sup>4</sup> Global Health Estimates 2016 Summary Tables

<sup>5</sup> Based on updated 2000 disease burden estimates.

- B. An evidence-based and light touch approach to assessing and potentially funding non-eligible countries in crisis that evaluates epidemiology, economic capacity, implementation arrangements and cost options, is proposed.

## **Input Sought**

- The Board is requested to approve the proposed Decision Point: GF/B39/DP04: Potential Engagement with Non-eligible Countries in Crisis, which is set forth on page 2 of this paper.

## **Input Received**

- The following approach to assessing the potential for Global Fund engagement in non-eligible countries in crisis reflects input from the SC Working Group, feedback and electronic approval by the SC in April 2018. This approach is intentionally flexible in order to be efficient and maintain Global Fund focus on eligible countries currently receiving support.

## What is the need or opportunity?

1. At the 37<sup>th</sup> Board meeting, an initial proposal to provide support to a non-eligible country in crisis was proposed, but not approved by the Board. However, the Board did direct the SC to consider such circumstances within the scope of its review of the Eligibility Policy.
2. As part of the on-going revision of the Global Fund Eligibility Policy, the SC carefully considered whether this issue should be addressed within the Eligibility policy or outside of that policy framework. The SC determined that crises in non-eligible countries were exceptional occurrences, unique in scale, dynamics, and impact and that responses would require flexibility. The traditional Global Fund model of accessing funding, while appropriate for the vast majority of countries, would not be the most practical or effective in terms of providing immediate relief to affected populations.
3. Furthermore, allocations are run every three years, cannot be given mid-cycle, and eligibility requires two consecutive yearly determinations, limiting the utility of using the regular eligibility route to rapidly respond to crises through regular funding processes. The SC concluded that the question of funding for affected populations in non-eligible countries<sup>6</sup> in crisis is best addressed outside the Eligibility Policy and set up a small, informal working group to explore the development of a separate approach for potential Global Fund engagement in such contexts.
4. The SC noted the importance on having clarity on the nature of humanitarian conditions under which the Global Fund Board would consider providing exceptional financing to a non-eligible country in crisis that affects communities living with the three diseases and broader health outcomes. This clarity will most benefit the countries in crisis, health institutions, and advocates, by publically clarifying the Global Fund's readiness to engage and potential engagement criteria for crisis responses in ineligible countries.
5. This clarity will also benefit the Global Fund staff who may dedicate significant resources to assess the public health circumstances, economic situation, and potential implementation arrangements in non-eligible countries in crisis. In the absence of additional funding, the use of finite resources to fund non-eligible countries will, by default, limit the Global Fund's ability to scale up support and address critical gaps in the existing portfolio. However, such investments also have the potential to save lives, limit future public health risks, and mitigate future costs from the possible escalation of localized health crises into regional challenges.

## What do we propose to do and why?

### What is the proposal?

6. The SC recommended using an evidence-based and "light touch" approach to assessing the health impact of economic crises, natural disasters, or conflicts in ineligible countries, and operational principles to inform Global Fund engagement in these countries. This approach should be considered within the broader context of the Global Fund's Eligibility policy and only applies to crises with severe health impact that has detrimental consequences for people living with the three diseases.
7. The SC affirmed that the principles under discussion do not apply to High-income countries and members of the Organization for Economic Cooperation (OECD) Development Assistance Committee (DAC). These groups of countries have been excluded from Global Fund Eligibility since 2002. It was noted that while there may be health crises in these countries, they have levels of wealth and access to credit markets needed to domestically respond to crises. Therefore, this approach applies only to ineligible UMICs, as well as low and middle income countries who are currently ineligible due to the malaria-free criteria<sup>7</sup> but may experience a significant malaria resurgence and thereby warrant assistance.
8. The SC recommended the volume and duration of the financial support to non-eligible countries should be limited in comparison to the eligible country allocations, to reflect its exceptional nature.

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<sup>6</sup> "Non-eligible countries" refers to ineligible UMICs components for the three diseases, and malaria-free ineligible low and middle-income countries on the WHO Supplementary list of Malaria-free countries.

<sup>7</sup> Countries that are certified 'malaria-free' by WHO or are on the WHO 'Supplementary List' of countries that are malaria-free but not certified by WHO are not eligible for Global Fund financing.

Such funding should have simplified objectives of funding critical needs for the three diseases and the health system. The SC recommends the Board consider aligning the amount of crisis funding available to ineligible countries to the total amount available in the Global Fund Emergency Fund.<sup>8</sup>

9. The SC determined that the assessment process to examine potential funding for an ineligible country in crisis could be triggered by the Secretariat or Technical Partners, or at the request of the Strategy Committee. This assessment process should remain light to ensure that Global Fund staff resources remain focused on currently eligible countries and grant oversight, particularly before Board approval.
10. Under the SC endorsed approach, the Global Fund with technical partners will examine a country in crisis's epidemiological situation (including the availability of life saving treatment and other core interventions), economic context, and potential implementation arrangements when evaluating potential for Global Fund support. The SC noted the importance of taking into account input from civil society and non-governmental actors in evaluating this potential.
11. The SC endorsed alignment with the Global Fund Emergency Fund eligibility process, recognizing that specific burden and economic thresholds cannot reflect every crisis in ineligible countries. The Global Fund will consider a health emergency in an ineligible country as a "crisis" once it is classified a Level 3 emergency by the Inter-Agency Standing Committee (IASC)<sup>9</sup>, or Grade 2<sup>11</sup> or 3<sup>12</sup> emergency by the WHO.<sup>13</sup> The Global Fund may also consider a health emergency in an ineligible country as a "crisis" based on its analysis of independent assessments by civil society and non-governmental humanitarian actors, as well as the WHO Joint External Evaluation (JEE) findings that assess country capacity to prevent, detect and rapidly respond to public health risks, and other information on the availability of essential commodities for the three diseases.
12. The SC determined that in addition to the above, based on WHO and partner recommendations developed in accordance with the WHO ERF, ineligible countries facing malaria resurgence should be considered for potential funding based on the consideration of current data on measured cases and deaths to determine whether malaria resurgence in these countries requires external assistance.<sup>14</sup> A separate approach for malaria resurgence is endorsed because eligibility for malaria is based on disease burden data from the year 2000 to assess the potential transmission intensity in countries; data from 2000 however cannot register recent malaria upsurges. The SC noted that malaria partners discussed alternative metrics to measure resurgence and agree that it is not possible to define a metric or level at which a response to a resurgence requires external financing, as requirements will be country-specific.
13. The SC recommended that where relevant to determine an ineligible country's economic capacity and constraints, the Global Fund can engage with the International Monetary Fund (IMF). The IMF's core mandate is to monitor economic and financial developments, and to provide temporary financing, technical assistance, or facilitate policy reform, with a specific focus on crisis-prevention.

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<sup>8</sup> The Emergency Fund financing is only available to countries eligible for Global Fund financing, and has stipulated operating focus and procedures, including pre-qualified implementers and a requirement to channel financing through existing grants. The amount available from the 2017-19 allocation for the Emergency Fund is \$20 million.

<sup>9</sup> The Inter-Agency Standing Committee (IASC) is the primary mechanism for inter-agency coordination of humanitarian assistance that involves key UN and non-UN humanitarian partners. The IASC was established in response to United Nations General Assembly Resolution 46/182 on the strengthening of humanitarian assistance and its members of are the heads or their designated representatives of the UN operational agencies (UNDP, UNICEF, UNHCR, WFP, FAO, WHO, UN-HABITAT, OCHA and IOM). In addition, there is a standing invitation to ICRC, IFRC, OHCHR, UNFPA, the Special Rapporteur on the Human Rights of IDPs and the World Bank. The NGO consortia ICVA, InterAction and SCHR are also invited on a permanent basis to attend.

<sup>10</sup> The Inter-Agency Standing Committee (IASC) defines a level 3 emergency as, 'A situation impacting the lives and well-being of a large number of people or significant percentage of a population and requiring substantial multi-sectoral assistance. For WHO to respond, there must be clear health consequences.' <http://apps.who.int/iris/bitstream/10665/258604/1/9789241512299-eng.pdf>. [IASC emergency classifications are employed by the UN](#). The UN uses the Inter-Agency Standing Committee (IASC) emergency classifications.

<sup>11</sup> Grade 2: a single or multiple country event with moderate public health consequences that requires a moderate WCO response and/or moderate international WHO response. Organizational and/or external support required by the WCO is moderate. An Emergency Support Team, run out of the regional office (the Emergency Support Team is only run out of HQ if multiple regions are affected), coordinates the provision of support to the WCO.

<sup>12</sup> Grade 3: a single or multiple country event with substantial public health consequences that requires a substantial WCO response and/or substantial international WHO response. Organizational and/or external support required by the WCO is substantial. An Emergency Support Team, run out of the regional office, coordinates the provision of support to the WCO.

<sup>13</sup> Officially announced by the WHO Regional Director for Grade 2 and the Director General for Grade 3 emergencies. This grading quantifies the health impact of an emergency

<sup>14</sup> Referenced in the revised Global Fund Eligibility Policy.

During annual Article IV consultations process, IMF staff engage with government and central bank officials about risks to domestic and global stability, including the risk of balance of payments crisis, unemployment, and inflation. Article IV Consultations conclude with the IMF Executive Board issuing an assessment to the country, a key resource for assessing a country's financial stability and capacity.<sup>15</sup> The Global Fund will consult the resulting assessment to inform its consideration of the country's economic capacity. The Global Fund may also engage with the IMF and other partners to determine whether the need identified in a non-eligible country could be addressed through other sources of funding.

14. The SC affirmed that the Global Fund must consider whether appropriate implementation mechanisms can accountably deliver funding and impact in the ineligible country in crisis, as well as the strategic, financial and operational opportunity costs of this engagement for the existing portfolio. Implementation arrangements are unlikely to follow traditional Global Fund arrangements (e.g. CCMs, funding request, grant making, etc.) due to the uniqueness of crises, likely absence of previous Global Fund implementing partners in the country, and need for rapid responses. It is expected that such a response will be led by in-country partners with implementation arrangements that provide sufficient and responsible oversight of funding and impact, taking appropriate account of the specific political situation and circumstances of the crisis, including considering use of civil society, multilateral, or other non-government actors as the primary funding channels when a health crisis in HIV, TB, or malaria is not acknowledged by a national government. Any response should also be within the Global Fund's risk appetite, and are consistent with the Global Fund's mission and strategic goals. Based on these considerations, the Secretariat, in consultation with partners, will determine the estimated need to support a lifesaving response for the three diseases. The Secretariat will then determine what sources of funds could be made available to finance this need and the resulting trade-offs.
15. To this end, the SC endorsed a consideration of :
  - Partners' operational presence and capacity to provide oversight and implement potential assistance in the region or country<sup>16</sup>;
  - Whether the amount of funding made available by the Global Fund can be matched or complemented by other donors;
  - The safety of people affected by the three diseases, staff and implementing partners;
  - The scope of activities that exceptional funding could cover, including but not limited to:
    - Ensuring continuity of ART, tuberculosis and/or malaria treatment among displaced and affected populations;
    - Supporting preventive measures, especially indoor residual spraying and long-lasting insecticidal nets (LLINs) among the displaced, and those affected in malaria endemic/epidemic areas.
16. In addition, the SC affirmed the need to consider:
  - Whether the country need is likely to require a longer-term response, recognizing that any sustained economic and health impact due to the crisis will likely be reflected in subsequent GNI per capita and disease burden measurements, potentially impacting the country's future eligibility status for Global Fund financing;
  - Impact of a potential Global Fund contribution on existing grants to eligible countries, in terms of existing coverage of services, quality assurance, and oversight, noting that for the 2017-19 allocation period there are no available sources of funds for responding to crises in non-eligible countries.
17. Based on the estimated need and the timing of any request submitted under this approach, the Secretariat will identify potential sources of funding for the request, which may include funds which would otherwise be (re)invested through portfolio optimization, or funds approved for other uses by the Board. In each case, the Secretariat will conduct any required analysis to make the

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<sup>15</sup> Data is made available on the World Economic Outlook (WEO) database. This includes data on national accounts, inflation, unemployment rates, balance of payments, fiscal indicators, trade for countries and country groups (aggregates), and commodity prices.

<sup>16</sup> This may include, but is not limited to, international and national partners and international and local civil society organizations.

programmatic and investment trade-offs of any funding request explicit for the SC and Board's consideration.

18. Support to ineligible countries should in general be time-limited to an initial duration of 12 months with the possibility of an extension in exceptional cases.
19. Based on the outlined process and partner recommendations, the Secretariat may request, through the SC, that the Board consider individual cases. To ensure rapid decision-making and depending on the timing of Board and Committee meetings, the Secretariat may bring individual cases to the SC and/or Board electronically.

#### Why is this the recommended option?

20. The above detailed approach will expressly define the conditions under which the Global Fund may consider supporting an ineligible country crisis, and can provide clarity to all stakeholders. The approach is designed to be flexible and 'light-touch' to allow the Secretariat and partners to assess the health impact of economic crises, natural disasters, or conflicts in ineligible countries. The approach takes into account the diversity of crises and notes that successfully responding in different contexts requires flexibility and differentiated engagement.
21. This decision will have financial implications on future country funding levels and/or Secretariat OPEX, depending on the nature of the crisis and the size of the potential response. There is no available source of funds to support ineligible countries in crisis for the 2017-2019 allocation period. Individual cases presented to the Board for consideration will include a proposed source of funds and detail trade-offs. This will include a discussion of how a potential shift in funds will affect scale-up and gaps in existing grants, and the implications of addressing these crises on the Secretariat's workload.

#### Which option does the Secretariat recommend, considering the benefits and risks of the options discussed by the Committee?

22. The Secretariat notes that this is the third consecutive Board meeting where Venezuela has been discussed, either directly or indirectly. Without a clear decision and direction from the Board, the Global Fund is in the difficult situation of having to dedicate significant resources to engage with partners, the Board, and Committees, with no resulting impact. There are clear opportunity costs of this extended engagement on the other grants in this region, where the Secretariat has reduced dedicated staff and operational resources on the Board's direction to differentiate for impact.
23. The Secretariat underlines that it has and will enact the Board's decision in full faith, and requests a clear decision with defined parameters of what is and is not within the Board's appetite for responses in non-eligible countries in crisis. In the event that the proposed decision point is not approved, the Global Fund will not assist in the response to non-eligible countries in crisis, but the Secretariat will continue to monitor and seek to address potential spillovers in eligible countries. At the same time, partners and other stakeholders will have clarity regarding the Global Fund's scope of operation in non-eligible countries in crisis.
24. Effectively responding in ineligible crises environments where the Global Fund has never engaged or already exited will be operationally challenging and may require compromises on risk assurance, OIG access, programmatic oversight and other areas. Difficult financial trade-offs will also be required between crisis response and funding the over \$2 billion in Unfunded Quality Demand (UQD) for the 2017-2019 allocation period, which includes critical coverage gaps in high burden countries, responses to disease resurgence, and transition needs. Furthermore, the amount of funding available from the Global Fund will almost certainly be inadequate to meet a significant portion of the need in countries in crisis, particularly when compared to the amounts available in the Emergency Fund.
25. For 2017-2019, the Emergency Fund was allocated \$20m for a three-year period. In contrast, the current estimated cost of funding essential drugs for the three diseases in Venezuela is approximately \$30 million per year. Given these facts, the Secretariat further notes that responding to more than one crisis will impact the Global Fund's ability to use available funds to scale up in eligible countries and appropriately staff existing Secretariat teams.
26. The Secretariat notes that a positive decision supporting this approach signals a willingness from the Board to engage in these contexts and accept the inherent trade-offs. The Secretariat further notes the expectations among stakeholders that the approval of this approach will lead to positive



decisions that provide exceptional funding to certain already identified contexts. The Secretariat requests the Board to carefully consider these difficult future choices, particularly its willingness to approve and fund non-traditional implementation arrangements, expectations for funding amounts provided to ineligible countries in crisis, and trade-offs with funding critical needs in the UQD before voting on this approach.

## **What do we need to do next to progress?**

### What is required to progress the proposal?

27. The Board is requested to consider the proposed approach to assessing potential Global Fund support to mitigate the health impact of crises in ineligible countries and decide whether to approve the decision point set forth on page 2 of this paper.

### What would be the impact of delaying or rejecting the decision to progress?

28. Strategically, not addressing the health impact of a crisis in early stages could lead to increased future burden and costs in the country and surrounding regions, noting that crises may increase disease burden and therefore cause countries to become re-eligible. The SC Working Group has noted that not approving the proposed decision point may pose potential reputational risks.
29. In the event that this decision is not approved, the Global Fund will not contribute financing to ineligible countries in crisis and there will be limited short-term impact on the existing portfolio. In the long term, health crises in non-eligible countries may spread in the absence of a response, increasing disease transmission, mortality and potentially future costs for the Global Fund if the country becomes eligible again due to increases in disease burden. The Secretariat will continue to monitor the health impact of such crises, but will not develop options for response or shift focus from eligible countries in the absence of a Board decision.

## **Recommendation**

30. The Strategy Committee recommends the Decision Point presented on page 2 to the Board.

## Annexes

The following items can be found in Annex:

- Annex 1: Summary of Committee Input
- Annex 2: Relevant Past Decisions

### **Annex 1 – Summary of Committee Input**

At the 5th SC Meeting in October 2017, Members agreed that emergency funding to non-eligible countries should be addressed outside of the Eligibility Policy, noting that it is currently not possible to provide new allocations between replenishment periods. The Committee noted the need to carefully consider implementation arrangements, oversight, and ability to guarantee impact where funding to ineligible countries is being discussed, and reaffirmed that the trade-offs of such exceptional funding decisions on the existing portfolio will need to be considered.

### **Annex 2 – Relevant Past Decisions**

Relevant past Decision Point	Summary and Impact
<b>GF/B37/DP11: Health Situation in Venezuela (May 2017)</b> <sup>17</sup>	The Board directed the Strategy Committee and the Secretariat to discuss exceptional circumstances in non-eligible countries as part of the ongoing review of the Eligibility Policy.

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<sup>17</sup> <https://www.theglobalfund.org/board-decisions/b37-dp11/>