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NEW CO-FINANCING REQUIREMENTS DO AWAY WITH THE OLD COUNTERPART FINANCING THRESHOLDS

Under the new co-financing requirements (previously called “counterpart financing requirements”) adopted by The Global Fund, countries no longer have to meet a minimum threshold expressed as a percentage of the cost of the national programs for HIV, TB, and malaria.

Under the old counterpart financing requirements, the thresholds were 5% for low-income countries (LICs), 20% for lower lower-middle-income countries (lower LMICs), 40% for upper lower-middle-income countries (upper LMICs), and 60% for upper-middle-income countries (UMICs).

In addition to the counterpart financing requirements, there was also a separate willingness-to-pay provision. This provision has now been folded into the new co-financing requirements.

The new requirements are part of the new policy on sustainability, transition, and co-financing which the Global Fund Board adopted at its 35th meeting in April 2016. Under the new co-financing requirements, countries have to demonstrate two achievements:

1. progressive government expenditure on health to meet national universal health coverage (UHC) goals; and
2. increasing co-financing of Global Fund–supported programs over each allocation period, focused on progressively taking up key costs of national disease plans.

That much is clear in the new policy. But exactly how it will work is a little cloudy. For example, with respect to progressive public expenditure on health, the requirements include general statements such as the following:

- The Global Fund expects and encourages national governments to fulfill their financial commitments to the health sector in line with recognized international declarations and national strategies;
- in all countries, public policies for mobilization and effective use of domestic resources for health, underscored by the principle of national ownership, will be central to the Global Fund's approach to co-financing; and
- with partners and through global platforms, the Global Fund will actively engage countries with a high, severe, or extreme disease burden for two or more disease components who have a low prioritization of government spending on health or low capacity for domestic revenue capture, to develop a robust health financing strategy and incorporate its provisions in national development frameworks before the end of 2020.

And with respect to increasing co-financing of Global Fund–supported programs, the requirements state that:

- as countries grow economically and have increased fiscal capacity, they are expected to increase their contributions to the disease programs and health systems in line with the requirements of their national plans and fiscal capacity, over each allocation period; and
- applicants should be able to demonstrate that domestic funding is progressively absorbing the costs of key program components such as human resources and procurement of essential drugs and commodities, programs that address human rights and gender related barriers and programs for key and vulnerable populations.

The Global Fund says that the new requirements allow it to tailor co-financing requirements along the development continuum to ensure that they support the health sector and incentivize investments in line with national priorities. At the lower end of the continuum, the emphasis is on domestic investments to build resilient and sustainable systems for health and move towards universal health coverage; along with minimal requirements to co-finance Global Fund–supported programs. As countries move along the development continuum, expectations call for progressively higher co-financing of disease programs and key program components, such as interventions for key and vulnerable populations and systems strengthening interventions aimed at critical barriers to sustainability.

The Global Fund says that, in general, the following parameters will apply when assessing co-financing contributions:

- For LICs, regardless of disease burden, co-financing contributions are not restricted to the disease program or related health systems costs, and the countries may dedicate 100% of their investmentto health systems.
- For lower LMICs, co-financing contributions should be in line with identified priority areas within the disease program or health systems, with a minimum of 50% in disease programs.
- For upper LMICs with a high, severe, or extreme disease burden, co-financing contributions should be in line with identified priority areas within the disease program and health systems, with a minimum 75% in disease programs. In LMICs with a low or moderate disease burden, applicants are encouraged to show a greater share of domestic contributions that will address systemic bottlenecks for transition and sustainability.
- For UMICs, regardless of disease burden, co-financing contributions should be focused on disease components and health systems activities to address roadblocks to transition, with a minimum 50% invested in specific disease components targeting key and vulnerable populations.

It appears that the precise amounts of co-financing for each component will be determined by the Secretariat in consultation with each country.

Under the new requirements, in order to encourage additional domestic investment, a “co-financing incentive” amounting to not less than 15% percent of the Global Fund allocation for each component will be made available upon increases in co-financing of the disease program or health systems that are (a) at least 50% of the co-financing incentive for LICs, and at least 100% of the co-financing incentive for LMICs and UMICs; (b) invested in priority areas of national strategic plans, in line with the investment guidance developed with partners; and (c) evidenced through allocations to specific budget lines, or other agreed assurance mechanisms.

Each country component’s access to the co-financing incentive will be determined by the Secretariat on a case-by-case basis taking into account country context, including fiscal space considerations. The amount of the co-financing incentive will be proportional to the level of additional co-financing provided by the country, unless a strong justification is provided.

All country components eligible to receive an allocation from the Global Fund must comply with co-financing requirements to access their allocation. Regional, multi-country, and Non-CCM applicants are not required to meet the co-financing requirements.

Monitoring compliance

Under the co-financing requirements, countries must provide evidence that the Ministry of Finance or other relevant bodies have confirmed the co-financing commitments. The Secretariat will verify this as required.

Co-financing requirements will be measured separately for the overall health sector and for each disease program.

If a country believes that it is not in a position to fulfil its co-financing requirements, it may request a full or partial waiver of requirements at the application stage or during grant implementation. Any waiver of co-financing requirements will require strong justification, as well as a plan for addressing funding shortfalls.

Unless requirements are waived by the Secretariat, failure to demonstrate progressive government expenditure on health or comply with other co-financing commitments will be factored into subsequent allocations. The Secretariat may also, at its discretion, withhold a proportional share of Global Fund disbursements or reduce annual grant amounts during the grant implementation period, if confirmed commitments do not materialize.

The Secretariat will establish mechanisms for annual monitoring of specific co-financing commitments, aligned to national reporting systems.

In order to ensure a reliable basis for tracking government commitments and spending, applicants may request interventions to strengthen public financial management systems through their applications to The Global Fund. In addition, the Global Fund will also invest through its grants and partners to support institutionalization of standardized methods for tracking health and disease expenditures.

In the context of The Global Fund, co-financing refers to pooled domestic public resources and domestic private contributions that finance the health sector and national strategic plans. Domestic public resources include: government revenues, government borrowings, social health insurance, and debt relief proceeds, including Debt2Health arrangements. With the exception of loans and debt relief, all other forms of international assistance, even when channeled through government budgets, are not considered as co-financing.

The Global Fund Sustainability, Transition, and Co-Financing Policy, Board Document GF-B35-04, is available at www.theglobalfund.org/en/board/meetings/35.

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