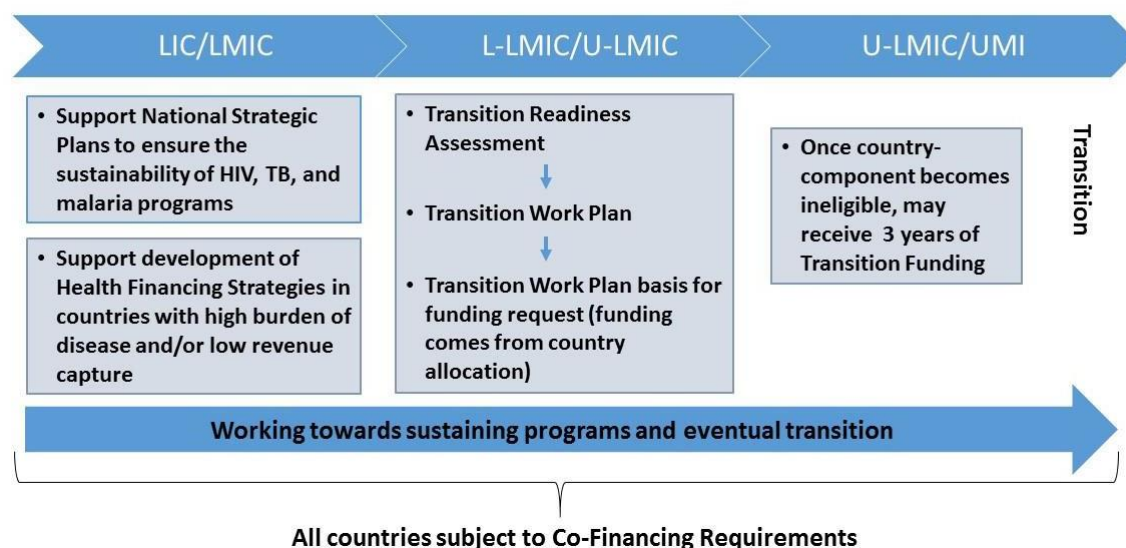


THE GLOBAL FUND SUSTAINABILITY, TRANSITION AND CO-FINANCING POLICY

27 April 2016¹

¹ As approved by Board Decision GF/B35/DPo8

Sustainability and Transition – Increasing alignment and predictability



PART 1: SUSTAINABILITY AND TRANSITION

1. **Sustainability:** The Global Fund defines sustainability as the ability of a health program or country to both maintain and scale up service coverage to a level, in line with epidemiological context, that will provide for continuing control of a public health problem and support efforts for elimination of the three diseases, even after the removal of external funding by the Global Fund and other major external donors.
2. The Global Fund’s approach to supporting countries to sustain programs and successfully transition is based on the central premise that planning for sustainability is an integral part of program design and should be taken into account by all countries regardless of where they sit on the development continuum. For some countries this may result in increased investment in certain resilient and sustainable systems for health (RSSH) interventions, while in others it may mean targeted reviews to maximize the efficiency of investments.
3. As outlined in this policy, the Global Fund will work with countries¹ on the sustainability of Global Fund supported programs by:
 - a. Investing in and providing support for the development of robust, inclusive (including key and vulnerable populations), quality, evidenced-based National Health Strategies, Disease Specific Strategic Plans and Health Financing Strategies;
 - b. Aligning requirements to ensure that Global Fund financed programs can be implemented through country systems in order to build resilient and sustainable systems for health;
 - c. Supporting countries to assess their readiness to transition both programmatically and financially, and ensure robust planning;
 - d. Providing transition funding for up to one allocation period upon becoming ineligible². The Secretariat, based on country context and existing portfolio considerations, will determine the appropriate period and amount of funding for priority transition needs; and
 - e. Applying graduated co-financing requirements and associated application focus requirements.
4. **National Strategies and Health Financing Strategies:** National Health and Disease-Specific Strategic Plans (NSPs) provide the overall strategic direction for a country’s health and disease specific programs over a defined period of time (usually 5 years). NSPs should reflect the vision of the national

¹ Except in some challenging operating environments (COEs), as defined by the COE Policy, where the Secretariat may determine such engagement is not appropriate due to the context and associated priorities or objectives.

² Eligibility Policy, Paragraph 13.

disease program and be developed and written in line with the national health policies, as well as with the general health plan for the country, through an inclusive multi-stakeholder process. The Global Fund recognizes that NSPs are important strategic documents, guiding national health authorities in a national planning process to manage and implement appropriate disease control activities, as such it may be used, in whole or part, as the funding request to the Global Fund.

5. The Global Fund recognizes that in some cases there may not be an agreed upon NSP or existing strategies are not significantly robust, inclusive (including key and vulnerable populations), evidenced-based or accurately costed to form the basis of Global Fund financing. In these circumstances, the Global Fund will, in coordination with relevant partners, work to strengthen the NSP to ensure that it provides the appropriate strategic direction for the programs. This may be funded through existing Global Fund grants as appropriate.
6. In countries where the relevant NSPs for health do not include sufficient detail regarding sustaining coverage of HIV, TB, and/or malaria programs, the Global Fund may work with the country, in consultation with partners, to develop that section of the plan or integrate the HIV, TB, or malaria related disease strategies into the relevant section of the plan in order to ensure that the programmatic and financial sustainability of the three disease programs has been considered and planned for.
7. **Alignment:** The Global Fund has agreed to the principles of aid effectiveness as detailed in the Paris Declaration, Accra Action Agenda and Busan Global Partnership. Therefore:
 - a. To enhance sustainability, Global Fund financed programs should be implemented through their own country systems. In all ‘upper-middle’ income (UMI) countries, or country-components³ approaching transition, default implementation mechanisms should be through existing country systems. Country systems include domestic actors, including civil society, that contribute towards building a resilient and sustainable system for health, including community systems.
 - b. In situations where there are capacity related constraints that do not allow for implementation through country systems, applicants are encouraged to actively engage with the Global Fund and partners to strengthen associated system components in order to enable the future use of country systems.
 - c. In situations where there are political constraints that prevent domestic investments in interventions for people living with, affected by, or at risk of HIV, TB or malaria, the Global Fund will utilize the tools at its disposal, including, but not limited to, the co-financing and application focus requirements in this policy, as well as partners, diplomacy, financial incentives and multi-country advocacy efforts, to address barriers to the provision of or access to health care.
8. **Transition Planning:** The Global Fund defines transition as the mechanism by which a country, or a country-component, moves towards fully funding and implementing its health programs independent of Global Fund support while continuing to sustain the gains and scaling up as appropriate. To this effect:
 - a. The Global Fund will support countries (either at the country level or on a component basis) to begin the process of transition, as appropriate through the application of a ‘transition readiness assessment’. The transition readiness assessment should be an inclusive (including key and vulnerable populations), multi-stakeholder, and country-owned process including communities and civil society, led by the CCM or other multi-stakeholder coordinating body. The aim of the transition readiness assessment is to serve as a tool to stimulate dialogue at country level around transition related needs from both a programmatic and financial perspective, identify key gaps in programming that can be planned for, and highlight areas where technical assistance may be required.
 - b. The findings from the transition readiness assessment should feed into an inclusive country-led ‘transition work-plan’⁴ addressing key bottlenecks and leverage opportunities towards successful transition. Critical issues for successful transitions should be addressed, which often include capacity building and support for key and vulnerable populations, interventions that respond to human rights and gender related barriers and vulnerabilities to health, and procurement and supply-chain management issues that are essential for ensuring strong national unified systems.
 - c. In the case where a country decides to transition voluntarily from the Global Fund, i.e. that it will no longer apply to receive Global Fund financing despite continued eligibility, the Global Fund may

³ The Global Fund notes in certain countries components will not all move towards transition or at the same pace. As such, “country- component” refers to a specific component, and its movement towards transition.

⁴ The transition work-plan should be costed, have clear timelines and measureable indicators to monitor achievement.

provide support for the transition planning processes and engage with countries to support a successful transition.

- d. According to the Global Fund's Eligibility Policy, once a country reaches UMI status,⁵ it is no longer eligible for funding if there is less than a 'high' disease burden. For G20 UMI countries, if a country's disease burden is less than 'extreme' they are ineligible. The Eligibility Policy allows for up to one allocation of Transition Funding⁶ following their change in eligibility.⁷ Transition Funding should be used solely to fund activities included in the country's transition work-plan.
 - e. In situations where countries have already accessed their Transition Funding and choose not to take up select interventions targeting key and vulnerable populations, the Global Fund will work with partners in-country and internationally and attempt to identify alternative sources of funding for the programs; as well as evaluate if there are options available to support specific programs through other mechanisms.
9. **Innovative financing:** To encourage increased co-financing and program sustainability, the Secretariat will explore the use of innovative financing mechanisms in addition to the existing Debt2Health mechanism. These may include, as appropriate, budget support and blended finance/loan buy-down mechanisms, as well as Social Impact Bonds (SIBs). "Blended Finance" and "Loan Buy-Downs" refer to the strategic combination of grants with government-sourced loans, resulting in a highly concessional financing package that covers an identified funding need and/or ensures a smooth transition from international to domestic funding of a country's health program. The Secretariat will update the Audit and Finance Committee and the Board on progress, lessons learned and recommendations, as appropriate, from utilizing such mechanisms.

PART 2: APPLICATION FOCUS

1. Application focus: All funding requests to the Global Fund, regardless of an applicant's disease burden and income level⁸, should include evidence-based interventions, in line with their epidemiological context, which will maximize impact against HIV, TB and Malaria and contribute towards building RSSH. These requirements will be assessed at the application stage as part of the review process and are differentiated along the development continuum:
 - a. **LIC Application Focus:** There are no restrictions on the programmatic scope of funding for HIV, TB or malaria requests by LICs and applicants are strongly encouraged to include RSSH interventions, as appropriate. Applications must include, as appropriate, interventions that respond to key and vulnerable populations,⁹ human rights and gender related barriers and vulnerabilities in access to services.
 - b. **LMIC Application Focus:** Applications from Lower and Upper LMICs must ensure that over 50% of their funding request for disease-specific interventions, in line with their epidemiological context, are for key and vulnerable populations and/or highest impact interventions within a defined epidemiological context¹⁰. Requests for RSSH must be primarily focused on improving overall program outcomes¹¹ for key and vulnerable populations in two or more of the diseases and should be targeted to support scale-up, efficiency and alignment of interventions. Applications must include, as appropriate, interventions that respond to human rights and gender related barriers and vulnerabilities in access to services.
 - c. **UMIC Application Focus:** Eligible applications from UMICs must focus 100% of their funding request on interventions that maintain or scale-up evidence-based interventions for key and

⁵ UMICs designated under the 'small island economy' exception to the International Development Association lending requirements, are eligible to receive an allocation and apply for funding from the Global Fund, regardless of national disease burden, as outlined in Paragraphs 6. and 7. of the Eligibility Policy.

⁶ Eligibility Policy Paragraph 13. The funding for Transition Funding is through country allocations which will be calculated for each allocation period, based on an allocation methodology that utilizes indicators approved by the Global Fund Board Committee with oversight on the allocation methodology.

⁷ Eligibility Policy Paragraph 13. Countries who move to high income or G-20 UMICs with less than an 'extreme' disease burden are not eligible for Transition Funding.

⁸ As per Eligibility Policy definitions.

⁹ As defined in the Global Fund Key Populations Action Plan 2014 – 2017.

¹⁰ Evidenced-based interventions that: (i) address emerging threats to the broader disease response; and/or (ii) lift barriers to the broader disease response and/or create conditions for improved service delivery; and/or (iii) enable roll-out of new technologies that represent global best practices; and (iv) are not adequately funded.

¹¹ Improving equitable coverage and uptake addressing any, and preferably all of the following: (i) availability of services; (ii) access to services; (iii) utilization of services; (iv) quality of services; **and** (v) are not adequately funded.

vulnerable populations¹². Applications must include, as appropriate, interventions that respond to human rights and gender related barriers and vulnerabilities in access to services. Applications may also, as appropriate, introduce new technologies that represent global best practice and are critical for sustaining gains and moving towards control and/or elimination; and interventions to ensure transition readiness which should include critical RSSH needs to ensure sustainability, as appropriate, as well as improve equitable coverage and uptake of services.

PART 3: CO-FINANCING

1. **Definition:** Co-financing, in the context of the Global Fund, pertains to pooled domestic public resources and domestic private contributions¹³ that finance the health sector and NSPs supported by the Global Fund. Domestic public resources include: government revenues, government borrowings, social health insurance, and debt relief proceeds including Debt2Health arrangements with the Global Fund. With the exception of loans and debt relief, all other forms of international assistance, even when channeled through government budgets, are not considered as co-financing.
2. **Scope and Applicability:**
 - a. All country components eligible to receive an allocation from the Global Fund must comply with co-financing requirements to access their allocation.
 - b. Co-financing requirements for accessing funds beyond country allocations will be subject to the rules governing the use of such funding, as set forth in [insert cross reference to allocation methodology decision and/or policy]¹⁴.
 - c. Regional, multi-country and Non-CCM applicants are not required to meet the co-financing requirements described in this policy.
3. **Co-Financing Requirements** are two-fold and serve to strengthen the overall financing for the health sector and the sustainability of HIV/AIDS, TB and/or malaria programs. They include:
 - a. Progressive government expenditure on health to meet national universal health coverage (UHC) goals; and
 - b. Demonstrating increasing co-financing of Global Fund supported programs over each allocation period, focused on progressively taking up key costs of national disease plans.
4. **Progressive government expenditure on health to meet national universal health coverage (UHC) goals:**
 - a. The Global Fund expects and encourages national governments to fulfill their financial commitments to the health sector in line with recognized international declarations¹⁵ and national strategies.
 - b. In all countries, public policies for mobilization and effective use of domestic resources for health, underscored by the principle of national ownership, will be central to the Global Fund's approach to co-financing.
 - c. The Global Fund is committed to supporting countries through partnerships at all levels in developing and implementing appropriate health financing strategies. Through its grants, the Global Fund will contribute to the financing of identified reforms and actions needed to increase domestic resources for health and enable greater efficiency and effectiveness of health spending.
 - d. With partners and through global platforms¹⁶, the Global Fund will actively engage countries with a 'high', 'severe' or 'extreme' disease burden¹⁷ for two or more disease components who have a low prioritization of government spending on health and/or low capacity for domestic revenue capture,¹⁸

¹² For applications from UMICs with an 'extreme' disease burden this may include the scale-up of key program components with the caveat that they cannot replace existing domestic financing of these interventions.

¹³ Restricted to verified contributions from domestic corporations and philanthropies that finance NSPs.

¹⁴ Relevant reference will be added following final Committee and Board deliberations on catalytic investments, as presented in the Board paper, and the decision point accompanying it, on refinements to the allocation methodology (GF/B35/05).

¹⁵ Such as the Abuja Declaration of 2001.

¹⁶ Such as the Global Financing Facility.

¹⁷ As defined in Annex 1 of the Eligibility Policy.

¹⁸ Particularly countries where health accounts for less than 8% of government expenditure and/or tax revenues are lower than 15% of the GDP.

to develop a robust health financing strategy and incorporate its provisions in national development frameworks (such as medium term expenditure frameworks) before the end of 2020.

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

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

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

- a. In order to encourage additional domestic investment, a 'co-financing incentive' amounting to not less than 15 percent of the Global Fund allocation for each component will be made available upon increases in co-financing of the disease program and/or related RSSH investments that are:
 - i. At least 50 percent of the co-financing incentive for low income countries and at least 100 percent of the co-financing incentive for 'lower middle' and 'upper-middle' income countries;
 - ii. Invested in priority areas of national strategic plans, in line with the investment guidance developed with partners (including region specific guidance, as applicable); and
 - iii. Evidenced through allocations to specific budget lines, or other agreed assurance mechanisms.
- b. **Focus of domestic investments to access co-financing incentive:** Each country component's access to the co-financing incentive will be determined by the Secretariat on a case-by-case basis taking into account country context, including fiscal space considerations. The amount of the 'co-financing incentive' will be proportional to the level of additional co-financing provided by the country, unless a strong justification is provided. In general, the following parameters will apply when assessing co-financing contributions¹⁹:
 - i. For LICs, regardless of disease burden, co-financing contributions are not restricted to the disease program or related RSSH costs and have the flexibility to demonstrate that their investment is 100% for RSSH interventions
 - ii. For Lower-LMICs, co-financing contributions should be in line with identified priority areas within the disease program or RSSH, with a minimum of 50 percent in disease program interventions.
 - iii. For Upper-LMICs with a 'high', 'severe' or 'extreme' disease burden, co-financing contributions should be in line with identified priority areas within the disease program and RSSH, with a minimum 75 percent in disease program interventions. In countries with a 'low' or 'moderate' disease burden, applicants are encouraged to show a greater share of domestic contributions that will address systemic bottlenecks for transition and sustainability²⁰.
 - iv. For UMICs, regardless of disease burden, co-financing contributions should be focused on disease components and RSSH activities to address roadblocks to transition²¹, with a minimum 50% invested in specific disease components targeting key and vulnerable populations, as relevant to the country context.
- c. To ensure flexibility and custom-made solutions matching a country's unique needs, a portion of the respective country allocation, including the 'co-financing incentive', may be considered as the grant component of innovative financing mechanisms that the Secretariat may explore (Part 1, paragraph 7).

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

¹⁹ Income levels are as per the Eligibility Policy definitions.

²⁰ Identified by the country either through a transition readiness assessment or transition work plan or through national strategic plans or other relevant assessments.

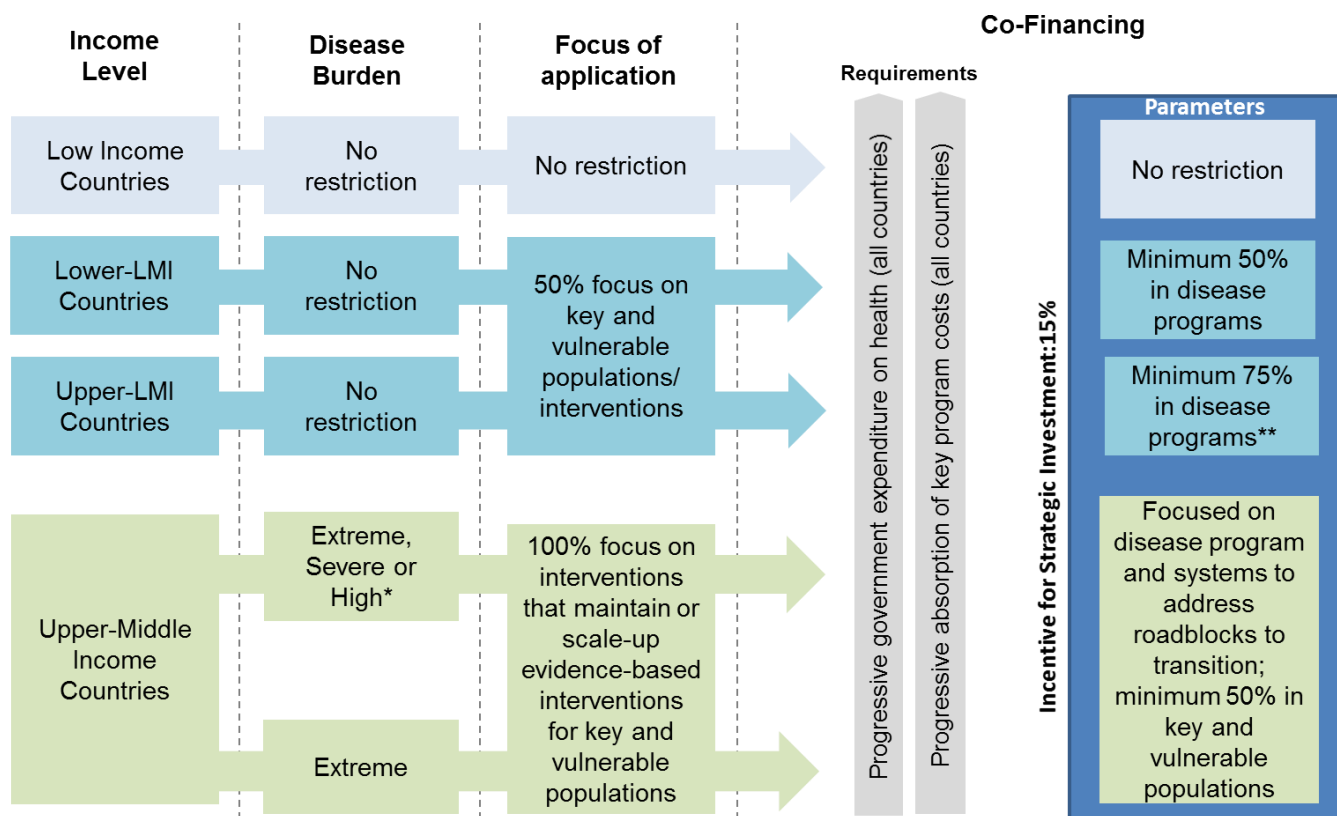
²¹ As above.

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

PART 4: IMPLEMENTATION OF THIS POLICY

1. The Global Fund recognizes that country context is a key factor for moving towards sustainability and transition and increased co-financing and that a single policy will not be able to account for all situations. The Secretariat will consider any exceptions to this policy on an individual basis, taking into account country context and fiscal space considerations, as well as other relevant factors.
2. Countries that have been defined as Challenging Operating Environments "COEs" may, on a case-by-case basis, be granted flexibilities with respect to the requirements set forth in this policy and/or as set forth in the policy on COEs, and as amended from time to time. The Secretariat will determine whether such flexibilities are appropriate according to the nature or basis for a country's classification as a COE. As noted in the COEs Policy, the classification of a country as a COE does not automatically guarantee the application of flexibilities.
3. The Global Fund will continue to monitor and evaluate transition process and outcomes in order to inform policies and best practices on transition and sustainability to achieve strategic impact and will provide regular updates to the Strategy Committee.

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



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

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

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