

40th Board Meeting

A structured approach for innovative finance – increasing financial innovation

GF/B40/18

14-15 November 2018, Geneva

Board Information

Purpose of the paper:

An update to the Board on the Global Fund's approach to innovative finance as reviewed and endorsed by the Audit and Finance Committee.

Executive Summary

Context

In 2017, following discussions with the Audit and Finance Committee (“AFC”) and the Strategy Committee (“SC”) related to the Global Fund’s engagement in blended finance, and recognizing the need to engage all tools in the fight to eliminate the three diseases, the Board requested the Secretariat to articulate a more structured and prioritized approach to innovative finance (“IF”).

Over the last 6 months the Secretariat undertook a comprehensive review of possible innovative finance approaches. As a follow up to the Board and Committee Meetings held in the first half of the year; and most recently the 8th AFC meeting in October 2018, this paper provides a description of the Secretariat’s structured approach to innovative finance; the Global Fund’s role; guiding principles; some priority impact areas where innovative finance may have specific additionality complementing the core Global Fund grant model; the prioritized toolkit of instruments that the Global Fund will use to develop a pipeline of impact led instruments; the approval approach for the use of tools; and proposed next steps.

Questions this paper addresses

- A. What is the prioritized IF toolkit that the Global Fund will actively support in partnership with countries, communities, CCMs, and other IF partners?
- B. What are the guiding principles upon which the approach is based, and what are the key risks related to implementation of specific instruments¹?
- C. How does the Global Fund intend to manage implementation of the approach?
- D. What are the next steps for implementation?

Conclusions

1. Given the changing financing landscape and existing financial and programmatic gaps, the Global Fund should leverage opportunities to use IF to increase funding flows for itself and other actors, as well as to increase the impact efficiency of its investments and the investments of national programs.
2. The IF approach and engagement in financial innovation will be guided by core GF principles and processes, implemented in an “impact first” manner where there is clear additionality to core grant mechanisms, and where it aligns with country demand.
3. With the goal of increased impact, the aim of the GF’s IF approach is to define a clear and empowering toolkit of IF instruments that complement the GF core grant model and support country innovation.
4. To exploit the potential of IF, the GF needs to take both direct (funding) roles and indirect (non-funding) roles in supporting financial innovation by countries, partners, and other stakeholders.
5. This paper proposes a toolkit of IF mechanisms that: 1) have potential for high additionality to the core grant model in some key impact areas, and 2) that are scalable and/or replicable. Within this toolkit the GF will continue to grow established IF mechanisms currently in use (including philanthropic platforms, consumer donations and Debt2Health). It will also prioritize additional IF efforts in high impact additionality areas using, as relevant;
 - *Blended finance*: which could play a significant role to mobilize and focus additional financing for health from IFIs/DFIs and others. It may help certain countries take advantage of the health

¹ For a summary risk analysis, please refer to the 8th AFC pre-read presentation.

and economic benefits of frontloading finance for prevention/elimination or support investments in health systems.

- *Results and Outcome Based Financing*: the GF, with its partners, will continue to explore the priorities for the use of Results Based financing (RBF) and Outcome Based financing, which could incentivize performance and innovation in critical areas such as Malaria elimination, TB case finding and HIV in AGYW, as well as key population programming.
6. The approval of IF transactions will be within existing Secretariat processes; integrated into Global Fund country, regional, or catalytic approaches; and completed through existing grant approval and Board approval processes.
 7. IF is not a panacea, but could add significant value as part of the Global Fund's overall approach to supporting countries to fight the three diseases and strengthen health systems. Given the transaction costs, opportunity costs and risks, the Global Fund will focus on a relatively small number of transactions, where it sees high potential additionality and where these transactions are at scale or can be scaled or replicated. The Global Fund will implement a learning agenda to ensure increasing effectiveness of its engagement as it moves forward.
 8. The Global Fund will use this approach to guide the development of a pipeline of IF transactions and the development of partnerships with key stakeholders.

Input Sought

9. For Board information

Input Received

10. Presentation and feedback at the 8th AFC, 6th SC and 6th AFC as well as the 39th Pre-Board meeting, which built upon input received during 2017 AFC and SC consultations on the Framework for Investments in Blended Finance.
11. The 8th AFC welcomed the Approach to Innovative Finance, acknowledging that the work responded to the past requests of the Board and the AFC, and recognised the value of the consultations that have been done during the review. The AFC stated their endorsement of the proposed Innovative Finance toolkit and structured approach, and noted that the Secretariat should now shift its focus to implementing the approach.

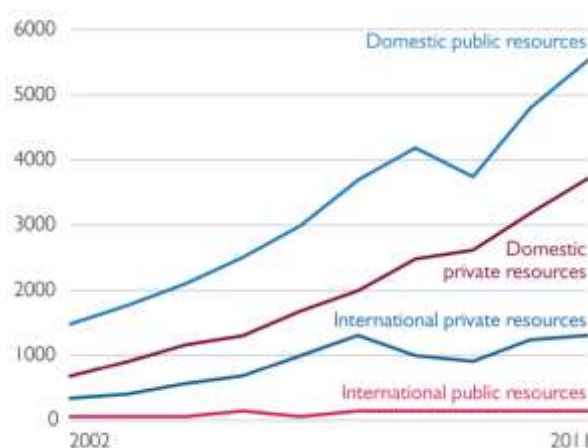
Rationale for Innovative Finance:

1. Huge gains have been achieved over the last two decades in the fight against AIDS, tuberculosis and malaria, driven by significant increases in external and domestic health financing. However, given the current trends in health financing and the scale and ambition of the Sustainable Development Goals (SDGs), existing levels of funding will be insufficient to achieve these goals.
2. Domestic resources (public and private) are experiencing accelerated growth and account for the largest source of development financing. Within the health sector, countries are developing new innovative models to strengthen domestic health financing. Private capital flows to emerging countries have also grown, with an increasing focus on social impact, as well as financial return. New development finance approaches are being tested to combine, align, and complement traditional development aid.

Trends in development finance

USD billion, 2002-2011

Source: USAID, "Investing for Impact," 2017

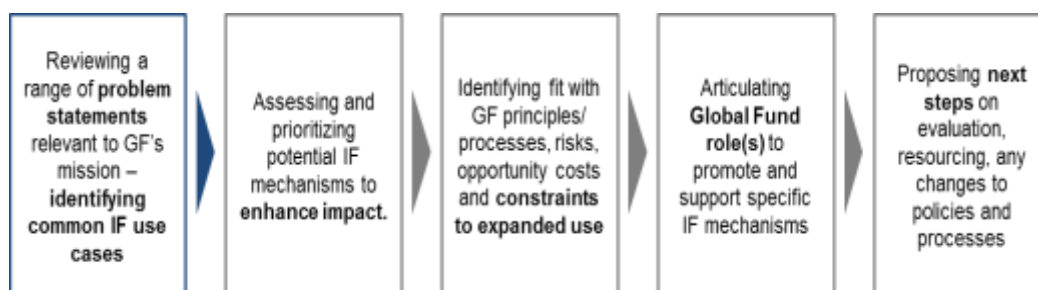


3. In this context, complementary financial approaches, instruments and partnerships (Innovative Finance) provide an opportunity to leverage additional funding sources for health, and/or improve the efficiency and effectiveness of existing external and domestic resources.
4. The Global Fund can play two complementary and intersecting roles in offering countries a defined and broader menu of potential support to financial innovation: i) a direct role to fund IF mechanisms; and ii) an indirect role to provide leadership, support and incentives to catalyse the use of IF mechanisms by other funders, including recipient countries, Development Finance Institutions (DFIs) and the private sector (see Annex).
5. This IF approach identifies additional tools for the GF that can be complementary to the current grant model by:
 - A. Mobilizing additional funding beyond existing mechanisms, such as established financing commitments or financing mechanisms of existing donors.
 - B. Enhancing efficiency to increase the specific health impact for a given resource envelope of programs (by the Global Fund and other actors or partners). This includes, for example, front loading prevention investment, which can reduce overall total expenditure significantly, as well as reaping significant economic and health dividends.

Prioritized impact areas and tools: process and conclusions

6. The Secretariat followed the process in Figure 1 to define a shortlist of high potential impact additionality areas and against these potential IF mechanism use cases were identified.

Figure 1: Prioritisation of additional areas and instruments



7. It is important to note that the inclusion of an additionality area does not mean that it should be or can be uniquely addressed through innovative financing. Whether an IF mechanism is appropriate must be determined during funding request and grant design processes and is influenced by many factors. It also does not preclude the use of innovative financing for any other or emerging issue areas.
8. This analysis and consultations with internal and external experts identified key areas where IF has particular potential to provide impact additionality (Figure 2). Please refer to the [8th AFC Pre-read presentation](#) for further details.

Figure 2: Framing potential additionality areas for Innovative Finance

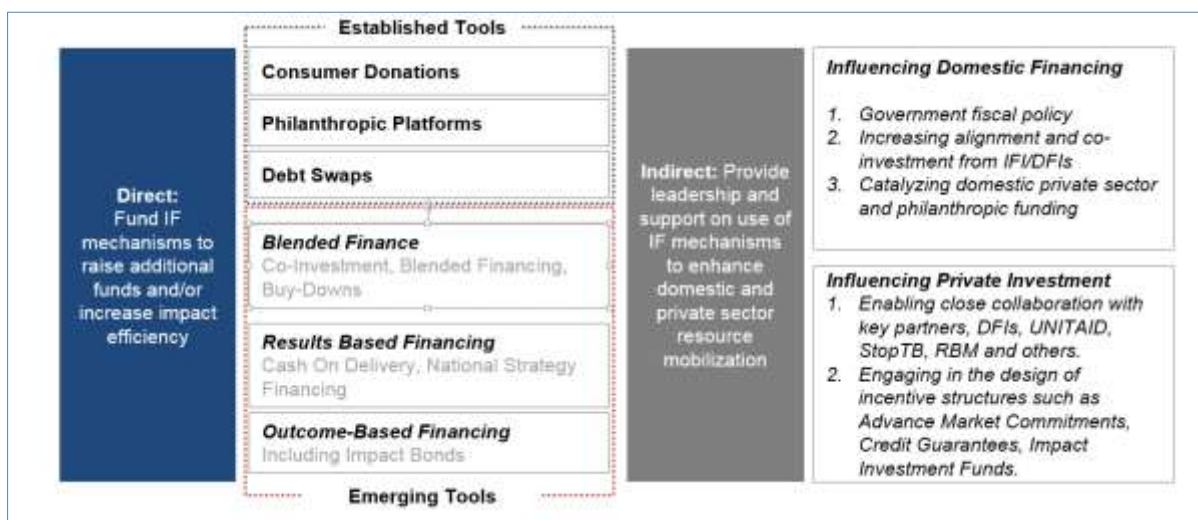
		Priorities identified ¹	
A.	Raising Finance for Delivery- Where current financing is insufficient: Efforts to end the epidemics of HIV/AIDS and TB and eliminate Malaria are underfinanced; there are also specific areas such as prevention, health systems strengthening and key population programs where increased funding is needed.	1.Domestic Financing 2.Global Fund funding 3.Private Sector investment	Mobilizing additional funding
B.	Fostering Innovation - Creating more space for innovation: Reducing risk, increasing, incentivizing and enabling innovation in delivery is crucial, IF tools can transfer risk and incentivize investment. Some IF approaches can better align incentives to enable more flexibility in approach	1.Reducing HIV risk in AGYW 2.Enhancing TB case finding/follow up 3.Enhancing support to community health	Enhancing efficiency Mobilizing additional funding
C.	Increasing efficiency - Where frontloading or financial incentives could drive savings and implementation efficiencies. Including by frontloading finance where that creates long term savings and/or greater overall impact, or by better aligning incentives around targets and implementation agreements.	1.Frontloading investments in elimination and prevention 2.Boosting transition to more effective health products/regimens	Enhancing efficiency Mobilizing additional funding
D.	Supporting Transition - Where higher leverage using financial innovation is possible. Where disease or country funding is preparing to transition or transitioning there are important challenges where IF modalities could provide additionality. IF may support greater influence or financial leverage as traditional grant funding decreases or sustain financing for key programs beyond GF timelines.	1.Increasing leverage of funding and role of GF during transition as countries prepare to transition 2.Enhancing sustainability for key population programs and CSOs	Mobilizing additional funding

¹ It is important to note that these priority areas do not represent all possibilities or are they mutually exclusive, for example increasing funding and creating efficiency or space for innovation may well be mutually reinforcing.

9. Working from the potential impact additionality areas, the Secretariat identified a small sub-set of possible IF approaches that may complement the Global Fund's core grant model, and that could strengthen impact in these (and potentially other) areas.
10. This IF toolkit is summarized in Figure 3, and includes *established tools* (Consumer Donations, D2H, Philanthropic platforms) where the Global Fund has implemented such mechanisms for a

number of years, as well as *emerging tools*² (blended finance and results based /outcomes based finance) that are relatively new to the Global Fund.

Figure 3: Summarized Global Fund Innovative Finance Toolkit



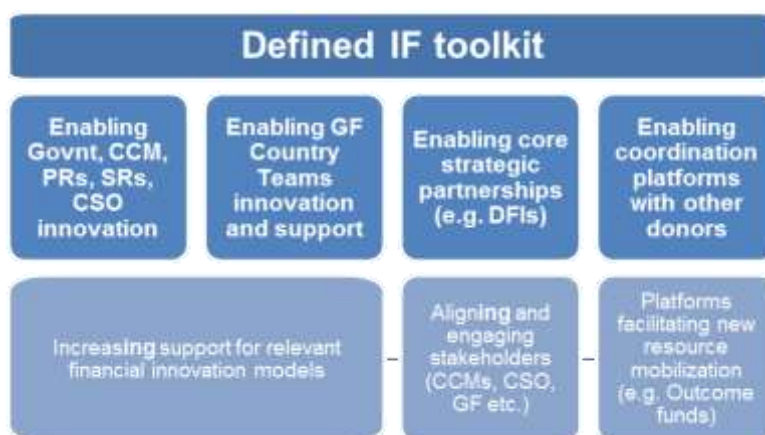
11. The structured approach recognizes that the use of some these approaches is relatively new, and that as a result the Global Fund will define a clear assessment and learning framework to support the effective implementation of IF approaches moving forward.
12. The Secretariat presented to the AFC a summary of the risk and mitigation analysis, based on an extensive overview for each of the instruments in the prioritized toolkit, noting that the risks can be either specific to the type of instrument, or to the use of the instrument.

Implementation of the Toolkit

13. The implementation of this structured approach will follow the Global Fund’s overarching principles of partnership, country ownership, performance-based funding and transparency, as well as its strategic framework prioritizing gender and human rights. In addition, it will incorporate the principles already reviewed and endorsed by the AFC for Blended Finance transactions – Impact, Additionality, Appropriateness, Country Ownership, Debt sustainability (where relevant), and Reputational Risk.
20. The approach emphasizes the intention to support country innovation. Clarity with respect to the types of IF mechanisms that the Global Fund is open to engaging with will help support the development of strategic partnerships across a wide-range of stakeholders, as well as help the Global Fund respond to country demand and financial innovation (see Figure 4).

² “Emerging Tools’ are not new tools in overall financing landscape as some of them (e.g. impact bonds, blended finance, RBF have been tried in various development contexts), however they are relatively new/emerging to the GF context. Blended Finance includes blending of GF grants with capital from DFIs and IFIs.

Figure 4: A defined toolkit to enable partnership, collaboration and innovation



21. IF mechanisms/approaches should support national strategies, and Global Fund grants and IF mechanisms should generally be implemented alongside each other and/or be linked. Technical considerations for impact additionality, appropriateness and other risks should be reviewed in context with the specific country portfolio. Transaction design will be supported by specific technical, legal and financial support provided by GF teams and/or external consultants.
22. The process for approving IF mechanisms will be embedded in existing grant-development and approval processes, which include country stakeholders, CCMs, governments, the TRP. Using existing approval processes will ensure integration of IF implementation into overall country strategies, and consistent application of the principles and standards outlined in the structured approach.

Next Steps

23. The Secretariat has incorporated feedback received from the AFC, and has received AFC endorsement of the approach to IF. The Secretariat will now work to operationalize this approach, and identify a pipeline of potential IF transactions consistent with the principles and focus areas outlined. It will communicate the availability of the toolkit across the Secretariat and with key country and partner stakeholders, as well as review current portfolio activities in the identified high potential impact areas in order to identify potential opportunities.
24. The Secretariat will define a learning agenda, particularly for new tools or tools where there is limited evidence or alignment on their value. This will include analysis of the total cost effectiveness of the approaches, building evidence for future priorities and demonstrating the extent that prioritized innovative financing mechanisms deliver on their promise.
25. The Secretariat has established a Domestic and Innovative Finance Steering Committee, chaired by the Chief Financial Officer (CFO). This Committee will help oversee the implementation of this approach, review pipeline opportunities against the focus areas and principles outlined, coordinate work streams across the Secretariat and with relevant partners, and recommend appropriate resourcing to effectively implement the IF approach.

26. As part of implementation, the Global Fund will establish agreements with key partners to identify opportunities for individual IF mechanisms and reduce transaction costs for overall implementation.
27. The Secretariat will continue to report back on progress to the AFC against the approach, including with respect to overall implementation, the development of new IF instruments, and results.

Annexes

The following items can be found in Annex:

- Annex 1: Summary of Committee Input
- Annex 2: Relevant Past Decisions
- Annex 3: Links to Relevant Past Documents & Reference Materials:
 - Annex 3a: Definition of Toolkit- Direct Tools: Emerging Tools
 - Annex 3b: The Global Fund's types of roles: Typology

Annex 1 – Summary of Committee Input

The Secretariat presented an update on the structured approach to innovative finance, which builds upon the previous presentations to the SC, AFC (March 2018) and pre-Board (May 2018). The AFC welcomed the update acknowledging that the work responded to the past requests of the Board and the AFC, and recognised the value of the consultations that have been done during the review. In addition, the AFC discussed the role of governments, inclusion of IF in co-financing requirements, potential opportunities for impact on key population/transition challenges, requested that transparency and human rights and gender be emphasised and the integration of transactions approval within existing processes. The Secretariat provided details around the key areas, noting that Innovative Finance transactions will use the existing Global Fund approval processes, including Board approval. It was noted that this would ensure alignment with GF principles and technical standards, including transparency and the strategic focus on gender and human rights, as well ensuring the integration in to national or regional strategies.

As part of the discussion on operationalisation, the Secretariat noted that an internal Financing Steering Committee has been established to guide and coordinate the implementation of innovative finance at the Global Fund, led by CFO Jacques Le Pape. The AFC noted its interest in receiving more details on the operationalization of the approach, particularly in terms of the Secretariat's next steps, timelines for future transactions, and the resourcing required for the roll-out of the defined toolkit.

The AFC stated their endorsement of the proposed Innovative Finance toolkit and structured approach, and noted that the Secretariat should now shift its focus to implementing the approach. The Secretariat will provide periodic updates to the AFC on implementation, as relevant.

Annex 2 – Relevant Past Decisions

Relevant past Decision Point	Summary and Impact
Innovative Financing	
GF/B35/DPo8 (April 2016): Sustainability, Transition and Co-financing Policy (“STC Policy”) ³	<p>The Board approved the STC Policy which outlines high level principles for engaging with countries on long term sustainability of Global Fund supported programs, as well as a framework for ensuring successful transitions from Global Fund financing.</p> <p>The STC Policy states that the Secretariat will explore the use of innovative financing mechanisms to encourage increased co-financing and program sustainability. In approving the STC Policy, the Board directed the Secretariat to update the Audit and Finance Committee and the Board on progress, lessons learned and recommendations from utilizing such mechanisms.</p>
Assurance and Fiduciary Arrangements	
GF/B37/DPo7 (May 2017): Administration Agreement with the World Bank ⁴	<p>In approving the Secretariat’s request to enter into an Administration Agreement with the World Bank for a Performance-Based Funding project, the Board noted the exceptional nature of its decision.</p> <p>Acknowledging that the Administration Agreement with the World Bank curtails the access and audit rights of the Office of the Inspector General (“OIG”) and, consequently, its mandate to provide independent assurance over Global Fund financing, the Board directed the Secretariat to develop a framework to guide future consideration of investments of funding through development partners, for presentation to and review by the Audit and Finance Committee, in consultation with the Strategy Committee, and onward recommendation to the Board.</p>
GF/B31/DP11 (March 2014): Revision to the Charter of the Office of the Inspector General (“OIG Charter”) ⁵	<p>The OIG Charter mandates that the OIG be given broad access rights to ensure it can perform its mission with the full scope intended by the Board.</p>
GF/B28/ERo9: Revised Charter of the Office of the Inspector General and Terms of Reference of the Inspector General ⁶	<p>The OIG Charter establishes that the OIG will have the authority to access, inspect, review, retrieve and make copies of all books and records relating to Secretariat operations and to the management and implementation of Global Fund financed programs, including those maintained by any implementing entity. Access rights extend to sites where the program is implemented and to seeking</p>

³ <https://www.theglobalfund.org/board-decisions/b35-dpo8/>

⁴ <https://www.theglobalfund.org/board-decisions/b37-dpo7/>

⁵ <https://www.theglobalfund.org/board-decisions/b31-dp11/>

⁶ <https://www.theglobalfund.org/board-decisions/b28-edp16/>

Relevant past Decision Point	Summary and Impact
	information directly from individuals involved in program implementation.
GF/B05/DP07: Fiduciary Arrangements⁷	Acknowledging the need for fiduciary arrangements to ensure that funds are used for their intended purposes and results achieved without imposing unnecessary new burdensome requirements, the Board adopted a flexible framework for fiduciary controls which establishes the key roles and responsibilities of the Global Fund, Country Coordinating Mechanisms, Principal Recipients and Local Fund Agents in providing financial and programmatic oversight.
Funding	
GF/B36/DP04: Comprehensive Funding Policy (“CFP”)⁸	The Board approved an amended CFP to align terminology with the refined allocation methodology for the 2017-2019 allocation period. The amended CFP provides that grants should have a standard length of three years, unless otherwise approved under relevant policy or by the Board, and that country allocation funds remaining unutilized at the end of an implementation period may be made available to fund other initiatives as approved by the Board.
GF/B36/DP05: Sources and Uses of Funds for 2017-2019 Allocation⁹	Based on the recommendation of the Audit and Finance Committee, the Board approved the amount of USD 11.1 billion as sources of funds for the 2017 – 2019 allocation period, comprising i) USD 10.0 billion derived from the announced replenishment results of the Fifth Replenishment net of certain adjustments and qualifying deductions and ii) USD 1.1 billion representing forecasted unutilized funds from the 2014 – 2016 allocation period.
GF/B36/DP06: Catalytic Investments for the 2017 – 2019 Allocation Period¹⁰	Based on the recommendation of the Strategy Committee and the amount of sources of funds for allocation recommended by the Audit and Finance Committee, the Board approved USD 800 million in available funding for catalytic investments over the 2017 - 2019 allocation period for the priorities and associated costs presented in Table 1 of GF/B36/04 - Revision 2, of which no portion will be moved to further balance scale up, impact and paced reductions through country allocations.
Resource Mobilization	
GF/B38/DP07: Resource Mobilization Action Plan 2018-2019 (November 2017)¹¹	The Board acknowledged the update on resource mobilization (GF/B38/19), and in that context, the Global Fund’s Sixth Replenishment as a key strategic priority. It requested the new Executive

⁷ <https://www.theglobalfund.org/board-decisions/b05-dp07/>

⁸ <https://www.theglobalfund.org/board-decisions/b36-dp04/>

⁹ <https://www.theglobalfund.org/board-decisions/b36-dp05/>

¹⁰ <https://www.theglobalfund.org/board-decisions/b36-dp06/>

¹¹ <https://www.theglobalfund.org/board-decisions/b38-dp07/>

Relevant past Decision Point	Summary and Impact
	Director to develop a framework for a Resource Mobilization Action Plan (2018-2019), in consultation with partners and the Audit and Finance Committee, for the 39th Board meeting, followed by a detailed and fully costed plan to the relevant Committees in June 2018.
<p>GF/B37/DPo8:</p> <p>Approval of Revisions to the Amended and Restated Global Fund Policy for Restricted Financial Contributions (May 2017)¹²</p>	The Board approved further revisions to the Amended and Restated Global Fund Policy for Restricted Financial Contributions, introducing flexibilities with relation to restricted contributions from eligible donors that are directed towards unfunded quality demand. Specifically, flexibilities were adopted under paragraph 3(b) on the level of restriction and paragraph 3(e) on the use of unutilized portions of such restricted contributions in order to address challenges in the implementation of the policy.
<p>GF/B36/DPo3:</p> <p>Continuing Resource Mobilization Efforts Throughout the Replenishment Cycle (November 2016)¹³</p>	The Board requested that the Secretariat, under the oversight of the AFC, develop an ambitious action plan for attracting additional resources over 2017-19, which may include providing additional pledging opportunities for donors and maintaining visibility of both unfunded quality demand and progress in achieving impact. The Action Plan is to be shared with the Board at its 37th Meeting, and subsequently reported on by the AFC to the Board on a regular basis.
Debt2Health	
<p>GF/B20/DP17:</p> <p>Expansion of Debt2Health¹⁴</p>	The decision point incorporates the Debt2Health mechanism as an additional means of resource mobilization for the Global Fund, setting no limit on the number of creditor and debtor countries that may participate. It also authorizes the Secretariat to amend the Global Fund's Policy for Restricted Financial Contributions to allow restricted contributions from implementing countries for counterpart funds under Debt2Health swaps which are attributed at the country.
<p>GF/B17/DP13:</p> <p>Debt2Health – Exploration of Additional Opportunities (April 2008)¹⁵</p>	Recognizing some early success in securing resources through Debt2Health, the Board expressed support to the exploration of additional Debt2Health opportunities while stipulating that, based on additional data from the pilot, the Board may consider expansion of the pilot program in the future.
<p>GF/B15/DP31:</p>	Acknowledgement of the resource mobilization potential of debt conversions for the Global Fund.

¹² <https://www.theglobalfund.org/board-decisions/b37-dp08/>

¹³ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B36/DPo3/>

¹⁴ <https://www.theglobalfund.org/board-decisions/b20-dp17/>

¹⁵ <https://www.theglobalfund.org/board-decisions/b17-dp13/>

Debt2Health Mechanism, GF/B15/DP, 27 April 2007¹⁶	Approval of 2-year pilot phase (2007-2009) of the Debt2Health mechanism in up to four beneficiary countries to implement Debt2Health. Global Fund authorized to accept restricted contributions from Debt2Health counterpart funds which are attributed at the country level.
Affordable Medicines Facility (AMFm)	
GF/B28/DP06: Integration of the Lessons from the Affordable Medicines Facility - malaria¹⁷	Following a successful implementation phase and a relevant independent evaluation of the impact of AMFm, the Board decided to integrate its basic tenets as a co-payment system through which the Global Fund would make direct payments to manufacturers on behalf of in-country buyers and at negotiated prices for countries which request the use of approved grant funds for a private sector subsidy to achieve their malaria case management targets and utilize supporting interventions.
UNITAID	
GF/B17/DP11: Strategic Framework for Collaboration (“Roadmap”) with UNITAID¹⁸	In its 17 th meeting, the Board approved a framework of collaboration with UNITAID in the following key areas: Malaria: Improving access and affordability of ACT malaria medicines through the AMFm, Tuberculosis: Achieving market impact and increasing access to MDR-TB medicines, HIV/AIDS: Improving access to affordable paediatric and 2nd line antiretrovirals (ARV), Improving and aligning data and information sharing; and Diagnostics

Annex 3 – Relevant Past Documents & Reference Materials

Relevant Past Documents:

6th Strategy Committee/AFC paper, March 2018: [link](https://www.theglobalfund.org/board-decisions/b15-dp31/)

39th pre-Board Meeting presentation, May 2018: [link](https://www.theglobalfund.org/board-decisions/b28-dp06/)

8th AFC pre-read presentation, October 2018: [link](https://www.theglobalfund.org/board-decisions/b17-dp11/)

Annex 3a. Definition of Toolkit- Direct Tools: Emerging Tools

The Global Fund will build on its experience to expand use of the following Emerging Tools.

Note: ‘Emerging Tools’ are not all new tools in overall financing landscape as some of them, for example Blended Finance and RBF have been used in a variety of development contexts, however they are relatively new/emerging in the GF context. Outcome based financing is an extension of RBF in many ways and has many similar benefits and challenges, however it is relatively new and has a rapidly growing learning base.

¹⁶ <https://www.theglobalfund.org/board-decisions/b15-dp31/>

¹⁷ <https://www.theglobalfund.org/board-decisions/b28-dp06/>

¹⁸ <https://www.theglobalfund.org/board-decisions/b17-dp11/>

Direct Tool	Description	GF Example(s)
Blended Finance Co-Investment, Blending, Buy-Downs	The blending of Global Fund grant funding with other sources of financing, including capital from DFIs and IFIs. The grant can be mobilized in coordination with other financing, be contingent on other financing, delivered through a blended facility, or can be used to "buy down" part of the interest and/or principal paid to the lending institution.	India/World Bank buy-down for national tuberculosis strategy RMEI Malaria Facility – blended finance
Results Based Financing Cash On Delivery, National Strategy Financing	The disbursement of grants to a recipient following demonstration of pre-agreed results at milestones. An additional performance bonus may be given if targets are met and/or exceeded	El Salvador TB programme
Outcome-Based Financing Impact Bonds, etc.	Outcome-based Financing where funds are committed contingent on the achievement of pre-defined outcomes. Generally linked with investors providing upfront risk capital for interventions. Including Social Impact Bonds (SIB) where Government provide outcome funding and Development impact Bonds (DIB) where development actors, such as the Global Fund, provide outcome funding.	South Africa SIB (support for design work and feasibility studies only)

Annex 3b. The Global Fund’s types of roles: Typology

1. Direct: Fund IF mechanisms to raise additional funds and/or increase impact efficiency

Identifying and directly funding financial mechanisms that can raise additional funds and/or increase impact efficiency where they are complementary to and/or more effective than traditional grants in delivering outcomes:

- Providing support for a menu of appropriate financing options accessible to recipient countries to support financial innovation and increased impact
- Providing clarity on how, and on what, partners can engage with the Global Fund – unlocking new partnerships with, for example DFIs, Technical Partners and the Private Sector

2. Indirect: Provide leadership and support on use of IF mechanisms to enhance domestic and private sector resource mobilization

Providing strategic leadership and engagement on solutions that unlock additional sources of public (international and domestic) and private finance, for example:

- Coordinating with key stakeholders on critical health financing approaches (e.g. domestic fiscal policy, DFI health financing strategies, etc.)
- Catalyzing private and DFI co-investments alongside GF financing

Typology of roles the Global Fund will take

1. Direct: Fund IF mechanisms to raise additional funds and/or increase impact efficiency

Catalyze

Providing early-stage financing to structure and design innovative financing mechanisms with / by partners

Invest

Financing innovative financing mechanisms for recipient countries (where requested and where there is a clear rationale for impact)

2. Indirect: Provide leadership and support on use of IF mechanisms to enhance domestic and private sector resource mobilization

Support Vision & Agenda

Playing a high-level advocacy role for specific Innovative Finance mechanisms with other stakeholders

Support Design & Implementation

Providing non-financial technical support to partners on the feasibility of a mechanism, and the design and implementation of specific transactions

Coordinate

Increasing alignment of financing flows with national strategies through engagement in design, planning and implementation with other financiers.

Incentivize

Providing incentives for the use of innovative financing mechanisms by recipients, including (but not limited to) linking use of mechanism to other Global Fund support