Update on Co-financing

50th Board Meeting

14-16 November 2023, Geneva, Switzerland

GF/B50/13

For Information

Executive Summary

Context

- The B50 Board session responds to constituency requests for an update on the Global Fund’s objectives from co-financing (“CF”); experiences of implementation in GC5 and GC6 (data governance, incentives, policy visibility, policy implementation / roles and responsibilities, and available data); and improvements introduced for GC7 and emerging data.
- This report includes an update on the topic areas outlined in the bullet point above. It reiterates key aspects of the Sustainability, Transition and Co-financing policy, situating them within the wider aim of domestic resource mobilization and efficiency for sustainability, and emphasizes the importance of differentiation in how CF is implemented per country; situates CF within the broader grant lifecycle; and explains the implications for grant approval and implementation that flow from decisions relating to CF.
- The report then establishes the gains made so far by the Partnership in implementing CF and moves on to the findings from a range of internal, TRP and OIG reviews of implementation. These findings are grouped by four major themes: data governance; incentives and policy visibility; policy implementation; and roles and responsibilities. The report summarizes what the available data tells us about aggregate CF across the first two grant lifecycles for which the policy was implemented (GC4 and GC5); sets out what we know so far about GC6; and summarizes the Secretariat’s efforts to improve implementation of CF into GC7 and beyond.

Questions addressed

- What is the current situation on CF, after two full grant lifecycles of implementation?
- Where has the Secretariat faced challenges in implementing CF and how is it planning to improve?
- What early insights do we have into CF in GC7?

Summary of Content

1. **What is the purpose of our co-financing approach as part of the Sustainability, Transition & Co-financing (STC) Policy**
2. What is our experience thus far?
3. What are we doing differently for GC7?
4. What is next?

The STC Policy is implemented through a suite of tools


35th Board Meeting

The Global Fund Sustainability, Transition and Co-financing Policy

GF/B35/04 – Revision 1
Board Decision

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

The Global Fund

Domestic resource mobilization advocacy (including national dialogues)

Today's focus

Co-financing and mobilizing domestic financing

A continuing focus on **efficiency** and VFM to facilitate domestic uptake of interventions

Technical support, country engagement and expanding scope to use grants for financial sustainability objectives (PFM, provider payment reforms, strategic purchasing, social contracting, **transition planning** etc.)

Innovative finance transactions, including blended finance / joint investments and Debt2Health

An **allocation formula** that explicitly builds in graduation from Global Fund grants

*These tools are further reinforced through the Global Fund's **programmatic partnership** with governments, communities and partners to strengthen the sustainability of national programs and enhance impact*

The co-financing approach allows for different objectives in different contexts

	Priority	Policy Lever
Challenging Operating Environment (COEs)	Ensure health spending is not ignored among other priorities for governments and donors, such as security	*"…COEs may, on a case-by-case basis, be granted **flexibilities** with respect to the requirements set for in this policy and/or as set forth in the policy as in the policy on COEs"*
Low Income Countries (LICs)	Promote progressive, aggregate spending on health, HTM and PHC and build capacity	*"[C]o-financing contributions are **not restricted** to the disease program or related RSSH costs and have the flexibility to demonstrate their investment is 100% RSSH interventions"*
Lower Middle Income Countries (LMICs)	Encourage increased domestic funding of Global Fund supported programs	*"[C]o-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"* For Upper-LMICs with high burden, a *"minimum of **75 percent** in disease program interventions".* For Upper-LMICs with low burden, *"applicants are encouraged to show a **greater share of domestic contributions** that will address systemic bottlenecks for transition and sustainability"*
Upper-Middle Income Countries (UMICs)	Institutionalize spending on HIV, TB and Malaria, especially KP programming	*"[C]o-financing contributions should be focused on disease components and RSSH activities to address roadblocks to transition with a minimum of 50% invested in specific disease components targeting **key and vulnerable populations**, as relevant to the country context"*

Based on the differentiation, the policy incentivizes progressive increases in health investment in two ways

What? → *Why?* → *How*

Requirement 1
Progressive government expenditure on health

*Incentivize greater prioritization of government healthcare spend to **strengthen and sustain national responses***

This ensures that General Government **Health Expenditure** is *equal to or greater* than the previous 3-year cycle

---

Requirement 2
Increasing co-financing of Global Fund supported programs

Increase domestic spend* *on national HIV, TB, Malaria responses and RSSH*

Absorb specific costs *financed by the Global Fund (i.e., ARVs, HRH, KVP programming, etc.) to support scale up and sustainability*

*There is a **compounding effect** which can disproportionately impact LMICs, spurring the utilization of flexibilities to maintain progress*

% minimum additional varies based on income level (slide 5). Countries must commit at least the minimum requirement. Estimated realizations ("baseline") are used to determine the minimum requirement for the subsequent GC

* Includes private sector, restricted to verified contributions from domestic corporations and philanthropies that finance NSPs; excludes OOP payments.

THE GLOBAL FUND

See Annex for further detail on concepts and terms

Snapshot of Co-financing cycle

Key co-financing activities across the grant life cycle

Design requirements

- Prior to Allocation Letter, set co-financing incentive and requirements based on the STC Policy, with adjustments per country and financial context
- Engage in country dialogue on co-financing progress and requirements, building on country's budget cycle

Funding Request

- Review co-financing commitments and domestic financing trends submitted by countries via Funding Requests
- Review initial co-financing documentation
- Highlight any co-financing issues for TRP review and address TRP recommendations

Grant-making

- Assess co-financing risk and develop mitigating actions if relevant
- Assess compliance against backward-looking and forward-looking co-financing requirements
- Finalize co-financing commitments via formal Commitment Letter
- Take actions, including non-compliance actions if relevant (including reduction of grant funds or future allocations)

Grant implementation

- Monitor co-financing progress against data sources and reporting schedule agreed by countries in their Commitment Letter
- Monitor progress against mitigating actions if and where relevant
- Take actions in cases of non-compliance, including management letters, withholding of disbursements, etc.

Note: Given the GF grant model, various processes overlap across cycles. They are not presented as overlapping here to allow for a simple graphic.

There is a set of choices when co-financing does not meet policy requirements

	At grant approval?	During implementation?
1. Full or partial **waivers** for countries may be considered by the Head, GMD on the basis of extenuating circumstances.*	✓	✓
2. If a waiver is not provided, the Secretariat must:		
a) consider **withholding disbursements or reducing grant funds**	✓	✓
b) Consider **reducing the subsequent allocation**	✓	

The STC Policy exempts certain applicants from co-financing requirements. This includes multi-country (comprised solely of catalytic funding) and non-CCM applicants. A country who is exempt is exempt from all co-financing requirements.

See Annex for further detail on flexibilities afforded by the Co-financing policy.

* As set out in the STC policy, waivers require strong justification, as well as a plan for addressing funding shortfalls. A recommendation to the Head, GMD on whether to support a waiver request is made by the country team with expert advice from health financing specialists.

Summary of Content

1. What is the purpose of our co-financing approach as part of the Sustainability, Transition & Co-financing (STC)
2. **What is our experience thus far?**
3. What are we doing differently for GC7?
4. What is next?

Since the STC policy was approved, the Global Fund Partnership has made major strides

Increased focus on health finance

Invested significantly in **specialist financial sustainability resources** with the creation of the Health Finance Department

Equipped countries with approximately USD 30 million in **technical assistance for sustainability, transition and efficiency** work in GC5 and GC6 so far

Supported countries to enhance public financial management systems

Incentivized change with countries and partners

Increased **incentives to partners to align with other donors**, including via the Sustainable Health Financing Accelerator, and working with MDBs, including on blended finance deals

Complemented DRM focus with **innovative finance transactions to unlock / crowd-in other sources** of funding as well as increase harmonization with other donors

Catalyzed resources through partnership & advocacy

Activated **increased domestic investment in health**, health systems and national responses

Facilitated expanding **domestic resource mobilization advocacy**, AU relationship, ALM and national dialogues

Expanded dialogue with countries on health financing and sustainability; Ministries of Health often use our policy as leverage within government discussions

Evidence from a range of reviews identifies *internal* challenges in implementation

Leveraging internal and external expertise in order to…

2021 **2022** **2023**

OIG review of Domestic Finance for Health (DFH)

1 **Use** insights from OIG's Domestic Finance for Health challenges and responses to inform expectations, internal operationalization to increase transparency & effectiveness

TRP feedback (ongoing)

2 **Analyze** real-time insights from the TRP to inform dialogue with countries during grant-making

Review of systems for implementing CF data for policy appraisal

Review of CF data governance

3 **Review** co-financing policy application from approach to data use & identify opportunities to strengthen

Use the OIG Report on DFH (2022) to address four challenges with the “as-is” implementation

Difficult to tailor STC policy requirements to country contexts

Lack of guidance and good practice examples, with greater support from specialists needed

Weak focus on “more health for money”

Progressively ambitious design of co-financing requirements geared towards getting ‘more money for health’

Variable quality of country-level reporting

Weak quality and timeliness of country-level HF data, with lack of agreement as to how and when information is reported

Outdated roles & responsibilities for appraising adherence to policy

Co-financing OPN does not reflect actual approach, roles and responsibilities on assessment of adherence to policy; more clarity on authority and responsibility needed

“

*Funding gaps are likely to worsen in the next implementation period... This will require **monitoring and validation of co-financing commitments**, as well as **increased transparency** by the Secretariat **on how commitments are honored**. To date, these have been **weak with varying data quality and limited delineation of roles between country teams and the Domestic Finance Team**, as indicated in our DFH Advisory report.* – OIG Annual Report 2022

Report available here

Analyze TRP observations, recommendations to identify opportunities to support (example from GC7 Windows 1/2)

The TRP receives a range of information in funding requests that addresses sustainability. They see encouraging signs with inclusion of health financing modules, but continued incomplete information on co-financing, funding landscape and social health insurance.

Observations

- National **public financial management** (PFM) systems were often underperforming, reducing the opportunities for use of domestic systems by donors – further weakening PFM systems.
- Encouraging to see use of **"Health Financing System" modules** of grants. Unfortunately, plans were often weak and unambitious.
- Many countries adopted primary health-care or universal health coverage objectives, but **social health insurance implementation is lagging**. Difficulties in many funding requests integrating HIV, TB, and malaria into benefit packages.
- Inconsistent quality and completeness in **Funding Landscape Tables** and **RSSH Gaps and Priorities Annex** making it difficult to assess for potential duplication of efforts and progress in domestic financing and co-financing.
- Progress in some transition portfolios on key elements of sustainability (increased domestic financing; support to transition and sustainability plans). However, **operational plans still missing** on investments in key inputs such as HRH or health products.

Recommendations to Applicants

- Strengthen **public financial management** systems to monitor health expenditures, including those on HIV, TB and Malaria.

Recommendations to Partners & the Secretariat

- Support countries to prepare **more complete financial landscape data**, including Global Fund spending in context and RSSH investments.
- Support applicants to **integrate HIV, TB and malaria** into PHC and UHC benefit packages.
- Provide TRP with improved information on realization of co-financing so **TRP can help leverage co-financing towards bottlenecks.**
- Support Focused / Transition countries with **detailed operational sustainability / transition plans** that include broader health systems not just key populations and civil society.

When we *review* GC4, GC5 and GC6, what do we know about co-financing compliance outcomes?

<10% of countries required waivers or were assessed as non-compliant in GC4 and GC5

	GC4	GC5	GC6 – forward compliance
Waivers[1]	5 countries	3 countries	3 countries
Reduction in grant funds[1]	3 countries	2 countries	
Exemptions[2]	9 countries	8 countries	9 countries
# countries included in components reviewed[3]	108	112	111

1. Both waivers and reduction in grant funds can be done per component (as opposed to per country) and can be partial waivers. To simplify information presented here, only countries are displayed and there is no disaggregation between full waivers and partial waivers.
2. As per the STC Policy, certain applicants are exempt from co-financing requirements, including multi-country applicants (comprised solely of catalytic funding) and non-CCM countries. Exemptions included here refer only to non-CCM countries and one multi-country applicant (6 countries) not comprised of catalytic funding.
3. Does not include multi-country applicants comprised solely of catalytic funding.
Source: Board reporting; Waiver memos; KPI11 dataset

Challenges with past approach to monitoring

Overview of approach

- Primarily undertaken at one point-in-time (grant-making) only
- Wide variety of data sources used, not always validated by countries
- Small team based out of Geneva with limited involvement of countries
- Limited insight on programmatic focus of commitments and execution
- Separate process to country budget cycles

Examples of data sources

Data used to establish government expenditures not always reflecting spending nor confirmed by country budget authorities

- Commitment Letters;
- Budgets and LFA verification;
- National health accounts;
- National AIDS spending assessments;
- Funding landscape tables;
- Technical partner reports;
- Literature and Secretariat's own analysis.

A review of co-financing data for policy application and compliance assessment identified gaps and inconsistencies

Findings from our review of the completeness, consistency and quality of co-financing data across key sources of documentation where it is expressed.[1] This review only looked at internal consistency and did not ask questions about external data quality.

Key findings

At GC6:

- **98% of countries reviewed** that went to the GAC saw a deviation between the final **commitment letter** expressing forward commitments for GC6, and what the **grant-making final review form** showed this commitment to be.
- **38 out of 81 countries reviewed,** that went to the GAC had **data missing from grant-making final review forms**, preventing full comparison with FLTs.
- There were **no examples in the countries reviewed** where **FLT data** on domestic expenditure in GC5 matched **GC6 GMFRFs data** on realization of GC5 co-financing commitments.

Commitment Letter quality:

- **86% of countries reviewed** which went to the GC6 GAC had a commitment letter.
- **60% of GC6 commitment letters reviewed failed a basic 'completeness test',** lacking key information to allow policy implementation, e.g., reporting of expenditure from GC5, or a commitment for GC6.
- 10% of GC6 commitment letters reviewed were not signed and 11% were expressed in a local currency other than the grant currency (EUR / USD).

A lack of an end-to-end data lineage (audit trail) and consistency of financial data points highlights **weaknesses in internal controls** and poses **high levels of operational, financial and reputational risks** for the GF as well as higher transaction costs

While there are some reasonable explanations for some of these findings, they still underscore the need to **strengthen co-financing governance**

1. Co-financing data can be found in several Global Fund funding request and grant making templates, including: funding landscape tables (FLTs) submitted as part of funding requests; grant-making final review forms (GMFRFs) submitted to the Grant Approvals Committee; and commitment letters (CLs) from countries.

These gaps and inconsistencies lead to divergent co-financing data

Process of re-baselining for GC7 gives us a more accurate picture moving forward

	GC5 realization[1] As reported in **GC6 GMFRF**	GC6 commitment As reported in **GC6 CL**	GC6 commitment As reported in **GC6 GMFRF**	GC6 realization[2] As reported in **GC7 GMFRF or draft GMFRF**
Country A	$260,932,587	$468,266,912	$675,664,107	$300,648,388
Country B	€ 47,191,946	€ 93,488,641	€ 93,488,641	€ 106,472,490
Country C	$70,977,979	n/a	$77,518,112	$71,342,143 (new baseline, GC6 waived)
Country D	$135,558,725	n/a	$287,473,099	$55,594,651 (under review)
Country E	$585,000,000	n/a	$623,470,000	$87,286,814 (under review)

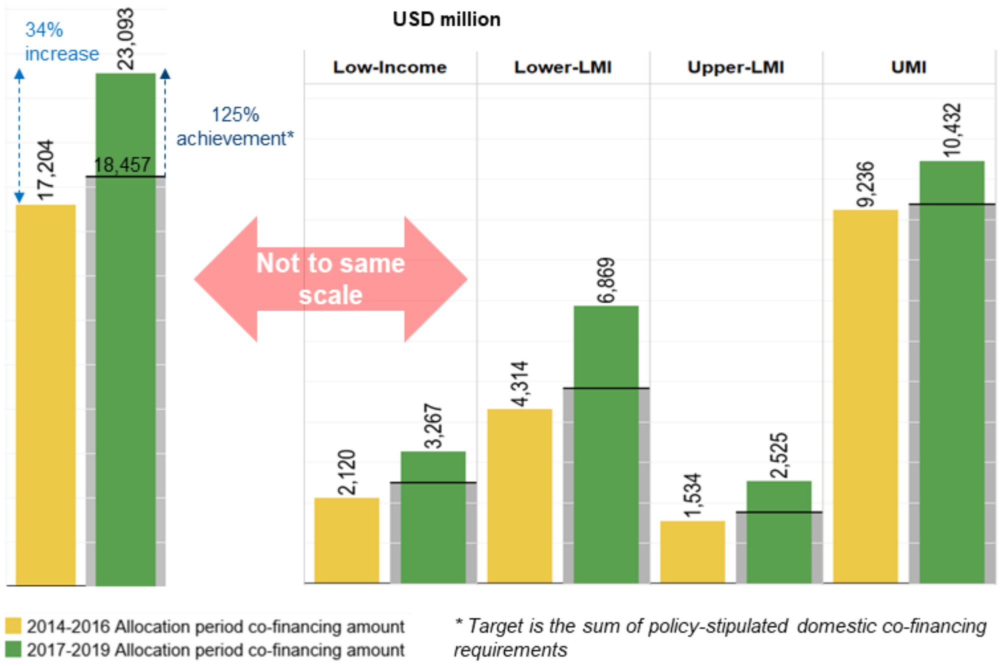
1. These are retrospective estimates of realizations or “expenditure” and are referred to as estimates because sources used for KPI reporting vary widely and are not solely budget allocation and execution reports.
2. Combination of budget execution and budget allocation data for GC6, used as a “baseline” to determine forward-looking GC7 co-financing requirements because of the way that the policy works (future requirements = past realization + minimum additional requirement).

KPI11 (2017-22 Strategy) reported on co-financing until this year

- KPI11 shows how much co-financing is estimated to have been provided in GC5 across the portfolio, expressed as a percentage of the **minimum requirement** across the portfolio as specified by the STC policy.

$$= \sum \frac{co\text{-}financing\ estimated\ across\ all\ countries}{mininum\ requirements\ across\ all\ countries}$$

- Data used came from a **wide range of sources, majority not linked to government expenditure**, including commitment letters, budgets and LFA verification, national health accounts, national AIDS spending assessments; funding landscape tables, technical partner reports, literature and Secretariat's own analysis.
- In general, there was a heavy **reliance on secondary or estimated data** sources such as NHAs, and our internal review of data governance showed discrepancies across different internal data sources for co-financing estimates.



** Target is the sum of policy-stipulated domestic co-financing requirements*

- As we estimate GC6 realizations using budgets and budget execution reports in preparation for GC7 GAC, we are finding significant shifts in co-financing estimates, in both directions:

	GC5 realization	GC6 realization	Source of divergence
Country 1	$773M	>$280M decrease	GC5 over-reported due to reliance on secondary data sources
Country 2	$14M	>$50M increase	GC5 under-reported due to omission of HIV component

Source: KPI11 dataset

Four main themes emerge from our reviews of the co-financing data, monitoring, and implementation

Data governance

Material inconsistencies and missing data comparing country submissions and GAC and Board reports

Reliance on data collated by Secretariat in lieu of country-submitted evidence

Lack of central repository for co-financing data, further challenged by a lack of audit trail on data-related decisions

Modern standards of data storage and quality-assurance not being applied

Incentives and policy visibility

Some countries indicate they do not understand the policy and are not engaged in its implementation – from making commitments to backing these with evidence

Limited transparency and reporting of co-financing progress throughout the cycle reduces governance visibility

Difficult trade-offs between prioritization of sustainability (incl. co-financing) and timely grant disbursement for programmatic continuity

Enaction of policy

OPN does not reflect how the Policy is implemented in practice

Co-financing appraisals against STC policy carried out inconsistently across countries, with lack of clarity over decision grounds

Consideration of fiscal realities of countries sometimes not prioritized, with more emphasis on ambition in commitments than verification of realizations

Roles and responsibilities

Lack of clarity of roles & responsibilities across stakeholders involved in implementation, including internally at the Secretariat

Minimal / no integration of Co-financing processes with GOS and grant-making

*Overall analysis demonstrates an **opportunity to strengthen data governance and policy acumen** across the Secretariat and with countries – however, the purpose to catalyze more domestic resources through all our tools, remains core to our approach and is featured in our Strategy.*

Supported by findings from OIG and external service providers

Summary of Content

1. What is the purpose of our co-financing approach as part of the Sustainability, Transition & Co-financing (STC)
2. What is our experience thus far?
3. **What are we doing differently for GC7?**
4. What is next?

Focus areas to improve monitoring moving forward

Challenges with the past approach …

- Primarily undertaken at one point-in-time (grant-making) only
- Wide variety of data sources used, not always validated by countries
- Small team based out of Geneva with limited involvement of countries
- Limited insight on programmatic focus of commitments and execution
- Separate process to country budget cycles

… we are addressing for GC7

- Ongoing monitoring throughout grant implementation
- Focus on budget reports as the primary data source, allowing for some flexibilities
- Building country capacity and dialogue on reporting, working with national and regional institutions (e.g., African Union)
- Systematic capturing / tracking of programmatic commitments, alongside financial commitments, and an emphasis on improving specificity and quality of programmatic and financial commitments
- Alignment of monitoring requirements with country budget cycles

In preparing for GC7, through enhanced governance and incentives we have sought to align policy, implementation and strategic objectives

Done

In progress / ongoing

Co-financing governance, incl. data

- Updated operational guidance on Co-Financing for GC7, including clarifying approach to assessing compliance and minimum data req's ★ (Done)
- Updated Commitment Letter and Funding Landscape Table templates for GC7 (Done)
- Increased tracking of the GMFRF (Done)
- Improved Health Finance data platform ★ (In progress / ongoing)
- Introduction of co-financing monitoring tool ★ (In progress / ongoing)

Incentives and policy visibility

- Mandatory Commitment Letter for GC7 ★ (Done)
- Updated, more demanding co-Financing KPI, including a co-financing risk KPI (Done)
- Updated Risk IRM tool to include standalone Co-financing and Sustainability risks ★ (Done)
- Comprehensive standard co-financing language in grant confirmations for GC7 ★ (Done)
- Performance & Accountability metrics for HFD (In progress / ongoing)

★ Critical for co-financing monitoring moving forward

We are also incrementally applying more strategic implementation approaches, clarifying roles and partnering for improved co-financing outcomes

Done

In progress / ongoing

Enaction of policy

- Data-driven approach to setting forward-looking co-financing requirements for GC7 driving both consistency and tailoring ★
- Rigorous review and reset of co-financing baselines for many countries for GC7
- Using built-in flexibilities of the Sustainability, Transition and Co-financing policy ★

Roles and responsibilities

- Interim guidance providing short-medium term clarity on roles of key stakeholders involved in implementation for GC7
- Expansion of HF capacity in the Secretariat and an explicitly CT-facing service model, including to help CTs with data governance
- Exploring use of LFAs, as well as other partnerships (e.g., UNAIDS, WHO, GFF), to support co-financing monitoring ★

★ Critical for co-financing monitoring moving forward

Domestic resource mobilization data feed into critical pieces of the Global Fund model

DRM data

- Program continuity & sustainability planning
- Co-financing compliance
- Risk register
- Value for Money analyses
- Results Report
- KPIs → *Detail on KPI R1a on next slide*
- Investment Case
- Strategic target setting
- PEPFAR in-country alignment
- Board, Committees, Constituency & Partner updates

KPI R1a (2023-28 Strategy) is more aligned to the policy than KPI11

- KPI R1a asks how much co-financing was realized in the previous allocation cycle across the portfolio as a % of **what countries committed**, not the minimum requirement expected by the policy. This is a more stretching indicator.

$$= \sum \frac{co\text{-}financing\ estimated\ across\ all\ countries}{commitments\ made\ by\ all\ countries}$$

- We will also **shift the focus on acceptable data** sources to:
  - improved **commitment letters**, including clear statements on past **budget execution** and the current year's budget allocation;
  - **verification** by LFA and/or HF specialists, in line with the STC policy.

- Both KPI11 and KPI R1a suffer from a significant lag before the full portfolio is reported. This is because we do not assess retrospective co-financing performance by a country until they apply for funding in the following allocation cycle.

- To help compensate for this, KPI R1b, which will be reported alongside KPI R1a, will report on progress made by Global Fund Secretariat and partners in implementing co-financing risk mitigation steps. The forward-looking nature of co-financing risk assessment means that this KPI will provide an insight into future performance of KPI R1a.

In GC7, with GAC, the Secretariat used a data-driven approach to determine co-financing potential

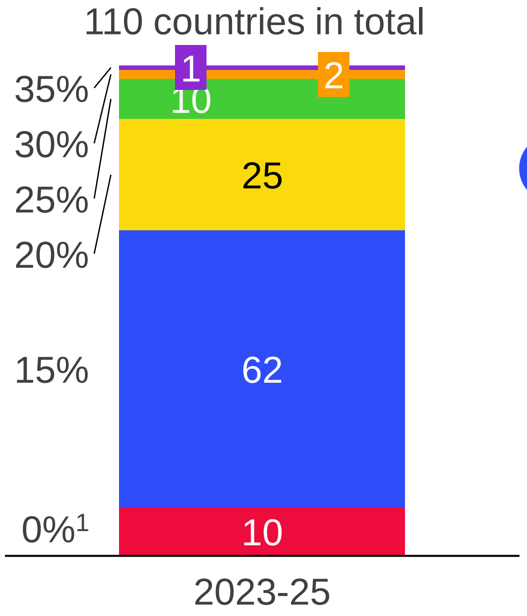
In the current context, we saw that direct application of the STC policy would not be realistic for many countries.

- ! Ambitious strategy committing us to greater investment
- ! Unprecedented fiscal pressure faced by countries
- ! Constrained allocations, with significantly increased cost of commodities and essential services

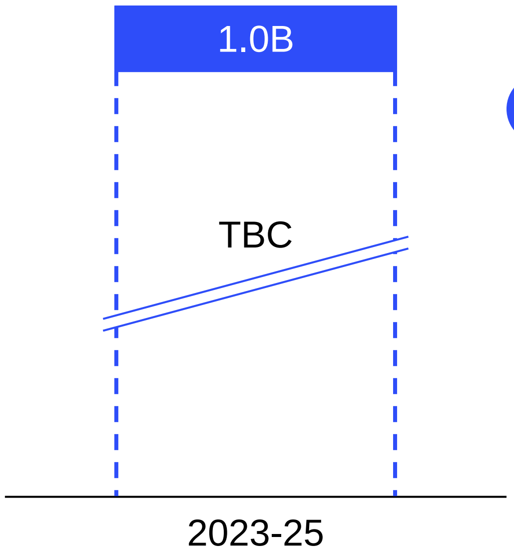
We modelled countries' fiscal space to evaluate their capacity to increase domestic financing and used this to set co-financing expectations in allocation letters.

A portion of grant funding is conditional on meeting co-financing requirements

Proposed % of allocation tied to co-financing across the portfolio (# of countries) shown below



As a result, we are requiring approximately $1bn of additional co-financing from countries in GC7 above GC6, compared to a GC5 → GC6 change in realization of $6bn.



For countries with significant fiscal challenges and potentially unsustainable trends in co-financing, we conditioned grants on co-financing, but not on policy prescribed increases.

34 exceptions / de-linkages
Zero or reduced minimum additional co-financing requirements. **In these countries, grants are still conditioned on co-financing requirements, such as sustained spending, enhanced efficiency, or smaller overall increases than the Policy prescribed amount**.

1 waiver + 8 exemptions
1 country received a full waiver, and 8 countries are exempted as per the STC Policy. These countries do not have co-financing requirements

This approach is designed to support realistic and strategic co-financing targets, aligned with the fiscal realities of countries, while still providing the Global Fund with the leverage to support better programmatic outcomes through domestic financing

1. Total number includes 1 waiver, 8 exemptions and one country applying a payments for results modality without a specific % of allocation tied to co-financing. Source: Analysis for GAC Dec 2022

Early insights from GC7 on co-financing outcomes

As of 23 October, over 15 countries have come through GAC review for GC7

Country	Components	Status of GC6 backward-looking compliance	Status of GC7 forward-looking compliance
Country AA	HIV, TB	**Conditional compliance** (*pending submission of further budget reports*)	**Conditional compliance** (*pending finalization of Commitment Letter*)
Country AB	Malaria	**Waiver**	**Conditional compliance** (*pending finalization of Commitment Letter*)
Country AC	Malaria	**Complied**	**Conditional compliance** (*pending finalization of Commitment Letter*)
Country AD	HIV, TB	**Complied**	**Conditional compliance** (*pending finalization of Commitment Letter*)
Country BA	HIV, TB, Malaria	**Complied**	**Conditional compliance** (*pending finalization of Commitment Letter*)
Country BB	HIV, TB	**Complied**	**Complied**
Country BC	HIV, TB, Malaria	**Exempt** given Non-CCM status	**Exempt** given Non-CCM status
Country CA	TB	**Complied**	**Complied**
Country CB	Malaria, RSSH	**Waiver**	**Conditional compliance** (*pending finalization of Commitment Letter*)
Country DA[1]	HIV, TB, Malaria	**Complied**	**Complied**
Country DB[1]	HIV	**Complied**	**Complied**
Country DC[1]	HIV, TB, Malaria, RSSH	**Complied**	**Complied**
Country EA[1]	Malaria	**Waiver**	**Complied**
Country EB[1]	HIV, Malaria	**Waiver**	**Conditional compliance** (*pending finalization of Commitment Letter*)
Country EC[1]	HIV	**Conditional compliance** (*pending submission of further budget reports*)	**Conditional compliance** (*pending finalization of Commitment Letter*)
Country ED[1]	HIV, TB	**Conditional compliance** (*pending submission of further budget reports*)	**Conditional compliance** (*pending finalization of Commitment Letter*)
Country EE[1]	Malaria	**Conditional compliance** (*pending submission of further budget reports*)	**Conditional compliance** (*pending finalization of Commitment Letter*)

Note: One further country has also already been waived for GC6 backward-looking and GC7 forward-looking requirements; 1. GAC Recommended, but not Board approved yet

Côte d'Ivoire

Significant engagement by the Secretariat can improve the co-financing outlook for GC7 in a country that has historically faced stock-outs linked to co-financing

Achieved a **common understanding of the total co-financing requirements.**

The government has started sharing **budget execution data** from its financial management system **with detailed budget lines under each disease program**, and budget lines for World Bank RSSH loans.

GC7 **commitments are in line with minimum requirements and country capacity and not overly ambitious**, making use of RSSH flexibility in the policy.

A commitment to **increase overall government health budget as a share of government budget** helps ensure increased HTM spending does not crowd out other essential health spending and supports DRM advocacy work.

The most significant increases in co-financing for specific program commitments are for **commodities.**

Indonesia

Co-financing can have a catalytic effect on sustainability

Through the collaborative work of Country Team and HFD, a comprehensive commitment letter was secured from Indonesia, with specific program commitments including breakdown and progressive domestic adoption of program management costs. **Major objective for the Global Fund in countries like Indonesia is to promote funding of key aspects of the response.**

All financial commitments … allocated as specific programmatic commitments

2023-2026 Allocation period co-financing commitments

	Actual of 2020-2022 Allocation period (USD)				Budget of 2023-2026 Allocation period (USD)				
	2020*	2021*	2022	Total	2023	2024	2025	2026	Total
HIV	114.299.850	103.166.726	130.904.511	348.371.087	134.530.670	146.772.962	160.129.301	174.701.067	616.134.000
TB	121.359.710	132.593.669	168.770.935	422.724.314	189.489.982	206.544.080	225.133.047	245.620.155	866.787.264
Malari a	6.018.383	4.558.539	2.972.722	13.549.644	3.252.494	3.361.213	3.426.420	3.479.263	13.519.390
RSSH	10.504.850	10.804.857	11.886.903	33.196.610	13.303.430	14.442.032	15.584.896	17.008.827	60.339.185
Totals	**252.182.793**	**251.123.791**	**314.535.071**	**817.841.655**	**340.576.576**	**371.120.287**	**404.273.664**	**440.809.312**	**1.556.779.839**

> The financing of the program management to be provided by the Ministry of Health will be carried out gradually, starting from 2025 at 10% and 100% in 2026. The program management funding will only cover the PR at MoH central level.

2023-2026 Allocation period specific programmatic commitments

Program	Intervention/Activity	Total 3-year domestic financing commitment for the 2023-2026 allocation period (USD)
HIV	Prevention package for men who have sex with men (MSM) and their sexual partners	92.061.519
	Prevention package for sex workers, their clients and other sexual partners	123.293.574
	Prevention package for transgender people and their sexual partners	14.780.623
	Prevention package for people who use drugs (PUD) and their sexual partners	20.077.911
	Prevention package for AGYW and male sexual partners in high HIV incidence settings	662.452
	Elimination of vertical transmission of HIV, syphilis and hepatitis B	333.145
	Treatment, care and support	329.526.637
	TB/HIV	323.097
	Reducing human rights-related barriers to HIV/TB services	188.619
	Program management	56.491.314
Total HIV		**616.134.000**
TB	TB diagnosis, treatment, and care	350.403.362
	Drug-resistant (DR)-TB diagnosis, treatment and care	66.392.216
	TB/DR-TB Prevention	295.076.516
	Collaboration with other providers and sectors	2.766.342
	Key and vulnerable populations – TB/DR-TB	21.082.625
	TB/HIV	11.065.369
	Program management	119.874.834
Total TB		**866.787.264**
Malaria	Vector control	4.593.528
	Case management	7.359.651
	Specific prevention interventions (SPI)	626.486
	Program Management	939.725
Total Malaria		**13.519.390**
Total RSSH		**60.339.185**
TOTAL		**1.556.779.839**

Philippines

Strong internal collaboration within the Secretariat illustrates the scope for using co-financing as a strategic lever for delivering our strategic objectives on the path to UHC. In PHL, a comprehensive commitment letter was secured, with specific commodity commitments in the context of a grant that is mostly commodities.

Specific commitments towards commodities with clear plan for monitoring/reporting.

Example: Detailed Breakdown of proposed DOH counterpart for TB 2024-2026

Tuberculosis	Required Budget			DOH Proposed Commitment			Global Fund		
Particulars	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**
PPD	60,442 070	45,715 431	49,231,552	-	-	-	16,694 250	28,250,175	42,566,621
Chest Xray (excluding capex)	1,217,845,650	1,251,582,500	1,286,463,150	-	-	-	465,179,022	465,423,007	450,630,140
RDT Cartridges	1,325,804,497	1,767,176 428	2,539,769 733	1,320,460,799	974,160,816	1,043,521,066			
TPT Drugs- 3HR	27,567 120	36 030 875	47,280,979	27,602,066	36,030,875	47,272,974		-	-
TPT drugs- 3HP	132,011,421	I70,851,622	217,667,459	-	-	-	11,002,911	157,725,295	259,556,122
First Line Drugs- Adults	938,654,330	828,552,025	844,709 591	938,654,327	835,035,376	844,777,390	-	-	-
First Line Drugs- Pedia	117,780,779	140,176,806	154,878,171	117,780,779	140,176,806	154,878,171	-	-	-
Second Line TB Drugs - Adult and Pedia	541.370 580	883,546.630	I 036,689 719	146,164,276	282,728,553	383,571,403	165,918,392	642,270,641	671,312,963
Philippine TB Society Inc.	-	-	-	14,821,000	14,821,000	14,821,000	-	-	-
National TB Prevalence Survey	-	-	25,000,000	-	-	25,000,000	-	-	-
NTRL Personnel Salary	21,047,448	21,047,448	21,047 448	21,047,448	21,047,448	21,047,448	-	-	-
Philhealth				293,552,513	293,552,513			-	-
SUBTOTAL- Tuberculosis	**4,382,523.895**	**5,144,679,765**	**6,222,737,802**	***2,880,083,208***	***2,597,553,388***	***2,534,889,452***	**658,794,574**	**1,293,669,118**	**1,424,065,846**

> *To realize our co-financing commitments, we will be providing the Global Fund the following information:*
> *● Annual Procurement Plan of the Disease Prevention and Control Bureau where the three disease programs are lodged, every 31st of December; and*
> *● Annual financial report, every 30th of June the following year.*

Across country contexts, we are institutionalizing a proactive & holistic approach to manage health financing risk through the grant life-cycle

New standalone HF category introduced in country risk management with focus on 2 areas:

- ✓ **Barriers to domestic health financing** (the investment case projects 45% of resources will be from country resources) and its impact on results, using co-financing as an entry point.
- ✓ **Financial sustainability** of the disease response, and sector-wide inefficiencies, to better align Global Fund grants to broader UHC financing, as a means to mitigate risks of aid reductions and domestic economic downturns.

Institutional embedding and proactive support:

- ✓ Development of **tools and incentives** for operationalization of this risk management framework (root cause & rating guidance, a KPI focused on material co-financing risk, advisory and TA) throughout grant-life cycle.
- ✓ Proactive focus and systematic roll-out starting with GC7 through (identification of root causes / drivers and design and monitoring of mitigation).
- ✓ Innovative finance engagement early on, to ensure a risk lens informs decision-making, aiming to mitigate by design rather than reactive management.

Actions expected from this renewed focus:

- ✓ A clearer link to performance letters, grant agreements and support to in-country stakeholders (e.g., via heavily reduced HF Strategic Initiative) to reduce risk levels by implementing mitigation steps and target-risk setting.
- ✓ A clear focus on risk management in refreshed co-financing operational processes.
- ✓ Corporate reporting, HF embedded in the organizational risk register.

Summary of Content

1. What is the purpose of our co-financing approach as part of the Sustainability, Transition & Co-financing (STC)
2. What is our experience thus far?
3. What are we doing differently for GC7?
4. **What is next?**

As we move forward, we continue our collective focus on catalyzing domestic resources

*As shared last year with the Board, this continues to require **working in partnership with countries, simplifying and improving our systems**. There is significant learning from these 7 years, and we'll continue to incorporate as we evolve with countries and partners*

Co-financing | BF & D2H | VfM | Advocacy | Partnerships | Social contracting | HF Data | HF Embedding

Our way forward: strengthen **domestic investments through more quality, simpler, country owned, verifiable co-financing**

Encourage greater ownership of governments

1. Governments, especially MoFs, must **own their commitments**
2. Empower **national stakeholders to hold leaders to account** on DRM
3. Work with partners to **build local capacity** (people and systems) for **monitoring expenditure and linking to programmatic priorities**

Less is more: Simplify requirements for countries

1. **Simplify ask and improve communication** with countries during country dialogue and grant processes
2. Increase **visibility** into specific commitments and renew emphasis on **total programmable resources**
3. Work with countries to ensure financial and programmatic commitments are **realistic and further interlinked**

Systematically improve data and ability to track commitments

1. More systematically **document and substantiate** co-financing commitments
2. Work with countries and partners to **strengthen data systems** at the national/subnational levels
3. Improve Global Fund **review, verification, and monitoring** of commitments

Overall: Focus more on country engagement, strategic commitments, capacity building and reform processes to further leverage co-financing as a strategic tool

THE GLOBAL FUND 8

CONFIDENTIAL – DO NOT DISTRIBUTE

And we know this means balancing trade offs

Examples to consider – non-exhaustive nor strictly mutually exclusive

More uniformity

Continue to invest resources in co-financing

Consistent set of requirements across portfolio

Require country alignment with Global Fund cycles

Strong minimum standards for monitoring and data

Quality / comprehensive reporting on DRM

More flexibility

Focus resources on HF levers beyond co-financing

Requirements vary based on country context

Align requirements to country budgeting cycles

Varying standards for monitoring and data

Limited ability to report aggregate DRM data

Our reporting approach to co-financing during GC7

KPIs	• R1a (co-financing performance in previous allocation cycle) – annually (spring). • R1b (co-financing risk mitigation process in current allocation cycle) – annually. • R1a is more stretching than KPI11 was. R1b is new for 2023-28 Strategy.
Complementary insights on KPIs	• Multiple corollary indicators on domestic resource mobilization, currently being finalized, including MEC P&A reporting. Reported alongside KPIs, annually.
GAC recommendations to the Board on grant-making (GAC Reports to the Board)	• Country- and component-specific information on co-financing, including total commitments, assessment of adherence to policy, and specific information on waivers, exemptions, actions taken for non-adherence, and context. Reported when GAC approves a grant (i.e., every three years per country / component). • Grant-making final review forms (detailed information on co-financing, including backward- and forward-looking adherence) shared with Board to substantiate GAC recommendations to the Board. • Improvements during GC7 include greater disaggregation of co-financing adherence assessments, including by each policy requirement, and a stand-alone section on co-financing.
Narrative reporting on aggregate co-financing	• Currently, narrative is only provided in GAC Board Reports at grant-making for individual countries / components, meaning every three years.

So what does this mean and where do we go from here?

- ✓ We introduced the policy during a different period, but the **aim of catalyzing domestic resources still matters,** and is core to our Strategy and to sustaining the collective gains as we work towards UHC. Co-financing is a strategic lever for the Global Fund.
- ✓ We have invested significant energy in analyzing our implementation of the policy, particularly on co-financing, and there's a lot we've learned – and we have a **clear plan in place for improvement.**
- ✓ This includes addressing challenges in **data governance**, **policy awareness** and consistent application, and **roles and responsibilities**; however, there will continue to be resource constraints and associated trade-offs.
- ✓ Clear lessons from country dialogue are showing us **what's working** in co-financing. We will need to double-down on these lessons alongside other financial sustainability levers – and it will require the broader partnership as well.
- ✓ We want to be **foot forward on the flexibilities to be as efficient as possible** – differentiating upfront where there's unlikely potential to increase domestic investment. And where there's real opportunity to move the needle, let's focus resources there, with country leadership and with partners.
- ✓ We are committed **to reporting regularly and transparently** – be it the normal reporting, aggregate KPI insights or status updates when needed (including where we need to problem solve together).
- ✓ We look forward to continued **sharing of our experiences** as other partners embark on sustainability, transition and co-financing as well as **engaging in partnership where that can accelerate impact collectively**.

Annex

THE GLOBAL FUND

The GF Co-financing policy

Additional terms

Incentive = The proportion of the country's allocation tied to fulfilling co-financing requirements

Requirement = What a country must do at a minimum to fulfil GF's co-financing policy

Additional = The minimum additional incremental increase in domestic spend on HIV, TB, Malaria or RSSH required by GF's co-financing policy. This is also typically represented by a % of the country's allocation

Baseline = The amount of domestic spend realized in the previous cycle and which is used to calculate the forward-looking co-financing requirement for countries

Commitment = The specific USD / EUR amounts or monetized activities which a country has promised to fulfil the GF co-financing policy

DRM KPI R1a = Total co-financing realized during the allocation period as a % of Total co-financing commitments for the allocation period

Flexibilities (Policy and OPN)

1. **Exceptions to the policy may be made based on country context, fiscal space and other relevant factors** – upfront and during the grant cycle
2. **COE flexibilities** may be agreed on an individual basis as part of EGMC / PPC review
3. **Exemptions** for regional, multi-country and non-CCM applicants already available (no memo / request required)
4. **Upfront waivers and waivers at compliance assessment** available where strong justifications exist
5. **Various options for non-compliance actions** include reducing money from future allocations; withholding disbursements in current IP; and reducing grant amounts in current IP
6. **Co-financing must be evidenced through allocations to government budget lines, expenditure, and / or other agreed upon assurance mechanisms**. Flexibility to define data sources and the approach taken to monitoring.
7. **Co-financing requirements may be set on a case-by-case basis considering 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
8. **In assessing compliance, Secretariat will consider macroeconomic, fiscal, and other contextual and relevant factors** (part 3, para.7(b), Annex 1).

Please note: The STC policy allows for exceptions (#1, #2); exemptions (#3), and waivers (#4)