



# PUNISHING SUCCESS?

*Explanation of **Band 4** of the Global Fund  
to Fight AIDS, Tuberculosis and Malaria and its  
Implications for Civil Society and Key Populations*

*November 2014*



# Overview

The Global Fund states that it has adopted a New Funding Model (NFM) to enable the “*Global Fund and the countries it supports to invest more strategically, maximize available resources, reward ambitious vision, and to make bigger impact against the three diseases.*”<sup>1</sup> It also talks about investing more effectively, expanding reach, making funding more predictable, and incentivizing better performance.

A key feature of the NFM is the *Country Band*.<sup>2</sup> All 123 eligible countries are grouped into one of four Bands based on disease burden and income level. Although Band 4 is the largest Band, comprising 55 countries, its overall share of funding is only 7%. This shift in distribution methodology appears to be predicated on the assumption that with Band 4 countries, previous investments have been in low impact interventions – the result: countries are penalized for having low or relatively low disease prevalence.

This briefing paper is intended to help advocates better understand the country allocation methodology in general and the specificities of Band 4 in particular. It also outlines the implications of Band 4 classification for civil society and key populations, and provides advocacy entry points and recommendations for how the model can be improved.

Civil society has an invaluable role to play in mobilizing country-level communities and pushing national governments to address the needs of those most affected by HIV. However, in the context of Band 4, it is critical to ask what has changed for countries, and especially for key affected populations. How are they now being considered for Global Fund funding?

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**1** GF Information Note: Strategic Investments for HIV Programmes (May 2014)

**2** For a list of countries by Band, see p.14

# Country Allocation Methodology

There are two types of funding available under the NFM. The **allocated amount**: this type of funding refers to the amount of funding available for each country, across all three diseases and Health Systems Strengthening (HSS), and “above allocation funding” also referred to as **Incentive Funding**.

There is \$14.82 billion USD available from 2014 to 2016. This amount is to be allocated across the three diseases and HSS for eligible countries. An additional \$950 million USD can be competed for through Incentive Funding. \$200 million USD has been set aside for regional grants.

After the Global Fund Secretariat has determined which countries are eligible and the composition of each Country Band, the Global Fund Board then makes the final determination of which country fits in which Band.

## BOX 1

### KEY ELEMENTS OF THE NEW FUNDING MODEL

**All eligible countries** will be allocated a funding amount for all of their eligible diseases, and they will apply for funding from this allocation when they choose and in line with their own national planning cycles.

The **Country Dialogue process** is another key element, and the calling together of all those involved in the response to discuss needs and priorities should happen before the development of the Concept Note.

Once developed and agreed on by all, the **Concept Note** is submitted to the Global Fund. It is reviewed first by the **Technical Review Panel** (TRP) and then twice by the **Grant Approvals Committee** (GAC), before it is presented to the Global Fund Board for final approval.

The other significant element is the **Country Bands**. The Global Fund first allocates funding to all eligible countries. The countries are then grouped into one of four Bands. The Band your country is placed in will be based upon its **income level** and **disease burden**.

The four Country Bands are:

1. Lower Income High Burden;
2. Lower Income Low Burden;
3. Higher Income High Burden and
4. Higher Income Low Burden.

This is based on income level and disease burden. The allocation process comprises eight steps before a final disbursement amount is confirmed for each country.

**Step 1:** The Global Fund Board approves the total amount of funds that can be allocated to countries, based on existing funds and what it raised through its 4th Replenishment.

**Step 2:** Resources are then allocated across the three diseases: HIV 50%; Malaria 32%; and TB 18%. A further calculation determines how much funding per disease is available in each Country Band.

**Step 3:** This step calculates the starting allocation for eligible disease components. The allocation per eligible country per disease is calculated using a formula that determines disease burden multiplied by the ability to pay, which will equal a country score. This score then determines the country share per disease.

**Step 4:** The amounts for each Country Band are finalized, notice of which are then received by the Global Fund Board, and approved.

**Step 5:** These allocations are then further adjusted using qualitative factors specific to each country, such as past program performance, impact, increasing rates of infection, risk and other considerations.

**Step 6:** There is then a review and validation of Country Allocations. After the qualitative factors' adjustment, the total for each disease should add up to the total approved for that Country Band. For example, in Band 1, the three disease allocation after adjustment should add up to \$11.3 billion USD, which is the amount approved for Band 1.

**Step 7:** After all the calculations have been completed, eligible countries are informed by letter of their Country Allocation.

**Step 8:** The final step is to determine the very final amount for each country. After receiving the Allocation letter further adjustments are made based on negotiations about a government's willingness to pay, other commitments, and Incentive Funding.

# Incentive Funding

Incentive Funding is a separate pot of money set aside by the Global Fund to encourage those countries who believe that they have the potential for increased, measurable impact within their disease programs. Countries compete for Incentive Funding within the same Band. Requests, which are included in the Concept Note, must be based on strong National Strategic Plans (NSPs), or prioritized demand for strategic interventions should be based on a comprehensive program review. To be eligible to compete for Incentive Funding, the NSP or the strategic interventions must be strong, heavily validated and check all the necessary process boxes, including effective involvement of Civil Society and key populations. It is important to highlight that Band 4 countries are not eligible for Incentive Funding, which has already been factored into their allocation amount. However, this has not been clearly communicated and has caused considerable confusion for Band 4 countries who are preparing Concept Notes.

## BAND 4 Allocation

This is for countries that are designated Higher Income and low disease burden. There is \$1.1 billion USD allocated to Band 4 countries. A different method is used for deciding Country Allocations for those in Band 4 than for Countries in Bands 1, 2 and 3.

The different method includes special circumstances such as concentrated epidemics, small island economies, and sets an amount based on total population size rather than disease burden. As noted before, Band 4 countries are not eligible for Incentive Funding, which has already been factored into their allocation amount.<sup>3</sup>

Many advocates have criticized Band 4, as it would appear to be the least well thought out component of the Country Allocation process in the NFM. Little rationale is apparent, and it would seem that Band 4 is a construct to be used simply as a placeholder for countries that do not meet the criteria for Bands 1, 2 and 3, rather than an evidence-based strategic choice. To set an allocation amount based on total population size and income level is an arbitrary choice, even when taking into consideration concentrated epidemics and small island economies. (**Figure 1** illustrates the composition of and total funding for each Band as well as the amount of Incentive Funding to Bands 1-3.)

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<sup>3</sup> Further explanation of the “minimum required level” (MRL) and its influence on Band 4 allocations can be found in *Overview of the Allocation Methodology (2014-2016)*, available here: <http://www.theglobalfund.org/en/fundingmodel/allocationprocess/>

	Composition	Number of countries	Total funding to band	Additional incentive funding	
<b>Band 1</b>	Lower income, higher burden	39	11.3 billion	825 million	
<b>Band 2</b>	Lower income, lower burden	18	0.9 billion	42 million	
<b>Band 3</b>	Higher income, higher burden	11	1.5 billion	83 million	
<b>Band 4</b>	Higher income, lower burden	55	1.1 billion	n/a	

**Figure 1:** *Composition of total funding and Incentive Funding for each Band*

## Key Concerns

### 1. MORE FUNDING OR LESS?

It is not easy to understand if being placed in Band 4 means that more or less funding will be available to support programs, especially those run by civil society and those with a focus on key populations. However, it is reasonable to assume that less funding will be available for programs dedicated to marginalized populations. Concept Notes from countries in Band 4 will no doubt focus on showing that they can do more with less, but in reality we know this will not be the case. The net result of this is likely to be a scaling down of programs in real terms as countries struggle to maintain the status quo. The cynical side effect of the allocation approach is that countries will only become eligible for greater allocations once the absence of funding result in prevalence rates rising above certain thresholds.

### 2. REQUIREMENTS FOR COUNTERPART FINANCING

The Global Fund requires that Lower Upper Middle Income Countries contribute a minimum of 40% to their budget needs and 60% for those in the Upper Middle Income Country bracket, with the expectation that governments will fill the funding gaps. This is known as counterpart financing. The *Eligibility and Counterpart Financing Policy* was revised in November 2013 to align with the NFM.

For civil society and key populations this is both problematic and unrealistic. In Eastern Europe and Central Asia where there are a number of countries who are now ineligible or in Band 4 – 90% of Harm Reduction programs are funded by international donors (of which the Global Fund is by far the biggest), while only 10% comes from government sources.

It is not viable to expect that countries, many of which have punitive laws and severely negative attitudes towards certain key population groups, will be willing to dedicate domestic resources to fund programs for

populations whose lifestyles are deemed illegal, morally unacceptable or both. This alone makes it even more important that key populations and civil society are represented on Country Coordinating Mechanisms (CCMs), have a significant presence in the dialogue process, and are effectively represented in the Global Fund Concept Note drafting group.

Bilateral donors have for some years been withdrawing bilateral funding from middle income countries (MICs) on the basis that (in theory) MICs have the economic resources to be able to fund services for their own populations. There are problems with this assumption; firstly using country economic status alone is too blunt an instrument to use when considering the funding needs for HIV programs, as many lower middle-income countries

## BOX 2

### EXCLUSION OF KEY POPULATIONS IN COUNTERPART FINANCING

While most countries are meeting counterpart financing and willingness-to-pay conditions, they are doing so in a manner that largely excludes key populations, i.e. men who have sex with men, transgender people, people who inject drugs, criminalized populations and female and male sex workers. The TRP remains seriously concerned by the continuing absence of government financial support for these populations such as through community-based organizations. As such, the TRP strongly recommends: The Board and Secretariat consider building direct government support for key population services into counterpart financing and willingness to pay conditions. This is especially important in countries which will be transitioning off Global Fund support over the next few replenishment periods or there is a serious risk of unintended consequence that these essential programs will be discontinued with the ending of Global Fund support.

*— From the Report of the Technical Review Panel  
on Concept Notes submitted in the First and Second  
Window of the New Funding Model. October 2014.*



with high burdens are not able to cover the costs.<sup>4</sup> Where nationally enough money is available, the domestic political environment can often mean that governments are unwilling to fund services for key populations, who are by definition marginalized, discriminated against, and often criminalized.

**A discriminatory knock-on effect:** In many cases where bilateral donors are withdrawing funds, it has been assumed that the Global Fund will step in to fill in the gaps. Eligibility criteria have been tightened (leading to a number of upper MICs becoming ineligible) and remaining upper MICs and the top half of lower MICs have had their funding flat lined

## BOX 3

### DIFFERENTIAL DRUG PRICING

This is an area that appears not to have been considered in discussions of Band 4. Middle Income countries pay more for their pharmaceuticals than Low Income countries. Pharmaceutical companies impose differential pricing across the spectrum of countries from Low Income through to High Income. Some Middle Income countries may be used to paying higher prices for pharmaceuticals and this is already integrated into their annual budget processes, but this is not the case for countries which are transitioning from Low Income to Low Middle Income or Middle Income. The potential consequence of this is that countries will be forced to prioritize who gets treatment, or they will be forced to purchase cheaper drug combinations that may not be as effective or suitable for people who need them. It is an entirely unacceptable to decide treatment regimens based on cost rather than health benefits.

or reduced – for many countries the extended funding period to four years means they are facing a considerable funding reduction, in effect one of 25%. These cuts would be reasonable if it could be assured that countries were in a position to step up and fill the gaps. Unfortunately, emerging evidence is demonstrating that this is not the case.

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<sup>4</sup> For example: For Zambia it would cost more than 6% of their GNI. This is prohibitively high in a country with many competing health and social issues. According to WHO National Account database, in 2011 the total health expenditure of Zambia was 6.12% of GDP.

For example, in Ukraine the internal conflict has meant that the government HIV budget has been reduced by 71% from the planned budget of \$99 million USD to an actual budget of \$28 million USD. In Vietnam, in 2014, the government HIV budget has been cut by 65% from 245 Bn Dong to 85 Bn Dong. There is an urgent need to gather HIV funding data (to map domestic HIV investment in the wake of Global Fund reduction or discontinuation) from other middle-income countries. The fear is that Ukraine and Vietnam are not isolated cases and the Global Fund reduction is likely to be a consideration for the majority of countries in Band 4.

The eligibility criteria and Band 4 allocation disregards fundamental realities about the nature of countries in this income category; while investments do take place, they are normally not adequately directed towards the health sector, and within the health sector, HIV and TB are generally low on the agenda (simply because other, more prevalent diseases require more attention.) Ministers of Health struggle for their budget allocations, while pressure groups that could argue for increased focus or more attention on HIV and TB are often weak. At the same time, those who experience the biggest needs for HIV prevention (key populations such as people who use drugs, sex workers, men who have sex with men, prisoners, and minorities) represent the weakest lobby – that is if they have a lobby at all.

The Global Fund's current allocation methodology therefore contributes to the discrimination against these very groups, which should not be the intention of the Global Fund. In addition, this is also counterproductive from an epidemiological point of view, since these groups are singly the most important driving factor behind the development of the HIV and TB epidemics in the Eastern Europe and Central Asian region, as well as in other regions like the Middle East and North Africa – all subject to Band 4 allocation methodology.

### **3. ONE EXAMPLE: CONSEQUENCES FOR HARM REDUCTION**

Although there are serious implications for all key population groups in Band 4 countries, it is worth highlighting the consequences for people who use drugs.

- ▶ Current investment in harm reduction falls far short of existing needs. According to UNAIDS, \$2.3 billion USD is needed in 2015 alone to fund HIV prevention among people who use drugs, but only \$160 million USD has been invested by international donors to date – approximately 7% of what is required.
- ▶ Harm reduction programs are over-reliant on international donors for support. Around 90% of funding for harm reduction is currently derived from bilateral and multilateral donors, mainly due to stigma and discrimination and punitive laws affecting people who use drugs.
- ▶ The majority of people who inject drugs (around 75%) live in middle-income countries, while over 40% of new HIV infections are due to a lack of access to needle and syringe distribution programs in many of these countries.

- The cuts in HIV funding to middle income countries from bilateral donors and multilaterals such as the Global Fund threaten to significantly reduce allocations for harm reduction.
- Where national governments are funding HIV services, they often neglect HIV prevention for people who inject drugs, even when HIV transmission rates are high among people who inject drugs

As a result, funding for HIV-related harm reduction programs globally is in crisis. There can be no “AIDS free generation” without targeted efforts with and for people who inject drugs. Yet funding for harm reduction falls dangerously short of estimated needs. While this has been the case for some time, the situation looks set to deteriorate with changing donor policies and national government neglect.

## Transition Measures

In the first two windows of the NFM, only one country, Thailand, has effectively planned for its transition away from Global Fund funding. In its review the TRP “*acknowledges the need to develop transition strategies*” and further suggests “*the current three year transitional funding period may not be enough for some countries to transition from Global Fund funding*”. This also applies to Band 4 countries transitioning from higher levels of funding. Services for key populations are a particular risk area in the confusion around transition. The Global Fund currently supports many community-based organizations that are often uniquely placed to provide prevention services. Given the lack of willingness of many governments to fund such organizations, the Global Fund should support the development of strong national mechanisms to fund civil society involvement in grants that are yet to transition to domestic resources in order to protect the long-term interests of key populations.<sup>5</sup>

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**5** The current Policy includes a transition measure whereby certain newly ineligible countries/components funded under an existing grant could remain eligible to receive funding for up to one allocation period immediately following their change in eligibility. The Secretariat, based on country context and existing portfolio considerations, would determine the appropriate amount and period of funding, and could take into consideration, but not be limited to, the following:

- i.* Whether or not there is sufficient time left on the existing grant (e.g., more than 12 months from becoming ineligible) to allow for a clear transition to other sources of funding (national or otherwise);
- ii.* The scope of the funding (e.g., limited only to essential—recognizing the given epidemiological context—prevention, care and treatment activities); and
- iii.* Appropriate and measureable time-bound actions for eventual and complete transition to national and/or other resources.

# Recommendations: What can be done?

Realistically it is unlikely any significant change can be affected during this current funding cycle, as the country Banding is supposed to be reviewed annually. In the meantime, efforts should be made to gather evidence of the impact Band 4 and the allocation methodology are having on the three diseases response and vulnerable populations in Band 4 countries. Anecdotal evidence alone is unlikely to be enough.

## **RECOMMENDATIONS FOR THE GLOBAL FUND AND OTHER KEY STAKEHOLDERS:**

- › Ensure that there are meaningful transition plans in countries in place where the Global Fund is reducing funding dramatically or pulling out. The Global Fund Secretariat needs to urgently develop a clear policy on transitional financing.
- › Revisit the issue of a dedicated MARPs channel to fund Civil Society and Key Population organisations directly.
- › Consider funding for civil society organizations of people who use drugs in-country and regionally. The EHRN Regional proposal is a good example of how this can be implemented and can be expanded to include regional Sex Worker Networks and MSM Networks.
- › Revisit the definition of and response to “willingness to pay.”
- › Strongly encourage countries preparing their Concept Notes to fully demonstrate their real needs to achieve scale-up and higher impact. Discussions at country level regarding these needs and priorities should take place without considering the allocation as the ceiling for the funding request. It is critical that strong, well informed representatives from civil society and key populations are fully involved in the Concept Note development and writing processes.

Additionally:

- › The Global Fund, technical partners and all other stakeholders should ensure consistent, clear and quality controlled communication in order to stop inadvertent contradictory messages from being shared.
- › The Global Fund, donors and countries themselves should proactively live up to their announced intentions to continuously raise the needed resources to fund quality demand.

## BOX 4

### KEY ADVOCACY OPPORTUNITIES

- ▶ The Global Fund Board meeting scheduled for Spring 2015 is the opportunity to force the issue: discussions related to the Development Continuum is where Band 4 is most likely to be discussed; discussions on Band 4 and Eligibility are ongoing within the Global Fund Development Continuum Working Group (DCWG) (a key element for the development of the next phase of the Global Fund Strategy). This is an opportunity to gather evidence of the impact of Band 4 and feed this into the discussions in support of advocacy for a review and adjustment of the Country Band Allocations. This could be via a representative in one of the NGO Delegations or through a government representative. As the DCWG is scheduled to end in mid-February, the mid-term strategy review 2015 can provide another opportunity.
- ▶ UNAIDS PCB meeting schedule for 9-11 December 2014. On December 11 there is a thematic segment on Harm Reduction and Drug Use, and this represents a chance to raise the issue of the negative impact of Band 4, and to stimulate UNAIDS to support a review of the allocation methodology used by the Global Fund.

# List of Countries by Band

## BAND 1

LOWER-INCOME  
HIGHER-BURDEN

GNlpc < 2,000

DB > 0.26%

39 countries

Cambodia  
Myanmar  
Papua New Guinea  
Viet Nam  
Haiti  
Chad  
Mali  
Niger  
South Sudan  
Sudan

Bangladesh  
India  
Pakistan  
Benin  
Burkina Faso  
Burundi  
Cameroon  
Central African  
Republic  
Congo, DR  
Côte d'Ivoire

Ethiopia  
Ghana  
Guinea  
Kenya  
Lesotho  
Liberia  
Madagascar  
Malawi  
Mozambique  
Nigeria

Rwanda  
Senegal  
Sierra Leone  
Tanzania  
(Mainland)  
Tanzania  
(Zanzibar)  
Togo  
Uganda  
Zambia  
Zimbabwe

## BAND 2

LOWER-INCOME  
LOWER-BURDEN

GNlpc < 2,000

DB ≤ 0.26%

18 countries

Korea, DPR  
Lao PDR  
Solomon Islands  
Kyrgyzstan  
Tajikistan

Uzbekistan  
Nicaragua  
Djibouti  
Mauritania  
Somalia

Yemen  
Afghanistan  
Nepal  
Comoros  
Eritrea

Gambia  
Guinea-Bissau  
Sao Tome and  
Principe

## BAND 3

HIGHER-INCOME  
HIGHER-BURDEN

GNlpc ≥ 2,000

DB > 0.26%

11 countries

Indonesia  
Philippines  
Thailand  
Russian Federation

Ukraine  
Angola  
Botswana  
Congo

Namibia  
South Africa  
Swaziland

## BAND 4

HIGHER-INCOME  
LOWER-BURDEN

GNlpc ≥ 2,000

DB ≤ 0.26%

55 countries

Kiribati  
Malaysia  
Marshall Islands  
Micronesia  
Mongolia  
Samoa  
Timor-Leste  
Tonga  
Tuvalu  
Vanuatu  
Albania  
Armenia  
Azerbaijan  
Belarus  
Bulgaria

Georgia  
Kazakhstan  
Kosovo  
Moldova  
Romania  
Turkmenistan  
Belize  
Bolivia  
Colombia  
Costa Rica  
Cuba  
Dominica  
Dominican Republic  
Ecuador  
El Salvador

Grenada  
Guatemala  
Guyana  
Honduras  
Jamaica  
Panama  
Paraguay  
Peru  
Saint Lucia  
Saint Vincent and  
the Grenadines  
Suriname  
Algeria  
Egypt  
Morocco

Syrian Arab  
Republic  
Tunisia  
West Bank and Gaza  
Bhutan  
Iran  
Maldives  
Sri Lanka  
Cape Verde  
Gabon  
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