

35th Board Meeting

# The Global Fund Sustainability, Transition and Co-financing Policy

GF/B35/04 – Revision 1  
Board Decision

PURPOSE: This paper presents the Sustainability, Transition and Co-financing Policy that the Strategy, Investment and Impact Committee recommends for Board approval.

This document is part of an internal deliberative process of the Global Fund  
and as such cannot be made public until after the Board meeting.

## I. Decision Point

1. Based on the rationale described below, the following decision point is recommended to the Board:

**Decision Point GF/B35/DPO8: The Sustainability, Transition and Co-financing Policy**

1. **Based on the recommendation of the Strategy, Investment and Impact Committee, the Board approves the Sustainability, Transition and Co-Financing Policy, as set forth in Annex 1 to GF/B35/04 – Revision 1 (the “STC Policy”).**
2. **Accordingly, the Board:**
  - a. **Acknowledges this decision point and the new co-financing policy set forth in the STC Policy supersede Board decision point GF/B30/DPO5 and the previous Counterpart Financing Policy as set forth in Attachment 1 to GF/B30/6 – Revision 1 (the “Counterpart Financing Policy”); and**
  - b. **Notes that notwithstanding paragraph 2.a. of this decision point, the Counterpart Financing Policy remains applicable to grant programs originating from the 2014 – 2016 allocation period.**

## II. Relevant Past Decisions

2. Pursuant to the Governance Plan for Impact as approved at the Thirty-Second Board Meeting,<sup>1</sup> the following summary of relevant past decision points is submitted to contextualize the decision point proposed in Section I above.

Relevant past Decision Point	Summary and Impact
<b>GF/B34/DPO4: Strategic Framework 2017 - 2022 (November 2015)<sup>2</sup></b>	The Board approved the Strategic Framework 2017 – 2022 with a sub-objective to “support sustainable responses for epidemic control and successful transitions.” The policy presented in this paper for Board approval outlines the principles that will guide the Global Fund’s approach and engagement with respect to sustainability and successful transition.
<b>GF/B30/DPO5: Revision of the Policy on Eligibility Criteria, Counterpart Financing Requirements and Prioritization of Proposals for Funding from the Global Fund (November 2013)<sup>3</sup></b>	Approved the amended “Eligibility and Counterpart Financing Policy” in order to align it with the new funding model. In addition, the Board requested the Strategy, Investment and Impact Committee and the Secretariat refine the Global Fund’s approach to transitioning countries. If the Board approves the decision point presented above, the revised application focus and co-financing requirements set forth in this paper will supersede the application focus and co-financing

<sup>1</sup> GF/B32/DPO5: Approval of the Governance Plan for Impact as set forth in document GF/B32/08 Revision 2.

<sup>2</sup> <http://www.theglobalfund.org/Knowledge/Decisions/GF/B34/DPO4/>

<sup>3</sup> <http://www.theglobalfund.org/Knowledge/Decisions/GF/B30/DPO5/>

Relevant past Decision Point	Summary and Impact
	requirements contained in the “Eligibility and Counterpart Financing Policy”.

### III. Action Required

3. This paper requests the Board to approve the Sustainability, Transition and Co-financing Policy set forth in Annex 1 to this paper, based on the recommendation of the Strategy, Investment and Impact Committee (SIIC). Upon approval by the Board, the Secretariat will implement the Sustainability, Transition and Co-financing Policy.

### IV. Executive Summary

4. Long-term sustainability is a fundamental aspect of development and global health financing. It is essential that countries are able to scale up and sustain programs to achieve lasting impact in the fight against the three diseases and to move towards eventual achievement of Universal Health Coverage. Countries that have experienced economic growth over the last decade are able to move progressively from external-donor financing for health toward domestically funded systems that deliver results but must be supported to do so. The 2017-2022 Global Fund Strategic Framework recognizes this and includes a specific sub-objective committing the Global Fund to “support sustainable responses for epidemic control and successful transitions.”

5. The Sustainability, Transition and Co-Financing Policy set forth in Annex 1, outlines the high level principles for engaging with countries on long term sustainability of Global Fund supported programs, as well as a framework for ensuring successful transitions from Global Fund financing. Experience shows that supporting countries to sustainably transition from Global Fund support requires significant time. As such the Global Fund’s approach to supporting sustainability and transition is based on the central premise that planning for sustainability is something that should be taken into account by all countries regardless of where they sit on the development continuum.

6. This approach includes investing in the development of robust National Health Strategies, Disease Specific Strategic Plans, and Health Financing plans that consider sustainability or programs; aligning requirements to ensure that Global Fund financed programs can be implemented through country systems; and supporting countries to do transition readiness assessments and elaborate transition work plans, when needed, to facilitate well-planned and successful transitions. In addition, the revised application focus and co-financing requirements align domestic financing incentives to ensure that as countries move closer to transition they take up key programs such as interventions for key and vulnerable populations.

### V. Background

7. Long-term sustainability is an essential aspect of development and global health financing. Countries that have experienced economic growth over the last decade are able to move progressively from external-donor financing for health toward domestically funded systems that deliver results. This is a welcome trend, as increasing sustainability and domestic financing for health are both required to end the epidemics of HIV, TB and malaria.

8. However, the challenges to programmatic and financial sustainability of global health investments are significant. Economic growth does not ensure equal access to health and healthcare, and inequalities within the broad cohort of middle-income countries are significant. Furthermore, economic growth does not ensure equity in responses for key and vulnerable populations disproportionately affected by the three diseases, particularly where criminalization, stigma and discrimination are common.

9. At the strategic level, the Board identified sustainability as a priority at its November 2014 retreat that initiated the development process for the 2017-2022 Strategy. Consultations at the three Partnership Forums

held in 2015 confirmed the importance of sustainability and successful transitions to maximize the impact of Global Fund investments against HIV, TB and malaria. In November 2015 the Board approved the Strategic Framework of the 2017-2022 Global Fund Strategy which includes a specific sub-objective committing the Global Fund to “support sustainable responses for epidemic control and successful transitions.”

10. Given the interdependence of domestic financing for health with the sustainability of Global Fund financing and transitions away from donor support, this policy sets out the high-level principles that outline the Global Fund’s approach to supporting sustainability, transition, and co-financing. Detailed operational guidance, based on the significant work undertaken in 2015, will be developed to enable the Global Fund Secretariat to better support countries towards sustainable impact against the three diseases and improved health.

11. This policy was formulated based upon the principles of:

- i. Differentiation- the policy and associated processes are differentiated based on a country’s place within the development continuum according to income level, epidemiological context, disease burden, human rights and gender contexts, and other regional, country, and context specific factors.
- ii. Alignment- wherever possible, Global Fund requirements related to sustainability and transition should build off already existing systems or processes in country.
- iii. Predictability-wherever possible, countries should have sufficient notice, time and associated resources to plan for transition.
- iv. Flexibility- country level implementers and the Global Fund should have the flexibility to adapt certain aspects of this policy to particular country and regional contexts for impact and to maintain services.

12. This Policy draws on: the report of the Development Continuum Working Group “Evolving the Global Fund for Greater Impact in a Changing Global Landscape” presented to the Board in March 2015; the Secretariat paper on Sustainability and Transition presented to the SIIC in June 2015;<sup>4</sup> the TERG thematic review on Sustainability and Transition presented to the SIIC in September 2015;<sup>5</sup> and the findings of the Equitable Access Initiative. In addition, the recommendations provided to the Secretariat during the December 2015 internal and external consultations on Sustainability and Transition, as well as the experience and expertise of Global Fund country teams and partners consulted throughout the policy development process have been taken into account.

13. Finally, the Global Fund acknowledges that successful implementation of this policy is dependent upon close collaboration with the wide variety of partners who contribute to programming at country level, and that ultimately each country is individually accountable for putting in place the factors needed to support a successful transition and sustain their three disease programs.

## VI. Discussion

### 01 Establishing a Proactive Approach to Sustainability and Transition

14. This policy establishes a proactive Global Fund approach to sustainability and transition for the first time, and will provide a rigorous framework for promoting sustainability and successful transitions. As outlined in the policy, the Global Fund’s approach to supporting countries for sustainability of programs and to successfully transition includes:

- a. Investing in and providing support for the development of robust, inclusive (including key and vulnerable populations), quality, evidenced-based National Health Strategies, Disease Specific Strategic Plans and Health Financing Strategies;

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<sup>4</sup> GF/SIIC15/10

<sup>5</sup> GF/SIIC16/03

- b. Aligning requirements to ensure that Global Fund financed programs can be implemented through country systems in order to build resilient and sustainable systems for health;
- c. Supporting countries to assess their readiness to transition both programmatically and financially, and ensure robust planning; allowing transition work plans to serve as the basis for funding requests;
- d. Providing transition funding for up to one allocation period upon becoming ineligible<sup>6</sup>.
- e. Applying graduated co-financing requirements and associated application focus requirements.

15. The Global Fund's approach to understanding and supporting sustainability and transition is based on the central premise that planning for sustainability is something that should be inherent in program design and taken into account by all countries regardless of where they sit on the development continuum. Planning for sustainability requires a multipronged approach that includes investing in the appropriate RSSH, capacity building, advocacy and service delivery interventions while at the same time evaluating options for progressively increasing domestic financing for health and for the three diseases in particular.

16. In addition, experience shows that planning a transition from Global Fund support takes time and resources. In many countries this involves addressing complex issues such as changing legislation to allow for the public sector to contract with non-public sector providers such as civil society organizations, effectively supporting domestic advocacy for health spending, and improving procurement processes and access to ensure that countries can purchase key commodities such as second line ARVs and MDR TB drugs at efficient prices. There is often also significant political advocacy needed to ensure that the interventions appropriate to a particular country's disease epidemiology are eventually transitioned to be supported in their entirety through domestic country budgets. Aspects included in this policy, such as timely notification of potential transition, support for transition readiness assessments and the availability of transition funding serve to ensure that future transitions from Global Fund are well planned and supported.

17. The co-financing and focus of funding requirements of this policy aim to stimulate increased domestic financing for health and for the three disease programs. Simultaneously, they seek to encourage progressive up-take of recurrent costs of key program components<sup>7</sup> to encourage and incentivize complete financing of all aspects of a country's three disease programs as countries approach transition to full domestic funding. The SIIC has asked the Secretariat to raise major challenges to successful transitions with the Board and to request exceptions to policies on a case by case basis as needed.

18. Finally, to implement this policy, the Global Fund will proactively communicate with countries regarding estimated timeframes for transition based on the latest available information and data projections. A Transition Team will be established to support Country Teams, facilitate sustainability and transition planning with financial, human rights, key populations, gender, procurement and other relevant expertise, document and share best practices, as well as engage with key stakeholders.

## 02 Key Changes in Application Focus Requirements

19. Since 2007 there have been application focus requirements, currently situated within the current Eligibility and Counterpart Financing Policy<sup>8</sup> (ECFP) that have been differentiated by income level. As part of the overall review of eligibility and co-financing requirements in 2011,<sup>9</sup> middle income countries have been required to focus all or part of their funding requests on key and vulnerable populations<sup>10</sup> and/or 'highest impact interventions within a defined epidemiological context'<sup>11</sup>.

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<sup>6</sup> Eligibility Policy, Paragraph 13

<sup>7</sup> These include, but are not limited to, recurrent human resource associated costs, procurement of essential drugs and commodities for the three diseases, and rights based programs for key and vulnerable populations, which are in line with epidemiological context and informed by evidence, as appropriate.

<sup>8</sup> Set forth in Attachment 1 to GF/B30/6 – Revision 1 and approved under GF/B30/DP05 in November 2013.

<sup>9</sup> Set forth in Attachment 1 to GF/B23/14 and approved under GF/B23/DP23.

<sup>10</sup> The current application focus requirements in the ECFP refer to Special Groups that are "underserved and most-at-risk populations". Terminology in the recommended policy set forth in Annex 1 has been updated to "key and vulnerable populations" with the definition of "underserved and most-at-risk populations" unchanged.

<sup>11</sup> GF/B23/14

20. The Sustainability, Transition and Co-financing Policy situates these requirements within an overarching sustainability and co-financing framework and they have been updated to reflect the direction of the 2017 - 2022 strategy. Changes include explicit emphasis that all funding requests to the Global Fund should include evidence-based interventions, in line with their epidemiological context, which will maximize impact against HIV, TB and Malaria and contribute towards building Resilient and Sustainable Systems for Health (RSSH); strong encouragement for lower income countries to include RSSH interventions in funding requests; requiring appropriate focus on interventions that respond to key and vulnerable populations, human rights and gender-related barriers and vulnerabilities in all countries, regardless of income level.

21. Upper-middle income (UMI) countries are required to focus 100% on maintaining or scaling-up interventions for key and vulnerable populations<sup>12</sup>. As with the current policy, they may also include new technologies or innovations that represent global best practice. Such technologies or innovations should be critical for sustaining gains and moving towards control and/or elimination. With the proposed changes to the Eligibility Policy (GF/B35/06), UMI countries regardless of disease burden can include RSSH interventions that are critical for ensuring transition readiness as identified through a transition readiness assessment. UMI countries with an extreme burden can request funding for key program components as long as they do not replace existing domestic funding for these interventions. As with the current policy, applicants will be able to include other interventions, but they will need to justify their inclusion and these will be assessed at the application stage.

22. The policy recognizes that country context is a key factor and that in some cases there will be a need for flexibility when applying the application focus requirements. These cases will be addressed on an individual basis, noting the importance of ensuring existing programs continue to achieve impact and scale-up as appropriate.

### 03 Key Changes in Co-Financing

23. The current co-financing requirements consist of: (a) the ECFP, which sets minimum threshold contribution requirements to disease programs based on country income levels;<sup>13</sup> and (b) the “willingness to pay” requirement introduced under the allocation-based funding model.<sup>14</sup> While the minimum thresholds that were approved in 2011 under the Rounds-based system<sup>15</sup> were ambitious based on earlier levels of government spending<sup>16</sup>, subsequent growth in government expenditures have rendered the minimum thresholds largely inconsequential, with more than 95% of the programs already meeting them with current levels of spending. However, the incorporation of a ‘willingness to pay’ requirement when the funding model was launched in 2014 has contributed to an additional US\$ 6 billion in domestic commitments for health over expenditures from the previous period, which represents a major increase in domestic financing for health.

24. Notwithstanding this significant increase in domestic financing commitments, improvements to the co-financing policy are possible. Feedback at the Partnership Forums indicated that having two policies on domestic financing has been confusing for countries. The TERG Strategic Review<sup>17</sup> and TRP have indicated that the current policies are not sufficiently differentiated across the development continuum, do not require engagement with Ministries of Finance, and are not adequately supportive of interventions for key and vulnerable populations in middle income countries. Furthermore, the findings of the Equitable Access Initiative note the need to additionally focus on increasing domestic spending for health in countries with low

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<sup>12</sup> As defined in the Global Fund Key Populations Action Plan 2014 – 2017.

<sup>13</sup> Minimum thresholds: Lower income 5%; Lower-Lower middle income: 20%; Upper-Lower middle income: 40%; Upper-middle income: 60 %

<sup>14</sup> For the 2014-2016 allocation period, in order to stimulate governments to commit additional domestic funding beyond the co-financing thresholds, 15 percent of the allocation was contingent upon additional country commitments demonstrating increasing co-financing in disease programs in line with their capacity to respond to the diseases.

<sup>15</sup> Current co-financing requirements are included in the current Eligibility and Counterpart Financing Policy (GF/B30/DP05). GF/B35/06 recommends the Board adopt a standalone Eligibility Policy noting that co-financing requirements are now situated within the Sustainability, Transition and Co-financing Policy.

<sup>16</sup> The minimum thresholds were set based on an analysis of government spending during economic recession of 2007-2009.

<sup>17</sup> The Global Fund, Strategy, Investment and Impact Committee, Strategic Review 2015 (GF/SIIC16/06), Annex-1

prioritization of government spending on health and/or low capacity for domestic revenue capture in order to improve sustainability of Global Fund supported programs.

25. To take into account these findings, the proposed approach to co-financing includes a number of key changes from the current policy. They include:

- a. Tailoring co-financing requirements along the development continuum to ensure that they support the health sector and incentivize investments in line with national priorities. At the lower end of the continuum, emphasis is on domestic investments to build resilient and sustainable systems for health and move towards universal health coverage; along with minimal requirements to co-finance Global Fund supported programs. As countries move along the development continuum, expectations are set for progressively higher co-financing of disease programs and key program components, such as interventions for key and vulnerable populations and systems strengthening interventions aimed at critical barriers to sustainability.
- b. Requiring that all countries progressively absorb the costs of key program components such as recurrent human resources, procurement of essential drugs and commodities, and interventions for key and vulnerable populations;
- c. Requiring engagement with key stakeholders such as Ministries of Finance and the institutionalization of mechanisms for annual monitoring of co-financing requirements.
- d. Explicit focus on progressively increasing government expenditure on health in high burden countries who have a low prioritization of government spending on health and/or low capacity for domestic revenue capture through implementation of robust health financing strategies to meet universal health coverage (UHC) goals; and
- e. Greater flexibility to engage on co-financing issues depending on fiscal space, disease burden, transition requirements, regional and other operating contexts, including Challenging Operating Environments (CoEs). The requirements with regards to non CCM, regional, and multi country applicants remain unchanged, and may be addressed as those aspects of the allocation model are finalized;<sup>18</sup>

26. With its focus on progressive increases in domestic financing, the new co-financing policy does not include minimum threshold requirements for the following reasons:

- Need for more ambition and better differentiation: Currently, over 95% of programs meet the minimum thresholds for their income group. To improve ambition, the option for raising the minimum thresholds across the different income groups was considered. However, this does not allow for a realistic differentiation as fiscal capacity varies significantly within each income group.
- Constraints in defining the minimum threshold: The required minimum thresholds are currently measured as the share of domestic public resources divided by the share of Global Fund resources and domestic public resources. The current measurement is problematic as additional external financing (such as bilateral donor support) is not taken into account so the domestic contribution to the response appears to be higher than reality; and the share of domestic funding may artificially seem to increase as Global Fund financing decreases. Other options for measuring minimum thresholds, including measuring share of domestic resources in the costs associated with implementing their disease strategic plan, were considered. However, weaknesses in many strategic plans and inadequate costing is a challenge to adopting such measures.
- Lack of standardization and clear rules on what constitutes disease spending: There is wide variation in how countries report disease spending. While some countries use standardized methodologies to report on disease spending, many rely on line-item budgets of the disease programs. With only a limited number of countries able to currently report disease spending using standardized methodologies measurement is not comparable across countries. To provide for greater standardization in the future the Global Fund is working with different partners to institutionalize standardized measures for disease spending in recipient countries.

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<sup>18</sup> Countries included in multi-country grants that remain eligible for individual allocations must show that they comply with co-financing requirements on a country by country basis. The exception is for countries that are no longer eligible for a standalone Global Fund grant for the same disease component. In those cases, the Global Fund has limited opportunity and leverage to engage on co-financing issues. For regional grants, while individual countries benefit from the programs supported by the grant, the amounts received in country are minimal. As such, requiring co-financing may be unnecessarily onerous.

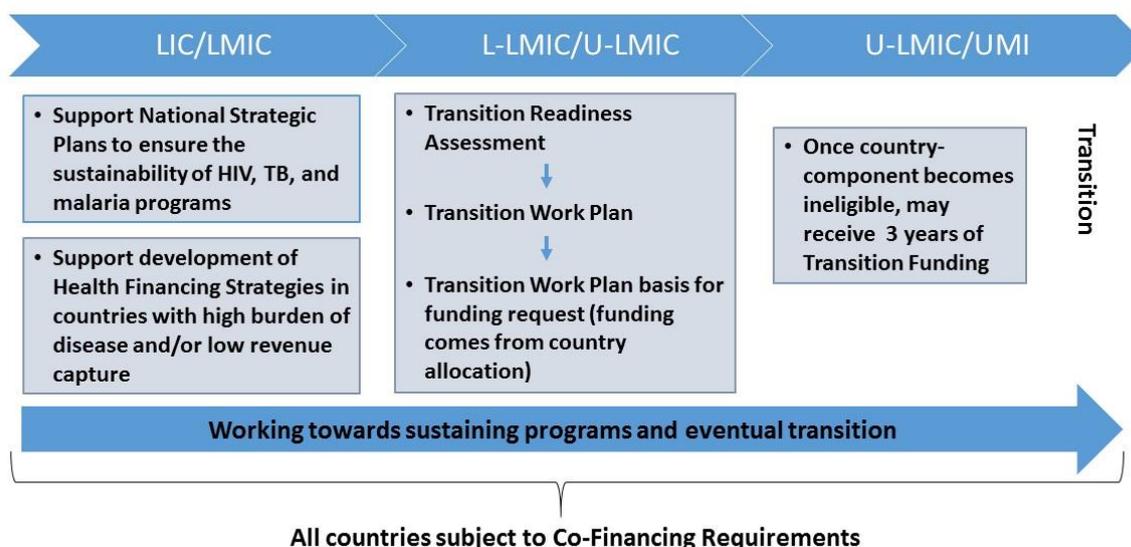
## VII. Recommendation

27. Based on the rationale described above, the SIIC recommends that the Board approve the Sustainability, Transition and Co-financing Policy set forth in Annex 1.

# Annex 1 – The Global Fund Sustainability, Transition and Co-financing Policy

## THE GLOBAL FUND SUSTAINABILITY, TRANSITION AND CO-FINANCING POLICY

### Sustainability and Transition – Increasing alignment and predictability



#### PART 1: SUSTAINABILITY AND TRANSITION

- Sustainability:** The Global Fund defines sustainability as the ability of a health program or country to both maintain and scale up service coverage to a level, in line with epidemiological context, that will provide for continuing control of a public health problem and support efforts for elimination of the three diseases, even after the removal of external funding by the Global Fund and other major external donors.
- The Global Fund's approach to supporting countries to sustain programs and successfully transition is based on the central premise that planning for sustainability is an integral part of program design and should be taken into account by all countries regardless of where they sit on the development continuum. For some countries this may result in increased investment in certain resilient and sustainable systems for health (RSSH) interventions, while in others it may mean targeted reviews to maximize the efficiency of investments.
- As outlined in this policy, the Global Fund will work with countries<sup>19</sup> on the sustainability of Global Fund supported programs by:
  - Investing in and providing support for the development of robust, inclusive (including key and vulnerable populations), quality, evidenced-based National Health Strategies, Disease Specific Strategic Plans and Health Financing Strategies;
  - Aligning requirements to ensure that Global Fund financed programs can be implemented through country systems in order to build resilient and sustainable systems for health;
  - Supporting countries to assess their readiness to transition both programmatically and financially, and ensure robust planning;

<sup>19</sup> Except in some challenging operating environments (COEs), as defined by the COE Policy, where the Secretariat may determine such engagement is not appropriate due to the context and associated priorities or objectives.

- d. Providing transition funding for up to one allocation period upon becoming ineligible<sup>20</sup>. The Secretariat, based on country context and existing portfolio considerations, will determine the appropriate period and amount of funding for priority transition needs; and
  - e. Applying graduated co-financing requirements and associated application focus requirements.
4. **National Strategies and Health Financing Strategies:** National Health and Disease-Specific Strategic Plans (NSPs) provide the overall strategic direction for a country's health and disease specific programs over a defined period of time (usually 5 years). NSPs should reflect the vision of the national disease program and be developed and written in line with the national health policies, as well as with the general health plan for the country, through an inclusive multi-stakeholder process. The Global Fund recognizes that NSPs are important strategic documents, guiding national health authorities in a national planning process to manage and implement appropriate disease control activities, as such it may be used, in whole or part, as the funding request to the Global Fund.
  5. The Global Fund recognizes that in some cases there may not be an agreed upon NSP or existing strategies are not significantly robust, inclusive (including key and vulnerable populations), evidenced-based or accurately costed to form the basis of Global Fund financing. In these circumstances, the Global Fund will, in coordination with relevant partners, work to strengthen the NSP to ensure that it provides the appropriate strategic direction for the programs. This may be funded through existing Global Fund grants as appropriate.
  6. In countries where the relevant NSPs for health do not include sufficient detail regarding sustaining coverage of HIV, TB, and/or malaria programs, the Global Fund may work with the country, in consultation with partners, to develop that section of the plan or integrate the HIV, TB, or malaria related disease strategies into the relevant section of the plan in order to ensure that the programmatic and financial sustainability of the three disease programs has been considered and planned for.
  7. **Alignment:** The Global Fund has agreed to the principles of aid effectiveness as detailed in the Paris Declaration, Accra Action Agenda and Busan Global Partnership. Therefore:
    - a. To enhance sustainability, Global Fund financed programs should be implemented through their own country systems. In all 'upper-middle' income (UMI) countries, or country-components<sup>21</sup> approaching transition, default implementation mechanisms should be through existing country systems. Country systems include domestic actors, including civil society, that contribute towards building a resilient and sustainable system for health, including community systems.
    - b. In situations where there are capacity related constraints that do not allow for implementation through country systems, applicants are encouraged to actively engage with the Global Fund and partners to strengthen associated system components in order to enable the future use of country systems.
    - c. In situations where there are political constraints that prevent domestic investments in interventions for people living with, affected by, or at risk of HIV, TB or malaria, the Global Fund will utilize the tools at its disposal, including, but not limited to, the co-financing and application focus requirements in this policy, as well as partners, diplomacy, financial incentives and multi-country advocacy efforts, to address barriers to the provision of or access to health care.
  8. **Transition Planning:** The Global Fund defines transition as the mechanism by which a country, or a country-component, moves towards fully funding and implementing its health programs independent of Global Fund support while continuing to sustain the gains and scaling up as appropriate. To this effect:
    - a. The Global Fund will support countries (either at the country level or on a component basis) to begin the process of transition, as appropriate through the application of a 'transition readiness assessment'. The transition readiness assessment should be an inclusive (including key and vulnerable populations), multi-stakeholder, and country-owned process including communities and civil society, led by the CCM or other multi-stakeholder coordinating body. The aim of the transition readiness assessment is to serve as a tool to stimulate dialogue at country level around transition related needs

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<sup>20</sup> Eligibility Policy, Paragraph 13

<sup>21</sup> The Global Fund notes in certain countries components will not all move towards transition or at the same pace. As such, "country-component" refers to a specific component, and its movement towards transition.

from both a programmatic and financial perspective, identify key gaps in programming that can be planned for, and highlight areas where technical assistance may be required.

- b. The findings from the transition readiness assessment should feed into an inclusive country-led ‘transition work-plan’<sup>22</sup> addressing key bottlenecks and leverage opportunities towards successful transition. Critical issues for successful transitions should be addressed, which often include capacity building and support for key and vulnerable populations, interventions that respond to human rights and gender related barriers and vulnerabilities to health, and procurement and supply-chain management issues that are essential for ensuring strong national unified systems.
  - c. In the case where a country decides to transition voluntarily from the Global Fund, i.e. that it will no longer apply to receive Global Fund financing despite continued eligibility, the Global Fund may provide support for the transition planning processes and engage with countries to support a successful transition.
  - d. According to the Global Fund’s Eligibility Policy, once a country reaches UMI status,<sup>23</sup> it is no longer eligible for funding if there is less than a ‘high’ disease burden. For G20 UMI countries, if a country’s disease burden is less than ‘extreme’ they are ineligible. The Eligibility Policy allows for up to one allocation of Transition Funding<sup>24</sup> following their change in eligibility.<sup>25</sup> Transition Funding should be used solely to fund activities included in the country’s transition work-plan.
  - e. In situations where countries have already accessed their Transition Funding and choose not to take up select interventions targeting key and vulnerable populations, the Global Fund will work with partners in-country and internationally and attempt to identify alternative sources of funding for the programs; as well as evaluate if there are options available to support specific programs through other mechanisms.
9. **Innovative financing:** To encourage increased co-financing and program sustainability, the Secretariat will explore the use of innovative financing mechanisms in addition to the existing Debt2Health mechanism. These may include, as appropriate, budget support and blended finance/loan buy-down mechanisms, as well as Social Impact Bonds (SIBs). “Blended Finance” and “Loan Buy-Downs” refer to the strategic combination of grants with government-sourced loans, resulting in a highly concessional financing package that covers an identified funding need and/or ensures a smooth transition from international to domestic funding of a country’s health program. The Secretariat will update the Audit and Finance Committee and the Board on progress, lessons learned and recommendations, as appropriate, from utilizing such mechanisms.

## PART 2: APPLICATION FOCUS

1. Application focus: All funding requests to the Global Fund, regardless of an applicant’s disease burden and income level<sup>26</sup>, should include evidence-based interventions, in line with their epidemiological context, which will maximize impact against HIV, TB and Malaria and contribute towards building RSSH. These requirements will be assessed at the application stage as part of the review process and are differentiated along the development continuum:
  - a. **LIC Application Focus:** There are no restrictions on the programmatic scope of funding for HIV, TB or malaria requests by LICs and applicants are strongly encouraged to include RSSH interventions, as appropriate. Applications must include, as appropriate, interventions that respond to key and vulnerable populations,<sup>27</sup> human rights and gender related barriers and vulnerabilities in access to services.

<sup>22</sup>The transition work-plan should be costed, have clear timelines and measureable indicators to monitor achievement.

<sup>23</sup> UMICs designated under the ‘small island economy’ exception to the International Development Association lending requirements, are eligible to receive an allocation and apply for funding from the Global Fund, regardless of national disease burden, as outlined in Paragraphs 6. and 7. of the Eligibility Policy.

<sup>24</sup> Eligibility Policy Paragraph 13. The funding for Transition Funding is through country allocations which will be calculated for each allocation period, based on an allocation methodology that utilizes indicators approved by the Global Fund Board Committee with oversight on the allocation methodology.

<sup>25</sup> Eligibility Policy Paragraph 13. Countries who move to high income or G-20 UMICs with less than an ‘extreme’ disease burden are not eligible for Transition Funding.

<sup>26</sup> As per Eligibility Policy definitions.

<sup>27</sup> As defined in the Global Fund Key Populations Action Plan 2014 – 2017.

- b. **LMIC Application Focus:** Applications from Lower and Upper LMICs must ensure that over 50% of their funding request for disease-specific interventions, in line with their epidemiological context, are for key and vulnerable populations and/or highest impact interventions within a defined epidemiological context<sup>28</sup>. Requests for RSSH must be primarily focused on improving overall program outcomes<sup>29</sup> for key and vulnerable populations in two or more of the diseases and should be targeted to support scale-up, efficiency and alignment of interventions. Applications must include, as appropriate, interventions that respond to human rights and gender related barriers and vulnerabilities in access to services.
- c. **UMIC Application Focus:** Eligible applications from UMICs must focus 100% of their funding request on interventions that maintain or scale-up evidence-based interventions for key and vulnerable populations<sup>30</sup>. Applications must include, as appropriate, interventions that respond to human rights and gender related barriers and vulnerabilities in access to services. Applications may also, as appropriate, introduce new technologies that represent global best practice and are critical for sustaining gains and moving towards control and/or elimination; and interventions to ensure transition readiness which should include critical RSSH needs to ensure sustainability, as appropriate, as well as improve equitable coverage and uptake of services.

### PART 3: CO-FINANCING

1. **Definition:** Co-financing, in the context of the Global Fund, pertains to pooled domestic public resources and domestic private contributions<sup>31</sup> that finance the health sector and NSPs supported by the Global Fund. Domestic public resources include: government revenues, government borrowings, social health insurance, and debt relief proceeds including Debt2Health arrangements with the Global Fund. With the exception of loans and debt relief, all other forms of international assistance, even when channeled through government budgets, are not considered as co-financing.
2. **Scope and Applicability:**
  - a. All country components eligible to receive an allocation from the Global Fund must comply with co-financing requirements to access their allocation.
  - b. Co-financing requirements for accessing funds beyond country allocations will be subject to the rules governing the use of such funding, as set forth in [insert cross reference to allocation methodology decision and/or policy]<sup>32</sup>.
  - c. Regional, multi-country and Non-CCM applicants are not required to meet the co-financing requirements described in this policy.
3. **Co-Financing Requirements** are two-fold and serve to strengthen the overall financing for the health sector and the sustainability of HIV/AIDS, TB and/or malaria programs. They include:
  - a. Progressive government expenditure on health to meet national universal health coverage (UHC) goals; and
  - b. Demonstrating increasing co-financing of Global Fund supported programs over each allocation period, focused on progressively taking up key costs of national disease plans.
4. **Progressive government expenditure on health to meet national universal health coverage (UHC) goals:**

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<sup>28</sup> Evidenced-based interventions that: (i) address emerging threats to the broader disease response; and/or (ii) lift barriers to the broader disease response and/or create conditions for improved service delivery; and/or (iii) enable roll-out of new technologies that represent global best practices; and (iv) are not adequately funded.

<sup>29</sup> Improving equitable coverage and uptake addressing any, and preferably all of the following: (i) availability of services; (ii) access to services; (iii) utilization of services; (iv) quality of services; **and** (v) are not adequately funded.

<sup>30</sup> For applications from UMICs with an 'extreme' disease burden this may include the scale-up of key program components with the caveat that they cannot replace existing domestic financing of these interventions.

<sup>31</sup> Restricted to verified contributions from domestic corporations and philanthropies that finance NSPs.

<sup>32</sup> Relevant reference will be added following final Committee and Board deliberations on catalytic investments, as presented in the Board paper, and the decision point accompanying it, on refinements to the allocation methodology (GF/B35/05).

- a. The Global Fund expects and encourages national governments to fulfill their financial commitments to the health sector in line with recognized international declarations<sup>33</sup> and national strategies.
- b. In all countries, public policies for mobilization and effective use of domestic resources for health, underscored by the principle of national ownership, will be central to the Global Fund's approach to co-financing.
- c. The Global Fund is committed to supporting countries through partnerships at all levels in developing and implementing appropriate health financing strategies. Through its grants, the Global Fund will contribute to the financing of identified reforms and actions needed to increase domestic resources for health and enable greater efficiency and effectiveness of health spending.
- d. With partners and through global platforms<sup>34</sup>, the Global Fund will actively engage countries with a 'high', 'severe' or 'extreme' disease burden<sup>35</sup> for two or more disease components who have a low prioritization of government spending on health and/or low capacity for domestic revenue capture,<sup>36</sup> to develop a robust health financing strategy and incorporate its provisions in national development frameworks (such as medium term expenditure frameworks) before the end of 2020.

#### 5. **Increasing co-financing of Global Fund supported programs:**

- a. As countries grow economically and have increased fiscal capacity, they are expected to increase their contributions to the disease programs and health systems in line with the requirements of their national plans and fiscal capacity, over each allocation period.
- b. Applicants should be able to demonstrate that domestic funding is progressively absorbing costs of key program components such as human resources and procurement of essential drugs and commodities, programs that address human rights and gender related barriers and programs for key and vulnerable populations.

#### 6. **Incentivizing co-financing for strategic impact:**

- a. In order to encourage additional domestic investment, a 'co-financing incentive' amounting to not less than 15 percent of the Global Fund allocation for each component will be made available upon increases in co-financing of the disease program and/or related RSSH investments that are:
  - i. At least 50 percent of the co-financing incentive for low income countries and at least 100 percent of the co-financing incentive for 'lower middle' and 'upper-middle' income countries;
  - ii. Invested in priority areas of national strategic plans, in line with the investment guidance developed with partners (including region specific guidance, as applicable); and
  - iii. Evidenced through allocations to specific budget lines, or other agreed assurance mechanisms.
- b. **Focus of domestic investments to access co-financing incentive:** Each country component's access to the co-financing incentive will be determined by the Secretariat on a case-by-case basis taking into account country context, including fiscal space considerations. The amount of the 'co-financing incentive' will be proportional to the level of additional co-financing provided by the country, unless a strong justification is provided. In general, the following parameters will apply when assessing co-financing contributions<sup>37</sup>:
  - i. For LICs, regardless of disease burden, co-financing contributions are not restricted to the disease program or related RSSH costs and have the flexibility to demonstrate that their investment is 100% for RSSH interventions

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<sup>33</sup> Such as the Abuja Declaration of 2001

<sup>34</sup> Such as the Global Financing Facility

<sup>35</sup> As defined in Annex 1 of the Eligibility Policy

<sup>36</sup> Particularly countries where health accounts for less than 8% of government expenditure and/or tax revenues are lower than 15% of the GDP.

<sup>37</sup> Income levels are as per the Eligibility Policy definitions.

- ii. For Lower-LMICs, co-financing contributions should be in line with identified priority areas within the disease program or RSSH, with a minimum of 50 percent in disease program interventions.
  - iii. For Upper-LMICs with a 'high', 'severe' or 'extreme' disease burden, co-financing contributions should be in line with identified priority areas within the disease program and RSSH, with a minimum 75 percent in disease program interventions. In countries with a 'low' or 'moderate' disease burden, applicants are encouraged to show a greater share of domestic contributions that will address systemic bottlenecks for transition and sustainability<sup>38</sup>.
  - iv. For UMICs, regardless of disease burden, co-financing contributions should be focused on disease components and RSSH activities to address roadblocks to transition<sup>39</sup>, with a minimum 50% invested in specific disease components targeting key and vulnerable populations, as relevant to the country context.
- c. To ensure flexibility and custom-made solutions matching a country's unique needs, a portion of the respective country allocation, including the 'co-financing incentive', may be considered as the grant component of innovative financing mechanisms that the Secretariat may explore (Part 1, paragraph 7).

#### 7. **Compliance with Co-financing requirements:**

- a. The Secretariat will engage with key stakeholders including the Ministries of Finance and Health to ensure that the co-financing commitments have the necessary approval of the concerned governmental authorities. Countries should provide evidence of confirmed co-financing commitments from the Ministry of Finance or other relevant bodies.
- b. Co-financing requirements will be measured separately for the overall health sector and for each disease program. In assessing compliance, the Secretariat will take into account macroeconomic, fiscal, and other contextual factors relevant to the country.
- c. If a country is not in a position to demonstrate progressive government expenditure on health and/or provide the required additional commitments to avail the full 'co-financing incentive' due to extenuating circumstances, the applicant may request a full or partial waiver of requirements at the application stage or during grant implementation. Any waiver of co-financing requirements will require strong justification, as well as a plan for addressing funding shortfalls, and will be considered on its own merits.
- d. Unless requirements are waived by the Secretariat, failure to demonstrate progressive government expenditure on health and/or comply with other co-financing commitments will be factored into subsequent allocations. The Secretariat may also, at its discretion, withhold a proportional share of Global Fund disbursements or reduce annual grant amounts during the grant implementation period, if confirmed commitments do not materialize.
- e. The Secretariat will establish mechanisms for annual monitoring of specific co-financing commitments, aligned to national reporting systems.
- f. In order to ensure a reliable basis for tracking government commitments and spending, applicants may request interventions to strengthen public financial management systems through Global Fund applications. In addition, the Global Fund will also invest through its grants and partners to support institutionalization of standardized methods for tracking health and disease expenditures.

### **PART 4: IMPLEMENTATION OF THIS POLICY**

1. The Global Fund recognizes that country context is a key factor for moving towards sustainability and transition and increased co-financing and that a single policy will not be able to account for all situations. The Secretariat will consider any exceptions to this policy on an individual basis, taking into account country context and fiscal space considerations, as well as other relevant factors.

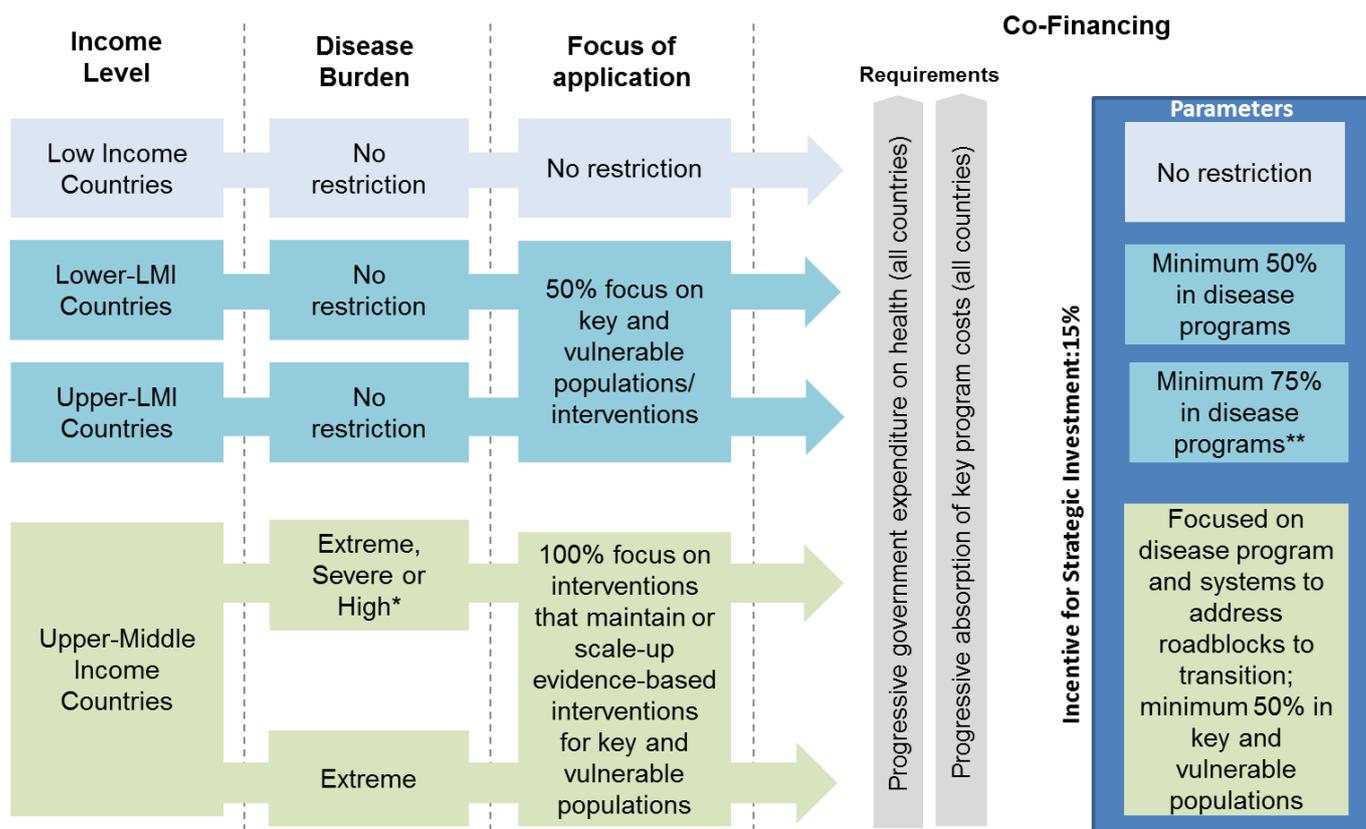
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<sup>38</sup> Identified by the country either through a transition readiness assessment or transition work plan or through national strategic plans or other relevant assessments.

<sup>39</sup> As above.

2. Countries that have been defined as Challenging Operating Environments “COEs” may, on a case-by-case basis, be granted flexibilities with respect to the requirements set forth in this policy and/or as set forth in the policy on COEs, and as amended from time to time. The Secretariat will determine whether such flexibilities are appropriate according to the nature or basis for a country’s classification as a COE. As noted in the COEs Policy, the classification of a country as a COE does not automatically guarantee the application of flexibilities.
3. The Global Fund will continue to monitor and evaluate transition process and outcomes in order to inform policies and best practices on transition and sustainability to achieve strategic impact and will provide regular updates to the Strategy Committee.

**Figure A: Eligibility, Focus of Application and Co-Financing Chart**



UMICs with low/moderate DB, G-20 UMIs with less than extreme DB, and High Income Countries are ineligible

\* Small Island Economies are eligible if they have a low or moderate disease burden.

\*\* 'low' or 'moderate' burden country components are encouraged to show a greater share of domestic contributions that will address systemic bottlenecks for transition and sustainability.