

OIG Advisory

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

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Acronyms

ADB	Asian Development Bank	GMD	Grant Management Division	OOP	Out of Pocket Expenses
AfDB	African Development Bank	HF	Health Financing	OPN	Operational Policy Note (GF)
AU	African Union	HMIS	Health Management Information System	PFM	Public Financial Management
BMGF	Bill and Melinda Gates Foundation	IF	Innovative Financing	PHC	Primary Health Care
CB	Capacity Building	IDB	Inter-American Development Bank	PfR	Payment for Results
CCM	Country Coordination Mechanism (GF)	IFC	International Finance Corporation	PLWH	People Living With HIV
CFA	Co-Financing Agreement between GF and WB	IFI	International Financial Institution	PR	Principal Recipient (of GF grant)
CO-LINK	GF approach to strengthen PFM	IFMIS	Integrated Financial Management Information System	RMEI	Regional Malaria Elimination Initiative
CPR	Country Portfolio Review	IMF	International Monetary Fund	RSSH	Resilient and Sustainable Systems for Health
CSO	Civil Society Organization	IRM	Integrated Risk Management	SFHA	Sustainable Financing for Health Accelerator
CT	Country Team	IsDB	Islamic Development Bank	SI	Strategic Initiative
D2H	Debt to Health	KM	Knowledge Management	SIB	Social Impact Bond
DFH	Domestic Financing for Health	KPI	Key Performance Indicator	STC	Sustainability, Transition and Co-financing
DIB	Development Impact Bond	KVP	Key Vulnerable Population	SWOT	Strengths, Weaknesses, Opportunities and Threats
DLIs	Disbursement Linked Indicators	MDBs	Multilateral Development Banks	TA	Technical Assistance
DRM	Domestic Resource Mobilization	MEC	Management Executive Committee	TRP	Technical Review Panel (GF)
FR	Funding Request (GF grant management)	MoF	Ministry of Finance	UhC	Universal HealthCare
FPM	Fund Portfolio Manager (GF)	MoH	Ministry of Health	VfM	Value for Money
GAC	Grant Approval Committee	NHI	National Healthcare Insurance	WB	World Bank Group
GAVI	Global Alliance for Vaccination and Immunization	NSP	National Strategic Plan	WHO	World Health Organization
GFF	Global Financing Facility for Women, Children and Adolescents	ODA	Official Development Assistance		

1.1 Executive Summary Overview

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

Domestic Financing for Health (DFH) refers to the mobilization, allocation and deployment of financial resources to ensure that healthcare systems can adequately cover population needs. DFH is a core function and critical building block for resilient and sustainable health systems, and is key to ensuring the long term sustainability of national responses, Global Fund investments, and health outcomes.

The Global Fund (GF) has been on a continuous journey to mature its role and approach in DFH and strengthen support to countries in obtaining 'more money for health'^{*1} and 'more health for money' and to increase accessibility and sustainability of their healthcare systems and national responses to HIV, TB, and Malaria. In recent years the organization has moved forward with the following:

- i. The creation of a new Health Finance (HF) Department;
- ii. The development of a new GF vision for DFH;
- iii. The identification and deployment of several DFH 'levers'^{*2} which categorize key activities by the Secretariat into key thematic tools to address country challenges and drive impact.

The above activities have built on historic efforts by the Global Fund to encourage additional domestic financing for health and the three diseases.

Overview of OIG review and key takeaways

The OIG review focused on DFH challenges and responses at both the Secretariat and country level.

- At the Country Level, the OIG advisory performed a series of country deep dives, which highlighted several priority DFH challenges^{*3} including weak governmental ownership and prioritization of health, excessive out of pocket expenses, low engagement within the public sector and with key private stakeholders, and weaknesses in public financial management and HF data. The most pervasive and systemic challenges were weaknesses in public financial management and HF data, highlighting the need to focus Global Fund attention in this space.
- At the Secretariat level, the OIG reviewed activities and processes related to DFH. The current "levers" defined by the Secretariat were reviewed by the OIG and deemed to be the appropriate tools to drive impact in the 'DFH Space'. However, the levers are at different stages of maturity and operationalization; for example, co-financing is at a mature level while others, such as Value for Money and Joint & Blended Financing, are relatively new and not yet fully defined.

Considering the needs at country level and the activities and processes at Secretariat level, the Global Fund's role and approach is moving in the right direction. But there are opportunities to enhance the deployment of these levers, to ensure they are focused on the organization's profile and are fit for purpose to address specific DFH challenges at country level.

In addition, to effectively support countries to strengthen Domestic Financing for Health, the GF should leverage 'cross-cutting' enablers and opportunities, such as its overarching strategic approach, its operating model and the role of Civil Society Organizations as advocates and service providers. This should take place alongside prioritizing the development of key levers and focusing on specific challenges.

Key messages

The OIG identified key areas where the Global Fund Secretariat should focus its attention to improve its role and approach in strengthening DFH. These areas have been grouped as eight key themes, which include cross-cutting issues, selected DFH country challenges and GF Secretariat levers. These themes are deemed to be the priority areas of intervention, and the ones where the GF Secretariat has most direct influence:

- Global Fund strategic approach
- Global Fund operating model
- Role of CSOs
- Co-Financing
- Joint and Blended Financing
- Value for Money
- Partnerships
- Public Financial Management and Health Financing data

For each of the key themes, the OIG review identified opportunities to strengthen the GF's role and to tailor its approach in addressing these DFH challenges in line with (i) the GF comparative advantage among global health actors, (ii) its portfolio priorities and (iii) countries' needs and priorities. These have been translated into a series of strategic and operational recommendations across the eight key themes.

The implementation of selected recommendations included in this report will require dedicated operational activities which may have resource implications to be further assessed by the Secretariat in relation to other priorities.

*1 See Annex 1 - these health finance components have been leveraged from the conceptual framework around health financing developed by the Sustainable Health Financing Acceleration (SHFA)

*2 List of Levers including definitions are on page 11

*3 List of DFH challenges are on page 12

1.1 Executive Summary

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The Global Fund's Role and Approach to Domestic Financing for Health (DFH)



Strategic Approach

The creation of the Health Finance (HF) Department brought together expertise and support capacity previously scattered across the Secretariat. The development of an overarching vision, ambition and the articulation of a set of 'levers' for DFH brought more direction and focus to the GF's efforts on this theme.

While these developments are fundamental to achieve impact, there are still significant opportunities to further enhance the GF's role and strategic approach to DFH, for better impact. These include:

- Further developing tailored strategic approaches for each of the DFH levers, including clarifying the expected 'level of ambition' and measurable results in terms of contribution to tackle priority country needs.
- Developing regional thematic and country DFH priorities aligned with overall GF portfolio objectives; these should be reflective of long-term strategic thinking and planning to align with specific DFH goals, country challenges and the GF's comparative advantage.
- Strengthening internal awareness on the importance of DFH and sustainable financing as fundamental preconditions to achieve long-term programmatic impact.



Operating Model

The internal operating model of the Global Fund Secretariat in relation to DFH needs to evolve. A critical component of this evolution involves further embedding key DFH components in core business processes and strengthening engagement/alignment between various Secretariat departments engaged on DFH. This is essential given the creation of a new vision and ambition of the GF in DFH, the establishment of the HF department and the existence of outdated internal policies and roles & responsibilities that no longer reflect the new realities.

There is a need to ensure the following:

- Clear roles and responsibilities across Secretariat teams;
- Effective and tailored support from the HF department to Country Teams and implementing countries;
- Strong demand for HF support services from Country Teams and countries;
- Stronger embedding of DFH concepts and workstreams into core processes;
- More mature knowledge management and solid change management.



Role of Civil Society Organizations

The GF has an important comparative advantage over other partners in terms of the depth and breadth of its partnership and engagement with CSO/Community actors. However, these relationships are not being fully leveraged to support the GF vision and ambition for DFH.

There is a need to develop a comprehensive internal CSO strategic approach to be embedded in the broader DFH strategy. CSOs can play a critical role across the DFH levers and play a central role in tackling key country challenges. There is a need to develop and focus on two areas:

- i. The role of CSOs as advocates for DFH at country and community levels;
- ii. The role of CSOs in service delivery in both transition and non-transition settings (including enhancing the domestic financing of services provided by CSOs, otherwise known as 'social contracting').

This would help respond to critical country needs highlighted around limitations in government ownership and leveraging non-state actors in service delivery.



Partnerships

The DFH partners landscape is complex and fragmented, with multiple global and regional players. Within this landscape, partners have varying mandates and comparative advantages. Several partner institutions have a more extensive area of influence in the 'DFH Space' than the GF, with greater capacity and financial resources to tackle long-term DFH challenges at the country level.

This highlights the critical need to leverage partnerships for greater impact, and to focus the GF's role on areas where it has a comparative advantage. In addition, alignment across partners is a critical country need, highlighted in this OIG advisory.

There is a need to strengthen how partnerships are identified, managed and leveraged, focusing on:

- Developing a DFH partnership engagement and alignment strategy: periodic updating of the GF's assessment of the DFH landscape, creating operational roadmaps, leveraging partnership platforms and jointly developing clear, country-level plans.
- Increasing in-country and regional cooperation with traditional and non-traditional partners to better leverage their influence with key in-country stakeholders.

1.1 Executive Summary

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The Global Fund's Role and Approach to Domestic Financing for Health (DFH)



Co-financing

Co-financing is one of the most mature levers and one of the most embedded in core GF business processes. It has multiple roles and purposes, acting as a critical advocacy tool, an incentive to increase Domestic Resource Mobilization, and an entry point to engage with key country stakeholders, including the Ministry of Finance. It also helps to tackle challenges in government ownership.

Progressively ambitious co-financing approaches have supported significant increases in domestic financing for national programs; the value of co-financing commitments for GF grants almost doubled between the 2012-14 cycle with the introduction of the counterpart financing policy and the 2018-20 cycle under the Sustainability, Transition and Co-financing Policy (from US\$12.6 billion to US\$22.4 billion)*1. Positive trends continue in the current cycle. However, there are opportunities to strengthen impactful co-financing in portfolios with low allocations, in high growth economies and in portfolios where the GF allocation represents a small percentage of the total health budget. There are also broader opportunities to strengthen monitoring and tracking, enhanced use and generation of data to support co-financing, and more strategic negotiation of commitments.

While the OIG deems the Co-financing policy adequate, there are however opportunities to enhance and strengthen the strategic application of the lever and enhance transparency and accountability. These include:

- Strengthening the design of co-financing requirements through more strategic engagement of the HF Specialists and updating guidance to Country Teams.
- Increasing transparency & accountability of co-financing requirements and results.
- Enhancing operational processes for co-financing design & compliance.



Joint/Blended Finance

The GF has been engaged in alternative financing mechanisms since the 2007 Board approval of the first Debt 2 Health deal*2. Since 2015, the GF has accelerated its exploration of more varied and complex joint, blended & innovative financing arrangements with a broad range of partners. While the GF has been involved in these mechanisms for years, the operating model has not matured, is not efficient, and thus is not conducive for the GF to expand its ambition in these strategically valuable deals.

This lever has become more significant due to the recent increase in debt and debt servicing in implementing countries, linked to the macro-economic impacts of COVID-19. These deals can help address multiple country challenges and benefit countries through (i) aligning partner funds, (ii) generating more health for money (Results Based Financing components), (iii) lowering cost of debt and (iv) catalyzing additional funding sources for health. There is a need to enhance the lever by:

- Establishing a stronger level of ambition in line with the strategic value attributed to innovative financing and the risk appetite towards specific deals;
- Creating an enabling environment for joint and blended financing transactions; for example, streamlining processes, increasing expertise and support to Country Teams/countries, and better defining assurance and financial management requirements.



Value for Money

VfM concepts have been discussed and explored in relation to GF activities since 2010. However, there are critical gaps in understanding how VfM concepts should be applied, how VfM principles & activities should be embedded throughout the grant life cycle, and how they can support DFH decision-making for both 'more money for health' and 'more health for money'.

To be effective, the GF needs to clearly articulate how to support the enhancement of VfM in domestic health spending through its strategic investments and in its grant operations. This requires a common definition among GF staff, countries and partners of all VfM dimensions, not only in the context of GF operations, but specifically with regards to applying VfM concepts to countries' own domestic decision-making processes.

*1 Domestic Financing Cohort (as of 31st August 2021) per the 17th SC Committee meeting presentation GF/SC17/20 Q4 2021. This includes Components that submitted funding requests with confirmed co-financing commitments (88% of components). The Cohort accounts for 86% of Investment Case projections for domestic financing in 2021-2023. It pertains to co-financing of NSP costs and excludes health system operational costs for delivery of services where such costs are not included in costing of NSP

*2 Debt2Health is an innovative financing mechanism that is designed to encourage domestic financing in health by converting debt repayments into lifesaving investments in health. Under individually negotiated 'debt swap' agreements, a creditor nation foregoes repayment of a loan when the beneficiary nation agrees to invest part or all of the freed-up resources into a Global Fund-supported program

1.1 Executive Summary

Key Messages



Health Financing Data & Public Financial Management

Timely, accurate, complete and properly disaggregated HF data is a critical enabler to support more money for health, more health for money, and sustainability in DFH, as well as a critical input into co-financing, Value for Money and Technical Assistance. Public Financial Management is a foundational element to strengthen HF data and data systems and plays a critical role in the wider DFH cascade.

At the country level, issues in HF data and Public Financial Management have contributed to weakening Governments' cases for domestic investments in health, low financial utilization, incomplete or ineffective monitoring and reporting, and lack of visibility of funding streams.

Increased ambition to tackle challenges in HF Data

The GF could expand its investments in helping countries to produce timely, detailed and qualitative data. This could be operationalized through creating a dedicated Strategic Initiative fund in the next allocation cycle, focusing investments on effective capacity building activities, with concrete outcomes to be monitored. This would build on lessons learned from Sustainability, Transition and Efficiency (STE) activities of previous/current cycles and be designed to leverage key partnerships and activities in the HF data space (for example, investment in National Health Accounts and collaboration with the World Health Organization (WHO) & the Bill and Melinda Gates Foundation (BMGF)).

Increased ambition to tackle Public Financial Management

The Global Fund should include PFM as a flagship component of DFH engagement, and better leverage international institutions working in the PFM space, such as the World Bank and IMF. In the short-term, the GF could scale up CO-LINK^{*1} from a project targeting a small cohort of countries to a widespread approach across portfolios, expanding it to link with other HF components and sub-national entities. In the mid/long term, PFM strengthening should be embedded in activities relating to NFM 4, given that it has been included in the 2023-2028 Global Fund strategy.

In addition, there is a need to establish bolder PFM maturity goals and thresholds. This should lead to greater reliance on national systems with the clear aim for GF grants to transition to being 'on budget' where appropriate. This will support long-term capacity building to Ministries of Finance/Health emphasizing sustainability of DFH in the long term.

*1 The GF layered approach to strengthen Financial Management of implementers across eight fundamental dimensions: i) Institutional arrangements and management oversight; ii) FM policies and procedures; iii) information systems; iv) Charts of Accounts; v) Planning and budgeting; vi) Fund flow management; vii) Treasury and funds flow management; viii) External audit

1.2 Objectives and Scope of DFH Advisory

Objectives

At the request of the Executive Director, the Office of the Inspector General (OIG) sought to advise the Secretariat on potential ways to evolve the Global Fund's role and approach in relation to Domestic Financing for Health.

This advisory had the following main objectives:

- Understand the external landscape
 - Review of the role of the main global health actors in the 'DFH Space', identify their comparative advantages, strengths and possible synergies and complementarities with the GF.
 - Identify priority DFH challenges at country level, understand their root causes and extrapolate the priority challenges to be tackled through DFH interventions.
- Assess GF partnerships, approach and operations related to DFH
 - Review the current strategic partnerships set up by the GF and identify targeted opportunities to strengthen alignment and cooperation with the main global health actors.
 - Review the current use of the DFH 'levers' by the GF Secretariat and identify 'what worked well' and weaknesses to be addressed.
- Develop recommendations to strengthen the GF's capacity to operate in the 'DFH Space'
 - Develop strategic & operational recommendations to improve the deployment of the DFH 'levers' and to increase the GF's contribution to tackling priority country challenges.

Scope exclusions

With agreement with the Secretariat, the following areas were excluded from the scope of the advisory in line with evolving Secretariat needs as the assignment progressed:

- i) An assessment of the GF's vision and ambition on DFH. This is due to the vision and ambition being recently established at the start of the advisory review by the Secretariat and communicated to governance bodies.
- ii) An assessment of the HF Department's structure, internal capacity and capabilities due to this being established at the start of the advisory by the Secretariat and communicated to governance bodies. Work is ongoing by the Secretariat to define the new structure that was completed during the advisory engagement.
- iii) The definition of KPIs, result metrics and reporting frameworks. This is due to the need for the Secretariat to first further develop the strategic approach for DFH before defining targets and reporting frameworks.
- iv) The development of end-to-end processes for priority DFH operations including roles and responsibilities across teams. This is due to the need for the Secretariat to first further develop the strategic approach and operating model for DFH.

1.3 Methodology

Overview of Methodology

The OIG review leveraged numerous engagement techniques. This included country level reviews, mapping the global partner landscape and reviewing the functions and activities of the Global Fund Secretariat in relation to DFH.

(i) Assessment of country-level DFH challenges and GF role & positioning

With a view to identifying priority DFH challenges and analyzing how the GF contributes to tackling them, the OIG, in consultation with the GF Secretariat, performed **eight country deep-dives***1:

Bangladesh	Congo (DRC)	Kenya	Uganda
Chad	Ghana	Nigeria	Ukraine

- OIG desk review included qualitative analyses and quantitative datapoints*2 to understand and synthesize the country DFH systems and situation.
- OIG stakeholder engagement interviews involved GF Secretariat representatives, CCM members, PRs, CSOs, government focal points and global health partners in the field. Stakeholders were engaged through:
 - Surveys to qualitatively assess the country challenges and the GF's role;
 - Thematic workshops to elaborate desk review and survey findings and to identify opportunities to strengthen the GF's positioning.

The OIG also conducted a **series of 'spotlight' analyses** in five countries to deepen the team's understanding of the DFH challenges and deployment of GF levers.

Angola	Philippines	Haiti	Laos	Côte d'Ivoire
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- The OIG team performed a desk review and interviewed Secretariat and partners' focal points to highlight good practices and areas for improvement.

(ii) Mapping of global health partners landscape

The OIG, in consultation with key Secretariat stakeholders, selected eleven international institutions and one coordination mechanism for its landscape analysis:

World Bank Group (WB) with focus on IBRD/IDA and IFC	International Monetary Fund (IMF)
Global Financing Facility for Women, Children and Adolescents (GFF)	Inter-American Development Bank (IDB)
World Health Organization (WHO)	Islamic Development Bank (IsDB)
Global Alliance for Vaccination and Immunization (GAVI)	African Development Bank (AfDB)
Bill and Melinda Gates Foundation (BMGF)	Asian Development Bank (ADB)
African Union (AU)	Sustainable Financing for Health Accelerator (SFHA)

The OIG advisory adopted a tailored conceptual framework for its assessment of GF and partners' positioning within the 'DFH space' (see **Annex 1**).

(iii) Review of the functioning of DFH levers to address key challenges

The OIG analyzed the current functioning of each lever detailed on page 11, and for each, assessed successes and challenges and identified enhancement opportunities through:

- A high-level survey to senior managers and a more in-depth survey issued to professionals and line managers
- Interviews with MEC members, GMD heads and selected Department Heads and meetings with partners' focal points
- Workshops focused on individual levers, attended by a total of 87 GF staff members to validate emerging findings and brainstorm improvement opportunities
- Regular interactions with the GF Secretariat sponsors to fine-tune and validate draft recommendations to enhance the use and impact of DFH levers

*1 Selection parameters included development status, HF indicators (OOPs, GGHE), the GF metrics (e.g., co-financing performance, transition status) qualitative factors (e.g. political willingness, partners' presence)

*2 Quantitative datapoints included macro-economic and HF data, National Health Accounts, expenditure reports; qualitative information included DIF action plans and partners' reports

1.4 Background

Overview on Importance of DFH to the GF Mandate

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)



Importance of DFH to the GF Mandate

Both the historic and current investment cases of the Global Fund have highlighted the importance of Domestic Financing in the fight against the three diseases.

As a part of the 2022 seventh replenishment investment case^{*1}, the role of scaled up domestic financing to achieve results was highlighted. The Global Fund also identified^{*2} the need to step up total funding from all sources from US\$66 billion in the current cycle to at least US\$83 billion for the next three-year cycle, an increase of US\$17 billion. Most of the increase will come from increased domestic funding. The 2020-22 Investment Case relies on **US\$46 billion**^{*3} of domestic financing being available to fight HIV, TB and malaria and strengthen health systems over the period 2021-2023. This is an increase of **48%** over the current cycle.

Translating these commitments into actual investments will require sustained political leadership and rapid development of health financing mechanisms. Failure to achieve these increases will adversely impact global health programs and affect programmatic results for the three diseases.

DFH is critical to sustainably achieving the GF Mission

Encouraging and stimulating domestic investments in health is an essential component of the GF's strategy, as DFH is a critical health system building block. As such it is a key requirement of a country's ownership on health to support the country's ability to prioritize investments in health systems and ensure efficient spending and equitable access to healthcare.

DFH is also key to ensuring a country's ability to successfully transition from donor support, and therefore can help support the long term sustainability of both national responses and Global Fund investments in the fight against the three diseases^{*4}.

The importance of DFH has grown over time

Overseas Development Assistance for the three diseases was stagnant for a significant period of time for the majority of the 2010s^{*5}. DFH and the efficient use of domestic funding therefore became critical to the GF's mandate. To meet the GF's strategic goals funding to cover and expand key programs will need to become more reliant on DFH as a proportion of overall financing.

COVID-19 increases the risk of not achieving the needed DFH growth

COVID-19 has increased pressure on the fiscal space in many countries due to increases in debt servicing and debt distress, as highlighted by the World Bank who noted the large increase in the debt burden of the world's low-income countries, which rose in 2020 to a record US\$860 billion^{*6}.

The long-term impact of COVID-19 on health financing is still unknown, and the magnitude of the impact is expected to differ by country. Overall trends and the OIG deep dives highlighted mixed effects on fiscal space available, health budgets, allocations for HIV, TB, Malaria, as well as efficient spending (see **Annex 3** for further details).

Initial indications however highlight that the economic impact of the pandemic will severely constrain government budgets, with consequent contractions of public expenditure for health, although this impact will greatly vary across countries. However, the pandemic has also uncovered opportunities for innovation and facilitated the creation of novel partnerships in domestic resource mobilization and innovative service delivery and distribution modalities.

*1 – Global Fund 7th Replenishment Investment Case - https://www.theglobalfund.org/media/11798/publication_seventh-replenishment-investment-case_report_en.pdf Page 18 foot note 7

*2 Global Fund 2019 Investment Case – Page 4 'The Global Fund needs at least us\$14 billion' https://www.theglobalfund.org/media/8279/publication_sixthreplenishmentinvestmentcase_report_en.pdf (last access: Jan 2022)

*3 Global Fund 2019 Investment Case – Page 37 'Accelerate progress towards SDG 3 and universal health coverage'

*4 'Sustainability also requires evaluating and implementing strategies for progressively increasing domestic financing for health and domestic ownership of Global Fund supported interventions' Building RSSH – Information Note 2019, Section 2.9 (Page 8)

*5 Source: IHME, Financing Global Health 2016: Development Assistance, Public and Private Health Spending for the Pursuit of Universal Health Coverage, Seattle, WA: IHME, 2017

*6 Source: World Bank's International Debt Statistics, <https://openknowledge.worldbank.org/handle/10986/36289> – Page vii 'Foreword' (last access: Jan 2022)

1.4 Background

The Global Fund's DFH Levers

In Q1 2021, the GF Secretariat presented to the AFC its vision on the current and upcoming Strategy and the COVID-19 context. The Secretariat identified several 'levers' to be used as a toolbox to achieve this vision. The levers are defined in **Figure 1**.

FIGURE 1. OVERVIEW OF GF LEVERS**

LEVERS	DESCRIPTIONS
1 Co-financing	Current co-financing policy requirements, including raising additional domestic resources for health and the national responses to the three diseases, as well as progressive domestic uptake of program costs, including those financed by the Global Fund (<i>ref. the GF STC Policy</i>).
2 Advocacy for domestic financing	Advocacy activities deployed by the GF directly and in synergy with other partners at the global (e.g., Sustainable Finance Accelerator, bilateral partners), regional (e.g., AU, ALM), and national level (e.g., national dialogues, leveraging CSOs).
3 Technical support to countries	<ul style="list-style-type: none"> ■ Funding of direct technical assistance to countries for key HF priorities and country-level initiatives, including sustainability and transition planning, expenditure tracking, costing of service delivery financing of CSOs; ■ Technical support provided by the GF specialists to Country Teams on DFH topics. e.g., support for HF reforms.
4 Blended/Joint finance	<p><i>Joint investments</i> - mechanisms combining GF grants with partner institutions' investments in the form of grants and/or loans.</p> <p><i>Blended finance</i> - mechanisms involving the combination of grants and loans, e.g., 'loan buy-downs'</p> <p><i>Innovative finance</i> – a broad term including a variety of instruments, e.g., outcome-based funding schemes and impact investing.</p>
CROSS-CUTTING LEVERS	DESCRIPTIONS
5 Enact Value for Money for efficient spend of health money	Funding and deployment of targeted technical support to countries and Country Teams, with the view to maximize economy, efficiency, effectiveness, equity and sustainability of HF systems, tailored based on needs and stages of development.
6 Drive purposeful Partnership Engagement	Global and Country engagement of other international organizations through informal relations, formalized agreements and multi-lateral coordination mechanisms (e.g., Sustainable Financing for Health Accelerator) to enhance the GF's impact across the 'DFH Space'. This may result in joint or coordinated efforts across the other levers, e.g. support for joint technical assistance, alignment on investment priorities, advocacy, joint investments to raise additional resources, maximize value for money, support health reforms, etc.

*1 OIG Adapted from Secretariat "Update on Health Financing" presentation at 15th Audit and Finance Committee session, 23 March 2021

1.4 Background Overview of Priority DFH Challenges

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

DFH is a complex and multifaceted space. In its analysis, the OIG identified several key challenges faced by countries. The GF helps support countries in facing these challenges with various degrees of influence.



GOVERNMENT OWNERSHIP AND PRIORITIZATION OF HEALTH

- **Low prioritization of health in public budgets** – low allocations compared to other governmental priorities. This may be due to valid trade-offs among competing priorities as well as the inability to effectively articulate the case for investing in health.
- **Weak government ownership of health sector** – slow uptake of funding needs and transition to domestic financing. May be due to perception of permanence of donors' funds, weak investment case on health, complex and fragmented decision making, or other political reasons.



PUBLIC FINANCIAL MANAGEMENT & HEALTH FINANCING DATA

Weak Public Financial Management processes, systems and HR capacity

- **PFM processes** - limited linkages between planning, budgeting and monitoring, delays in release of funds, budget execution bottlenecks, lack of standard operating procedures.
- **PFM systems** – lack of Integrated Financial Management Information System, scarce adoption of electronic PFM systems at sub-national level, weak integration between financial and health management information systems.
- **HR capacity** – limited technical expertise at MoH and sub-national level

Limitations in quality, comprehensiveness and timeliness of Health Financing data

- Difficulties in institutionalizing HF data collection, analysis and presentation to support resource allocation processes and evidence-based decision-making.
- Multiple overlapping global health partner frameworks, assessment tools and datasets.



MACROECONOMIC FACTORS IMPACTING FISCAL SPACE

- **Macro-economic factors** e.g., security issues, dependency on export commodities, external shocks on the international markets (e.g commodity dependent economies) weak fiscal policies and tax design, limit fiscal space for health.
- **COVID-19** had a disruptive impact on domestic public revenue, creating competing priorities and diverting public resources; at the same time, it has been an occasion to strengthen institutional response to health emergencies.



OUT OF POCKET PAYMENTS AND NATIONAL HEALTH INSURANCE

- **Excessive reliance of health facilities on user fees** poses a financial barrier to service access, worsens inequality and hinders UHC goals.
- **Weak resource pooling mechanisms** such as National Healthcare Insurance, e.g. limited coverage, insufficient funding and/or ineffective provider arrangements, exposing to high OOPs.



STRATEGIC ENGAGEMENT/ALIGNMENT ACROSS KEY STAKEHOLDERS

- **Dialogue between Ministry of Health (MoH) and Finance/Planning (MoF/P)** – MoHs often don't have the ability to effectively show the macro-economic criticality of investments in health, which hinders the dialogue between ministries and the case for investment.
- **Alignment between MoH and sub-national entities** – In most countries, resource allocation, budget execution and program implementation are decentralized to some degree to sub-national entities. Gaps in engagement and misalignments have broad implications in terms of financial absorption, service delivery and expenditure tracking.



ENGAGEMENT BETWEEN PUBLIC AND PRIVATE SECTOR

Governments often lack effective engagement frameworks and struggle to leverage the private sector through effective policies/regulation for health service provision. They also struggle with appropriate procurement arrangements under NHIs, fit for purpose funding of CSO providers, and lack partnership abilities.

2. Key DFH themes

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

The OIG advisory reviewed the entire set of 'levers' included in the GF toolbox (**Figure 1**) and priority DFH country challenges (**Section 1.4**) identified in our fieldwork. In our report we focus on eight key themes, which group together different cross-cutting enablers, selected DFH country challenges and GF Secretariat levers. These are deemed to be the priority areas of intervention to strengthen the GF's contribution to DFH, and those where the GF Secretariat has most direct influence.



1. Global Fund Strategic Approach



5. Joint & Blended Financing



2. Global Fund Operating Model



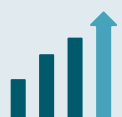
6. Value for Money



3. Role of Civil Society Organizations



7. Partnerships – Global & Country Levels



4. Co-financing



8. Public Financial Management & HF Data



2.1 Global Fund Strategic Approach to DFH

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

Due to the critical role of DFH to the Global Fund's wider mission, a more structured strategic approach to supporting countries is critical in order to sustainably support national programs in fighting the three diseases.

'As is' situation – Efforts to date

The GF has been on a continuous journey to mature its role & strategic approach to strengthening DFH, including ensuring that its country level investments are sustainable & aligned to broader domestic financing trends and national strategies.

Significant milestones of this journey included the development of the Sustainability, Transition and Co-financing (STC) Policy; the creation of the HF department that brought together expertise previously fragmented across the Secretariat; and the development of an overarching GF vision for DFH (Figure 2). Moreover, the creation of relevant Strategic Initiatives (SIs) have allowed the organization to step up its investment in supporting different areas of the DFH and help fund support to focused country needs.

FIGURE 2. THE GF VISION FOR DFH. SOURCE: HF DEPARTMENT*1

VISION	
■	Advocate for sufficient domestic financing where most critical to end the epidemics > Raise and spend more, domestically
■	Foster a sustainable financing environment for efficient Global Fund & country investments in disease response (e.g. data, institutional, skills) > Spend better
■	Maximize impact of GF investments as part of the global health financing landscape > Leveraging partnerships
■	Strengthen effective sustainability of national responses > Support successful transitions & transition preparedness

The GF's role and approach must be considered in a broader dynamic landscape with significant changes to both external and internal environments, including:

- (i) A fast-changing external environment (e.g., impact of COVID-19 on fiscal space and public debt, evolving partner landscape & country priorities);
- (ii) Competing internal priorities and Global Fund DFH capacity and capabilities.

'As is' situation – Challenges

Operationalization of the Global Fund's strategic vision and level of ambition

There is a gap between the Global Fund's high-level strategic vision and its operational activities to strengthen DFH and address priority country challenges.

The GF has not yet clearly identified its targeted level of ambition across the DFH domain to guide Secretariat activities. The GF has stronger comparative advantages in some areas (e.g., increasing domestic spending in the 'right' priorities) than others (e.g., 'reforms to increase fiscal space'). However, this is not systematically reflected in its DFH initiatives. This lack of focus has led to fragmentation and ad-hoc approaches that do not always generate scalable impact, e.g. ad-hoc fiscal space analyses for health and one-off tax and fiscal policy assessments. The varying level of understanding and interest for DFH across the Secretariat is an obstacle to expressing the full potential demand for support and services provided by the HF Department, and to tailoring country-level DFH interventions to strategic objectives aligned with long-term thinking and planning.

In addition, the GF needs to define clear strategic goals/objectives for each DFH lever and ensure success has been defined and can be measured. For example, the GF still does not have a clear advocacy strategy defining roles and responsibilities across the Secretariat, and success indicators. Furthermore, the use of VfM principles by the GF to help strengthen the case for DRM in health and to trigger efficiency in domestic health spending is neither clearly elaborated nor fully developed in the organization.

Recognition of DFH as fundamental to sustainably achieve GF goals

The STC policy has raised the profile of DFH, but efforts across the Secretariat remain uneven and there are varying levels of recognition of the importance of investing in DFH to generate sustainable health outcomes. Stakeholders engaged by OIG noted that FPMs' and Country Team members' ability to prioritize DFH is variable and limited by competing priorities.

Partnership engagement where the GF has weak comparative advantage

There are opportunities to strengthen and systematize the understanding of the DFH partner landscape both at the global and country-level, e.g. through periodic mapping for priority countries and themes. This would align GF efforts, leverage partners' strengths and increase joined-up approaches (see 2.7 Partnerships section). This is critical in areas where GF has a weak comparative advantage, especially around fiscal space reform and broader health sector adjustments.

*1 Modified from Secretariat "Update on Health Financing" presentation at 15th Audit and Finance Committee session, 23 March 2021



2.1 Global Fund Strategic Approach to DFH Recommendations

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

RECOMMENDATION 1



The GF should articulate clear strategic goals/objectives for each 'lever' in line with its position in the DFH landscape and its comparative advantage among global health actors. For each lever, the GF should ensure that success has been defined based on a clear level of ambition, and that it can be measured in terms of contribution to tackle priority DFH country challenges.

RECOMMENDATION 2



The HF department, in collaboration with GMD, should develop regional thematic and country DFH priorities aligned with overall GF portfolio objectives, with the view to focus its operational support on areas where the GF is best positioned to generate impact.

These priorities should reflect long-term strategic thinking and planning to align with specific DFH goals, needs and partner organizations' interventions. The GF's approach will need to take into consideration the GF's 3 year funding cycle that will impact operationalization.



Strategic recommendation



Operational recommendation



2.2 Global Fund operating model for DFH

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

A more robust internal operating model for DFH is critical to match the new strategic vision and ambition of the Global Fund. This is key to ensure the high-level strategic ambition is supported by well designed processes, tools and people that bridge strategy to tactical activities.

'As is' situation – Efforts to date

The operating model is built upon:

- (i) People – roles & responsibilities and organization structure of DFH related teams;
- (ii) Systems & tools – including the DFH levers and activities conducted by the Secretariat;
- (iii) Policies, guidance & processes.

Historically, internal reviews by the GF Secretariat*¹ highlighted several operational issues including: limited accountability for country specific support, lack of standard mechanisms to collect HF data, fragmented partners' management and overlapping internal roles and responsibilities relating to DFH.

In response, the GF Secretariat has been working on streamlining and improving its operating model through the creation and organizational design of the HF department. This has supported the centralization of previously fragmented DFH expertise. It was also taken as opportunity to increase the head count to support the implementation of a broader vision and ambition for DFH.

Progress has been made since Q1 2021; the new Department has started to review how to better embed its activities into processes, strengthen its capacity and better tailor its support to specific regional and country level DFH needs. However, challenges remain as noted below.

'As is' situation – Challenges

Fragmented approach and unclear roles and responsibilities impacting effectiveness

In the advisory, the OIG noted that despite progress made, the deployment of the six DFH levers is still affected by fragmentation across the Secretariat and a siloed approach to tackling DFH issues, even after the creation of the Health Financing department. This results in limited accountability being shown over country specific support and leads to ad-hoc partner management.

Roles and responsibilities around DFH are also only partially embedded in the Global Fund's accountability and performance management tools and KPIs (P&A reporting & HR performance management) with regards to organizational entities and individual roles involved in DFH, including all relevant members of Country Teams, Health Finance Specialists and other technical teams.

Mis-alignment between demand for and supply of DFH support limits the full operational potential

Both 'demand' and 'supply' factors influence the effectiveness of the operating model and need to be considered.

■ 'Demand' side

- Country Teams still have a weak awareness and understanding of the support provided by the HF department, partially due to the incomplete embedding of DFH into the GF's core processes.
- Demand is still developing in parallel with strengthening the profile of DFH as a fundamental precondition to sustainably finance the fight against the three diseases and achieve the GF's mission.

■ 'Supply' side

- The HF Department lessons learnt from early 2021*² and OIG's review highlight that there has been a lack of clarity on the role of the HF department as a provider of technical guidance & support to Country Teams and countries. The standard set of supporting activities has been limited in many instances to compliance-based activities as opposed to strategic support. This activity focused on the collection of HF data and assessment of compliance with co-financing commitments. There was seen to be limited bandwidth or opportunity to provide more strategic insight to Country Teams and implementers or implementing countries consistently across portfolios in line with their needs.
- The newly created HF department has only recently been restructured and the head count expanded to offer the intended support as a center of expertise for DFH within the Global Fund. This is a fundamental step to enable more tailored support to Country Teams in response to specific regional and country needs and the GF's portfolio objectives.

*1 Internal Global Fund Performance Development Team review on DFH – Phase II (2019)

*2 Internal Global Fund HF Department presentation 'Enhancing Health Financing Support to Country Teams. Initial lessons learned and recommendations



2.2 Global Fund operating model for DFH

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

'As is' situation – Challenges (cont.)

Weak DFH Knowledge Management (KM) systems, tools and processes may result in sub-optimal delivery

In several cases, the OIG noted that DFH activities were not developed in line with a broader strategic plan that was data driven and based on a clear understanding of lessons learnt from relevant previous activities.

This was linked to the fact that the GF Secretariat does not have a comprehensive view of all DFH related activities that it directs or indirectly supports, nor a view on all outcomes of these activities. This is due to the organization not having any knowledge management systems, tools or processes that track DFH activities in a centralized way across portfolios. Instead, there is a reliance on individual staff members remembering what was performed and what the results were.

This has led to poor planning around activities like technical assistance, where Secretariat stakeholders engaged by the OIG during the advisory highlighted a tendency for the GF to fund transactional activities without a clear understanding of long-term objectives, without a clear understanding of the role of other partners (e.g. in the DRM and fiscal reform space) and without the benefit of learning from similar TA deployed in other regions.



2.2 Global Fund operating model for DFH Recommendations

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

RECOMMENDATION 1



The HF department should enhance the provision of technical support on DFH (the “supply side”), including:

- Extend beyond the consolidated ‘compliance’ activities (i.e. HF data analysis and monitoring of compliance with co-financing requirements) and enhance the ‘strategic’ type of support in a variety of technical areas, including for TA provision and implementation of HF initiatives (e.g. DFH strategies, national planning, PfR, service costing, expenditure tracking, social contracting).
- Define more clearly the priority thematic areas of technical support offered to Country Teams (i.e., a “menu of support” or “toolkit”).
- Strive to provide tailored support in response to regional and country DFH needs identified with GMD throughout the grant life cycle, while maintaining bandwidth for ad-hoc engagement.

RECOMMENDATION 2



The level of prioritization given to DFH across the Secretariat (the “demand side”) as a fundamental precondition to achieve sustainable programmatic impact should be enhanced, including:

- Further embed DFH interventions and the role of the HF department into the main grant management processes and embed DFH in risk management tools to trigger demand for support.
- Disseminate good practices and case studies of DFH activities that have been successful in strengthening DFH and had a positive impact on the GF's mandate to increase understanding and appetite for support.
- Drive a change management process at operational level to generate buy-in across the Secretariat for HF Department's services through frequent communication with other departments, updating policies/process documents, delivery of training and production of guidance to support stakeholders.

RECOMMENDATION 3



The profile of the HF department should be further clarified and strengthened, including:

- The Secretariat should further clarify HF department's roles, responsibilities and interdependencies with other Departments working on DFH and enforce accountabilities of all involved entities through the GF's corporate performance management tools.
- The HF department should build appropriate knowledge management capacity, systems and processes, including: i) creation of a comprehensive database of technical support activities for DFH; ii) building business intelligence on ‘what worked, where’ and strengthen the organizational culture to generate synergies across countries; and iii) disseminating lessons learned and trigger demand for HF support from Country Teams.



Strategic recommendation



Operational recommendation



2.3 Role of Civil Society Organizations

Civil Society Organizations (CSO) play a pivotal role in influencing how government budgets address health, in delivering messages that hold governments accountable and transparent. In both donor and implementing countries, communities and civil society are an important partner in advocating for increased government health spending and resource mobilization. CSOs also play a key role as an implementer of services. The OIG advisory deep dives and workshops reconfirmed the critical role CSOs have in both i) their capacity as an advocate for DFH, holding governments to account and ii) their role as an efficient implementer for key activities, increasing the efficiency of domestic spending when leveraged.

'As is' situation – Efforts to date

The GF Secretariat has taken a multifaceted approach to engaging CSOs in relation to DFH strengthening, mainly linked to the two critical areas noted above:

- (i) Fostering CSOs' capacity to advocate for domestic resource mobilization (DRM), governmental ownership on health, UHC and other aspects critical to DFH, thus strengthening democratic participation, inclusiveness of public governance and accountability;
- (ii) Enhancing their role as health service provider to strengthen response to community needs, improve and extend service provision and increase efficiency of health spending, including through public financing of services delivered by them (known as 'social contracting').

On the latter, the GF has supported a number of countries to develop frameworks and regulations for 'social contracting' and to scale up capacity (see **Ukraine spotlight**). However, these efforts have been primarily focused on smaller portfolios, and enhancing 'social contracting' in High Impact countries has been limited. In addition, the GF co-organized and supported national dialogues and targeted regional and country level capacity building initiatives.

'As is' situation – Country and GF Secretariat challenges

The GF has a strong comparative advantage over other global health actors in terms of the depth and breadth of its CSO engagement. However, the potential of these relationships to strengthen DFH has not been fully utilized. There is no corporate mapping of how CSOs are engaged across internal departments. There is limited ability for senior management to strategically leverage these relationships, to support joined up and targeted advocacy on DFH.

Several GF Secretariat teams handle different and potentially overlapping aspects of CSO engagement in the 'DFH Space', including the Political and Civil Society Advocacy team in the External Relations and Communication Department (ERCD), the Advocacy team in the HF Department, the RSSH team in Technical Advice and Partnership (TAP), and Community, Rights and Gender (CRG) within the Strategy, Investment and Impact Division (SIID).

At the country level, effective CSO advocacy is often hampered by lack of transparency and accountability on DFH policies and data, and is severely limited by poor resourcing and low maturity of CSOs. The adoption of social contracting is hindered by complex legislation, procurement regulations and bottlenecks, lack of technical capacity by government and CSOs, and uneven understanding of the benefits associated with public financing of CSO providers.

There has also been limited focus and attempts made on engaging CSO actors focused on the three diseases and building partnerships with entities with a broader health sector interest, who could be strong advocates on DFH.



2.3 Role of Civil Society Organizations



Ukraine Spotlight

Enabling social contracting in the context of transition planning

In Ukraine, CSOs provide the majority of prevention, care, & support services in GF supported programs.

As external funding started phasing out, government and donors engaged in a dialogue to manage the foreseen funding gap. In 2017, Ukraine developed a formal sustainability strategy and a Transition Plan to gradually increase funding of priority interventions for national HIV/AIDS & TB response. A cornerstone of this plan was the open and competitive tendering of contracts to any type of service providers, including CSOs.

CSOs actively participated in the Transition Plan. The state encouraged NGOs to bid on tenders & provided training to build capacity in procurement, service provision and monitoring. The GF Secretariat, PRs, and partners supported these efforts.

Parliamentary actors supported regulatory reforms to enable social contracting, and the MoH modified legislation to establish a mechanism for contracting services via NGOs.

As a result, 90 agreements with 49 NGOs were signed for prevention and social support services for HIV KVPs and support services for PLWH; this inclusive service modality is aimed at encouraging testing and early treatment, adherence to ART and follow-up services, and awareness raising on behavioral risks.

Critical success factors

Critical success factors included: i) having established a long-term transition strategy and built institutional pre-requisites prior to the social contracting efforts; ii) strong support by the government and parliament to drive the necessary regulatory changes; and iii) robust CSO advocacy engagement and involvement in socializing change and providing capacity building to providers.

Challenges

Challenges surfacing from this spotlight included: i) procurement issues, e.g. insufficient competition in tendering processes, price dumping and un-anticipated changes in contractual conditions, legal challenges against awarded contracts; ii) difficulties to integrate state-funded CSO prevention services into national systems; and iii) broader regulatory and institutional changes needed beyond replacement of funding and new procurement procedures.



2.3 Role of Civil Society Organizations Recommendations

RECOMMENDATION 1



The GF should expand its efforts to build DFH advocacy through more effective grass roots/community level targeting, and increased engagement with partners. This would mean identifying selected CSO partners to target for scaled-up technical or financial support, and expanding the GF's reach to non-traditional partners.

Further assessment of resourcing would be required to operationalize this recommendation.

RECOMMENDATION 2



The GF should expand its efforts to support 'social contracting', including:

- Provide technical support to create an 'enabling environment' well in advance of transitions from international aid to domestic financing;
- Expand the current geographical focus of GF support to High Impact countries and GF portfolios where CSOs play a strong role in service delivery, and are strongly dependent on international aid;
- Expand coverage of services provided through contracting to newer areas such as, but not exclusive to, Adolescent Girls and Young Women (AGYW).

Further assessment of resourcing would be required to operationalize this recommendation.



2.4 Co-financing

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

Role as DFH lever

Co-financing refers to domestic public and domestic private contributions*¹ that finance the health sector and the national response against HIV, TB and malaria. Co-financing is one of the most mature levers and one of the most embedded in core GF business processes. It has multiple roles and purposes: acting as a critical advocacy tool; an incentive to increase DRM; and as an entry point to engage with country stakeholders on domestic financing (including MoF). The lever also helps to tackle challenges in government ownership.

'As is' situation – Efforts to date

Originally referred to as 'cost-sharing' in Board decisions prior to May 2011, the current Global Fund conceptualization of "co-financing" has evolved over time (**Figure 3**) and matured as the GF grows and adapts its processes based on lessons learned through grants and engagement with stakeholders.

The GF's current co-financing policy is set forth in the Sustainability, Transition and Co-financing (STC) Policy, implemented for the first time during the 2017-2019 funding cycle. The STC Policy formalized the overall approach to strengthening sustainability, increasing domestic financing via co-financing, and supporting countries to better prepare for transition from Global Fund financing.

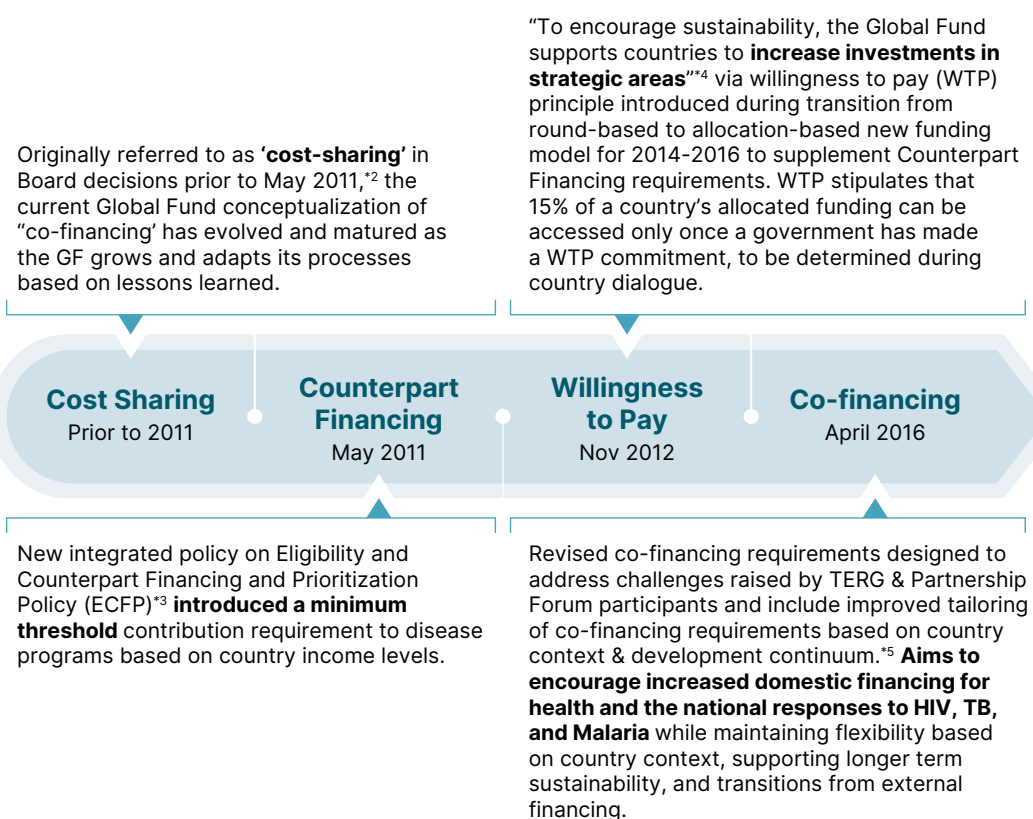
The GF's approach prioritizes flexibility. It stipulates two core requirements:

- (i) countries must show progressive government expenditure on health;
- (ii) progressive uptake of key program costs to be able to access GF allocation.

In addition, it includes a co-financing incentive (15% or more of the GF allocation) accessible when a country makes and realizes additional domestic financing commitments, with differentiated requirements by income level.

Compliance with co-financing commitments is assessed in each cycle towards the end of the implementation period by the Country Team, with analytical support provided by HF Specialists. Access to the full allocation in the next funding cycle requires countries to have met the minimum co-financing requirements in the previous cycle (unless they have been granted a waiver or seen a reduction/ withholding in grant funds due to non-compliance).

FIGURE 3. THE EVOLUTION OF THE CO-FINANCING LEVER



*1 Restricted to verified contributions from domestic corporations and philanthropies that finance National Strategy Plans (NSPs) as per STC policy (Annex 1, Part 3)

*2 Section 2 Revision 1 Global Fund board paper GF/B16/7; GF/B16/DP18; Global Fund board paper GF/B23/14, May 2011

*3 Global Fund board paper GF/B23/14, May 2011

*4 Global Fund Decision Point GF/B28/DP04, Nov 2012; FAQ Allocations 2014-2016

*5 Designed to address challenges raised in 2015 TERG Review (GF/SIC16/06) & Partnership Forums leading to development of 2017-2022 Strategy. Global Fund board paper GF/B35/04, Nov 2016; GMD STC Policy Q and A 2017-2022 strategy, Feb 2017

2.4 Co-financing

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

'As is' situation – Strengths & what worked well

Progressively ambitious co-financing approaches have supported significant increases in domestic financing

Since the introduction of the counterpart financing policy in the 2012-2014 cycle, total co-financing has almost tripled (see **Figure 4**).

Nonetheless, there are questions on how effective co-financing is in strengthening DFH in portfolios with specific characteristics:

- Low allocation portfolios (e.g., focused countries)
- Portfolios which are high growth economies (e.g., Thailand)
- Portfolios where the GF allocation is an insignificant amount of the total health budget (e.g., India)

There are also broader questions around monitoring and tracking, the generation and use of data to support co-financing, and strategic negotiations around commitments that affect all portfolios.

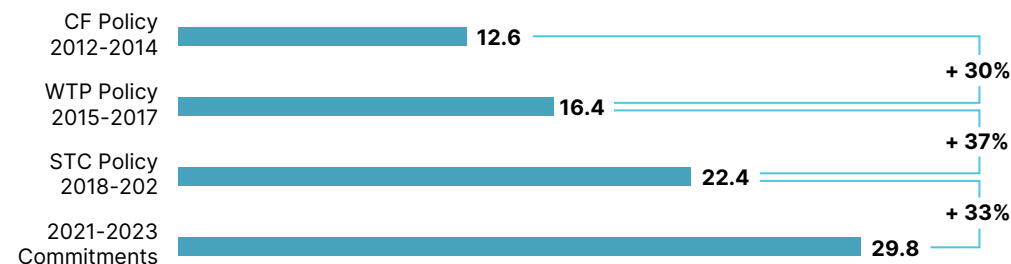
Formal 'entry point' for effective engagement with country stakeholders

The STC policy has been a valuable entry point to engage with key actors, such as the MoH and the MoF, on the need to invest resources in health and the three diseases. Leveraging co-financing as a pre-requisite for accessing GF funding has been useful as a negotiation tool, and in some cases has facilitated advocacy and steer towards specific disease and key populations programs as countries advance in terms of DFH maturity.

Adaptability to implementer countries' position in the development continuum

Given the diversity of developmental and DFH challenges faced by the 140+ countries eligible for GF support, flexibility of co-financing requirements has facilitated country-driven approaches and paved the way for increased country ownership over time. Flexibility allows certain program areas to be jointly identified for domestic financing while others are funded through GF funds. This has been used as a negotiation tool with the MoH and MoF to increase domestic financing for procurement of drugs and other key priority interventions.

FIGURE 4. CO-FINANCING FOR APPROVED GRANTS - AUGUST 2021*



'As is' situation – Challenges

Difficulty to consistently translate the STC policy into tailored country-level requirements, weakening impact of lever

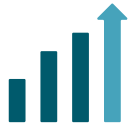
GF Secretariat stakeholders engaged in OIG workshops indicated that it is challenging for some Country Teams to effectively translate the overarching policy into concrete co-financing requirements that are tailored to specific country contexts. This was linked to lack of guidance and good practice examples to emulate for particular portfolios, as well as the need for greater input from specialists.

Weak focus on 'more health for money' lowers the overall effectiveness of this lever

Stakeholders also highlighted that the design of the co-financing requirements seems to be geared towards getting 'more money for health' rather than 'more health for the money' invested. This is a challenge in two types of portfolios:

- Portfolios where there are limited opportunities for countries to identify more funding and thus need to focus on improving the impact of existing funding streams.
- Portfolios where there is no need to incentivize more money for health as there is strong economic growth that ensures this, but gaps in how this funding could be optimally used.

*1 Domestic Financing Cohort (as of 31st August 2021) per the 17th SC Committee meeting presentation GF/SC17/20 Q4 2021. This includes Components that submitted funding requests with confirmed co-financing commitments (88% of components). The Cohort accounts for 86% of Investment Case projections for domestic financing in 2021-2023. It pertains to co-financing of NSP costs and excludes health system operational costs for delivery of services where such costs are not included in costing of NSP



2.4 Co-financing

'As is' situation – Challenges (cont).

Variable quality of country-level reporting of co-financing investments to GF weakens the consistency in implementing the lever

One root cause is the weak quality and timeliness of country-level HF data (see **section 2.8**). The other main cause is the lack of clear up-front agreement on how co-financing should be evidenced, monitored and reported to the GF. In particular, the lack of documentation on data and evidence required to report and validate compliance with co-financing commitments leads to inefficiencies and varying data quality. Moreover, the monitoring approach is insufficiently defined in the Operational Policy Note (OPN). This in turn may lower the perceived level of government accountability and the opportunity for the GF to provide visibility and transparency to co-financing results.

Outdated roles & responsibilities and lack of clear guideline on assessing compliance with co-financing commitments weaken the operationalization of this lever

Based on OIG's analysis, the latest version of the co-financing OPN does not reflect the actual approach, roles and responsibilities on compliance assessment. As per the existing OPN, Finance Specialists should be responsible for assessing evidence related to co-financing requirements and the extent to which commitments are realized in High Impact and Core countries, however this is not the case in all portfolios.

Moreover, the perception of several Secretariat Country Team stakeholders engaged in OIG workshops is that the application of the OPN varies, generating the risk of inconsistencies and low enforceability.

Finally, striking a balance between robustness/consistency of policy application and sensitivity to country challenges is often a significant challenge for the Secretariat.

2.4 Co-financing Recommendations

RECOMMENDATION 1



The GF should improve the design of co-financing requirements through:

- More strategic engagement between Country Teams and the HF Specialists to identify robust and tailored requirements, maximizing their programmatic impact in a medium-long term perspective.
- Updated guidance to Country Teams to provide design options and incorporate broader, strategic requirements related to getting 'more health for the money' from domestic investments.

RECOMMENDATION 2



The GF should increase the level of visibility and transparency of co-financing requirements & results to trigger more consistent governmental accountability, including:

- Enhance internal visibility via core mechanisms such as CPR, GAC and Board/committees' discussions, and enhance wider visibility towards global health partners and in-country stakeholders.
- Increase frequency of reporting on progress towards commitments, to ensure timely awareness of co-financing results and risks.
- Produce a consolidated and public report on co-financing requirements and results by country.

RECOMMENDATION 3



The GF should enhance operational processes for co-financing design & compliance, including:

- Update the roles & responsibilities of HF Specialists per the co-financing policy and the new HF department vision and capacity.
- Link co-financing commitments to concrete investments and validation requirements during grant making.
- Improve the robustness of the compliance assessment methodology, e.g., documentation of monitoring approach, identification of minimum quality standards for validation.
- Leverage in-country partners, fiscal agents and assurance providers for compliance assessment in high-risk countries and shift the role of HF Specialists towards being second-line reviewers where possible and practical (see **Angola spotlight** on page 45).



2.5 Joint and Blended Financing

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

Essential descriptions

Joint financing - mechanisms combining GF grants with partner institutions' investments, where grants and loans are channeled through a single PMU but fund flows and reporting mechanisms remain separate (e.g. co-financing with World Bank in Laos for the HANSA program).

Blended finance - mechanisms involving the combination of grant funds with loans to provide highly concessional funding, where loans and grants are pooled together and implemented by a single PMU with single reporting mechanisms. This includes 'loan buy-downs' (e.g. buy-down of WB India TB loan). This category also broadly includes the GF's own Debt2Health initiative.

Innovative finance - broad term including a variety of instruments, e.g. outcome-based financing schemes and impact investing, such as Social/Development Impact Bonds (e.g. South Africa SIB).

Role as DFH lever

The GF has been engaged in joint, blended and Innovative Financing ("IF") mechanisms since the 2007 Board approval of the first Debt 2 Health (D2H) agreement. These mechanisms have an important and diverse role to play, especially in the current global financial climate, for example supporting efforts to transition from Global Fund financing, enabling bold programmatic approaches, raising additional resources, and aligning global health investments in RSSH.

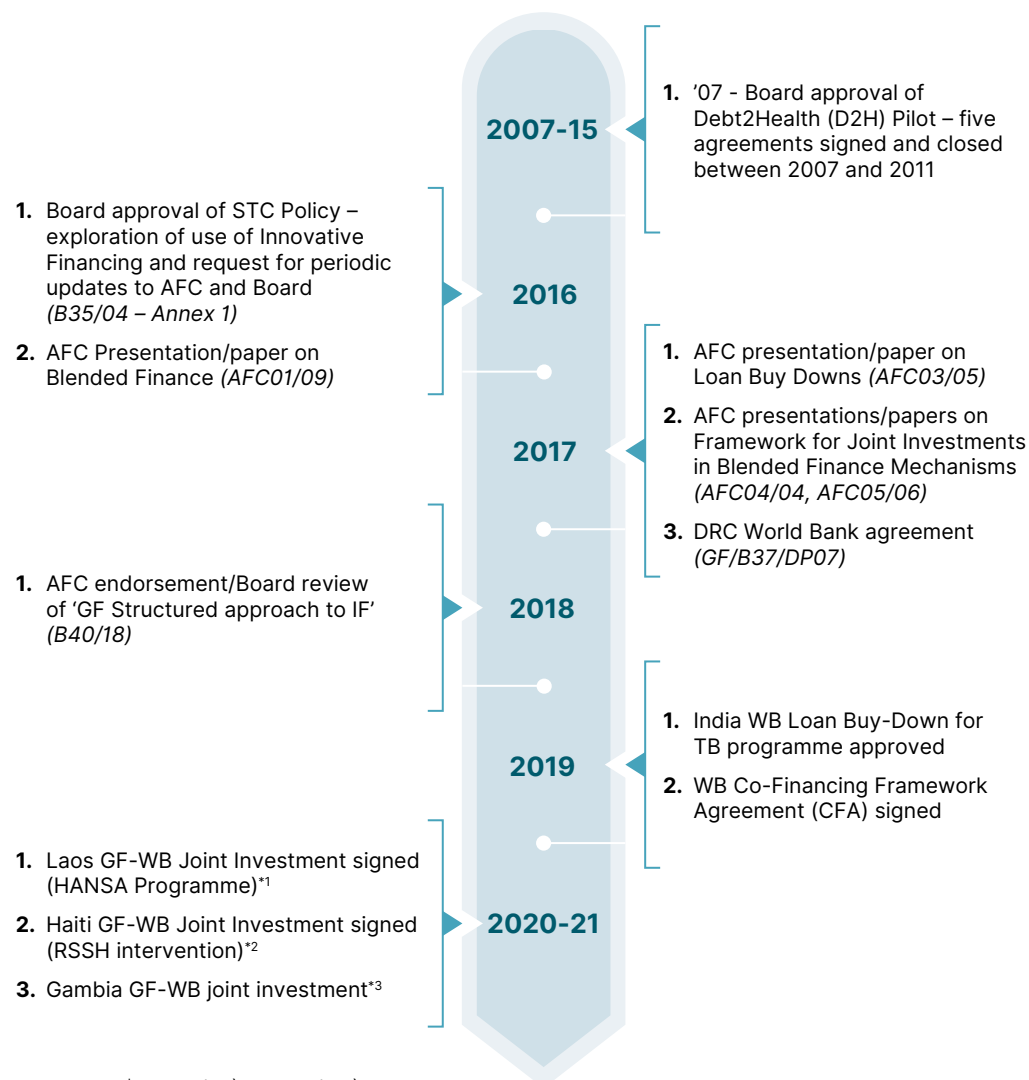
In the context of a growing volume of public debt contracted by implementer countries, IF has a fundamental role to play; joint/blended financing may catalyze and align investments of global health partners, and lowers overall cost of debt.

'As is' situation – Efforts to date

Since 2015, the GF has accelerated its exploration of IF with a range of partners (**Figure 5**). Most of the transactions are currently with the World Bank (WB), with several joint financing (e.g., Haiti, Laos) and loan buy-down (India) investments being implemented. Engagement with other partners has been expanded, including with the Islamic and Inter-American Development Banks (IsDB and IADB).

The GF formalized its strategic approach to IF in the 2017 *Framework for Joint Investments in Blended Finance* (AFC04/04), that defines a set of guiding principles and operationalization criteria for each proposed transaction, and the 2018 *Structured Approach to Innovative Finance* (AFC08/04 and B40/18), that establishes prioritized impact additionality areas and identifies an IF 'toolkit' for both direct and indirect GF participation.

FIGURE 5. SELECTED EVENTS RELATED TO IF FRAMEWORKS AND TRANSACTIONS SINCE 2007



*1 Laos: US\$15.5Mil (GF); 25.7mil (WB); Fees ~ 314k

*2 Haiti: US\$23.5Mil (GF); 55mil (WB); Fees ~ 373k

*3 Gambia: US\$4.5Mil (GF); 10mil (WB); Fees ~ 216k (Strategic initiative)



2.5 Joint and Blended Financing

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

Any arrangements with partners around joint and blended financing which implicate the access and reporting rights of the Office of the Inspector General must be considered in the context of the Board-approved OIG Charter^{*1}. A 'Process to Review Access Rights in Contractual Agreements' was developed by the Secretariat, in consultation with the OIG, and included in GF/AFC03/20. Here, proposed investments are reviewed on a case-by-case basis.

The process involves Secretariat consultation with the OIG and a thorough evaluation of the key risks, materiality of the transaction and appropriate level of oversight, as well as alternative assurance measures provided by the counterparty's internal and/or external auditors and arrangements for the monitoring of contract performance, given the value and nature of the services being contracted to be provided to the Global Fund. This includes a due diligence exercise conducted by the Secretariat, which should support the following determinations and include:

- Giving the Global Fund confidence that all the relevant information has been diligently obtained to make a decision on appropriate oversight and assurance measures;
- Giving the Global Fund a clear understanding of the resulting assurance coverage that will be provided over the funded activities, and the level of visibility the Global Fund will have on financial and programmatic performance;
- Giving the Global Fund confidence that the proposed arrangements are effective and sufficient, that the residual risk is understood and acceptable, and make recommendation for decision;
- Consultation with the OIG when the proposed non-standard terms impact the Global Fund's access and audit rights, so that the OIG can assess whether or not it can rely on the external and/or internal assurance provided by the counterpart(s) and, as applicable, whether the proposed arrangements will materially impact on the OIG's ability to provide assurance over the activities envisioned.

Following this last step, the OIG then may offer a statement of no-objection to the Secretariat regarding the agreement. In the absence of this statement, the matter must be escalated to the Executive Director and the Inspector General for resolution. If the matter cannot be resolved at that level, further escalation to the AFC and the Board is required.

'As is' situation – Strengths & what worked well

The IF Strategic Initiative (SI) added flexibility and enabled 'off cycle' opportunities

For the 2020-2022 allocation cycle the Board approved a US\$20m strategic initiative on Innovative Finance to further efforts under the AFC endorsed "Structured Approach

to Innovative Finance". Given the constraints of the GF's three-year grant cycle related to the time window to identify candidate agreements and synchronize investments with partner institutions, investments in the IF SI have widened that window and contributed to the development of a more continuous pipeline of transactions, e.g. with the identification and development of several World Bank (WB) arrangements. Without this, the country grant three-year cycle limits the opportunity to engage partners as it would cut the available time to align with partners on transactions to a window of 1 year every 3 years within the grant making period.

Alignment of global health partners' investments has contributed to grow the pipeline of transactions

Joint/blended financing transactions have been used to align programmatic priorities and leverage comparative advantages of the GF and international financial institution partners to maximize impact. Even beyond the implementation of joint or blended financing deals, intentionally discussing investment opportunities has served to strengthen alignment of investments.

Leveraging Multilateral Development Banks' (MDBs) investments on health systems has enabled focus on GF priorities

GF funding in support of HSS/RSSH interventions funded through MDBs' loans has added specific focus on key activities to benefit the fight against the three diseases – this is particularly important in smaller portfolios where joint financing has allowed the GF to achieve 'critical mass'.

'Big bet' transactions catalyzed resources & enabled innovative approaches

Joint/blended financing has contributed to increase the size of domestic funding and debt financing sought by countries to fight the 3 diseases (e.g. India TB loan buy-down). This has enabled bolder, more innovative programmatic approaches – e.g. Malaria Elimination initiatives (RMEI in Caribbean/Central America; MEA)

Co-Financing Agreement (CFA) and pipelining of agreements strengthened the partnership with WB

The signing of the CFA^{*2} and the structured process followed to identify joint investment opportunities generated a robust pipeline of deals and improved their design and implementation (see **Laos spotlight** on page 31). Moreover, the GF is actively pursuing other framework agreements with MDBs to increase and stabilize its pipeline of transactions. Once the one-time costs of developing and framing framework agreements are offset, these agreements can enable workload streamlining and reduce management and administrative burdens downstream.

*1 Last revised by the Global Fund Board by decision point on 16 May 2019 (GF/B41/EDP14). Implications of deviations from access and reporting mandates under OIG charter in blended financing transactions have been considered by the Board including as part of GF/B37/DP07

*2 Please note the CFA with the World Bank does not cover investments in Multi Donor Trust Funds (MDTFs). The current agreement ends in 2022 and then will be renewed



2.5 Joint and Blended Financing

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

'As is' situation – Strengths & what worked well (cont.)

D2H offers an effective platform to enhance government ownership

D2H created a visible framework to discuss the case for investment in health and plays a role in stimulating governmental ownership through structured involvement of key institutional players such as the MoF.

'As is' situation – Challenges

Ongoing search for the GF's competitive advantage hinders its ability to leverage transactions with partners

The GF still does not clearly articulate or internally define the distinctive value it can bring to partners. Engaged stakeholders point at the effectiveness and inclusiveness of the GF's programmatic model as value add for the design of joint investments.

While the Board level discussions in this area highlight a whole universe of IF mechanisms, the main focus has been limited to joint & blended financing agreements, with limited examples of 'innovative' financing being successfully implemented.

Undetermined level of ambition and slow quantitative growth results in ad-hoc success in transactions

Despite several years of involvement with IF, the GF is still exploring how to best operationalize these activities, and joint financing agreements are still infrequent. The GF's current target of three new IF transactions per year and six ongoing agreements in the pipeline at any time does not match the ambitious objectives put forward to the Board. There is unclear support within the Secretariat for a decisive increase in the number of transactions across portfolios.

Low awareness of diverse value of IF mechanisms in different contexts has led to limited opportunities for transactions to be identified bottom up

The value of IF is not well understood across the Secretariat. IF agreements may catalyze partners' funding towards bold programmatic approaches, support progressive transition to domestic financing, or allow the GF to join 'systemic' RSSH initiatives.

Lack of a 'fit for purpose' operating environment for IF transactions restricts ability to scale up number of transactions

The current operating model does not effectively uphold the strategic value placed on these arrangements, nor does it fully reflect their risk profile. Processes and roles are not codified, undeveloped and unclear – creating bottlenecks and making transactions cumbersome for implementing Country Teams (see *Haiti spotlight* on page 29). Significant

burden on the development and internal preparation and negotiation of the transactions has been put on the Country Teams, and support from central functions has been ad-hoc and not clearly resourced.

Lack of overarching corporate framework to guide future consideration of investments

As per the Decision Point: GF/B37/DP07: Administration Agreement with the World Bank from 2017, the board requested the Secretariat to develop a framework to guide future consideration of joint and blended investments for presentation to and review by the Audit and Finance Committee, in consultation with the Strategy Committee, for recommendation to the Board. Since this board decision, there have been a number of individual activities undertaken by the organization including the development of a structured approach to Innovative Financing, creation of a co-financing framework with the World Bank, and approval of a number of deals. However, a comprehensive framework has not been finalized.

Weaknesses in the GF rationale and approach in participating in MDBs' joint financing mechanisms

At both the Global and Country level, the GF has engaged in several WB Single/Multi Donor Trust Funds (S/MDTF) and similar joint funding mechanisms with other partners. However, the justification of why some of these arrangements have been entered into, and the approach and parameters that take into account the trade-offs and value add of participating have not been consistently clear. Across transactions reviewed by the OIG (approved in 2020-2021) that utilize a MDTF, several issues and concerns have been raised by the OIG and parts of the Secretariat related to:

- Unclear rationale for choosing the type of investment vehicle being leveraged to house a GF investment e.g. the MDTF as an agreement template/arrangement for joint investments between GF and the WB.
- Lack of clarity across Secretariat departments on the correct level of financial management oversight, reporting requirements, and the administrative oversight the GF should have in relation to specific transactions.
- Gaps in understanding the provision of adequate assurance over the mechanism, be it by the OIG or another suitable assurance provider. This assurance should be aligned to the risk profile and thresholds given by the GF to the specific partner, and the nature and type of transaction being sought.

In this context, there is a lack of full understanding by GF Secretariat business owners of the minimum conditions and requirements regarding oversight and assurance for GF participation, which creates uncertainty.

Joint and Blending Financing Spotlight

Haiti joint-financing operation

Overview

The GF's 2021-2023 RSSH grant activities in Haiti are nested in a broader program funded through a WB loan from IDA, with the following objectives:

WB LOAN

Increase of PHC service readiness and utilization in selected geographical areas, and strengthening of surveillance and response capacity for infectious diseases

GF RSSH GRANT

- Strengthening of management systems for health products
- Expansion of HMIS to improve tracking of three diseases
- Training of local districts' staff and Community Health Workers
- Enhancement of laboratory operations and transportation systems

Financial structure

- 'Parallel financing component', i.e., partners' funds remain separate and finance complementary components of the underlying technical activities
- 'Joint financing component (smaller element)' i.e. partners combine investments into the program management unit
- GF RSSH grant US\$23.5 mil. - of which US\$22.3 mil. disbursed to the grant PR^{*1}, and US\$1.2 mil. to WB for fiduciary services and technical assistance activities^{*2}

Selected benefits

- Support to effective transition preparedness and empowerment of national implementers thanks to WB working relations and in-country experience on RSSH
- Efficiencies^{*3} compared to a GF separate operation and streamlining of fiduciary risk mitigation/assurance by leveraging existing controls put in place by WB and its country presence
- Alignment of WB and GF RSSH investments and greater transparency across partners on activities that are being supported

Please note that due to the fact that the deal is in the early stages of its life cycle, the impact of the mechanism in terms of programmatic performance is yet to be determined.

Critical success factors

- Effective GF-WB engagement, open communication and collaboration at the country and regional level, crucial in the design and contracting phases
- Ambition to strengthen national systems and develop new joint assurance approaches in high-risk settings
- Cross-departmental cooperation and Country Team's absorption of administrative burden

*1 Unité de Gestion des Projets (UGP) of the Ministry of Public Health and Population (MSPP)

*2 US\$0.8 mil channeled through the WB umbrella MDTF funding mechanism 'Integrating Donor-Financed Health Programs', US\$0.4 mil through the main CFA between the GF and WB

*3 Streamlined implementation arrangements, joint country missions and PR debriefs, joint audit terms of reference and reports



2.5 Joint and Blended Financing

Haiti Spotlight

Challenges

Lessons learned identified by OIG

Missed chance in this setting to enhance strategic value by **'pooling' GF-WB funds through a bigger joint investment operation under a joint budget and performance framework**

Build a robust pipeline of transactions allowing lead time to effectively design joint operation activities

Multiple agreements needed to finance the operation not initially foreseen. Lack of clarity on the value of different financing approaches generating protracted negotiations among partners

Agree on 'risk appetite' related to WB agreements and context of GF investment, leading to requirements and options for funding embedded technical assistance

Lack of clarity on internal GF approval processes, leading to loops and inconsistent requirements, which increased the burden on Country Team and delayed the deal

Country Team to develop a robust business case in line with IF framework for review by the HF dept. and pre-approval by GAC-steer

Develop a fit-for-purpose sequence of reviews and approvals with clear focus

Lack of internal guidance and weak knowledge management on technical aspects of the CFA within GF and WB, protracting the negotiation and delaying the deal

Issue policy note, process maps and guidance to support Country Teams leveraging templates and past good practices

Significant burden development, negotiation and handling of the operation put **on Country Teams**, making it difficult to handle in parallel with grant making and implementation

Properly resource the significant effort by support entities and Country Teams at a specified trigger point of the deal review process

2.5 Joint and Blended Financing

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

Joint and Blending Financing Spotlight

Laos joint-financing operation

Overview

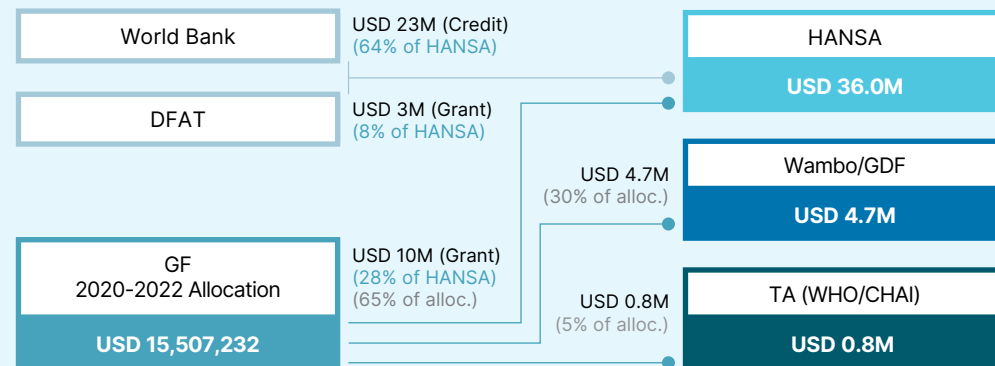
The Health and Nutrition Services Access (HANSA) programme is co-financed through a WB/IDA loan and grants from the GF and the Australian DFAT*1

HANSA aims to improve access to quality Primary Health Care services, with an emphasis on nutrition and priority programs including HIV and TB, while strengthening financial protection.

Financial structure and Payment for Results (PfR) approach

- The GF and WB funded complementary areas of HANSA through separate agreements with the Government (so called 'parallel financing')
- The GF grant allocation is broken down as follows (**Figure 6**):
 - US\$ 10 mil flows into the joint financing pool to implement HANSA
 - US\$ 4.7 mil channeled through WAMBO for procurement of health supplies
 - US\$ 0.8 mil to fund TA activities performed by WHO and CHAI
- There are two Payment for Results (PfR) components. Component 1) Disbursement Linked Indicators at Provincial and Central level: annual payments are made to central units and provinces upon achievement of DLI targets. Results are reported through DHIS2 which are verified by an independent academic institution. Component 2) Quality of health care at the HC level: a results-based payment is made to health facilities on top of the fixed national health insurance capitation payment. The incentive payment is based on an assessment done using a Quality and Performance Scorecard which is verified by a third-party organization.

FIGURE 6. FINANCIAL ARCHITECTURE OF THE GF-WB HANSA DEAL



Selected benefits

- Consolidated support to strengthening national systems (PFM, HMIS) and RSSH with wide participation of global health partners
- Reduction of vertical approaches to programs, e.g. integrated outreach to KVPs, inclusion of HIV/TB services in PHC, integrated use of HMIS across diseases
- Efficiencies associated with the implementation of HANSA, e.g. streamlined design, funding request and implementation arrangements
- GF seat at the table in comprehensive health system strengthening dialogue and planning
- Alignment of partner funding and donor requirements

Critical success factors

- Mapping of political economy landscape and engagement with key stakeholders
- Strong government ownership and championing of the deal through the program
- Ability to leverage PfR approaches previously introduced in the country to create effective incentives towards programme effectiveness

*1 Department of Foreign Affairs and Trade



2.5 Joint and Blended Financing

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)



Laos Spotlight

Challenges

Limited in-house **expertise to design or enhance proposed PfR approach**, possibly undermining the GF's contribution to the design of these funding schemes

GF **Secretariat Briefing Note (SBN)** and other key GF templates for funding request and grant making processes not **tailored to respond to key risks/ insights for IF arrangements**

Advisory and **oversight role of CCM on joint operation after deal signing still undefined**

Lessons learned identified by OIG

Strengthen monitoring and evaluation expertise on PfR approaches and DLI frameworks

Re-design the SBN for joint/ blended financing based on IF framework's principles and operational considerations

Develop guidelines on the advisory and oversight role of CCM on IF arrangements at implementation stage



2.5 Joint and Blended Financing Recommendations

RECOMMENDATION 1



GF should clearly define its level of ambition on innovative financing in line with its strategic value. This requires:

- Widespread awareness across the Secretariat of the value add of IF transactions in different contexts, as well as their risks and technical features;
- Agreed risk tolerance towards specific partners, types of transactions and tailored for specific portfolio settings taking into account the Board approved OIG mandate;
- Identification of robust targets for joint and blended financing operations to scale up what works across the portfolios;
- Clarify the GF's role in Innovative Financing schemes, e.g. SIB/DIB, and their strategic value.

RECOMMENDATION 2



The GF Secretariat should review and clearly codify internal Secretariat requirements and conditions for participation in joint arrangements specifically from a financial management, risk management and assurance & oversight perspective.

The Secretariat should make sure there is effective engagement between the 1st and 2nd line to enable the 3rd line*¹ to rely on the alternative arrangements and ensure:

- Participation is supported by a clear understanding of the benefits of engaging in a joint arrangement, considering the trade-offs of the arrangement from programmatic, financial management and oversight perspective
- Clarity around minimum standards around assurance and transparency over the Global Fund investment
- Processes are leveraging an agreed risk tolerance for specific types of instruments and the capacity of partners

These should inform OPNs and guidance to the wider GF Secretariat to align the approach and expectations around participation, and inform the contracting process with partners.

RECOMMENDATION 3



The GF should create an enabling operating environment for joint and blended financing. Key factors include:

- An inclusive process of identification of joint & blended financing arrangements to leverage 'bottom-up' as well as 'top-down' generation of opportunities, with the aim of developing a clear forward looking pipeline of potential transactions.
- A more 'fit for purpose' and streamlined internal process for reviewing and approving investments, which leverages the standard GF approval steps while embedding tailored timing, touchpoints, expert support and focus of internal reviews.
- New framework agreements with MDBs to sustainably scale up the number of deals and lower the administrative burden of single transactions.
- Effective technical leadership and adequate resources to fully operationalize joint and blended financing activities into the GF's core processes and operations



Strategic recommendation



Operational recommendation

*1 The Grant Management Division, Health Finance department and other supporting departments/divisions are the 1st line of defense. The Risk department, along with other key functions, represents the 2nd line of defense. The Risk department plays a key role in defining all of the elements of the Risk Management framework, provides risk oversight over the 1st line of defense's activities and leads enterprise-wide risk identification and reporting. The OIG and the External Audit form the 3rd line of defense



2.6 Value for Money

Role as DFH lever

Value for Money (VfM) is a critical concept that defines how to maximize and sustain equitable and quality health outputs, outcomes and impact for a given level of resources*1.

VfM should both: i) be embedded in GF grants through their life cycle and ii) support Domestic Resource Mobilization and maximize the impact of all health investments.

'As is' situation – Efforts to date

As shown in **Figure 7**, the GF has matured its definition and operationalization of VfM in its grants and operations through a series of key guidance documents.

The embedding of VfM has been supported by three editions of Strategic Initiatives. The approach to 'efficiency' has broadened from a focus on program level allocative efficiency towards technical and cross-programmatic efficiency.

The ongoing operationalization efforts are supported by multiple departments in the GF Secretariat with the HF department playing a coordinating role.

FIGURE 7. EVOLUTION OF THE GF'S APPROACH TO VfM

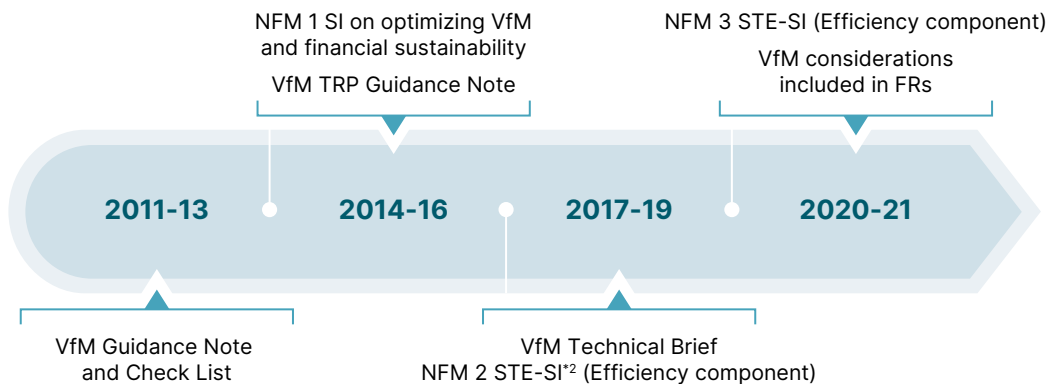


Figure 8 shows how VfM is operationalized across the 'results-chain' (input-process-output-outcome-impact) and key VfM activities that can be embedded to strengthen specific DFH aspects across this chain.

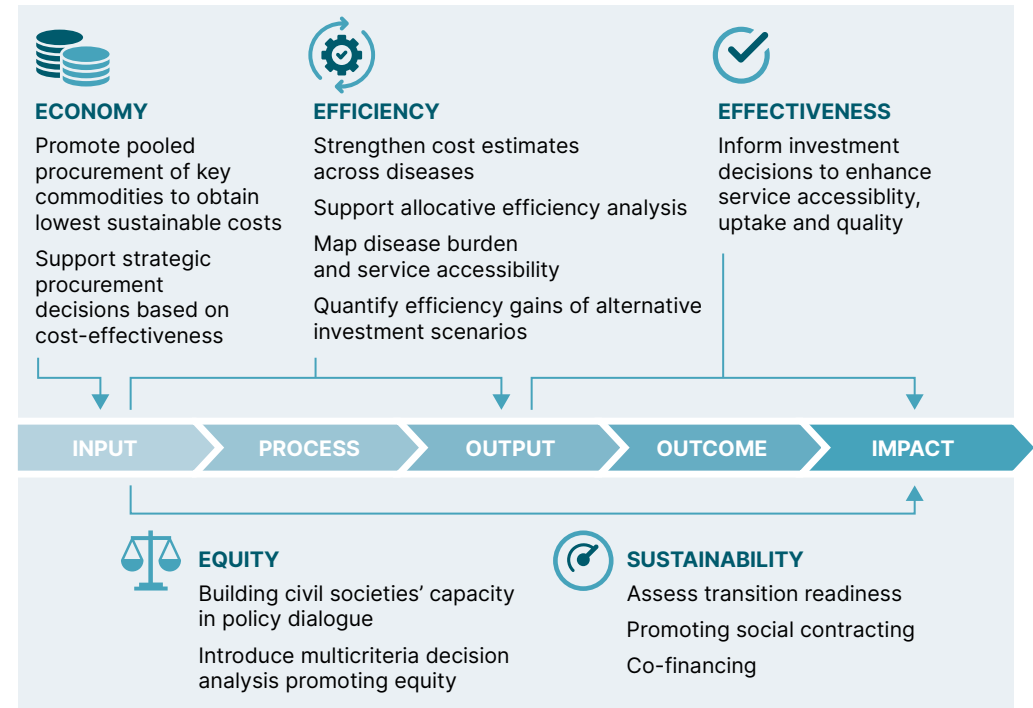
*1 Definition sourced from VfM Technical Note, GF Secretariat 2019

*2 Sustainability, Transition and Efficiency Strategic Initiative

*3 Modified from Secretariat "Update on Health Financing" presentation at 15th Audit and Finance Committee session, 23 March 2021

FIGURE 8. KEY VfM ACTIVITIES APPLICABLE TO THE GF'S INTERVENTION ACROSS THE RESULTS CHAIN*3

Illustrative VfM activities



Illustrative examples of DFH products that can help drive better value for money

The GF has engaged in numerous activities that support different components of VfM and the results chain including:

- Costed and prioritized National Strategic Plans (NSPs)
- Robust resource need estimates for a program or sub-set of NSP objectives
- Robust investment cases to attract domestic resources on health priorities
- Appropriate service provider payment design
- Improved transition readiness and effective/ sustainable action plans
- Sustainable co-financing decisions and patterns
- Equitable health investment decisions



2.6 Value for Money

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

'As is' situation – Strengths & what worked well

Strong demand for efficiency analyses as VfM product

There has been a significant increase in the number of Country Teams and countries benefiting from program level allocative efficiency^{*1} analysis, perceived as an effective tool to improve investment discussions within disease programs.

Modelling, costing of NSPs and efficiency analyses are recognized as useful inputs for country dialogue and to prioritize investments.

Increasing interest by key stakeholders and operationalization efforts

VfM is emphasized by several key donors; the TRP has continually recognized the importance of VfM and the challenges inherent in balancing its various dimensions^{*2}, e.g. the unavoidable trade offs across the different components of VfM.

The GF Strategy (2023-2028) development process emphasized the importance of strengthening processes to manage and monitor VfM. In parallel, the HF Department increased its capacity on VfM and has been working with other departments to develop a common VfM language and highlight implications and opportunities of embedding VfM in core processes.

Usefulness of briefs and guidance on VfM to consolidate understanding of the concept

Secretariat stakeholders surveyed by OIG highlighted the usefulness of internal GF guidance to increase users' understanding of VfM within the grant making process. The TRP guidance note is a relevant reference to understand how VfM is factored into grant review & approval.

'As is' situation – Challenges

The lack of clarity on how the Global Fund uses VfM as a DFH lever weakens its operationalization

The current VfM guidance focuses on operationalizing VfM in the context of GF grants to maximize the health outcomes of its own investments. The use of VfM principles to strengthen domestic investment in health and trigger efficiency in domestic health spending is not clearly elaborated.

The lack of a comprehensive VfM strategic vision and grant 'life-cycle' approach limits its effectiveness

VfM implementation has mostly focused on the Funding Request (FR) stage. In addition, the GF is still missing an integrated VfM measurement framework, and clear performance accountability has not yet been given to implementers and GF support entities. This highlights opportunities to strengthen a common VfM language and framework with global partners to align and join efforts in this area, and the need to strengthen monitoring and evaluation of VfM progress.

The limited understanding of all VfM dimensions and their interdependencies is an obstacle to fully embedding this lever

Engaged stakeholders noted that some teams within the Secretariat, including teams supporting grant operations, have a limited understanding of the breadth of VfM, the interdependencies & potential trade-offs among its dimensions, e.g. between sustainability and equity when prioritizing where to locate new health equipment. To date, there is still no common internal language on VfM, and Country Teams' understanding of this concept is often limited to a narrow notion of 'efficiency'.

The lack of clarity on roles & responsibilities of HF dept. and other entities weakens the operationalization of this lever

The multi-faceted nature of VfM has made it more difficult to establish clear facilitation or ownership roles and responsibilities between the HF department and other relevant entities, e.g. TAP, A2F, CRG, Supply Operations, Risk, GMD.

This becomes crucial at junctures such as the deployment of new technology and its adoption within disease programs. The HF department so far has not been systematically engaged in providing advice to Country Teams on drafting or reviewing the VfM component at the Funding Request stage.

Issues in data quality impacting ability to undertake robust VfM activities

Issues in the availability of timely, accurate and complete data to support VfM analysis are impacting the effectiveness of activities under this lever. For example, without good quality costing data then the ability to conduct robust VfM analysis on efficiency is heavily impacted. See Section 2.8 for more information on data challenges for both PFM and HF data that impact this lever.

*1 Allocative efficiency consists in allocating financial resources within a given programme, or across health programmes/diseases in a way that maximizes the health outcomes (adapted from WHO Policy Brief 27 'How to make sense of health system efficiency comparisons', Page 6 'Allocative Efficiency', at https://www.euro.who.int/_data/assets/pdf_file/0005/362912/policy-brief-27-eng.pdf (last access: Jan 2022)

*2 extract from HF Department presentation on 'Efficiency component of STE-SI and VfM overview', April 2020



2.6 Value for Money Recommendations

RECOMMENDATION 1



The HF department should work with other centers of expertise and GMD to:

- embed VfM concepts throughout the grant life-cycle, with clear decision points built into GF processes;
- clarify ownership, advisory and facilitation roles and responsibilities across the Secretariat to leverage VfM in the DFH context;
- integrate the existing technical guidance to improve the understanding of how VfM can be effectively used as a DFH lever.

RECOMMENDATION 2



The GF should clearly articulate how it intends to leverage its strategic investments and grant operations, as well as its development partners and their investments, to strengthen VfM in domestic health spending.

The HF department should lead internal efforts to operationalize how the GF can offer catalytic support in this area, including supporting countries to embed VfM concepts and tools in their resource allocation, procurement, service delivery and health system strengthening decisions.

Externally, the GF should work with SFHA (see **2.7 Partnerships** section) and its global partners to develop a common language and framework on VfM for DFH, including a proper VfM measurement framework to facilitate collaboration and joint activities.



Role as DFH lever

Strategic, purposeful, and robust partnership engagements are key for the GF to support countries in improving DFH. The organization has been engaged in numerous partnership arrangements both informal and formal related to different components of DFH. Given the comparative advantage partners have over the GF in various aspects of DFH, partnerships are key to enhancing the organization's role in this space.

'As is' situation – Strengths & what worked well

The Global Fund's strategy emphasizes the need for increased engagement and alignment with key partners to maximize impact. In the 'DFH Space', the GF has already built particularly strong engagement with three global players (WB, WHO and BMGF) and one regional partner (the African Union).

In addition, together with partners such as GAVI, GFF and WHO, the GF is actively involved in the SFHA, launched in 2019 to accelerate progress towards the health-related Sustainable Development Goals through increased collaboration and coordination.

'As is' situation – Challenges

The partner landscape is complex and fragmented with global & regional players across multiple, overlapping areas of the 'DFH space'. When reviewing this landscape the OIG highlighted challenges at the global and country level. These challenges have been detailed in the DRC spotlight (*see right*).

DRC Spotlight

Challenging context: High level of dependence on external assistance and donor concentration

Although current health expenditure from external resources decreased by 22.5% between 2017 and 2018, external aid remained the second source of financing (35%) for the health sector in DRC after households (42%) in 2018. Health expenditure, as at Q1 2021, from external resources amounted to US\$548 million, of which 35% - bilateral cooperation, 61% - multilateral donors and 4% - international NGOs/foundations.

External assistance for health is tightly concentrated by source, with the main donors being the Global Fund, USAID, World Bank, UNICEF, European Union, UK, the Government of Belgium and GAVI. Much of the support from partners is off-budget. This reduces domestic visibility of international assistance and limits the ability to plan for transitioning to domestic funding.

OIG survey to country stakeholders in DRC highlighted somewhat weak understanding of the value brought by partners, and alignment among them

56% of DRC respondents to the OIG country-stakeholder survey partially or strongly agree that there is a lack of understanding of the specific DFH aspects supported by partners; this impacts the identification of gaps and duplication in technical assistance and funding.

69% of survey respondents also highlighted a lack of alignment between the timing of partners' grant life cycle and domestic budgeting processes. Respondents indicated the lack of sufficient upfront coordination between the country and the partners among the main root causes.

Fragmentation and duplication of external assistance lowers overall aid effectiveness

Partner fragmentation and duplication has affected the health sector in DRC and weakened HF reforms. This is notable in provinces where fragmented donor support makes holistic decentralized fund management problematic. There are more than 150 health projects funded by multiple donors who are mainly providing ad-hoc support to specific activities for the MoH with a narrow view. On the contrary, only a few donors are providing broad institutional support to the central-level Ministry. The current fragmentation limits the overall effectiveness of international support for DFH provided to the country.

PARTNERSHIP ISSUES AT THE GLOBAL LEVEL



Global Fund not effectively leveraging partners to support DFH agenda

The Global Fund cannot advance its DFH agenda alone - this is due to the complexities involved and the magnitude of country needs.

However, while the GF does engage with a broad range of partners, these partnerships need to be strategically explored and systematically assessed with the view to provide concrete value to the GF and its partners, based on the respective comparative advantages and priorities.

In addition, the ownership, engagement and management of key relationships with partners is heavily fragmented across different teams in the Secretariat, and not centralized in a specific department such as Technical Advice and Partnership. This makes it more difficult to holistically assess how partners are being leveraged, and to identify key strategic opportunities.



Insufficient alignment between global partners in the 'DFH Space' is leading to inefficient support to countries

Multiple platforms exist that aim to align partnership activities in the 'DFH Space'. These include the Sustainable Health Financing Accelerator and the Social Health Protection Network (P4H). However, there are often absences of key partners such as regional banks in these structures. This splits effort across different platforms.

There are nascent processes and systems to support collaboration, often with key activities being centrally tracked in manual tools such as Excel, that do not meet the needs of aligning a significant number of actors across numerous countries in a diverse range of activities.

There are also varying levels of appetite from partners on engaging in collaborative exercises to actively align with the GF and identify complementarities and synergies in specific themes within the 'DFH Space'.

PARTNERSHIP ISSUES AT THE COUNTRY LEVEL



Limited strategic engagement and alignment with partners in the field causes weak impact

Strategic alignment and engagement challenges at the global level are also mirrored and further emphasized at the country level.

As noted in several of the OIG deep dives, the partner landscape is extremely varied from country to country. In some countries the landscape is extremely crowded with visible overlaps and duplications, while others have limited partner activity.

However, in both settings there is still limited visibility at the national and sub-national level on the scale and scope of partner activities relating to DFH, and limited efforts to map the health actor landscape.



Perceived permanence of external assistance and over-reliance on key donors is preventing government ownership over funding

In several OIG deep-dive countries, there has been significant investment from international actors, sustained over a significant period of time. This has created a perception of international aid being a permanent part of the health financing landscape, leading to dependence and an inertia to strengthen domestic resource mobilization.

2.7 Partnerships Global Level Recommendations

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)




GLOBAL OPPORTUNITIES

Global Recommendations



Opportunities across 11 partner organizations and 1 partnership platform

Through the partnership landscape analysis conducted by the OIG across a range of partners (see **section 1.3** for more detail on approach), prioritized recommendations were made based on comparative strengths of the partnership relationship.

	 World Bank	 World Health Organization	 Sustainable Financing for Health Accelerator
1 PRIORITIZATION	<p>S</p> <ul style="list-style-type: none"> Grow and stabilize the pipeline of joint financing deals under Co-Financing Framework Agreement. Re-assess feasibility of participating in WB S/MDTF given GF requirements and desired risk appetite. Assess feasibility of joining the Financial Management Umbrella Trust Fund to scale up PFM efforts. 	<p>S</p> <ul style="list-style-type: none"> Strengthen contracting process and monitoring of SI agreements for DFH activities. Ensure clear roles and responsibilities between the two entities & achievement of expected outcomes through robust reporting and performance assessment criteria, including beneficiary feedback at country level. Explore deeper engagement across WHO, e.g. with regional & country offices in the context of WHO TA support on DFH. 	<p>S</p> <ul style="list-style-type: none"> Clarify the GF's expectations from this coordination mechanism, and structure accountability and monitoring around expected results. Pursue co-leading efforts to: <ol style="list-style-type: none"> align investments and TA work in key HF areas; integrate partners' HF datasets and expense tracking tools; consolidate country-level HF results framework.
	<p>M</p> <ul style="list-style-type: none"> Explore partnership with IFC on: <ol style="list-style-type: none"> strategic purchasing & capacity building of domestic manufacturers of health commodities. private sector engagement for DRM and NHI implementation and administration services. 	<p>M</p> <ul style="list-style-type: none"> Streamline & improve the process of identification of TA support needs, and diversify the type of support requested where appropriate. 	<p>M</p> <ul style="list-style-type: none"> Further pursue country-level coordination and alignment actions and promote further expansion of the pool of focus countries and lessons learned.

Prioritization of recommendations

TOP PRIORITY

1 Highest impact for the GF and relevance for the 'DFH Space'

MEDIUM PRIORITY

2 Medium impact for the GF and relevance for the 'DFH Space'

LOW PRIORITY

3 Secondary impact for the GF and minor relevance for the 'DFH Space'

TIMING

S Short Term (1 to 2 years) **M** Medium Term (3 to 5 years)

2.7 Partnerships Global Level Recommendations

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

Gavi
The Vaccine Alliance

2

Global Alliance on Vaccination & Immunization

PRIORITIZATION

- S** ■ Establish a formal mechanism for regular two-way sharing of data on TA investments to strengthen coordination.
- M** ■ Explore the opportunity to 'pool' TA resources for DFH, drawing on the GF's SI and GAVI Performance Engagement Framework resources.
- Explore joint design and implementation of pooled resources for DFH in next allocation cycle.

BILL & MELINDA GATES foundation

Bill & Melinda Gates Foundation

- S** ■ Engage regularly to understand BMGF strategic priorities on DFH. Where aligned, leverage BMGF funding to support specific GF activities at global level.

African Union

African Union

- S** ■ Leverage AU's tools and activities. e.g., use of AU HF progress tracker, engagement with future Regional Health Financing Hubs and mirror AU engagement with Regional Economic Committees in order to expand advocacy platforms and reach.

GLOBAL FINANCING FACILITY

2

Global Financing Facility

PRIORITIZATION

- S** ■ Leverage the pipeline of co-financing deals with WB to pursue opportunities for joint investments in RSSH.
- Leverage GF's role on the GFF investment group to improve coordination and alignment of thematic interventions and technical support to countries.
- M** ■ Create a systematic exchange of information among CCM/governance mechanisms to pursue synergies to strengthen country governance.

IDB

Inter-American Development Bank

- S** ■ Continue leveraging the 2018 framework agreement & continue to explore opportunities on projects such as joint TA on UHC, health insurance and social contracting in the LAC region.

IsDB
بنك التنمية الإسلامية
Islamic Development Bank

Islamic Development Bank

- S** ■ Continue leveraging the MoU signed with IsDB to scale up the pipeline of IF opportunities related to the Lives and Livelihoods Fund (LLF) and other funding mechanisms.
- M** ■ Explore joint advocacy opportunities leveraging IsDB relationships with regional banks (ADB/AfDB) and MoF in member countries of IsDB.

Prioritization of recommendations

TOP PRIORITY

1 Highest impact for the GF and relevance for the 'DFH Space'

MEDIUM PRIORITY

2 Medium impact for the GF and relevance for the 'DFH Space'

LOW PRIORITY

3 Secondary impact for the GF and minor relevance for the 'DFH Space'

TIMING

S Short Term (1 to 2 years) **M** Medium Term (3 to 5 years)



2.7 Partnerships Global Level Recommendations

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

PRIORITIZATION	3	 International Monetary Fund	 Asian Development Bank	 African Development Bank
	S	<ul style="list-style-type: none"> Consider supporting IMF's Fiscal Affairs Department TA work to strengthen MoF's ability to dialogue with MoH and strengthen the case for investment in health. 	<ul style="list-style-type: none"> Pursue efforts to finalize framework agreement and design pipeline of blended financing opportunities. 	<ul style="list-style-type: none"> Continue engaging AfDB on PFM strengthening through the CO-LINK initiative and explore joint financing opportunities.
	M	<ul style="list-style-type: none"> Pursue country-level coordination and joint approaches on tax system design, fiscal space analysis and PFM strengthening of PFM. 	<ul style="list-style-type: none"> Explore opportunities to leverage ADB convening & advocacy with MoF in Asian Countries. 	<ul style="list-style-type: none"> Explore opportunities to align on PFM capacity building initiatives with local network and agencies on convening/advocacy, joint financing opportunities, VfM and PS engagement in DFH.

Prioritization of recommendations

TOP PRIORITY

- 1 Highest impact for the GF and relevance for the 'DFH Space'

MEDIUM PRIORITY

- 2 Medium impact for the GF and relevance for the 'DFH Space'

LOW PRIORITY

- 3 Secondary impact for the GF and minor relevance for the 'DFH Space'

TIMING

- S Short Term (1 to 2 years)
- M Medium Term (3 to 5 years)



2.7 Partnerships Country Level Recommendations

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

RECOMMENDATION 1



The GF should develop country-level DFH partnership engagement strategies informed by periodic updates of the health actors' landscape and their specific capacities and initiatives, to be operationalized through roadmaps and plans to achieve the intended goals.

Partnership opportunities should be collaboratively identified by the HF department and GMD to leverage the comparative advantage of partners and GF's risk appetite towards them. In this context, the HF Specialists should play a proactive role in engaging partners in country level discussions.

RECOMMENDATION 2



The GF should strengthen the role of the HF Specialists on DFH partner engagement at country level, to assess and capitalize on contingent opportunities.



Strategic recommendation



Operational recommendation



2.8 Public Financial Management and Health Financing Data

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

Role of Public Financial Management (PFM) and Health Financing Data (HF)

Public Financial Management and Health Financing data are distinct thematic areas that impact DFH. They both face key challenges and have separate opportunities to strengthen each area. However there are important interconnections between the two. 'Transactional' financial data across the PFM cycle component inputs could be leveraged by governments to produce HF data. PFM issues can often contribute to incomplete, late and poor-quality HF data being used to inform resource allocation and decision-making processes, although HF data is impacted by more than just PFM challenges. In particular, without the appropriate level of data granularity (e.g. service level) along with adequate inter-operability between sources of key data (e.g. procurement & programmatic data) then efficiency and VfM analysis are severely limited.

More broadly, PFM challenges significantly weaken an effective case for investment in health, and lower governmental incentives to allocate resources to this sector.

Weak domestic PFM leads international donors to use parallel financial management systems and tools instead of relying on national systems, thus increasing the administrative burden on recipient governments, indirectly lowering the level of public scrutiny, and fragmenting HF data.

On the other hand, robust PFM leads to realistic program-based budgets, high financial implementation and effective expenditure tracking. These improvements in turn benefit the production of appropriate HF data to support resource allocation and decision-making processes (Figure 11).

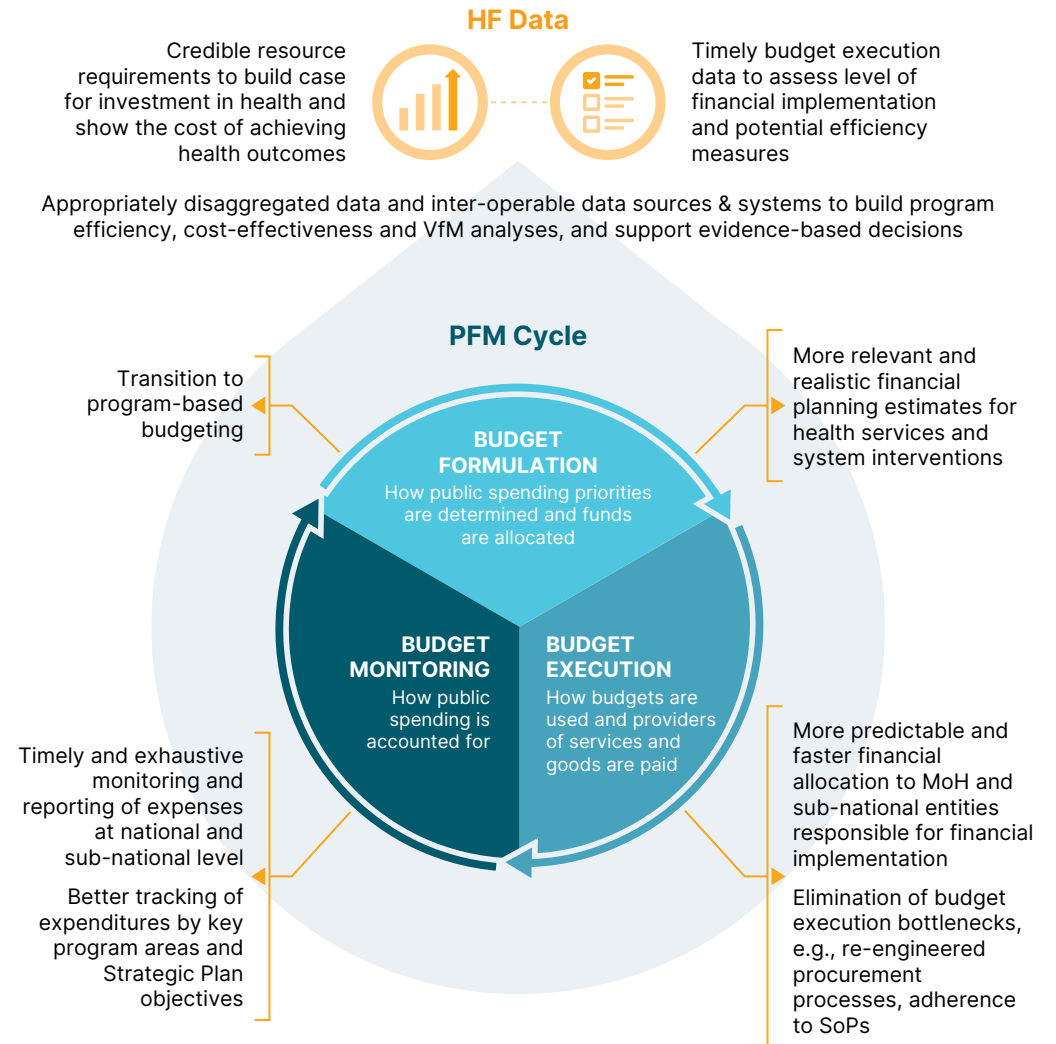
However, HF data is much broader than just PFM and associated transactional data. Data captured outside of PFM is relevant for health financing analysis and health financing data should reflect health systems which go beyond PFM. This broader universe of HF data and data systems faces its own systemic challenges. These are discussed in more detail on the next page.

The Global Fund's approach

In the GF Secretariat, these two themes are owned respectively by the Finance and the HF department. While these entities developed their own approaches to support countries in their respective domain, there is an opportunity to increase synergies, in order to strengthen support to Country Teams.

For example; Finance Officers (FOs) are knowledgeable of PR level FM issues, while Health Financial Specialists (HFSs) utilize HF data/systems & advise on how they can be enhanced. A more robust relationship between FOs and HFSs would enable Country Teams to better identify opportunities to strengthen PFM and HF data in a more impactful and systematic way.

FIGURE 11. LINKS BETWEEN PFM AND HF DATA/SYSTEMS IMPROVEMENTS – EXAMPLES



Source: PFM cycle from WHO, OECD 'Aligning Public Financial Management and Health Financing'; narrative linkages: OIG elaboration



2.8 Public Financial Management and Health Financing Data

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

'As is' situation - HF data strengths & what worked well

In selected countries, the GF financially supports:

- Improvements of the Health Resource Tracking systems, e.g., the production of NHAs and institutionalization of capacity to produce them.
- Technical Assistance (TA) embedded within MoH to improve recording, reporting & analysis of HF data and enhance HR capacity (see **Angola spotlight** page 46).
- Cost-efficiency studies, allocative and technical efficiency analyses that produce HF data to facilitate evidence based decision-making processes.
- Ongoing efforts and investments have been undertaken to increase the availability of costing data, including fully costed National Strategic Plans that are critical to understand HF needs.
- The GF has been actively participating in SFHA-level discussions on aligning and integrating the existing HF databases produced by global health partners.

'As is' situation - HF data and systems challenges

All deep-dive countries show significant issues in the quality, timeliness, completeness and disaggregation of HF data to support planning, program design and VfM/costing analysis.

These issues have some of their root causes in PFM weaknesses, inadequate technical capacity at MoH level, deficient information systems and analytical tools to produce analytics. These issues are compounded in highly decentralized contexts, where HF data are collected and analyzed by sub-national entities.








Weak HF data hinders evidence-based decision making, inhibits actions to improve health spending efficiency and weakens the case for investment in health.

Global level challenges

Several global health actors produce country/level HF databases and tools with limited interoperability and significant overlaps and inconsistencies (see **Figure 9**).

The issuance of most health financing results on key indicators are delayed by several years, though this depends on their sources. The most widespread health tracking tool, National Health Accounts (NHAs), are produced based on audited governmental financial data which are often two years after the period end, inhibiting prompt corrective actions.

FIGURE 9. OVERVIEW OF GLOBAL HEALTH PARTNERS' HF DATABASES AND TOOLS

Organization	Databases and Tools	Type of HF data
 World Health Organization	Health Financing Progress Matrix (HFPM), NHA, GHED ^{*1} ; OASIS ^{*2}	HF system maturity level (HFPM, OASIS), National health expenditures and break-downs (NHA, GHED)
 World Bank	Health Financing Systems Assessment, WB WDI ^{*3}	HF system maturity level (HFSA); Aggregated health expenditures (WDI)
 African Union	Africa Leadership Meeting (ALM) Scorecard & Progress tracker (draft)	HF system maturity level (ALM)
 Global Financing Facility	Resource Mapping and Expenditure Tracking (RMET) & GFF Annual Report Results Framework	Detailed health expenditures (RMET) and aggregated HF maturity scores
 Bill and Melinda Gates Foundation	Supporting IHME Global Health Data Exchange (GHDx) data catalogue ^{*4}	Catalogue of surveys, censuses, vital statistics, and other health-related data (GHDx)
 African Development Bank	Private Sector Collaboration Assessment Tool (draft tool)	See left
 UN Joint Program on AIDS	National AIDS Spending Assessments (NASA)	Analytical AIDS spending data (NASA)

Source: OIG desk review.

*1 WHO - The Global Health Expenditure Database (GHED) provides internationally comparable data on health spending for close to 190 countries from 2000 to 2018

*2 WHO - Organizational Assessment for Improving & Strengthening Health Financing

*3 WB - World Development Indicators

*4 IHME signed MoU with WHO in 2018 to consolidate their efforts



2.8 Public Financial Management and Health Financing Data

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

'As is' situation – Public Financial Management Strengths & what worked well'

The GF has been evolving its approach to strengthen PFM and oversight systems, and adopted a dedicated Strategic Objective (SO 2.g) in its 2017-22 strategy.

The 2019 Implementation Framework established a differentiated approach to financial management (FM) strengthening, based on metrics including the Financial Management Impact Review (FMIR^{*1}) rating, the IRM^{*1} FM risk rating, the GF's level of investment and grant implementation arrangements. Three main approaches were adopted ('FMIR only', 'FMIR plus mainstreaming' or 'full CO-LINK'^{*2}) varying in scope from (i) routine financial management strengthening support to (ii) the adoption of countries' PFM systems.

In 2017–2020, routine financial management strengthening support was adopted in 36 High Impact and Core countries; the use of countries' PFM systems was adopted in eight priority countries. At the end of 2020, the established KPIs were substantially achieved^{*3}.

Ghana Spotlight

The 2019 Ghana CO-LINK diagnostic review is a useful example to highlight strengths and improvement opportunities of the current approach.

The review included comprehensive interviews, in-depth assessment of PFM processes, procedures and information systems and walk-through tests. A SWOT analysis of each PFM component and focus area was produced, and an FM improvement action plan was agreed. Improvement opportunities included:

- Expansion of the conceptual framework – e.g. the PFM review could include an assessment of how implementing IFMIS could improve monitoring and tracking of HF data & co-financing commitments.
- Assessment of FM issues at sub-national level– PFM reviews in decentralized settings could be used to better understand and tackle challenges at regional and district health facility level. This is critical to increase capacity and track fund flows, as well as increase grant absorption.

'As is' situation - Public Finance Management (PFM) challenges

PFM refers to the set of rules, systems and processes used by public sector organizations to allocate funds, undertake spending, and perform financial monitoring, reporting and auditing^{*4}. PFM is a corner stone of robust DFH decision making and plays a critical role in DFH. Weak PFM lowers implementation capabilities and fiduciary accountability, and weakens the case for domestic investment in health; it also leads international donors to use parallel FM tools instead of relying on national systems, thus increasing the administrative burden, lowering public scrutiny and going against the principle of aid effectiveness.

PFM processes

- Systematic delays in public budget issuance and slow/unpredictable release of funds, which negatively impact budget execution
- Weak linkages between planning, budgeting and monitoring due to difficulties in transitioning to program-based budgeting
- Bottlenecks in budget execution, e.g. cumbersome procurement
- Low adherence to standard operating procedures, high number of exceptions to established procedures in actual business practices

PFM systems

- Lack of Integrated Financial Management Information System (IFMIS) or other comprehensive system covering all Ministries
- Limited penetration of electronic PFM systems in sub-national entities, particularly relevant in highly decentralized contexts
- Limited or no inter-operability between financial and health management information systems, limiting data integration

PFM Human Resource capacity

- Limited PFM expertise within MoH's planning and financial management units, and weak or uneven PFM capacity at sub-national level
- Difficulties to institutionalize HF data collection and analysis capacities

*1 The FMIR and IRM are secretariat tools to support rating risks. They are managed by the Finance and Risk department respectively

*2 The CO-LINK approach targets the following eight PFM components for step improvements through technical support: i) institutional arrangements & management oversight; ii) FM policies and procedures; iii) Information systems; iv) Chart of Accounts; v) Planning and budgeting; vi) Fund flow management; vii) Internal audit; viii) External audit

*3 26 out of 36 countries implemented 70% of the improvement action plans agreed with the GF; - 8 out of 8 countries transitioned at least 6 out of 8 identified PFM components

*4 The classification of PFM challenges in processes, systems and HR capacity is drawn from the GF Financial Management handbook for Grant Implementers



2.8 Public Financial Management and Health Financing Data

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)



Angola Spotlight

Technical assistance to MoH

In NFM 1 and NFM 2, the GF noted MoH's scarce ability to record, monitor and report data on its commodity purchases.

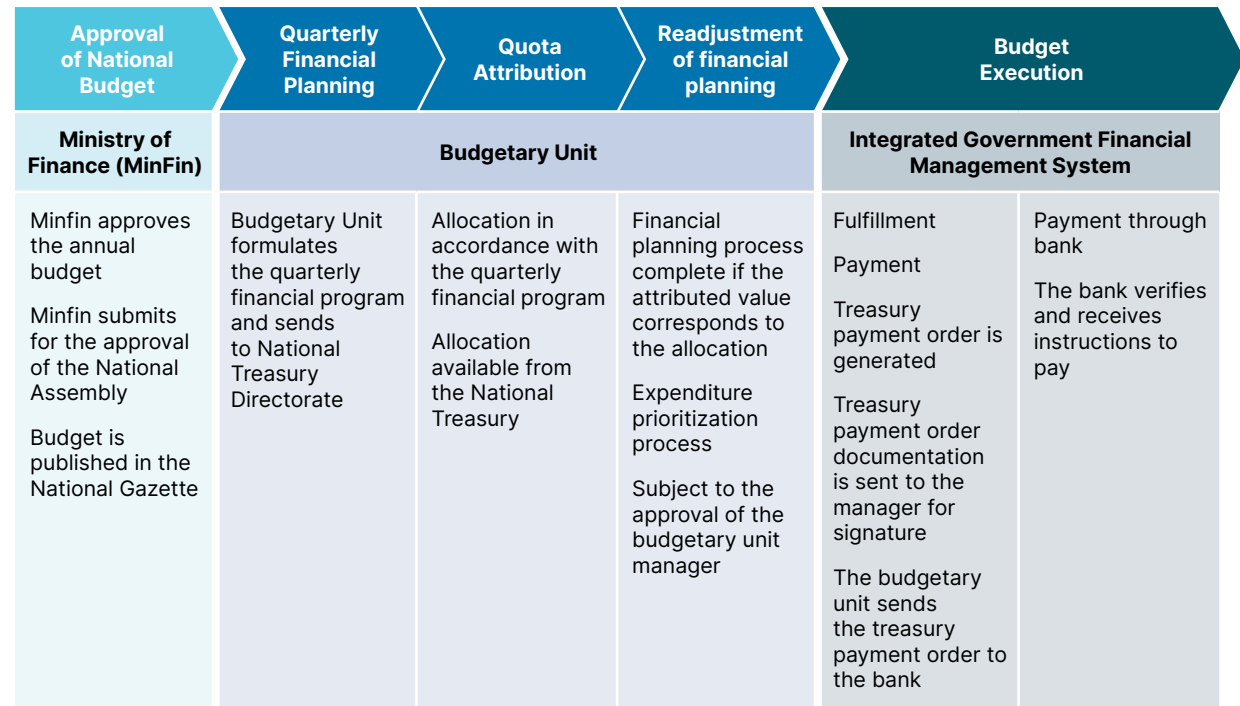
The TA funded by the GF through the STE SI (2017-19) aimed at strengthening MoH's processes and capabilities, and its ability to report on the execution of its co-financing commitments. Key outputs included:

- Establishment of MoH processes leveraging established PFM systems and ensuring alignment to national systems and regulations (see **Figure 10**)
- Creation of an inclusive governance structure with clear roles & responsibilities to monitor domestic commitments, in line with CCM guidelines on oversight

Critical success factors

- Targeted advocacy towards key country stakeholders to ensure buy-in on the benefits and requirements of TA support
- TA embedded in the relevant Ministry and clear focus on capacity building
- Flexible scoping and funding to respond to evolving needs and challenges

FIGURE 10. OVERVIEW OF SELECTED PHASES OF ANGOLA PFM SYSTEMS



Source: Office of Studies, Planning and Statistics, Ministry of Health, 2020



2.8 Public Financial Management and Health Financing Data - Recommendations

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

RECOMMENDATION 1



The GF should increase the scale and scope of GF investments in strengthening countries' ability to produce timely, qualitative and appropriately disaggregated HF data.

Investment should be guided by a structured approach, aimed at targeting the most relevant countries and areas of impact, and monitored through appropriate metrics.

RECOMMENDATION 2



The GF should evolve its approach on strengthening PFM and pursue a higher level of ambition on this theme, in line with risk tolerance & with its critical role in DFH. This can be pursued by:

- expanding the cohort of 'CO-LINK' countries and extending its conceptual framework to encompass relevant enabling factors in PFM to strengthen availability and quality of HF data and systems, and strengthen sub-national entity capacities
- partnering with institutions who have a strong mandate and technical expertise, e.g. consider the risks and rewards of GF participation in the WB Financial Management Umbrella Trust Fund

The GF should continue investing in, and increasing its reliance on, national systems. To support this approach, it should clarify PFM maturity goals and thresholds leading the GF to rely on these systems, and for GF grants to be channeled 'on budget'. The Secretariat should also consider appropriate funding for PFM for health through grants, catalytic funding, and/or other relevant funding sources, in line with the ambition set for PFM.

RECOMMENDATION 3



Promote further streamlining, integration and improvements of current Health Resource Tracking tools through targeted advocacy at SFHA level, and strengthening in-house HF data management processes, systems and tools.

RECOMMENDATION 4



Establish a well-defined, overarching collaboration platform between Finance and Health Financing departments, and clarify their respective roles and interdependencies in the 'continuum' between PFM and HF systems/data strengthening.

Maximize collaboration and synergies between Finance Officers and HF Specialists to strengthen integrated support to Country Teams and enable country-level opportunities to improve key national systems.



Strategic recommendation



Operational recommendation

Annex 1.

Conceptual Framework for the ‘DFH Space’

Interventions to strengthen DFH can address several different aspects and target different components of healthcare financing and management systems. To meaningfully describe the GF and global partners’ positioning and role across the DFH ‘space’. The OIG advisory adopted the below conceptual framework inspired by the Sustainable Financing for Health Accelerator (SFHA)*1. This framework segments the ‘DFH Space’ based on the main outcomes and concrete areas of intervention of DFH strengthening initiatives.

HF Outcomes	HF Strengthening Components	Examples of focus interventions
I. More Money for Health	Ia. Reforms to increase domestic fiscal space and DRM	Structural reforms to increase fiscal space, DRM strategies to increase public revenue collection, tax design and administration, fiscal space analyses and optimization
	Ib. Increased domestic spending for health	Improvement of Health Finance (HF) data to make the case for public spending in health; effective advocacy and inter-ministerial dialogue; frontloading of investments by accessing concessional credit
	Ic. Increased domestic spending focused on HIV, TB, malaria	Support to costing/prioritization of NSPs; targeted DRM initiatives; inclusion of 3 diseases in basic health packages; incentives to uptake funding of services to KVPs
II. More Health for Money	Ila. Improved Public Financial Management in the health sector	Improvement of PFM systems, processes and HR capacities, enabling realistic planning, robust budgeting and high financial execution; more effective HF data to support decision making
	Illb. Increased efficiency and effectiveness of health spending	Efficiency and cost effectiveness analyses to improve service delivery, support to strategic procurement and public funding of CSO providers, adoption of performance-based funding
III. Accessibility & Sustainability of Healthcare Systems	IIIa. Increased orientation towards UHC in DFH policies	Assessment of HF systems’ maturity, support to DFH reforms to improve resource pooling mechanisms & increasing access to services, UHC oriented provider payment mechanism
	IIIb. Enhanced sustainability of domestic health financing	Support to sustainability and transition planning, transition readiness assessments and implementation of transition plans

*1 OIG elaboration from the seven ‘drivers’ identified by the SFHA, further developed into three focus themes (2021 workplan)

Annex 2. Mapping of the Global Fund in the 'DFH Space'

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

Important note

This mapping of the GF in the DFH space aims to highlight which HF components the Global Fund has been historically prioritizing and focusing on. This helps identify where the organization has developed a comparative advantage. These assessments derive from the OIG analysis of the GF's investments and operational activities in the 'DFH Space', based on desk review and interviews with internal and external subject matter experts.


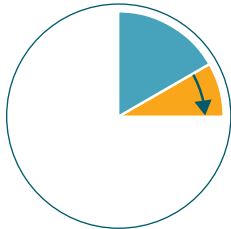

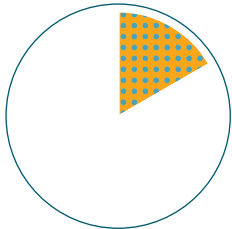
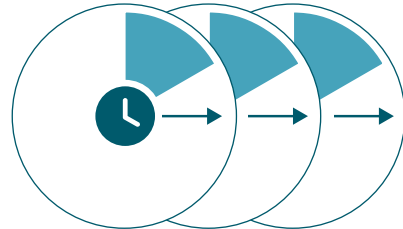
HF Outcomes	HF Strengthening Components	Operating Modalities					Overall	Qualitative assessments
		Convening & Advocacy	Technical Assistance	Capacity Building	Innovative Financing	Co-Financing		
I. More Money for Health	Ia. Reforms to increase domestic fiscal space and DRM	□	□	□	□	□	□	<p>The GF leverages its co-financing requirements to incentivize domestic investments in health. It funds advocacy activities such as national dialogues, parliamentarians and CSO briefs, awareness raising. It funds TA e.g., for the development of HF strategies, transition preparedness analyses and action plans.</p> <p>The GF uses its co-financing requirements to trigger overall public health spending, increased domestic financing on 3 diseases and uptake of key parts of GF funded programs. It funds targeted TA, e.g., assessments of resource prioritization and gaps within health budgets, allocative efficiency studies and production of HF data to support the investment case for health.</p>
	Ib. Increased domestic spending for health	■	■	□	■	■	■	
	Ic. Increased domestic spending focused on HIV, TB, malaria	■	■	■	■	■	■	
II. More Health for Money	IIa. Improved Public Financial Management in the health sector	□	■	■	□	□	□	<p>The GF is actively engaged in strengthening financial management of PRs and selectively improving PFM systems, processes and HR capacities. The level of ambition on PFM is expanding.</p> <p>The GF contributes to increasing efficiency of domestic spending by funding TA, technical efficiency and cross-programmatic efficiency studies, assessments of service delivery models. The GF also engages in joint financing initiatives based on PfR approach.</p>
	IIb. Increased efficiency and effectiveness of health spending	□	■	□	■	□	■	
III. Accessibility & Sustainability of Healthcare Systems	IIIa. Increased orientation towards UHC in DFH policies	□	□	□	■	□	□	<p>The GF funds TA activities to develop HF strategies to strengthen UHC orientation, it supports HF reforms strengthening resource pooling mechanisms, and the inclusion of the three diseases in basic healthcare packages.</p> <p>The GF focus on transition and sustainability has increased over time. The GF funds TA and CB activities to strengthen transition readiness, support transition action plans, while promoting long-term sustainability of health programs and interventions.</p>
	IIIb. Enhanced sustainability of domestic health financing	□	■	■	■	■	■	

- Peripheral Focus/Low Priority and/or limited number of initiatives
- Moderate Focus/Medium Priority and/or moderate number of initiatives
- Strategic Focus/High Priority and/or significant number of initiatives

Annex 3. COVID-19 Implications on DFH

The Global Fund's Role and Approach to Domestic Financing for Health (DFH)

COVID-19 had mixed impacts on DFH; this page summarizes the overarching general trends along the 'HF cascade'^{*1} and examples from the eight country OIG deep-dives (ref. Section 1.4).

	A. Total government spending capacity	B. Budget allocation for health	C. Budget allocation for HIV, TB, malaria, and health system strengthening	D. Efficiency of existing investments in health	E. Sustainability of domestic health financing
					
Overarching trends	COVID-19 has had a direct impact on reducing growth, public revenue and fiscal space and increasing spending needs. For many countries, this is likely to lead to increased debt and debt servicing in the long term.	COVID-19 has had a mixed impact on budget allocations to health. Allocations increased in the short-term to tackle the pandemic emergency and were mostly financed through new debt. This may have negative implications in the medium to long term due to the need to service this debt. On the other hand, new opportunities for resource mobilization and access to alternative funding sources emerged, including blended financing instruments.	There has been a mixed impact globally in relation to budget allocation for HIV, TB, Malaria and RSSH. However, several countries demonstrate how the pandemic response displaced resources away from the three diseases.	COVID-19 had mixed impact on the efficiency of health spending. Challenges were noted in regular service provision, Procurement and Supply Management (PSM) and case notifications. On the other hand, the pandemic enabled innovation at the primary and community-level.	Long-term implications on sustainability of Domestic Financing for Health are still unknown. Reduced NHI enrollment in some countries. Ongoing reform agendas are unchanged, but progress slowed.
OIG deep dives: findings	62% of OIG sampled countries faced significant drops in 2020 GDP compared to 2019. Nearly all of them experienced large decreases in public revenue and all of them increased their gross government debt. The largest decreases were noted for Ukraine, Ghana and Angola ^{*2} .	All OIG deep dive countries noted increases in current and capital expenditures on health. 83% of countries received loans from the IMF totaling US\$13.8bn ^{*3} . New initiatives and public-private partnerships for Domestic Resource Mobilization (DRM) emerged, e.g., the Ghana COVID-19 Private Sector Fund and the Coalition Against COVID in Nigeria ^{*4} .	There is a mixed picture on the impact of COVID-19 the budget allocation for the three diseases: Some of the sampled countries highlighted their inability to meet co-financing commitments for the three diseases due to COVID-19. Others like Ukraine, Uganda and Kenya have reaffirmed their intention to fulfill them.	In 62% of OIG deep/dive countries, TB case notifications saw a sharp drop (more than -10%). Notable innovations in service delivery systems and distribution of health commodities were noted in Ghana and Ukraine.	Country stakeholders engaged by the OIG in deep-dive analyses, including PRs and CCM members, noted the incompatibility between increasing health emergency response costs and medium to long term reduction of the fiscal space for health due to debt servicing. Ongoing reforms to strengthen resource pooling and financial protection stalled in some countries, e.g. Uganda.

*1 The HF cascade is a conceptual framework recently utilized within the GF to describe the main components of the HF space; source: Impact of COVID-19 on Financing and DRM, 14th Audit and Finance Committee (GF/AF14/08B)

*2 IMF WEO Oct 2020 data sets – based on estimate General government gross debt as a % of GDP

*3 OIG data elaboration based on IMF statistics, <https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker>

*4 <https://www.cacovid.org/> (last access: Jan 2022)