

37th Board Meeting

Update on Sustainability, Transition, and Co-Financing

For Board Information

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Kigali, Rwanda

03-04 May 2017

The Goal of STC – Investing to end the epidemics



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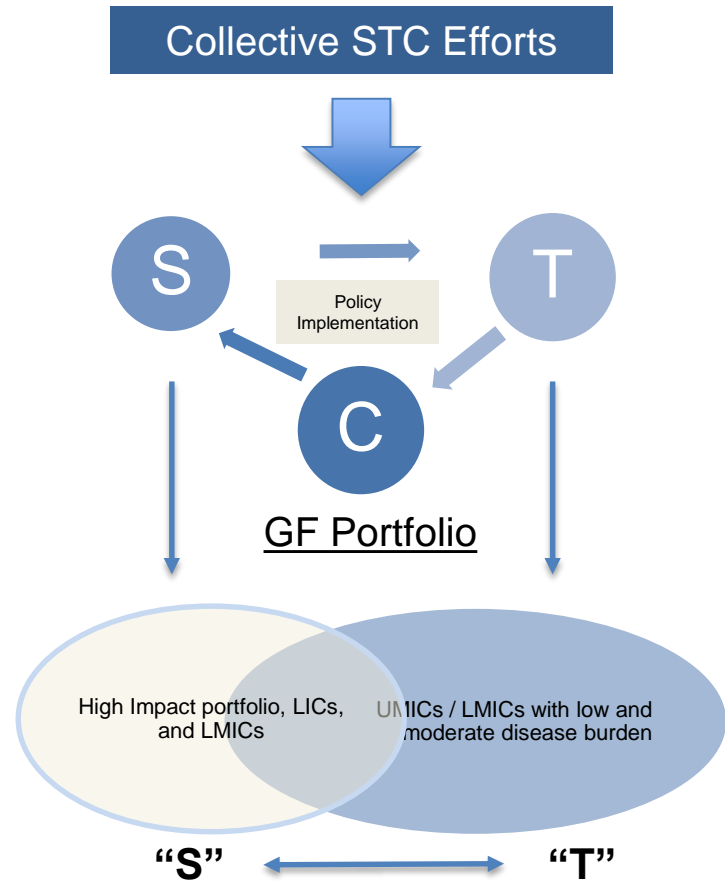
Operationalizing the STC Policy

Our objectives:

- To embed the principles and practices of the STC policy into the core work of country teams, CCMs, PRs, grant design, and program design
- To leverage the capacity of our internal resources and partners to accelerate collective STC efforts in support of the 2017-2022 strategy

Why?

- To *enable successful transitions and strengthen sustainability* of Global Fund investments, systems for health, and national disease programs



Key pillars of our work across the S, T, and C

Given the breadth of themes related to sustainability and transition, the STC policy provides a framework for key focus areas across the portfolio, based on a number of **key principles**:

1

A need to embed sustainability across the portfolio, regardless of where a country is on the development continuum

2

Enhanced focus on domestic financing (overall increases of funding) and **co-financing of core interventions** (greater uptake of Global Fund financed interventions) across the entire GF portfolio

3

Accelerating efforts to prepare for transition as a country moves to higher income status and/or lower disease burden, particularly for UMICs (all disease burden) and LMICs (low and moderate disease burden)

4

Recognition that efforts to address sustainability and transition **need to be flexible**, given the varied **financial and epidemiological context of countries** across the development continuum

The STC Policy and Sustainability

Sustainability is a key aspect of development and health financing. All countries regardless of their economic capacity and disease burden, should be planning for and embedding sustainability considerations within national strategies, program design, grant design, and implementation.

Key aspects of *programmatic* and *financial* sustainability prioritized in our operationalization efforts:

- 1 Continued strengthening of robust, costed National Strategic Plans
- 2 Identifying efficiencies and enhancing optimization of disease responses
- 3 Enhanced focus on health financing and development of health financing strategies, particularly for countries with low overall investments in health
- 4 Enhanced alignment and integration of systems
- 5 Increased domestic financing and gradual, progressive co-financing of the national disease response and interventions financed by the Global Fund (including interventions focused on key populations, human rights and gender)

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The STC Policy, Transition, and Transition Preparedness

Early and proactive engagement with countries is essential to enhance transition preparedness, and should ideally begin 10 years prior to transition from Global Fund financing. Transition depends on eligibility, but is also affected by changes in allocation (and the ability to finance the national disease response with that allocation)

Key aspects of transition preparedness prioritized in our operationalization efforts:

- 1 All sustainability planning, **plus:**
- 2 Enhanced focus on transition planning, including the development of transition readiness assessments (TRAs), strategies for transition, and (where possible) integration into national strategies
- 3 Progressive and accelerated government co-financing of all key interventions
- 4 Strengthened focus on key populations & structural barriers to health access (including human rights)
- 5 Enhanced focus in grants on thematic areas (including health systems issues) that could represent sustainability and transition gaps, including: contracting of non-state actors, strengthening of M&E and procurement systems, reduction of dependence on Global Fund for purchasing commodities, phased transition away from Global Fund financing for key services, etc.

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Pulling it all together – Framing the STC Policy in the GF Portfolio

LICs

95 components*
US\$ 5.2 billion of allocation

LMICs
high / extreme /
severe disease
Burden

90 components*
US\$ 4.2 billion of allocation

LMICs
with low / moderate
disease burden
/ UMICs

69 components*
US\$ 0.8 billion of allocation

Ineligible
“Final Grant”

12 components*
US\$ 35 million of allocation

Focus on long-term **sustainability planning** by supporting the development of robust national health strategies, disease specific strategic plans, health financing strategies, alignment with country systems, efficiency and optimization

- National Strategic Plans
- Health Financing Strategies
- Alignment with country systems
- Efficiency and Optimization

Focus on sustainability and **transition preparedness**, particularly for countries projected to transition

- All sustainability activities +
- Transition Planning
- Directly addressing transition challenges (including systems issues) in grant design
- Increased focus on interventions for key populations

Max.3 years funding to implement transition activities

Fully transitioned

Funding request based on Transition Work-plan

*Note: numbers are based on disease components that received a country allocation and exclude multi-country grants (except RAI initiative). While there are certain flexibilities for COEs under the STC policy, they are included here.

Co-Financing requirements along the development continuum work towards enhancing financial and programmatic sustainability, eventual transitions and gradual, progressive absorption of key program costs

Cross-cutting themes of STC Policy Implementation:

In addition to the focus areas highlighted above, there are a **number of transversal, cross-cutting themes** related to STC policy implementation, including:

1

Increased financial resources: Identifying opportunities to increase financial resources for GF supported countries by exploring the potential for **innovative finance** across the portfolio

2

Advocacy efforts: Continued focus on advocacy efforts to address political willingness needed to complement GF investments, particularly in countries with low domestic health spend and/or those nearing transition

3

Working with partners: Systematic efforts to work with partners (including technical agencies, development banks, civil society partners, and others) to leverage capacity, collaborate on joint priorities, and accelerate STC efforts

Cross-Cutting Expected STC Implementation Challenges:

- 1** The GF's **ability to influence sustainability and transition preparedness is inherently limited**. Ultimately, countries will determine to what extent their programs address core sustainability and transition challenges.
- 2** **The lack of certainty in the GF's future allocation amounts and transition timelines** may complicate the transition process, particularly with respect to modifications in allocation size and ability to plan in advance
- 3** **10 year planning process emphasized in the STC policy for transition preparedness may not be possible** in some scenarios; this may affect success in certain regions
- 4** **Approximately half** of GF financing is used to finance commodities. The extent to which we can **support countries to access affordable commodities** before and after transition will affect policy implementation
- 5** The extent to which Global Fund policies facilitate our ability **to leverage existing funding to increase resources** for health systems and the three diseases will affect policy implementation

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What progress has been made since the approval of the policy? Progress includes (but is not limited to):

Finalization and Publication of the Transition Projections Document to enhance predictability

Non-costed grant extensions for ineligible components without access to transition funding to support existing transition efforts

Operationalization of co-financing policy, including revision of co-financing incentives across portfolio

Development of STC Guidance Note to strengthen STC focus of Country Teams, CCMs, PRs, and other stakeholders

Embedding of five sustainability and transition specialists in the part of the portfolio most affected by transition in short term

Development of initial STC Training Framework for GF Secretariat to enhance capacity

Development of new Transition Readiness Assessment tool based on lessons learned under previous special initiative and piloting in LAC

Development of new Transition Funding Request (Tailored Transition Review)

Strengthening TRP capacity in STC issues, including via hiring Strategic Investment and Sustainable Financing (SISF) Experts

Revision of Access to Funding Operational Policy and Allocation Letters to include greater focus on STC



Accelerating transition planning through the transition funding request

- *At least 18 components* using transition funding request in 2017-2019 allocation period
- *Detailed assessment* of transition gaps and challenges, and how a country will *use GF financing to manage and complete the transition* away from GF financing

<p>12 disease components receiving transition funding</p>	<p>Albania (HIV, TB) Algeria (HIV) Belize (TB) Botswana (malaria) Cuba (HIV) Dominican Republic (TB)</p>	<p>Paraguay (TB) Panama (TB) Sri Lanka (malaria) Suriname (TB) Turkmenistan (TB)</p>
<p>6 additional components requested to use or have opted to use tailored transition funding request</p>	<p>Malaysia (HIV) Panama (HIV) Belize (HIV)</p>	<p>Romania (TB) Suriname (HIV) Kosovo (HIV)</p>

Please note that there may be additional circumstances when a country may use the “transition-tailored approach” given country context, and we expect additional “Opt-In’s” as we move through the 2017-2019 allocation period

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Strengthening Domestic Financing via Operationalization of Co-Financing Incentives

The STC policy includes a “*co-financing incentive*” amounting to *not less* than 15 percent of the Global Fund allocation. The Secretariat operationalized the incentive, with the overall goal of strengthening sustainability of investments and transition preparedness. Results included:

1

Significant additional minimum government commitments than what would have been required under the previous Willingness to Pay policy. 58% increase in *additional minimum required domestic commitments* after upward revision of incentives. In total, 36% of countries in the portfolio were raised above the base 15% incentive.

2

In all LMICs (with low or moderate disease burden) and UMICs (all disease burden), these additional commitments **must be invested in specific areas as per the STC policy**, resulting in *additional minimum domestic commitments* in key transition and sustainability bottlenecks

3

For UMICs, for example, these additional investments must be **100% focused on transition bottlenecks and 50% on key populations.**

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What are the future priorities for STC policy implementation?

Mainstreaming STC Thinking	Embedding STC principles into funding cycle and work of country teams, PRs, and CCMs, including greater focus on STC issues in country dialogue, TRP and GAC review, grant-making, reprogramming processes, and CCM operations
Accelerated Transition Planning	Strengthened transition planning across priority portfolios, including for portfolios that are not expecting to transition for a number of allocation periods
Enhanced STC Capacity	Efforts to strengthen capacity of key STC stakeholders and in-country stakeholders
Strengthening Partnerships	Further strengthening STC partnerships to maximize collaboration, reduce duplication in joint STC planning, identify common priorities, and leverage capacity / expertise
Innovative Finance	Accelerating exploration of innovative finance, including with development banks, financial institutions, and other partners, and consistently updating the AFC on our efforts.
Accelerating efforts to ensure access to affordable commodities	With a specific focus on countries preparing for transition and those currently transitioning, given the significant fiscal space challenges this presents for countries
Catalytic and Strategic Initiative Funding	Harnessing catalytic and strategic initiative funding to maximize sustainability and transition preparedness planning in priority portfolios
Continued internal prioritization and updating of Secretariat guidance	Further prioritization of portfolios within the larger cohort defined by the STC policy, and updating of Secretariat guidance on STC issues

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