



Independent observer
of the Global Fund

Update on Co-financing

Introduction

In response to constituency requests for an update on the Global Fund's objectives from co-financing (CF), experiences of implementation in grant cycle (GC) 5 and GC6 (data governance, incentives, policy visibility, policy implementation, roles and responsibilities, and available data) and improvements introduced for GC7, a slide presentation report was prepared for this week's 50th Board meeting.

The report was designed to answer the following questions:

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

At GFO, we have written extensively about co-financing. If you are interested in more background, you can find a selection of our articles here (for example, [The uncertainty of co-financing](#), [Global Fund's Co-Financing Policy: A primer](#)) and online, including on the [Sustainability, Transition and Co-financing \(STC\) Policy](#).

Regarding the Board discussion, for readers to assess what has happened and the plans for improvement it is first necessary to be clear about the co-financing approach.

Co-financing approach

The approach to CF is set out in the STC Policy. The STC Policy is implemented through a suite of related tools:

- Domestic resource mobilization advocacy (including national dialogues);
- CF and mobilizing domestic financing, which is the focus of the report;
- A continuing focus on efficiency and value for money to facilitate domestic uptake of interventions;
- Technical support, country engagement and expanding scope to use grants for financial sustainability objectives such as improved public financial management (PFM), provider payment reforms, strategic purchasing, social contracting, and transition planning;
- Innovative finance transactions, including blended finance/joint investments and Debt2Health; and
- An allocation formula that explicitly builds in graduation from Global Fund grants.

The CF approach allows for different objectives in different contexts:

- In challenging operating environments (COE) the priority is to ensure health spending is not ignored among other priorities for governments and donors, such as security.
- In low-income countries the priority is to promote progressive, aggregate spending on health, HIV, tuberculosis and malaria (HTM) and primary health care (PHC), and build capacity.
- In lower middle-income countries the priority is to encourage increased domestic funding of Global Fund-supported programs.
- In upper middle-income countries the priority is to institutionalize spending on HTM, especially key population (KP) programming.

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

1. A requirement for progressive government expenditure on health in order to: (a) incentivise greater prioritisation of government healthcare spending to strengthen and sustain national responses; and (b) ensure that General Government Health Expenditure is equal to or greater than the previous

three-year cycle.

2. A requirement to increase CF of Global Fund supported programs in order to: (a) increase domestic spending on national HTM responses and resilient and sustainable systems for health (RSSH); and (b) absorb some specific costs financed by the Global Fund (e.g. antiretrovirals, key and vulnerable population programming) to support scaling up and sustainability.

Co-financing activities

The following are the key CF activities across the grant lifecycle:

- Design requirements: (i) prior to the Allocation Letter, setting CF incentives and requirements based on the STC Policy, with adjustments per country and financial context; and (ii) engage in country dialogue on CF progress and requirements, building on the country's budget cycle.
- Funding Request: (i) review co-financing commitments and domestic financing trends submitted by countries via Funding Requests; (ii) review initial co-financing documentation; and (iii) highlight any co-financing issues for the Technical Review Panel (TRP) review and address TRP recommendations.
- Grant making: (i) assess CF risk and develop mitigating actions if relevant; (ii) assess compliance against backward-looking and forward-looking CF requirement; (iii) finalise CF commitments via a formal Commitment Letter; and (iv) take actions, including non-compliance actions if relevant (including reduction of grant funds or future allocations).
- Grant implementation: (i) monitor CF progress against data sources and reporting schedule agreed by countries in their Commitment Letter; (ii) monitor progress against mitigating actions if and where relevant; and (iii) take actions in cases of non-compliance, including management letters, withholding of disbursements, etc.

Non-compliance

When CF does not meet policy requirements:

- Full or partial waivers may be considered at the grant making stage or during implementation; and
- If a waiver is not provided, the Secretariat must: (i) consider withholding disbursements or reducing grant funds; and (ii) consider reducing the subsequent allocation.

Experience to date

The report states that progress has been achieved in three areas:

1. An increased focus on health finance as evidenced by: investment in specialist financial sustainability resources with the creation of the Health Finance Department; \$30 million in technical assistance for sustainability, transition and efficiency work in GC5 and GC6 so far; and support to countries to enhance PFM systems.
2. Incentivised change with countries and partners as shown by: increased incentives to partners to align with other donors, including via the Sustainable Health Financing Accelerator, and working with multilateral development banks, including on blended finance deals; and complemented domestic resource mobilisation focus with innovative finance transactions to unlock/crowd-in other sources of funding as well as increase harmonization with other donors.
3. Catalysed resources through partnership and advocacy through: activating increased domestic investment in health, health systems and national responses; facilitating expanding domestic resource mobilization advocacy, African Union relationship, Africa Leadership Meeting and national dialogues; and expanding dialogue with countries on health financing and sustainability; Ministries of Health often use Global Fund policy as leverage within government discussions.

Implementation challenges

The report quotes four challenges from an Office of the Inspector General (OIG) report:

1. Difficulty of tailoring STC policy requirements to country contexts.
2. Weak focus on “more health for money”.
3. Weak quality and timeliness of country-level health finance data, with a lack of agreement as to how and when information is reported.
4. Outdated roles and responsibilities for appraising adherence to policy

The TRP has also observed continued incomplete information on CF, countries' Funding Landscape Tables (FLT) accompanying their Funding Requests, and social health insurance with:

- National PFM systems often underperforming, reducing the opportunities for use of domestic systems by donors;
- Plans for health financing system modules of grants often weak and unambitious;
- Social health insurance implementation lagging; and
- Review of Funding Requests revealing inconsistent quality and completeness in FLT and the RSSH Gaps and Priorities Annex making it difficult to assess progress in domestic financing and co-financing.

Co-financing compliance

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

	GC4	GC5	GC6 – forward
	Number of countries		
Waivers	5	3	2
Reduction in grant funds	3	2	
Exemptions	9	8	9
Countries reviewed	108	112	111

Gaps and Inconsistencies in CF Data

So far in GC6, a review has shown that:

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

Four main themes emerged from the various reviews of CF data, monitoring and implementation:

1. Data governance is poor:

- There are material inconsistencies and missing data comparing country submissions and GAC and Board reports.
- Reliance is placed on data collated by the Secretariat in lieu of country-submitted evidence.
- There is a lack of a central repository for CF data, further challenged by a lack of an audit trail on data-related decisions.
- Modern standards of data storage and quality-assurance are not being applied.

2. There is a need to strengthen incentives and policy visibility:

- Some countries indicated they do not understand the policy and are not engaged in its implementation – from making commitments to backing these with evidence.
- There is limited transparency and reporting of CF progress throughout the cycle which reduces governance visibility.
- There are difficult trade-offs between prioritization of sustainability (including CF) and timely

grant disbursement for programmatic continuity.

3. There is a need for clearer and more consistent policy enactment:

- The Operational Policy Note does not reflect how the Policy is implemented in practice.
- CF appraisals against STC policy are carried out inconsistently across countries, with a lack of clarity over decision grounds.
- Consideration of fiscal realities of countries is sometimes not prioritized, with more emphasis on ambition in commitments than verification of realization.

4. Roles and responsibilities need to be clarified:

- There is a lack of clarity of roles and responsibilities across stakeholders involved in implementation, including internally at the Secretariat.
- There is minimal or no integration of CF processes with the grant operating system and grant-making.

Improving monitoring for GC7

In preparing for GC7, steps have been taken to align policy, implementation and strategic objectives.

First, to enhance CF governance, including data quality:

- Operational guidance on CF for GC7 has been updated, including clarifying the approach to assessing compliance and minimum data requirements.
- The Commitment Letter and FLT templates for GC7 have been updated.
- Tracking of the grant-making final review forms has increased.
- Improvements to the health finance data platform are underway.
- A CF monitoring tool is being introduced.

Second, to strengthen incentives and policy visibility:

- A mandatory Commitment Letter has been introduced for GC7.
- An updated, more demanding CF key performance indicator (KPI), including a CF risk KPI, has been introduced.
- The integrated risk management tool has been updated to include standalone CF and sustainability risks.
- Comprehensive standard CF language is being applied to GC7 grant confirmations.
- Performance and accountability metrics are being designed for the Health Finance Department.

Third, to ensure a clearer and more consistent enactment of policy:

- A data-driven approach to setting forward-looking CF requirements for GC7 has been introduced, propelling both consistency and tailoring.
- A rigorous review and resetting of CF baselines is underway for many countries in GC7.
- There is ongoing use of the built-in flexibilities of the STC policy.

Fourth, to clarify roles and responsibilities:

- Interim guidance is now available that provides short-medium term clarity on the roles of key stakeholders involved in GC7 implementation.
- The Secretariat's health finance capacity is being expanded, together with an explicitly country team-facing service model, including to help country teams with data governance.
- The use of local fund agents (LFAs) – as well as other partnerships such as with UNAIDS and WHO – to support CF monitoring is being explored.

Moving forward

The report concludes that the Global Fund should continue to focus on catalysing domestic resources for health by:

1. Encouraging greater ownership by governments:

- Government, especially Ministries of Finance, must own their own commitments.
- Empower national stakeholders to hold leaders to account on domestic resource mobilisation.
- Work with partners to build local capacity (people and systems) for monitoring expenditure and linking to programmatic priorities.

2. Simplifying requirements for countries:

- Improve communication with countries during country dialogue and grant processes.
- Increase visibility on specific commitments and renew emphasis on total programmable resources.
- Work with countries to ensure financial and programmatic commitments are realistic and further interlinked.

3. Systematically improving data and the ability to track commitments:

- More systematically document and substantiate CF commitments.
- Work with countries and partners to strengthen data systems at the national and subnational levels.

- Improve Global Fund review, verification and monitoring of commitments.

Stakeholder feedback

Many recognized the efforts to improve the design of co-financing requirements. They welcomed the collective efforts in catalyzing domestic resources through a country-owned process for sustainability amid volatile economic and geopolitical tensions which continue to impact economies after COVID-19. People acknowledged that co-financing is just one part of the puzzle in strengthening efforts towards RSSH, thus looking forward to ensuring that in building local capacity (both people and systems), the process empowers not only governments, but also communities in all levels of decision-making, implementation and monitoring.

They stated that the Global Fund should increase the level of visibility and transparency of co-financing requirements and results to trigger more consistent governmental accountability. This should include increased frequency of reporting on progress towards commitments to ensure timely awareness of co-financing results and risks. It is also important to link co-financing commitments to concrete investments and validation requirements during grant-making.

Stakeholders supported the shifts from budgets to accountability on expenditures; with emphasis on coherent/accountable use of data sources and governance; broadening the scope beyond HTM, and the dialogue that connects to the broader landscape of Universal Health Coverage (UHC), RSSH, and pandemic preparedness, prevention and response (PPPR). They also supported alignment with country cycles on budget and expenditure accountability.

However, people underscored that while there is evident political focus and goodwill, the primary challenge lies in fiscal space. Notably, African heads of states are planning a summit early next year to revisit health financing issues and reaffirm commitments to fund health.

Some noted that, while they supported innovative finance transactions to attract resources from regional development banks to health and to strengthen RSSH, it is important to continue to guard against the fiscal risks of excessive lending and debts. They urged continued investments in civil society strengthening (CSS), including in-country capacity for budget and expenditure accountability and advocacy for domestic resource mobilization (DRM).

Many called attention to grant performance metrics that demonstrate country ownership. Efforts to enhance domestic funding for KVP and human rights interventions could address the sustainability of KVP service issues.

Recognizing governments' investments in health, people felt it is crucial to establish a clear shared

understanding of what constitutes co-financing. It's worth noting that other Global Health Initiatives (GHIs) also require co-financing, and the simultaneous demands can be overwhelming for countries. Coordinating partners at the country level to gain a comprehensive view of health sector investments in relation to disease-specific requirements is vital. Disjointed funding arrangements can undermine the public management systems of countries. See our article in last week's GFO, [Possible scope for aligning Gavi and Global Fund Co-financing, Transition, and Sustainability Policies](#).

A co-financing policy is indispensable for sustainability plans, and stakeholders said it must be shaped by country realities, particularly those falling under the Additional Safeguard Policy (ASP) and classified as COE.

Finally, people also looked forward to the regular and transparent updates on the implementation of concrete steps and plans that will be undertaken for improvement in data governance, policy awareness and consistent application, and roles and responsibilities.

The Board paper GF/B50/13, Update on Co-financing, will soon be available on the Global Fund website.

[Read More](#)
