

Sustainability, Transition and Co-financing Policy Revisions

52nd Board Meeting

GF/B52/08E

20 – 22 November 2024, Lilongwe, Malawi

Board Decision

Purpose of the paper: This paper presents revisions to the Global Fund Sustainability, Transition and Co-financing Policy in advance of the 2026-2028 allocation period (Grant Cycle 8 (GC8)) for Board approval.

Document Classification: Internal.

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Decision

Decision Point: GF/B52/DPXX: Approval of the Revised Sustainability, Transition and Co-financing Policy

1. **Based on the recommendation of the Strategy Committee, the Board approves the revised Sustainability, Transition and Co-financing Policy, as set forth in Annex 1 to GF/B52/08E (the “Revised Sustainability, Transition and Co-financing Policy”).**
2. **Accordingly, the Board:**
 - i. **Acknowledges that this decision point and the Revised Sustainability, Transition and Co-financing Policy supersede the decision point GF/B35/DP08 and the previous Sustainability, Transition and Co-financing Policy as set forth in Annex 1 to GF/B35/04 – Revision 1 (the “Previous Sustainability, Transition and Co-financing Policy”); and**
 - ii. **Notes that, notwithstanding paragraph 2.i of this decision point, the Previous Sustainability, Transition and Co-financing Policy remains applicable to 2023-2025 allocation period (Grant Cycle 7) grants and the Secretariat shall take account of compliance considerations in the Revised Sustainability, Transition and Co-financing Policy when determining compliance with such requirements.**

Budgetary implications: None

A summary of relevant past decisions providing context to the proposed Decision Point can be found in Annex 5.

Executive Summary

Context

- The global environment and economic context have changed significantly since the Global Fund Sustainability, Transition and Co-Financing Policy (STC Policy) was adopted in 2016. In response, throughout 2024, the Global Fund Board and Strategy Committee (SC) undertook substantive discussions about how the Global Fund should adapt to deliver sustainable impact, protect existing gains, continue progress towards ending AIDS, TB and malaria and deliver on the promise of [Sustainable Development Goal 3](#). *GF/B52/08A: Introduction to Holistic Sustainability Policy Decisions* provides the overarching context for the proposed holistic changes recommended across Eligibility (GF/B52/08D), Allocation Methodology (GF/B52/08B), and the STC policies.
- The STC Policy was first approved in April 2016 (2016 STC Policy). It outlines high-level principles for engaging with countries on sustainability and transition, the focus of funding requirements for country allocations and co-financing requirements to access full allocations for Global Fund supported countries. The 2016 STC Policy was written during a time when Global Fund supported countries were experiencing economic growth and there were significant expectations related to increases in domestic financing and simultaneous increases in Global Fund resources. During the first two grant cycles of implementation of the 2016 STC Policy, the policy was used to incentivize overall increases in domestic resources for health and support transition away from Global Fund support over longer-term time horizons.
- The revised STC Policy acknowledges the changed post-COVID-19 landscape in which countries are implementing health programs, including significant pressures on economic growth, increased debt burden in many contexts and challenges to increase health spending at the country level. The revisions also recognize the Global Fund's increased focus on sustainability, the importance of leveraging co-financing to strengthen country ownership of national responses (including specific interventions critical to programmatic impact) and the continued need to support countries to plan for transition from Global Fund financing. The revisions also focus on principles of aid effectiveness, including the need for coordinated sustainability and transition planning, greater use of national systems, strengthened alignment, and coordinated approaches to encourage and advocate for domestic financing, in line with key aspects of the Lusaka agenda.
- To inform the proposed revisions, the Secretariat has reviewed the 2016 STC Policy and considered external review findings, internal analysis, lessons learned from implementation over two grant cycles, Board and SC guidance from the July 2024 Board Retreat which discussed specific operational levers to further sustainability considerations across the portfolio, and SC guidance received in September and October 2024, including the October 2024 SC meeting.

Conclusions

Based on the SC's recommendation, the Secretariat proposes revisions to the STC Policy in line with Board and SC input on directional changes to reinforce sustainability and maximize the impact of the STC Policy ahead of the 2026-2028 allocation period (Grant Cycle 8 (GC8)). The proposed changes seek to reinforce sustainability across the entire portfolio; further link the sustainability, transition and co-financing pieces of the policy; facilitate greater predictability for countries around transition; re-emphasize the importance of alignment with country systems; strengthen differentiation; increase focus on value for money; reinforce the strategic elements of co-financing and introduce revisions for clarity and simplification.

Noting the significant changes in the structure of certain sections of the revised policy, Annex 4 of GF/SC26/06D-Rev1: Sustainability, Transition, and Co-Financing Policy Revisions highlights material changes to the 2016 STC Policy and accompanying rationale.

Annex 1 to this paper presents a clean version of the SC recommended revised STC Policy.

Input Received

- Proposed revisions reflect findings, conclusions, and recommendations from several external reviews (including, but not limited to, the July 2019 TERG Thematic Review on Sustainability, Transition and Co-financing (STC) Policy¹, End-Term Strategic Review (2017-2022) (SR2023)² and OIG audits and advisories). Revisions also consider internal Secretariat analysis.
- Most recently, the Board and SC provided their input on the recommended sustainability levers presented by the Secretariat at the July 2024 Board Retreat. This input has been used to formulate the revised STC Policy.
- The Secretariat consulted with the SC in early September 2024 and during the October 2024 SC, and feedback received has been incorporated into the revised STC Policy. The SC feedback includes, but is not limited to: 1) the importance of clear and transparent reporting to Governance bodies and the Board on policy implementation; 2) clarity in “may” or “will” language throughout the policy to support strong, consistent policy implementation; 3) more robust expectations for sustainability planning across the Global Fund portfolio; 4) the importance of increased focus on sustainability of interventions that support access for key and vulnerable population and services delivered by communities and civil society; 5) the importance of collaborations with partners to support implementation, including coordinated approaches to co-financing; 6) linkages between the STC Policy and key principles of the Lusaka agenda; and 7) the importance of strong monitoring, evaluation, and learning on STC Policy implementation and a willingness to continue implementing enhancements from this learning. The proposed STC Policy for recommendation to the Board reflects the SC's feedback and steer. In addition, non-material edits were made to the proposed STC Policy (Annex 1) following SC recommendation to: (a) ensure consistent use of abbreviations and acronyms; and (b) make typographical improvements.

¹ https://archive.theglobalfund.org/media/9269/archive_terg-sustainability-transition-co-financing_report_en.pdf.

² <https://www.theglobalfund.org/en/iel/evaluations/2024-04-01-end-term-strategic-review-2017-2022/>.

- Given the importance of learning and evaluation, and based on SC discussions and recommendations, the Secretariat will review the STC Policy ahead of the 2029-2031 allocation period (Grant Cycle 9 (GC9)). Any formal revisions required to reflect lessons learned from the revised STC Policy during GC8 and to maximize the impact of the policy as part of the Global Fund's overall sustainability efforts, will be presented to the SC and subsequently the Board for approval.

Input Sought

The Board is requested to approve the following Decision Point at its 52nd Meeting:

- Decision Point: GF/B52/DPXX: Approval of the Revised Sustainability, Transition and Co-financing Policy.

Report

Context

1. The STC Policy³ was adopted by the Global Fund in 2016 to incentivize and support countries to strengthen sustainability, support transition from Global Fund financing, strengthen domestic financing, progressively uptake Global Fund investments to fight HIV, TB and malaria (HTM), and support resilient and sustainable systems for health (RSSH). The policy was written during a time of a positive global economic outlook and increases in Global Fund resources. Accordingly, the Global Fund sought to use the policy to incentivize overall increases in domestic resources for health and national responses, strengthen sustainability and transition planning, and support transition away from Global Fund support over the longer term.
2. The 2016 STC Policy has been a helpful tool to establish principles and a framework to support countries' sustainability planning, guide short/medium-term transition planning and encourage increases in domestic financing for HTM and RSSH. For example, co-financing requirements have increased focus on domestic financing in the context of Global Fund grants; the policy drove transition planning at country level, and resulted in adaptations to other processes for this cohort of countries (particularly for transition preparedness countries⁴); and the provision of transition funding to multiple components supported countries to transition over more predictable timelines than would have otherwise been possible.
3. At the same time, the experience of implementer countries, analysis by the Secretariat, and lessons learned over two grant cycles and confirmed by several STC-related reviews⁵ as well as SR2023, highlight the need to amend the policy to better strengthen sustainability and reflect the challenging health financing environment in which the Global Fund is operating. While not exhaustive, this input and analysis highlighted key priorities, including: increasing the focus on sustainability planning across all Global Fund supported countries; continuing to support countries to plan for transition (particularly in light of challenging future funding scenarios); reinforcing co-financing as a strategic tool; ensuring Global Fund funding requests and grants more directly reflect outcomes of transition and sustainability planning; reinforcing the importance of alignment with and implementation through country systems; and increasing predictability in transition processes. Specifically with respect to co-financing, there is a need for: further differentiation to better account for the large range of country contexts in which Global Fund grants are implemented and co-financing's comparative advantage in each; reorienting co-financing implementation toward a greater focus on co-financing of specific programmatic interventions (i.e., increasing the focus on the "what" and quality of co-financing); better reflecting the realities of country budgeting processes when assessing realization of co-financing; providing more flexibility in how minimum financial requirements are set to reflect country context; increasing the "incentives" to encourage realization

³ Annex 1 to GF/B35/04 – Revision 1.

⁴ [SR2023: Page 70 and 71](#) -- "Overall, evidence suggests that transition aspects within the STC Policy and the wider processes around transition planning have worked relatively well...However, there is a further need to strengthen the focus outside of focus/ transitioning countries in line with the objective of the STC Policy on supporting sustainability across all countries regardless of their position on the development continuum."

⁵ Including the Strategic Review 2023, GF/B51/10A; TERG Thematic Review on STC Policy, January 2020; Board Update on Co-financing, GF/B50/13; OIG Audit of the Effectiveness of the Global Fund Model in Delivering the New Strategy, 2024, reference forthcoming.

of co-financing; improving transparency of co-financing commitments made by countries; and reinforcing the importance of realizing commitments, including to specific programmatic interventions.

4. Since the STC Policy was first introduced almost a decade ago, the overall context at both global and country levels has significantly changed. Donor and implementer countries are contending with shrinking fiscal space, rising debt distress and inflation in the wake of the COVID-19 pandemic and mounting global conflicts. A significant percentage of 'low' income countries (LIC) and 'lower-middle' income countries (LMIC) face stalling or downgraded economic growth, with tightly constrained domestic budgets, competition for scarce resources within and beyond the health sector, and rising debt servicing costs. These considerations, in addition to the changing global context outlined in GF/B52/08A, have reinforced the Board's sustainability agenda. This agenda aims to support the Global Fund to continue to deliver sustainable impact, protect existing gains, continue progress towards ending AIDS, TB and malaria and deliver on the promise of SDG3.
5. At its July 2024 Retreat, the Board recommended that the Global Fund pursue a set of policy and operational levers to best position the Global Fund to realise these aims. In response to this the SC, based on a proposal developed by the Secretariat, is recommending that the STC Policy be revised to better support sustainability and respond to implementation lessons learned and the realities of the significantly changed context.
6. This paper outlines the proposed changes to the current policy and presents a revised policy for Board Approval (Annex 1). The paper also highlights operational areas which are being taken forward by the Secretariat that are important to support delivery of the Global Fund's work on sustainability, transition and co-financing. As supplementary contextual information to this paper please see GF/AFC26/05: Update on Health Finance which provides an update on specific health finance work-streams, focusing on co-financing (including outcomes from the 2020-2022 allocation period (Grant Cycle 6 (GC6)) and the 2023-2025 allocation period (Grant Cycle 7 (GC7)), blended finance, domestic health financing risk, and health financing advocacy. In addition, the 2023-2028 Strategic Performance report (GF/B52/02A) includes a comprehensive section on Domestic Resource Mobilization for Sustainability and provides a status update on GC6 realizations versus commitments and co-financing requirements, as well as information on GC7 co-financing commitments to date.
7. The current proposed revisions to the STC Policy have been considered as part of a holistic set of policy levers aimed at reinforcing sustainability considerations across the portfolio which are described in GF/B52/08A. The recommended adjustments are aligned with input received during the July 2024 Board Retreat and by the SC in September and October 2024, including at the October 2024 SC meeting. They consider lessons learned and the findings and conclusions of the external reviews previously cited.

What do we propose to do and why?

8. The Secretariat is recommending updates to the STC Policy that link to six overall thematic areas:

- a. *Reinforcing sustainability:* Proposed revisions aim to broaden the current focus areas for sustainability outlined in the STC Policy to better reflect the overall approach the Global Fund is taking and increase linkages among the sustainability, transition and co-financing pieces of the policy. This includes (i) explicitly recognizing that sustainability has many dimensions, and that the Global Fund will work with countries, civil society, communities, and partners, including, but not limited to, multilateral and bilateral partners, including other Global Health Initiatives (GHIs), to, based on country context, address these dimensions as part of our overall grant-making and country engagement; (ii) adding thematic areas relevant to the Global Fund's broader efforts on sustainability formally into the policy; (iii) reinforcing the criticality of alignment with and implementation through country systems as a key piece of sustainability efforts, including more specific references to the importance of strong public financial management (PFM) to long-term sustainability in line with aid effectiveness principles; and (iv) reinforcing the need for coordinated (at country level and with relevant partners) and inclusive (including key, vulnerable and underserved populations, communities and civil society) sustainability and transition planning across the Global Fund portfolio, including more clearly outlining expectations of what that planning should entail.
- b. *Predictability:* In line with the sustainability levers presented to the Board at its July Retreat, revisions and additions have been made to (i) reiterate the importance of transition planning well in advance of transition either due to becoming ineligible or in the event of reduced funding; (ii) acknowledging that the Secretariat may define accelerated transition timelines for a sub-set of the portfolio (e.g., lower disease burden 'middle' income countries (MIC)); and (iii) reinforcing that Global Fund funding requests and grants must better reflect transition and sustainability planning processes at the country level.
- c. *Reinforcing co-financing as a strategic lever:* Acknowledging lessons learned and both internal and external reviews, the revised co-financing section of the policy aims to reinforce the 'strategic' focus of co-financing by: (i) elevating the importance of policy implementation of co-financing of specific programmatic interventions to strengthen dialogue with countries on the optimal mix of Global Fund investments vis-à-vis country investments, improve country ownership of national responses, address dependencies on Global Fund financing, improve domestic financing of recurrent costs supported by Global Fund grants, and increase focus on the "what" and quality of co-financing made by countries; (ii) increasing differentiation to ensure co-financing is focused on where it can have the most impact given country context and the size or scope of Global Fund allocations; (iii) providing more flexibility in how the minimum financial requirements are set to respond to country context, fiscal space considerations, and previous co-financing; (iv) maintaining flexibility, especially for lower income contexts, to focus the majority of co-financing on broader RSSH investments while requiring countries at all income levels to finance specific programmatic interventions as part of co-financing requirements; (v) increasing clarity and simplification in the description of co-financing; (vi) better reflecting country budgeting practices when negotiating commitments and assessing compliance; (vii) further incorporating a focus on efficiency or value for money in implementation; (viii) including a stand-alone principle describing that the Global Fund will work with other partners, including Gavi, multilateral partners, and bilateral partners with formal co-financing policies on co-financing implementation; and (ix) acknowledging the importance of incentivizing the realization

of co-financing commitments, explicitly noting that the Secretariat will further consider a country's realization of its co-financing requirements as part of portfolio optimization and Qualitative Adjustments processes⁶. This is intended to strengthen the incentives for countries to realize commitments across allocation periods.

- d. *Improving differentiation*: Further differentiation based upon lessons learned is incorporated throughout the revised STC Policy, including in: (i) the focus of funding requirements (previously named 'application focus requirements') to better focus investments according to a country's progress towards sustainability and transition; and (ii) the co-financing requirements, to focus co-financing where it is most likely to have an impact, particularly given differences in leverage, size and targeting of Global Fund grants, and underlying differences in health financing across income levels. A further increase in differentiation reflects what the Secretariat has begun to undertake for GC7⁷. For example, for 'upper-middle' income countries (UMIC) and 'upper-lower-middle' income countries (U-LMIC), the policy will remove the requirement to spend more on health overall in order to increase the focus on negotiating specific commitments to finance programmatic interventions that link to sustainability and transition and interventions that support access for key and vulnerable populations.
- e. *Increased focus on efficiency and value for money*: When the 2016 STC Policy was written, there was a strong emphasis on encouraging 'additional resources'. In the more challenging economic context where resources for financing health systems are likely to be more constrained, proposed revisions increase the focus on the optimization of existing resources. This includes: (i) explicitly adding value for money as a focus area of overall sustainability efforts and a principle for co-financing; (ii) placing a greater emphasis in co-financing requirements on the "what" and quality of the co-financing policy (including progressive financing of programmatic interventions) to maximize the impact of the policy on financial sustainability within more constrained country resource envelopes; (iii) reflecting that efficiencies will be explicitly considered in the implementation of the co-financing aspects of the policy; and (iv) further emphasizing the importance of alignment with and implementation through country systems.
- f. *Improving Clarity, Simplification*: Feedback from two grant cycles of implementation and external reviews indicate that the 2016 STC Policy is complex and not always well understood, including at the country level. The revised policy has simplified language and removes operational guidance where possible, noting this is in line with ensuring policy documents remain at the level of strategic principles and requirements.⁸ In addition, the co-financing section has been significantly simplified, including in the description of requirements and focus of co-financing, to improve clarity and support effective implementation.

⁶ As the final step of the allocation methodology, the formula-derived amounts are refined through a transparent and accountable qualitative adjustment process approved by the SC. The qualitative adjustment process aims to maximize the impact of Global Fund resources by accounting for key epidemiological, programmatic and other country contextual factors that are important to determine country allocations but either cannot be considered formulaically or are not fully represented in the allocation formula. The SC approves the Qualitative Adjustments in advance of each grant cycle.

⁷ [Co-Financing Interim Guidance](#), February 2024.

⁸ Operational guidance will continue to be embedded in operational policy and relevant guidance documents. The [Operational Policy Manual](#) compiles the Global Fund operational policies that apply across the grant life cycle (GLC). The operational policy notes contained in the Manual are based on Global Fund Board approved policies and GLC approaches developed by the Global Fund Secretariat.

9. The revised STC Policy does not include changes to the definition of sustainability (below), as it remains fit for purpose in the evolved global context and to support stakeholder focus on implementing the revised policy (rather than responding to an updated definition).

“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 funding by the Global Fund and other major external donors.”*

10. However, the previous⁹ definition for transition has been revised to further acknowledge that transition from the Global Fund is not synonymous with a successful transition, which is the aim of the Global Fund in such cases. The revised definition (below) emphasizes what constitutes a successful transition.

“Planning for Transition: *The Global Fund defines transition as the mechanism by which a country, or a country component, moves towards fully funding and implementing its HIV, TB and malaria programs independent of Global Fund support. A successful transition is one in which previous gains against HIV, TB and malaria are maintained and scaled up, as appropriate, even after external support has come to an end.”*

11. Noting the significant changes in the structure of certain sections of the revised policy, a table is provided in Annex 4 of GF/SC26/06D-Rev1: Sustainability, Transition, and Co-Financing Policy Revisions which highlight where material changes have been made and includes the rationale for those changes. Non-material changes have not been highlighted, nor has re-ordering and re-numbering of paragraphs unless relevant to the proposed changes.

Operationalization of the STC Policy

12. With respect to co-financing, the Secretariat implemented a series of enhancements to improve co-financing policy implementation for GC7. These included, among others, (i) introduction of mandatory, government backed commitment letters to strengthen country accountability for commitments and as the single source of country commitments; (ii) integration of co-financing into the Secretariat’s Integrated Risk Management tool to increase focus on co-financing risks during grant development and implementation; (iii) modification of co-financing KPIs to increase focus on overall realization of commitments rather than minimum requirements and enhance focus on risk mitigation actions; (iv) improvements in routine monitoring and tracking (including specifically outlining reporting and sources in country commitment letters) and further integrating monitoring into standard Global Fund grant processes; (v) strengthened data governance; (vi) modification of the approach to setting co-financing requirements by better reflecting fiscal space considerations and country context; and (vii) introduction of updated operational guidance to guide grant-making processes. These operational enhancements are being used to strengthen the impact of co-

⁹ The previous definition for transition in the 2016 version of the STC Policy (GF/B35/04 – Revision 1) was: *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.*

financing during GC7 and will be complemented by the revisions on co-financing included in the revised STC Policy.

13. Operational guidance documents are intended to guide the work of country stakeholders and Secretariat country teams and will be made available on the Global Fund website. Accordingly, in addition to the proposed revisions to the STC Policy, ahead of GC8, the Secretariat will enhance operationalization of policy requirements and ensure that corresponding operational guidance documents, for example, the Operational Policy Note on Co-financing¹⁰ and the STC Guidance Note,¹¹ provide clear guidance regarding the revised STC Policy and are updated in line with any approved changes to the policy. In particular, the operational guidance will clarify that the 2016 STC Policy requirements will continue to apply to GC7 grants, and that the Secretariat's compliance assessment will take account of the more holistic compliance provisions of the revised STC Policy.
14. Based on SC feedback, several areas were recommended to be considered during operationalization and implementation of the revised STC Policy including, but not limited to: (i) ensuring strong operational guidance is developed to support the revised changes, including to balance ambition with realism in the setting and negotiation of co-financing requirements, developing sustainability considerations for multi-country grants, and more clearly defining programmatic interventions as part of co-financing implementation; (ii) ensuring strong linkages between Access to Funding processes and STC Policy implementation, including for co-financing in preparation for GC8; (iii) exploring opportunities for capacity building at the country level to support effective co-financing implementation, including related to health financing data and resource tracking; (iv) ensuring a strong focus on country ownership and progressive financing of specific interventions as part of policy implementation; (v) continuing efforts to use country systems and support better visibility of Global Fund grant investments at the country level in order to support countries to understand costs they may need to assume; and (vi) strengthening linkages with country accountability institutions to support monitoring and review of co-financing. The Secretariat will consider these and additional areas as part of the implementation of the proposed revisions.
15. In addition to the presented STC Policy revisions, and in line with the sustainability levers which informed the July 2024 Board Retreat discussions, for GC8, the Secretariat will implement the following co-financing enhancements:
 - a. In countries with potential fiscal space and favorable overall environment for domestic financing, the Secretariat will work to set specific co-financing requirements to focus co-financing on the financing of programmatic interventions that are critical to programmatic continuity and are linked to current grant costs. This reflects steer received during the Board retreat on the importance of more specific co-financing commitments and is now formalized in the proposed STC Policy revisions. The revisions elevate the importance of financing specific programmatic interventions and reflect the need to further link co-financing requirements to financial sustainability (by working closely with countries to assume certain costs dependent on Global Fund financing). These requirements will be operationalized ahead of GC8 and will differ in terms of scale and scope across the portfolio, taking due account of country context.

¹⁰ [Operational Policy Manual](#).

¹¹ Guidance Note Sustainability, Transition and Co-financing (note: amended and updated for each grant cycle). Current guidance available [here](#).

- b. The Secretariat recognizes the importance of transparency in its co-financing processes. The Secretariat will continue to update the Board and Governance bodies on co-financing commitments and outcomes through regular governance reporting and GAC reports to the Board, including on co-financing commitments made by countries and co-financing outcomes; flexibilities used to support policy implementation; and adjustments to standard co-financing requirements in the policy, including overviews of waivers and their rationale. In addition, as part of efforts to strengthen transparency in co-financing implementation, the Secretariat will support increasing visibility of co-financing commitments at the country level, including with partners, thereby encouraging coordinated approaches to advocate for the realization of those commitments. This will include sharing co-financing commitment letters at the country level. The Secretariat will also publish summaries of co-financing commitments made by countries pursuant to the STC Policy and monitor these commitments with the Board through KPIs on domestic resource mobilization. The Secretariat will operationalize the relevant changes required to implement this ahead of GC8.

Conclusions

16. Together, the recommended changes to the STC Policy, supported by a set of operational policy and guidance updates and continued focus on implementation enhancements, will deliver a critical pillar of the holistic preparations being undertaken to respond to the changing environment and safeguard the sustainability of the Global Fund's mission.
17. Following Board approval of the revised STC Policy in November 2024, updates will be made, in advance of GC8, to operationalize the policy and guidance to reflect the implementation-focused changes described in this paper. The SC and Board will be kept abreast of the evolution of this work throughout 2025 as part of updates on preparations for GC8, with the final operational policy and guidance to be published on the Global Fund's website by the end of 2025 and prior to the issuance of allocation letters. In addition, the Secretariat will continue to leverage ongoing learning and evaluation to support implementation of the revised STC Policy, including reviewing the policy – based on lessons learned during GC8 – ahead of GC9 to ensure the policy continues to be fit for purpose.

Recommendation

The Board is requested to approve the Decision Point presented on page 1.

Annexes

The following items can be found in Annex:

- Annex 1: Revised Sustainability, Transition and Co-financing Policy
- Annex 2: Co-financing definitions
- Annex 3: Overview of differentiation and focus of co-financing requirements in the revised Sustainability, Transition and Co-financing Policy
- Annex 4: Summary of previous Committee Input
- Annex 5: Relevant Past Board Decisions and Links to Relevant Past Documents & Reference Materials

Annex 1 – Revised Sustainability, Transition and Co-financing Policy

The Global Fund Sustainability, Transition and Co-financing Policy¹

PREAMBLE

1. The Sustainability, Transition and Co-financing (STC) Policy was first approved by the Board in 2016. At the time of its approval, many Global Fund supported countries were experiencing economic growth, conducive to a progressive shift from external-donor financing for health toward domestically funded systems and disease-specific responses. The revised STC Policy (“the Policy”) acknowledges the changed post-COVID-19 landscape in which countries are implementing health programs, including significant pressures on economic growth, increased debt burden in many contexts, challenges to increase health spending, and the Global Fund’s continued need to reinforce sustainability. The Policy aims to support countries to better invest domestic and Global Fund resources to strengthen systems for health, support national HIV, TB, and malaria responses, and address critical sustainability and transition challenges to the Global Fund’s mission. The Policy establishes principles and requirements for sustainability, transition and co-financing. It embraces differentiation because ‘how’ and ‘what’ both countries and the Global Fund invest in is dependent on a variety of factors, including epidemiological context, size of country allocations, the broader donor and partner landscape, existing financing of health systems, and unique country contexts. The Global Fund recognizes that sustainability, transition, and co-financing are intrinsically linked, and efforts to implement the Policy should ensure complementarity among the individual parts. This includes ensuring that co-financing implementation supports sustainability and transition goals, particularly the financing of specific programmatic interventions. While the Policy provides the Global Fund with a critical tool to continue to support countries to strengthen sustainability, success will depend on a number of factors, including strong political will, country leadership, an enabling environment that supports human rights, gender equality, and civic freedoms, economic circumstances facing countries, and effective implementation of sustainability and transition priorities at the country level.
2. The Secretariat will provide regular updates with a high degree of transparency to the relevant Standing Board Committee(s) on the implementation of this Policy, including on (i) co-financing commitments made by countries and co-financing outcomes; (ii) flexibilities used to support Policy implementation; (iii) adjustments to standard requirements in the Policy, including overviews of waivers; (iv) countries where transition timelines have been negotiated; (v) overall updates on sustainability and transition planning, (vi) updates on the implementation of innovative finance efforts; and (vii) updates on operationalization of the revised Policy. In addition, the Secretariat will continue to leverage ongoing learning and formal evaluations, where relevant, to inform the implementation of the Policy.

PART 1: SUSTAINABILITY AND TRANSITION

3. **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

¹ Approved by the Board on 27 April 2016 (GF/B35/DP08) and revised by the Board on XX November 2024 (GF/B52/DPXX).

the three diseases, even after the removal of funding by the Global Fund and other major external donors.

4. The Global Fund recognizes that sustainability has many dimensions, including financial, programmatic, epidemiological and political. The Global Fund works closely with countries, partners, civil society, and communities to address these as part of its ongoing grant design and grant-making, support for national responses, co-financing requirements, and overall engagement with countries.
5. The Global Fund underscores the importance of all partners working to build, align with and use domestic plans, systems and processes to increase country ownership and support the sustainability of nationally owned programs.
6. The Global Fund acknowledges the importance of strengthening sustainability of national health responses and health systems across a variety of thematic areas.² These include:
 - a. Supporting national health sector planning processes, including, but not limited to, the development of robust, inclusive (including key and vulnerable populations, communities and civil society), quality, evidenced-based, prioritized, costed National Health Strategies, Disease Specific Strategic Plans, Health Financing Strategies and other national planning processes;
 - b. Supporting countries in the development of national health policies that address the largest infectious disease burdens of disease and support targeted Global Fund investments;
 - c. Supporting countries to strengthen domestic resource mobilization and financing of health systems and the national responses;
 - d. Encouraging more efficient, effective, and equitable use of external and domestic resources to deliver national health targets;
 - e. Increasing alignment, implementation and monitoring of Global Fund financed programs through country systems;
 - f. Supporting country-led, inclusive (including key and vulnerable populations, communities and civil society) multi-stakeholder processes to support robust sustainability and transition planning;
 - g. Supporting countries to address challenges to sustaining access to quality health products, and to more rapidly move to more effective health product regimens to improve outcomes and generate efficiencies; and
 - h. Supporting efforts to address structural barriers, equity, human rights and gender-related barriers to access, especially for key and vulnerable populations, and supporting country systems that allow for the effective delivery of programs through communities and civil society.
7. If there are barriers or political constraints preventing 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, co-financing and focus of funding requirements, as well as partners, diplomacy, and regional advocacy efforts to address them.
8. **Alignment:** The Global Fund has agreed to the principles of aid effectiveness as detailed in the

² The Global Fund acknowledges that given different country contexts, implementation of the various thematic areas will differ across the portfolio.

Paris Declaration, Accra Action Agenda and Busan Global Partnership. Therefore:

- a. To enhance sustainability, Global Fund financed programs should gradually be implemented through country systems. In all ‘upper-middle’ income countries (UMIC) and ‘upper-lower-middle’ income countries (U-LMIC) or country-components³ approaching transition, where possible, implementation mechanisms should be through existing inclusive country systems.
 - b. To support the robustness, transparency and effective utilization of countries’ financial systems for the management, mobilization and oversight of resources for health, the Global Fund will, in coordination with relevant partners⁴, support countries, as appropriate, to strengthen public financial management (PFM). Strengthened PFM systems will underpin sustainability efforts by supporting the Global Fund and other partners to integrate investments directly through public financial systems and ensure that external resources are progressively incorporated into a country’s budget cycle.
 - c. In situations where there are capacity related constraints that do not allow for implementation through country systems, countries are encouraged to actively engage with the Global Fund and partners to strengthen associated system components to enable the future use of country systems.
9. **Planning for Sustainability:** The Global Fund recognizes that planning for sustainability is an integral part of supporting countries to sustain effective coverage of national HIV, TB and malaria responses and responsibly transition from Global Fund financing. To this effect:
- a. The Global Fund encourages and supports country-led sustainability planning processes which should be country-owned and inclusive, including government and non-government stakeholders, key and vulnerable populations, communities, civil society and other stakeholders (including relevant partners). Sustainability planning should consider how to maximize impact while balancing both short- and long-term results, implement necessary transformations in national responses that support improved efficiency and long-term sustainability, and consider not only current costs and financing available, but also future costs for which domestic financing will be needed to deliver national responses at scale. It should also consider the sustainability of interventions dependent on Global Fund and other external financing, including interventions to support access to services for key and vulnerable populations.
 - b. All Global Fund supported countries, regardless of their income level, should undertake inclusive sustainability planning to ensure programmatic interventions supported by the Global Fund can be financed and sustained at scale in the event of reduced funding or full transition from the Global Fund. For countries with higher economic capacity, the focus is specifically on preparing for transition from Global Fund financing. For countries with lower economic capacity and high disease burden, the Global Fund supports longer-term sustainability planning, coordinated closely with partners.⁵ Funding requests to the Global Fund must explicitly reflect sustainability planning to ensure grants reflect the outcomes of country-level planning

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

⁴ Relevant partners may include, but are not limited to: World Bank, WHO, USAID, Gavi, IFAC, PAFA, AFROSAI, INTOSAI, CREFIAF, and Gates Foundation.

⁵ Sustainability planning processes will vary across the portfolio, particularly in ‘low’ income countries and Challenging Operating Environments, where the pace and nature of sustainability may differ. The Global Fund acknowledges that sustainability planning will be heavily influenced by country context and that planning is a dynamic and continuing process.

processes and are positioned to continue to deliver programmatic interventions effectively and at scale, particularly in the event of reduced funding from the Global Fund. Wherever possible, sustainability planning should be implemented in coordination with Global Fund partners.

10. Planning for Transition: The Global Fund defines transition as the mechanism by which a country, or a country-component, moves towards fully funding and implementing its HIV, TB and malaria programs independent of Global Fund support. A successful transition is one in which previous gains against HIV, TB and malaria are maintained and scaled up, as appropriate, even after external support has come to an end. Recognizing that a successful transition takes time and preparation, the Global Fund strongly recommends that all UMICs and all 'lower-middle' income countries (LMIC) with 'Not High' disease burden,⁶ prioritize transition planning⁷. Funding requests to the Global Fund must explicitly reflect transition planning, where relevant, to ensure grants reflect the outcome of country level planning processes. Noting that subsequent allocations are not guaranteed, as part of planning processes, countries must also consider the impact of reduced funding. To this effect:

- a. The Global Fund will support transition planning processes for countries (either at the country level or on a component basis). Transition planning should be country-owned, led by the country coordinating mechanism (CCM) or other multi-stakeholder coordinating body and be inclusive, including government stakeholders, key and vulnerable populations, communities, civil society and other stakeholders. It should facilitate dialogue at country level around transition-related programmatic (including the sustainability of interventions to support access to services for key and vulnerable populations) and financial needs, identify key gaps and challenges, and plans to address them.
- b. The Secretariat may define accelerated transition timelines for country allocations in specific lower disease burden 'middle' income countries (MIC) to set a predictable timeline for transition to a fully domestically funded response, and therefore enable resources to be utilized in lower income parts of the portfolio. Countries may still be eligible for other types of Global Fund support after the end of country allocation funding. In the case where a country or country component decides to voluntarily transition⁸, the Global Fund may provide support for transition planning processes and engage to support a responsible transition.
- c. According to the Global Fund's Eligibility Policy, once a country reaches UMIC status,⁹ it is no longer eligible for funding if there is less than a 'high' disease burden. The Eligibility Policy allows for up to one final allocation of Transition Funding following a change in eligibility.¹⁰ Transition Funding should be solely used to fund activities identified as part of the transition planning processes that are required to ensure transition readiness.

11. Innovative financing: To strengthen resources available for HIV, TB, malaria and RSSH priorities, the Secretariat will continue to use and further explore the use of innovative financing mechanisms, including, but not limited to, blended finance, Debt2Health, outcome financing

⁶ As defined by the Global Fund Eligibility Policy, as may be amended from time to time.

⁷ The Global Fund publishes yearly transition projections to facilitate transition planning processes.

⁸ Voluntarily transitioned is defined as a country with a component that, despite meeting eligibility requirements, has agreed to voluntary transition such component from the Global Fund within a specified time frame.

⁹ UMICs classified by the International Development Association (IDA) as IDA-eligible Small States, including Small Island Economies, are eligible to receive an allocation, regardless of national disease burden, as outlined in Paragraph 9a of the Eligibility Policy, as may be amended from time to time. G-20 UMICs who were ineligible before the approval of GF/B39/DP03 remain ineligible.

¹⁰ Eligibility Policy Paragraph 19 and footnote 21, as may be amended from time to time. The Secretariat may exceptionally request on a case-by-case basis that the Global Fund Board approve one additional allocation of Transition Funding. Countries who move to 'high' income or are members of the OECD-DAC are not eligible for Transition Funding.

modalities (such as Social Impact Bonds), and other mechanisms that support the Global Fund's overall resource mobilization efforts. These mechanisms may also support optimization of existing resources and strengthened alignment with other partners. 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: FOCUS OF FUNDING

12. Funding Requests to the Global Fund should be based on robust, inclusive (including engagement with key and vulnerable populations, communities and civil society), evidence-based and accurately costed National Health and Disease-specific Strategic Plans (NSP)¹¹, consider guidance provided by the Secretariat on use of country allocations, normative guidance from technical partners, previous and future co-financing commitments, and available domestic and other donor resources. These requirements are designed to focus Global Fund resources on interventions of the highest impact in pursuit of the Global Fund's Strategy, and will be assessed at the application stage as part of the review process.
13. All countries, regardless of their income level¹², must:
- a. Prioritize evidence-based interventions¹³ in line with their epidemiological context, which maximize impact against HIV, TB and malaria and contribute towards building RSSH. Global Fund financing must be used to support strategically focused and prioritized interventions;
 - b. Prioritize interventions based upon the epidemiological context and responsive to key and vulnerable populations, human rights and gender related barriers and inequities in access to services;
 - c. For RSSH, be focused on improving overall program outcomes¹⁴ and targeted to support scale-up, efficiency and alignment of interventions; and
 - d. Consider the introduction of new tools, health products and technologies that represent global best practice and are critical for sustaining gains and moving towards control and/or elimination.
14. Additionally, UMICs and lower disease burden U-LMICs must demonstrate that the focus of their funding requests is to maintain or scale-up evidence-based interventions for key and vulnerable populations¹⁵ and address critical barriers to the sustainability of effective disease responses. Funding requests should also include interventions to ensure transition readiness, including critical RSSH needs, to support sustainability and improve equitable coverage and uptake of services.

PART 3: CO-FINANCING

15. Global Fund co-financing requirements leverage allocations to incentivize domestic financing of health systems, national HIV, TB, and malaria responses, RSSH priorities, and specific

¹¹ In cases where there is no agreed NSP or they are of insufficient quality, the Global Fund will work with the country, in coordination with relevant partners, to develop and/or strengthen the NSP. The Global Fund will also support the strengthening of NSPs for health, as needed, to ensure that the programmatic and financial sustainability of the three disease programs has been considered and planned for.

¹² As per Eligibility Policy definitions, as may be amended from time to time.

¹³ Evidence-based interventions that: (i) address emerging threats to the broader disease response; and/or (ii) lift barriers to the broader disease response and access to services and/or (iii) create conditions for improved integrated service delivery; and/or (iv) enable roll-out of new technologies that represent global best practices.

¹⁴ Improving equitable coverage and uptake addressing: (i) availability of services; (ii) access to services; (iii) utilization of services; (iv) quality of services; and (v) are not adequately funded.

¹⁵ For applications from UMICs with very high 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.

programmatic interventions, including those currently financed through Global Fund grants. To do this, access to a portion of every Global Fund grant is conditional upon countries meeting co-financing requirements. Co-financing is a key component of achieving financial sustainability, strengthening country ownership and improving impact in the fight against HIV, TB, and malaria.

16. **Definition:** Co-financing, in the context of the Global Fund, pertains to domestic public resources¹⁶ that finance the health sector and national responses supported by the Global Fund. Domestic public resources include: government revenues, government borrowings, health insurance, and debt relief proceeds including Debt2Health¹⁷ arrangements with the Global Fund. Except for loans and debt relief, all other forms of international assistance, even when channeled through government budgets, are not considered as co-financing.

17. **Scope and Applicability:**

- a. All country components eligible to receive an allocation from the Global Fund must comply with applicable co-financing requirements to access their full allocation.
- b. Co-financing requirements for accessing funds beyond country allocations will be subject to the rules governing the use of such funding.¹⁸
- c. Regional, multi-country and non-CCM applicants are not required to meet the co-financing requirements described in this Policy. If multi-country grants are funded through the pooling of country allocations, the Global Fund will negotiate and include country specific co-financing requirements which will apply to each country included in these multi-country grants.

18. **Principles:**

- a. The Global Fund is committed to supporting countries to meet their health financing commitments. The Global Fund expects and encourages national governments to fulfill their financial commitments to the health sector in line with recognized international declarations¹⁹ and national strategies. Country ownership underpins the Global Fund's approach to co-financing.
- b. The Global Fund recognizes the importance of political advocacy to strengthen domestic financing, and will work with countries, partners, communities, and civil society to advocate for improved domestic financing for health and the national responses.
- c. The Global Fund strongly encourages countries to progressively increase government expenditure on health to meet national universal health coverage (UHC) goals, increase domestic resources for national HIV, TB, and malaria responses, and improve value for money of existing spending.
- d. The Global Fund will work with countries to progressively finance programmatic interventions through domestic financing, including those currently financed by the Global Fund. Progressive uptake of programmatic interventions is essential to gradually strengthening financial and programmatic sustainability. This includes interventions dependent on external and Global

¹⁶ In specific circumstances and based on country context, domestic private contributions, restricted to individual payments for health financial protection mechanisms and verified contributions from domestic corporations can be considered as co-financing. In no cases do out of pocket payments borne by households or individuals count as co-financing.

¹⁷ While the STC Policy includes Debt2Health in the formal definition of co-financing, the Secretariat treats this on a case-by-case basis to avoid double-counting and ensure co-financing supports sufficient additional resources for health and the national responses.

¹⁸ As set forth in relevant decisions governing the use of such funds as approved by the Board or the Standing Committee with delegated authority.

¹⁹ Such as the Abuja Declaration of 2001.

Fund financing including (but not limited to) interventions to support access to services for key and vulnerable populations.

- e. In all countries, public policies for mobilization and effective use of domestic resources for health are central to the Global Fund's approach to co-financing.
- f. As countries grow economically and have increased fiscal capacity, they are expected to increase their contributions to the national responses and health systems in line with the requirements of their national plans and fiscal capacity over each allocation period.
- g. The Global Fund will collaborate closely with partners²⁰ on the implementation of its co-financing approaches, particularly with respect to the financing of common programmatic priorities, supporting health reforms, strengthening primary care spending, and/or overall investments in health systems.

Co-financing Incentive:

- 19. To incentivize impact and support sustainability, access to a portion of the Global Fund allocation is conditional on countries meeting co-financing requirements.
- 20. This 'co-financing incentive' is 15% of the Global Fund allocation. It may be increased by the Global Fund Secretariat or waived in exceptional circumstances.

Co-financing Requirements:

- 21. The Global Fund has three types of co-financing requirements which are differentiated across income levels.
- 22. First, 'low' income countries (LICs) and LMICs are required to demonstrate progressive government expenditure on health to meet national UHC goals over each allocation period.
- 23. Second, all countries are required to progressively finance costs of key programmatic interventions over each allocation period. This is critical to sustaining effective coverage of HIV, TB, and malaria responses and also strengthens dialogue with countries on the optimal mix of Global Fund investments versus country investments.²¹
- 24. Third, all countries are required to increase co-financing²² of national HIV, TB, and malaria responses and/or RSSH over each allocation period. The size of the increase is determined by the allocation, and is 7.5% of the allocation in LICs and 15% of the allocation in MICs²³. Based on country context, this may be adjusted upward or downward and may focus in its entirety on financing of programmatic interventions. The Global Fund will agree with countries on the exact focus of co-financing, but in general the following parameters apply:
 - a. LICs are required to strengthen financing of specific programmatic interventions. They are encouraged to consider disease specific co-financing, but they have the flexibility to fulfil the majority of their co-financing through investments in RSSH.
 - b. LMICs are required to strengthen financing of specific programmatic interventions and disease

²⁰ Including Gavi, multi-lateral partners, and/or bilateral partners with formal co-financing policies.

²¹ The specific programmatic interventions will be based on country context. They may include (but are not limited to) health products, essential drugs, and commodities; human resources; interventions that address human rights and gender related barriers and interventions to support key and vulnerable populations, etc.

²² As noted in the section on compliance with co-financing, the Global Fund will consider efficiencies when assessing compliance with requirements. Improving efficiency of existing spending is strongly encouraged and treated positively in co-financing compliance assessments.

²³ This includes UMICs.

specific co-financing. They have the flexibility to fulfill up to 50% of their co-financing through investments in RSSH.

- c. In U-LMICs and UMICs, co-financing is required to be 100% focused on specific sustainability and transition priorities, with particular attention to financing of programmatic interventions targeting key and vulnerable populations, as relevant to the country context.

Differentiation:

25. The Global Fund's co-financing requirements are differentiated across income levels to focus co-financing where it can have the most impact, considering the size and targeting of Global Fund allocations and existing levels of health financing.
26. Given the importance of reducing dependency on the Global Fund for key program costs, all countries are required to demonstrate that they are progressively financing programmatic interventions, regardless of income classification.
27. UMICs and U-LMICs are not required to demonstrate progressive government expenditure on health. This is to focus co-financing requirements on addressing critical disease transition, sustainability and key and vulnerable population needs. In these portfolios, especially those with smaller allocations, the predominant focus of co-financing is expected to be financing of specific programmatic interventions.
28. In addition, the Secretariat will have the flexibility to, based on country context, portfolio classification, Challenging Operating Environment (COE) classification and Global Fund allocation amounts, consider further differentiation to maximize Global Fund investments within a given context.

Compliance with co-financing:

29. The Secretariat will engage with key stakeholders including, but not limited to, the Ministries of Finance and Health to ensure that co-financing has the necessary governmental approval²⁴.
30. In assessing compliance, the Secretariat will work with countries to have robust evidence of the financial realization of co-financing requirements, considering efficiencies, currency depreciation, macroeconomic, fiscal, and other contextual factors relevant to the country and aligned with country budgeting processes.
31. If a country cannot comply with applicable co-financing requirements to avail the full 'co-financing incentive' due to extenuating circumstances, the Secretariat will reduce the country's allocation in accordance with this Policy or approve a partial or full waiver of requirements at the application stage or during grant implementation.²⁵ Any waiver of co-financing requirements will require strong justification and a plan for addressing funding shortfalls and will be considered on its own merits.
32. Unless requirements are waived by the Secretariat, failure to meet the applicable co-financing requirements will result in the reduction of current grant funding and/or factored into subsequent allocations.
33. Track record of meeting co-financing requirements will be considered by the Secretariat when allocating additional funding to countries through portfolio optimization, as well as in the qualitative

²⁴ The Global Fund requires governmental authorities to submit formal commitments to meet co-financing requirements as part of Access to Funding processes. The details of how these commitments must be received from governmental authorities and the specific requirements that the commitments must adhere to are outlined in the Global Fund's operational guidance on co-financing.

²⁵ Partial waivers may include a waiver of individual co-financing requirements and/or a waiver of part of those requirements.

adjustment processes associated with Global Fund allocations.

34. The Secretariat will continue to utilize, establish and improve mechanisms for monitoring of applicable co-financing requirements as well as data governance of co-financing.
35. To ensure a reliable basis for tracking applicable co-financing requirements and government spending, applicants may request interventions to support the strengthening of health financing systems through Global Fund applications, including, but not limited to, supporting public financial management systems, resource tracking, and/or the development and management of health financing data at the country level.

PART 4: IMPLEMENTATION

36. The Global Fund recognizes that country context is a key factor that influences sustainability, and that no single policy will be able to account for all situations. The Secretariat will consider exceptions to this Policy, considering country context²⁶, as needed during implementation.
37. The Global Fund will work closely with all stakeholders (including Global Fund partners) to encourage effective implementation of this Policy, noting that success in implementing this Policy will be heavily influenced by country leadership, engagement and ownership of sustainability and transition priorities at country level.
38. As highlighted in the preamble of this Policy, the Global Fund will provide regular updates with a high degree of transparency to the relevant Standing Board Committee on the implementation of this Policy.

²⁶ Countries that have been defined as Challenging Operating Environments (COEs) may 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 COE Policy, the classification of a country as a COE does not automatically guarantee the application of flexibilities.

Annex 2 – Co-financing Definitions

Co-financing incentive	The portion of a country's Global Fund allocation which is conditional on that country meeting its co-financing requirements. This is described in paragraphs 19 and 20 in the co-financing section.
Co-financing requirements	The minimum co-financing to which a country must commit and realize in order to access the co-financing incentive. These are described in paragraphs 21-24 of the co-financing section.
Co-financing commitment	The co-financing which a country has committed to realizing for a specific allocation period, as memorialized in the commitment submitted to the Global Fund by governmental authorities.
Co-financing waiver	Co-financing waiver refers to a decision made by the Global Fund Secretariat to waive co-financing requirements to access the co-financing incentive or the co-financing incentive itself. Described in paragraphs 20, 31, and 32 in the co-financing section.

Annex 3 – Overview of differentiation and focus of co-financing requirements in the revised Sustainability, Transition and Co-financing Policy

Co-financing requirements	Income level			
	'Low' income countries (LIC)	'Lower-middle' income countries (LMIC)	'Upper-lower-middle' income countries (U-LMIC)	'Upper-middle' income countries (UMIC)
1. Progressive government expenditure on health	Required to demonstrate progressive government expenditure on health to meet national universal health coverage (UHC) goals over each allocation period		Not applicable	
2. Progressive financing of key programmatic interventions	Required to strengthen financing of specific programmatic interventions		Required to strengthen financing of specific programmatic interventions to address sustainability and transition priorities, with particular attention to interventions targeting key and vulnerable populations	
3. Increase financing of HIV, TB, malaria responses and/or RSSH	<p>Size of increase is 7.5% of GF allocation and may be adjusted</p> <p>Flexibility to fulfil the majority of co-financing through investments in RSSH</p>	<p>Size of increase is 15% of GF allocation and may be adjusted</p> <p>Flexibility to fulfill up to 50% of co-financing through investments in RSSH</p>	<p>Size of increase is 15% of GF allocation and may be adjusted</p> <p>100% of co-financing focused on specific sustainability and transition priorities</p>	

Annex 4 – Summary of Committee Input

There has been a large amount of SC input on different aspects of Sustainability, Transition and Co-financing since the Board approved the STC policy in 2016. The following mentions are not exhaustive, but highlight the most recent and relevant discussions.

2024

GF/SC26/12: Excerpt from the draft Report of the 26th Strategy Committee Meeting on *Sustainability: Sustainability, Transition and Co-Financing Policy* and in *Annex 1*

Presentation

1. The Secretariat presented the proposed revisions to the STC policy for SC recommendation to the Board at its 52nd Meeting. The Secretariat noted that the revisions are designed to respond to changing context and reflect significant lessons learned (including from formal reviews and ongoing implementation) since the approval of the policy in 2016. The Secretariat noted that, while not exhaustive, the objectives of the revisions cluster around a number of themes, including (i) reinforcing sustainability planning across the entire portfolio, (ii) strengthening the strategic focus and impact of co-financing, (iii) increasing focus on value for money, (iv) facilitating greater predictability around transition timelines, (v) further emphasizing alignment with country systems, (vi) strengthening differentiation, and (vii) introducing revisions for clarity and simplification.
2. The Secretariat highlighted the most substantive revisions across the sustainability, transition, and co-financing pieces of the policy, and how those revisions seek to amplify the impact of the Policy as a whole.

SC Discussion

3. **Timing:** SC members welcomed the proposed revisions and their responsiveness to Board sustainability deliberations. They highlighted that the proposed revisions were a step in the right direction and should help the policy remain fit for purpose ahead of GC8. However, some members expressed concerns regarding the limited time to consider the revisions and requested additional time for review.
4. **Context:** Several SC members noted the challenges around ensuring increased domestic investments to support access for key and vulnerable populations (KVP) and queried how the Secretariat will advocate for increased domestic investments in contexts where there are barriers to directly supporting communities and civil society and a lack of political will. While these themes go beyond the STC policy, members acknowledged the need to work with governments to collaborate with KVP and remove barriers to services and decriminalize specific populations and/or activities.
5. **Alignment and collaboration:** SC members noted the importance of alignment with other global health institutions (GHI) co-financing policies. References to Gavi, the Global Financing Facility (GFF) and World Bank were made, emphasizing that continued collaboration is important to ensure that funding is complementary and resources are maximized.
6. **Transition:** SC members noted the challenging epidemiological and financial contexts in many countries and highlighted that when the Global Fund transitions, country responses are not

always being sustained. In particular, some governments do not take on funding for essential services, specifically for KVP.

7. **Co-financing:** The challenges around co-financing in many countries, including decreasing fiscal space and meeting co-financing commitments, were acknowledged. SC members acknowledged and highlighted the need for domestic commitments that are clear, traceable, specific, linked to key programmatic interventions, and included in country budgets. They also highlighted that improving resource tracking, data governance, and strengthening public financial management (PFM) systems is important to achieve this.
8. **Incentives:** One SC member asked why the co-financing incentive remains at 15% and noted that the policy should be clear that a country's track record on co-financing commitments will be considered as part of future decisions around portfolio optimization and qualitative adjustments.
9. **Directional language:** Several SC members recommended that the policy reflect more directional language around planning and co-financing, commenting on the use of "may" instead of "will" in some instances. While acknowledging the vast range of contexts in which the Global Fund operates, SC members suggested that the policy would benefit from stronger language noting that there may still be exceptions.
10. **Operationalization:** Some SC members noted that Strategic Review 2023 and TRP reviews found that sustainability issues are not systematically addressed in grant-making and implementation. They noted the importance of continued monitoring of STC policy implementation throughout the grant cycle and the need for strong, clear and consistent reporting to the SC. SC members reiterated the importance of linking sustainability and transition planning to funding requests.
11. **Oversight and Reporting:** One SC member questioned how co-financing commitments will be measured. SC members also noted the importance of maintaining co-financing commitments across cycles, and reporting on co-financing outcomes, exceptions and commitments to the SC.
12. **Differentiation:** SC members acknowledged the importance and need for differentiation, in particular for UMI countries. However, one SC member queried whether the removal of the requirement on overall health spending was aligned with a systems approach.
13. **Evaluation:** Several SC members highlighted the importance of ongoing evaluation and learning. One member requested a prospective evaluation of STC policy implementation and suggested that a TRP working group on sustainability could inform policy implementation. One member also requested that the STC policy be formally reviewed in advance of the next strategy to take account of lessons learned.

Secretariat Response

14. **Timing:** The Secretariat and SC leadership reiterated that the timing of the review of the STC policy was aligned with the Board request to accelerate sustainability-related policy decisions and present them together as part of a holistic package of decisions around eligibility, allocations, catalytic investments and STC. A delay in approving these revisions would leave limited time to prepare for GC8 implementation, and the Secretariat highlighted the importance of having adequate time to operationalize revisions ahead of GC8.
15. **Sustainability:** The Secretariat noted that as part of the decisions around the Allocation Methodology, there would be a decrease in funding to UMI countries, 'upper-lower-middle' income countries (U-LMIC) and for HIV. The proposed revisions to the STC policy, in particular more specific co-financing requirements (e.g., increased emphasis on financing programmatic

interventions), are meant to reinforce sustainability considerations across the portfolio as well as mitigate the effects of potential decreases in allocations.

16. **Context:** The Secretariat concurred with the points raised around KVP and emphasized that the proposed revisions explicitly focus on commitments to support access for KVP. It was noted that while the STC policy provides a framework, it is one of many levers, and issues around political will are much larger than the STC policy alone.
17. **Alignment and collaboration:** The Secretariat concurred with the importance of alignment and collaborating with other GHIs and noted that not many GHIs have specific co-financing policies. For example, Gavi's approach to co-financing is focused on additional specific commitments for vaccine procurement. The Secretariat noted that, with respect to malaria vaccines, the ongoing discussions on collaboration will be critical moving forward. It was noted that the amount of specificity in terms of alignment with others will be contingent on specific organizational policies on co-financing.
18. **Transition:** The Secretariat highlighted the importance of transition timelines, which can support stronger predictability, proactive planning, and honest, robust conversations with countries on transition processes.
19. **Co-financing:** The Secretariat highlighted that the proposed changes to strengthen focus on financing specific programmatic interventions are important as the changes will allow for more targeted and better measurement of commitments than is possible with a focus on overall health or increasing HTM spend. The Secretariat noted that sustainability of commitments over time is linked to ensuring that commitments are reflected in country budgets, with a phased uptake of specific programmatic interventions (including those currently financed by Global Fund grants).
20. **Incentives:** The Secretariat noted that the 15% co-financing incentive was seen to be significant enough to be able to influence co-financing discussions at the country level. The Secretariat affirmed that it will consider the realization of co-financing commitments with respect to portfolio optimization decisions and qualitative adjustments.
21. **Directional language:** The Secretariat acknowledged the concerns raised by SC members on directional language and clarified that the intent was to maintain the current flexibility and wording in the policy whilst noting the different contexts. The Secretariat also confirmed that the intent was not to make the language vague or unclear. The Secretariat noted it would consider specific changes to address any vague language as part of the revisions that will be proposed following the SC meeting.
22. **Operationalization:** The Secretariat noted that there has been a lot of work to improve the quality and type of co-financing commitments and that the policy revisions are in addition to work that is underway. They highlighted that there is specific language in the revised policy that notes the need to consider outcomes of sustainability and transition planning as part of funding request development. The Secretariat also noted that implementation of the policy will be critical and will be a priority focus ahead of GC8.
23. **Oversight and Reporting:** The Secretariat acknowledged the importance of reporting on STC Policy implementation and that it will continue to report on co-financing commitments and outcomes, adjustments made to standard requirements, negotiated transition timelines, and updates on overall policy implementation.
24. **Differentiation:** The Secretariat clarified that removing the overall health spend requirement for UMI countries was not to make requirements easier or less rigorous but is based on a reflection of how to best leverage Global Fund financing in contexts where the Global Fund accounts for minimal overall health spend and therefore its ability to influence is limited. It was noted that increased focus on verifiable, traceable commitments, including RSSH investments, will help further leverage Global Fund resources.

Action Point:

- SC members were requested to provide additional feedback in writing to the Secretariat by 11 October 2024, highlighting outstanding and/or additional topics or concerns to be addressed by the Secretariat in the STC Policy. The Secretariat would provide a further revised policy proposal to the SC on 15 October. The SC had a subsequent discussion on the proposed revisions on 18 October 2024 (Annex 1).

Annex 1: Revised Sustainability, Transition and Co-financing Policy (follow-up)

Presentation

1. A follow-up call was scheduled for the SC on 18 October 2024 to acknowledge feedback received and allow the Secretariat the time to develop a revised version of the proposal for the STC policy considering the input from the SC meeting on 9 October.
2. The Secretariat presented an overview of the themes of the main changes incorporated in the revised STC policy (GF/SC26/06D Rev 1) compared to the version originally submitted to the SC. These included (but were not limited to): including specific language on reporting on policy implementation; strengthening directional language (“may” vs “will”); including more robust language on sustainability planning expectations, including language on sustainability of interventions that support access for KVP; strengthening focus on collaboration with partners; reflecting alignment with the themes of the Lusaka agenda; and evaluation and learning. Additionally, the Secretariat presented an overview of other priority themes raised, but that were not explicitly incorporated in the revised document, either because they were already included in the Policy and/or expected to be addressed through operational guidance and implementation.

SC Discussion

3. **Review and evaluation:** Some SC members noted it was important to have another opportunity to review the STC Policy ahead of GC9, especially in the context of the rapid nature of the current review and to ensure lessons learned were duly reflected. Some SC members also emphasized they would like to see an independent and ongoing evaluation of the implementation of the revised policy between now and the next formal review.
4. **Publishing commitments:** One SC member raised a question about adding the publication of commitment letters explicitly into the policy.
5. **Waivers:** In the context of Secretariat reporting, one member emphasized that reporting on waivers should include the rationale for the waivers. Another member asked for more detail on the process and guidelines by which waivers are approved.
6. **Co-financing requirements:** One SC member raised a question on strengthening and clarifying the language and flexibility which applies to low-income countries.
7. **Transition:** A question was raised on the predictability of transition timelines under the revised policy and how this would be operationalized.

8. **Operationalization:** A few SC members asked for more detail on how the revised policy will be implemented and operationalized. More broadly, SC members emphasized the importance of strong and consistent operationalization ahead of GC8.
9. Numerous SC members expressed appreciation for the Secretariat systematically addressing feedback and the quick turnaround of the revised document. They highlighted that the revisions were a strong step in the right direction that should set the Global Fund up for a stronger policy to support key sustainability priorities in GC8.
10. The SC Chair provided some initial responses to members' questions. On the rapid nature of the review, the Chair emphasized that the package of policies presented to the SC were a product of the Board request following the July 2024 retreat. On the calls for evaluation, the Chair noted that the workplan of the Evaluation and Learning Office (ELO) falls under the SC's remit and encouraged members to recommend evaluation to the ELO if they felt strongly on this point. On operationalization details, the Chair encouraged members to specify the areas they would like more detail on to the Secretariat to provide a clearer steer on areas of concern.

Secretariat Response

11. **Review:** The Secretariat acknowledged the feedback and agreed to include a commitment in the paper that the STC Policy will be reviewed ahead of GC9.
12. **Publishing commitments:** The Secretariat highlighted that transparency in co-financing is critical and that there is a strong commitment in the paper to publish commitments. In addition, commitment letters are expected to be circulated transparently at country level. However, the Secretariat clarified that the exact details on how and what the Secretariat is able to publish will require further discussion to balance transparency with operational and legal considerations, including ensuring we do not disincentivize countries from making quality commitments.
13. **Waivers:** The Secretariat emphasized there is a robust process to approve waivers, following existing operational guidance. Waivers are a last resort and not something the Secretariat approves lightly. The Secretariat emphasized that rationales will continue to be reported moving forward, noting they are already included in all GAC reports and grant-making final review forms accompanying those reports.
14. **Co-financing requirements:** The Secretariat noted the emphasis on financing specific programmatic interventions for all countries, including low-income countries, is a substantial change in the policy revisions. The focus on low-income countries has historically been on aggregate increases in financing for health systems. Language in the revisions aims to balance flexibility with the additional requirement of financing specific programmatic interventions at all income levels.
15. **Transition:** The Secretariat aims to provide countries predictability through open discussion and negotiation on the applicable timelines, which the Secretariat confirmed would be included as part of reporting.

Action Points

- The Secretariat will include in the reference document for the STC Policy for the 52nd Board meeting a commitment to review the STC policy ahead of GC9 to reflect SC member input and ensure lessons learned during GC8 are incorporated into future iterations of the policy.

SC Decision

- The SC voted unanimously in favor of recommending the Board approve the revised STC Policy, per decision point GF/SC26/DP07: Recommendation to Approve the Revised Sustainability, Transition and Co-financing Policy.

[GF/SC25/08: Report of the 25th Strategy Committee Meeting](#)

[GF/SC24/16 Report of the 24th Strategy Committee Meeting](#)

2023

[GF/SC23/17 Report of the 23rd Strategy Committee Meeting, pages 11-13](#)

2021

[GF/SC17/26: Report of the 17th Strategy Committee Meeting, page 20](#)

2020

[GF/SC14/18 Report of the 14 the Strategy Committee Meeting, pages 3-4](#)

2019

[GF/SC10/11 Chair's Summary Notes, Strategy Implementation Deep Dive: Sustainability, Transition and Co-financing \(STC\) Policy, pages 1,4-6](#)

2018

[GF/SC07/10 Chair's Summary Notes, Risk and Transition, para 36-40](#)

2017

[GF/SC03/18 Chair and Vice Chair Summary Notes. Strategy Implementation Deep Dive: Sustainability, Transition and Co-Financing, pages 6-8](#)

Annex 5 – Relevant Past Board Decisions & Relevant Past Documents & Reference Materials

Relevant past Decision Point	Summary and Impact
GF/B35/DP08 Sustainability, Transition and Co-financing Policy ³⁸	The Board approved a Sustainability, Transition and Co-financing Policy for the Global Fund which articulated principles and requirements around sustainability, transition planning, focus of applications and co-financing for Global Fund supported countries.
GF/B30/DP05: Revision of the Policy on Eligibility Criteria, Counterpart Financing Requirements and Prioritization of Proposals for Funding from the Global Fund ³⁹	Approved the amended “Eligibility and Counterpart Financing Policy” which included revised application focus and co-financing requirements for Global Fund supported programs.

³⁸ <https://www.theglobalfund.org/kb/board-decisions/b35/b35-dp08/>.

³⁹ <https://www.theglobalfund.org/kb/board-decisions/b30/b30-dp05/>.