FULLY FUND THE GLOBAL FUND:
DOMESTIC RESOURCE MOBILISATION BRIEF

We call on all governments to fully fund the fight against HIV/AIDS, tuberculosis and malaria, and to get back on track to meet the 2030 objectives of ending the three epidemics. We call on governments in low and middle income countries to work towards sustainably funding the fight against the three diseases. We call on the Global Fund and donor countries not to rely on unrealistic expectations on how much can be mobilized domestically, and be more transparent on the data used to ground their expectations.

The Global Fund exists to help governments fight HIV/AIDS, tuberculosis and malaria. Its grants are meant to help fill the gap between the money that is spent by governments on the three diseases, and the money that needs to be spent to end the epidemics. Since the start of the COVID-19 pandemic, and for the first time in the partnership's history, we have lost ground. Investments need to increase in the years ahead if we want to have any hope to meet the Sustainable Development Goals by 2030. In addition, the impact of the pandemic on health systems and economies has damaged governments' ability to mobilize against the three diseases. A rapid end to the pandemic should not be among the Global Fund's assumptions for Domestic Resource Mobilisation in its Investment Case.

The Global Fund Domestic Resource Mobilisation (DRM) projections for the 2021-2023 implementation period were grounded in past spending on the three diseases by implementing countries' governments, adjusted for projected GDP growth. In addition, the model used by the Secretariat (called DIPI) assumed that governments spending less than others facing comparable disease burden and economic conditions would catch up by increasing their expenses faster.

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NEED, AVAILABLE RESOURCES, DRM AND CO-FUNDING[1]

The Global Fund Ask for each replenishment is grounded in estimates of several numbers. The first is the need for the three diseases in eligible countries – how many resources need to be allocated to the fight to put the world on track towards the global targets[2]. During the 6th Replenishment, this was estimated at $101 billion. The Global Fund also estimates resources that will be allocated to the three diseases by the governments of implementing countries – **this constitutes domestic resource mobilisation, or DRM**. For the 6th Replenishment, it was projected at $45.8 billion. Finally, the Global Fund estimates how much will be made available to implementing countries by other donors and financing streams. For the 6th Replenishment, it was $23.3 billion. These numbers, usually alongside modelling conducted by external firms, are used as the basis of the Global Fund Ask presented in the Investment Case.

A final number often discussed alongside DRM is co-financing. Co-financing is a tool used by the Global Fund to boost DRM by making a share of its grants, 15% to 30% depending on countries, conditional on domestic investment against the three diseases.

Advocates raised a number of concerns regarding the DRM projections for the 6th Replenishment:

- **Transparency:** The Secretariat only shares an overall number for all implementing countries, which limits the capacity of CSOs to track and monitor progress at the country level. In addition, the provision of a single number for all implementing countries can hide important disparities across them.
- **Optimism:** Assuming a 14% per year increase of funds mobilized against the three diseases appeared optimistic.

Both concerns have regrettably turned out to be well-founded. Though data is lacking, the economic context strongly suggests that DRM projections will not be met. In addition, in the absence of disaggregated data, civil society organizations are not able to monitor the situation in individual countries. The current economic context, which already affects resource mobilisation, will have consequences for the 2024-2026 period as well.

The WHO registered over 5.6 million deaths caused by COVID-19; the IHME estimates the real human toll at over 13 million[6] . The pandemic has also had a tremendous economic impact, with consequences on the capacity of implementing countries to mobilise funds to fight the three diseases.

A GLOBAL ECONOMIC RECESSION

COVID-19 created a global economic recession in 2020, with Global GDP plunging 3.4%. The fall was strongest in high income countries, but they were already on the path to recovery in 2021. Meanwhile, current estimates indicate that middle and low income countries will still not have recovered by 2023 , even assuming the pandemic ends in 2022[3].

Recessions have a dual impact on public finances. A slow-down in economic activity lowers tax income and increases the demand for social spending. In 2020 and 2021, the impact of the recession on governments' budgets was further worsened by the need to spend public monies to fight the pandemic. How much was spent varied enormously per country. For example, Thailand, Kenya and Senegal are countries where total health spending, from public and private sources, represented between 3% and 5% of GDP in 2018[4]. In response to COVID-19, the IMF estimates that from January 2020 to September 2021,Thailand spent an additional $73 billion (14% of GDP); Kenya an additional $2.5 billion (2.5% of GDP); Senegal $1.4 billion (5.6% of GDP)[5]. Everywhere, the pandemic has forced extraordinary new spending onto governments.

FULFILLMENT OF EXPECTATIONS BY IMPLEMENTING COUNTRIES

As a result of the strain on national budgets, the DRM target of $45.8 billion for the three diseases for the 2021-2023 implementation period is unlikely to be met. Exact figures are yet to be released. It is expected that there will be an increase in total domestic resources made available this funding cycle compared to the last, but that the increase will be lower than the 48% projected.

Another challenge is for implementing governments to deliver on their budgets and co-financing commitments. Regrettably, the fight against HIV, TB and malaria is not always given the priority it deserves by governments, including in low and middle income countries, and gains towards Universal Health Coverage are threatened at each economic downturn[7].

The extent of the impact of the COVID-19 pandemic on the 2021-2023 implementation period is becoming increasingly evident as the data is being gathered and analysed. Its ripple effect will be felt past the current period, even in the most optimistic of scenarios.

INCREASED DEBT BURDEN

Faced with lower revenue and increasing expenses, governments across the world were faced with a balancing act between not giving themselves the means to adequately tackle the pandemic, and taking on debt. **The IMF estimates that in 2020, global public debt rose to reach 99% of the world's GDP**, an increase in debt unprecedented since the Second World War[8]. Much of that debt was incurred in high income countries, where governments could borrow at near-zero rates in their own currencies. LMICs had much more limited access to borrowing, because of already elevated debt levels, and had to borrow at higher rates and mostly in foreign currencies[9]. Paradoxically, despite taking on less debt during the pandemic, they find themselves in a more precarious financial situation now than high income countries[10].

This is a worrying development for two reasons. The first is immediate. Debt servicing consumes an increasing share of government budgets, leaving less monies available for other expenditures, including health. There are now expansive talks on the need for global coordination to provide debt relief to the most distressed countries[11].

These efforts are urgent, because debt poses a second, longer-term risk. Just like the financial crash in 2007-08 led to the European debt crisis, swelling debt levels in 2020 could be sowing the seeds of later trouble. One potential trigger could be the rising concern over inflation that is leading major central banks to move towards higher interest rates. It could lead to currency fluctuations and higher debt service costs in low and middle income countries and be enough to push some over the edge[12].

The current debt situation creates major risk factors at the 2024-2026 horizon for implementing countries, and threatens the reliability of GDP growth forecasts.

THE NEVER-ENDING PANDEMIC

The high immunization rate achieved in high income countries has made some hopeful that the end of the pandemic could be in sight. As the omicron wave showed, that might be overly optimistic even in the best-equipped countries, and not all countries are well-equipped.

The current inequalities in access to the tools to fight COVID-19 fuel the pandemic. It cannot end anywhere until it ends for everyone, because of the ever evolving and mutating variants of the virus. Countries with inequitable access, low levels of supply and/or last minute access to COVID-19 tools – vaccines, diagnostics, therapeutics and PPE – will remain vulnerable to the virus for longer. The virus will continue to present significant challenges and costs to governments and other health actors, including the Global Fund.

The post-pandemic future is shaping up to be increasingly unequal between and within nations. Low and middle income countries will be more acutely impacted and for longer than high-income countries. As the pandemic again and again proves optimistic assumptions wrong, in its Investment Case the Global Fund Secretariat and by extension its donors must not make the mistake of discounting the risk that many of the countries where the Global Fund invests will continue to face the challenge of COVID-19 after the current implementation period and well into the subsequent one.

END NOTES

1 See “Step Up the Fight, Investment Case for the Sixth Replenishment 2019”, p.31 for the Global Fund data.

2 In particular the targets set in the Sustainable Development Goal 3, reiterated in the commitments made in United Nations High Level Meetings; i.e. end AIDS as a public health threat, the TB epidemic and the Malaria epidemic by 2030.

3 GDP Data for 2020 from the World Bank, “Global Growth to Slow through 2023, Adding to Risk of ‘Hard Landing’ in Developing Economies”, 11/01/2022, World Bank News

4 Respectively 3.8% for Thailand, 5.1% for Kenya and 4% for Senegal, according to Current Health Expenditure as Share of GDP, World Bank.

5 Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic, IMF.

6 WHO data and IHME data as of 31/01/2022

7 See GFAN analysis in our Sustainable Health Advocacy report, 2019.

8 “Global Debt Reaches a Record $226 trillion”, IMF Blog, Dec 2021.

9 “What Has Been the Impact of COVID-19 on Debt? Turning a Wave into a Tsunami”, World Bank Working Paper, Dec 2021

10 “Sovereign Debt Vulnerabilities in Developing Economies”, UNDP Working Paper, Mar 2021 & “Sovereign Borrowing Outlook for OECD Countries”, OECD, 2021

11 “Lasting Damage of Pandemic, Debt Burdens Preventing Developing Countries from Investing in Recovery, Secretary-General Tells Financing Meeting”, UN Press Release, Sept 2021

12 “World Economic Outlook Update”, IMF Report, Jan 2022

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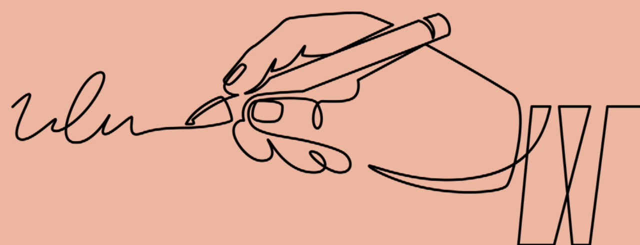

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