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## GLOBAL FUND BOARD DISCUSSES NEXT PHASE OF IMPLEMENTATION OF THE SUSTAINABILITY, TRANSITION AND CO-FINANCING POLICY

The 42nd Global Fund Board meeting discussed [the Sustainability, Transition, and Co-financing \(STC\) policy](#) as part of the 'pre-day' agenda, in the form of an "interactive discussion". This discussion reaffirmed the importance of this policy and its implementation. The STC policy aims to invest Global Fund monies better so that countries can maintain and scale up service coverage for the three diseases after Global Fund financing stops. The STC policy will be a priority in the 2020-2022 allocation period.

Recently, three Global Fund institutions – the Technical Evaluation Research Group (TERG), the Office of the Inspector General, and the Technical Review Panel – reviewed the implementation of the STC policy so far. They found that the Secretariat quickly implemented the policy mainly by embedding policy components in financing decisions, operations, procurement of health products, and partnerships with other institutions. The Secretariat succeeded in improving transition preparedness and increasing domestic resources to health and to the HIV, TB and malaria programs. But despite significant initial progress, the update to the Board says, many challenges remain.

The update to the Board offered joint recommendations from the Secretariat, the TERG, and the TRP, based on lessons learned from the 2017-2019 grant cycle as well as independent reviews, to guide continued STC policy implementation. These recommendations will be brought to bear in the next grant cycle (2020-2022).

### Context and operationalization of the policy

The Global Fund Board approved the STC policy in April 2016; the Secretariat first implemented it during

the current (2017-2019) allocation cycle. [The STC policy relies on four principles:](#)

1. Differentiation according to country context (epidemiology, income per capita, human rights and gender, region);
2. Alignment to country systems and processes;
3. Predictability of funding and time to plan for transition;
4. Flexibility to adapt the policy to country context.

The Global Fund STC policy defines sustainability as a country's ability to maintain and scale up service coverage to control and even eliminate each of the three diseases. 'Transition' is the mechanism by which a country, or a disease component, moves towards fully funding and implementing its health programs without the Global Fund support. 'Co-financing' is domestic (public and private) resources that finance the health sector and the three diseases.

Few countries or disease-specific components will transition from Global Fund financing by 2025, [according to the Secretariat's transition projections](#) in March 2018. This slow transition rate is due to the Global Fund's eligibility criteria, which depend on countries' income levels and burdens of each of the three diseases.

The Secretariat operationalized the STC policy using several measures including:

- Embedding the STC principles into the Global Fund funding cycle, funding decisions, and procurement;
- Strengthening transition planning in priority portfolios, including more transparency around the deadline of the transition. The Secretariat had specifically designed a funding request category, "Tailored for Transition," for countries that are approaching transition to help them build sustainable programs in parallel with decreasing Global Fund support;
- Strengthening STC-related partnerships with other donors;
- Enhancing country support to analyze transition and sustainability challenges and strengthen planning, including implementation of Transition Readiness Assessments, relevant follow-up to address challenges identified, and other equivalent country-specific and regional planning, particularly in regions most affected by shorter-term transition.
- Enhancing focus on tracking compliance and co-financing risks, setting co-financing incentives, and negotiating strong co-financing commitments. Continued prioritization of the co-financing policy has resulted in high levels of compliance with Global Fund requirements, as well as strong, positive trends in both domestic spending and future commitments.
- Expanding the Global Fund procurement tool, Wambo.org, to support greater access to more affordable and quality-assured health products.
- Implementing multi-country and Strategic Initiative funding to address specific challenges, including multi-country grants to address regional sustainability challenges, support for transition planning, public financing of civil-society service provision (ie. "social contracting"), health expenditure tracking, health financing strategies, implementation of efficiency assessments, and country-/region-specific advocacy activities;
- Strengthening internal Secretariat organization and capacity of key stakeholders to address programmatic and financial sustainability challenges.

The main actors in the operationalization of the STC policy are country teams, principal recipients, and Country Coordinating Mechanisms.

## Challenges

The update described ongoing and evolving challenges despite “significant initial progress” in the implementation of the STC policy. It also notes that these challenges are likely to continue, as the Global Fund makes efforts to “more strategically and more systematically” focus on STC policy implementation within a greater proportion of the Global Fund portfolio.

Gaps in domestic financing are a major issue especially in funding activities related to key and vulnerable populations and health systems. In addition, health systems weaknesses are having a major impact on the potential sustainability of disease outcomes. Specifically, three health system aspects are vital to ensure a successful STC policy implementation. They are procurement and supply chain of affordable health commodities procured with either Global Fund or domestic resources; public financial management; and integration of programs, systems, and services.

Among other challenges the update described were the need for increased attention to efficiency and value for money, including in the development of requests for funding, and the need to strengthen domestic procurement of quality, affordable commodities.

## Recommendations for continued policy implementation

The TERG, the OIG and the TRP offered the Secretariat a series of recommendations for the continued implementation of the STC policy.

The overall recommendation is to strengthen transition preparedness and focus on sustainability challenges in ‘high-impact’ countries, while enhancing the focus on long-term sustainability challenges, especially in countries with larger Global Fund allocations and higher disease burdens. The three institutions also offered recommendations in the specific areas of co-financing, transition/sustainability planning, domestic financing for key and vulnerable populations, procurement of health products, learning and monitoring of STC progress. These recommendations include:

- Co-financing: Focus on increasing overall health expenditures from domestic sources, including for services for key and vulnerable populations;
- Transition/sustainability planning: Should start early across the Global Fund portfolio, in collaboration with other partners, where relevant and possible;
- Grant design: Align Global Fund investments with national systems and strengthen strategic investments in countries’ health systems while accounting for country context;
- Domestic financing for key and vulnerable populations services: Promote domestic or alternate financing of services provided by civil society organizations, including via co-financing, grant design, engagement of partners, and explicit recognition in funding requests of barriers or challenges;
- Procurement: Support countries to improve procurement including through the use of Global Fund pooled procurement mechanisms and Wambo;
- Learning and monitoring of STC progress: Learn from existing STC efforts and review strategies for enhancing the monitoring of STC policy implementation.

## Preparations for the 2020-2022 Allocation Cycle

The Secretariat has already started to implement some of these recommendations for the upcoming

allocation cycle and will emphasize three of them. First, the Secretariat will continue to request strong co-financing commitments and setting related incentives. In the next allocation letters that will soon be sent to countries, the Secretariat will include the co-financing commitment demands. Second, the Secretariat will revise the funding-request templates to emphasize value for money, integration of the disease programs, and sustainability aspects. Third, the Secretariat requested that the Board, during its 42nd meeting, allow countries and other implementers to use the Global Fund's pooled procurement agreements with domestic and non-grant funding, in line with one TERG recommendation. The request for the expansion of the use of wambo.org (with non-Global Fund monies) was granted. [[See article in this issue on sourcing and supply operations](#) as well as [article on Board decisions](#).]

### Next steps for the Strategy Committee and the Board

The Strategy Committee of the Global Fund Board will continue to oversee the implementation of the STC policy, while acknowledging the cross-cutting nature of this policy and its impact on other areas of the Global Fund's work. The Board provided input at this meeting on how the Global Fund can support ongoing implementation of the STC Policy as a vital element of the 2017-2022 Strategy. In particular, the central issue of domestic funding, which is planned to increase 50% from the current cycle to the next, is key for the sustainability and the consolidation of outcomes. Several examples were provided by the delegate from Zimbabwe, which created a national fund for HIV despite the country's serious financial crisis, and the representative from Costa Rica, who described the transition that the country is experiencing and the long-term provisions being made to increase domestic fundings and enable the legal framework to allow service provision by civil society organizations.

### Further reading:

- [‘The Global Fund Sustainability, Transition and Co-financing Policy’](#) (GF/B35/04) – Revision 1 Board Decision
- [‘Projected transitions from Global Fund Support by 2025 – projections by component’](#) (March 2018 update)
- Board Document GF/B42/12, ‘Sustainability, Transition and Co-financing’ should be available shortly at <http://www.theglobalfund.org/en/board/meetings/42>

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