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of the Global Fund

Looking ahead to the Global Fund Strategy in Grant Cycle 7 Part III

Our third and final article in this series examines how health financing and related areas have been reflected in Grant Cycle 7 (GC7) funding requests (FRs). It highlights elements of health finance levers – however, as a mutually reinforcing objective of the Global Fund Strategy 2023-2028, core inputs and results are, by definition, integrated across HIV, TB and malaria (HTM).

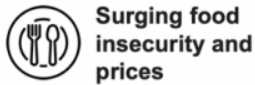
Health Finance

Macro challenges likely to affect financing for health, creating challenges for domestic financing for health and national responses during GC7 and beyond

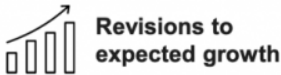
Figure 1. Macro challenges affecting domestic health financing



Rising debt distress Fiscal deficits and debt distress likely to affect financing of health systems



Surging food insecurity and prices Increasing food insecurity and inflation presents a risk to populations affected by HIV, TB and malaria



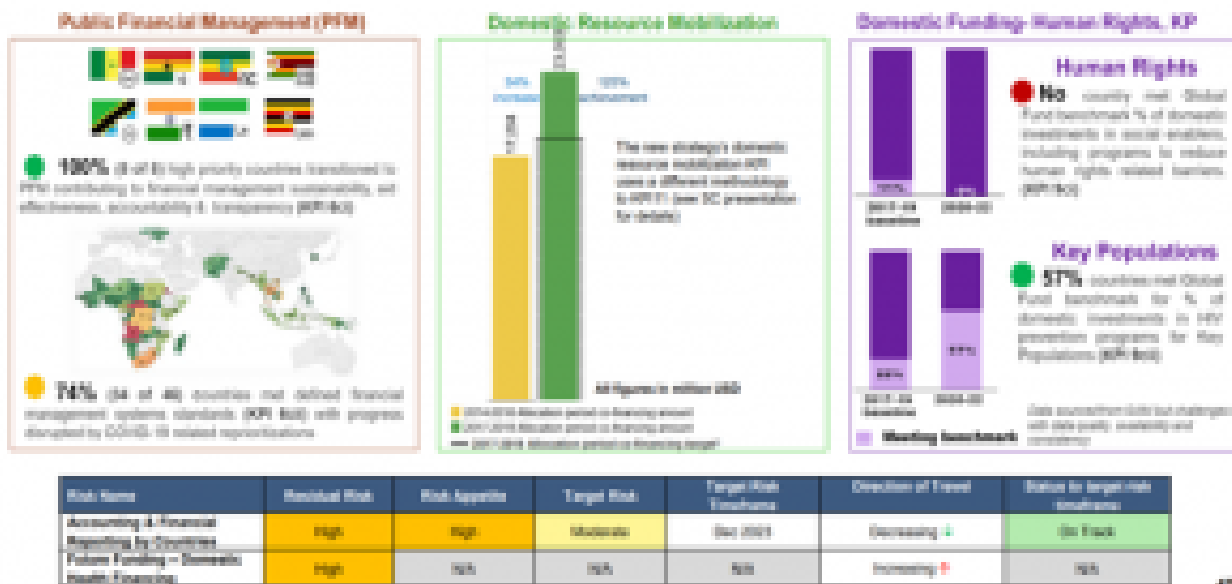
Revisions to expected growth Majority of domestic monies for health has historically been driven by **economic growth, which is stalling or downgraded in vast majority of LMICs**



Reduction in government spend According to the World Bank, "...110 countries will not get back to the average pre-COVID growth path in their pc GGE of countries in their income group even by 2027 and 41 countries out of these will see their spending capacity in 2027 contract as compared to pre covid" (Sep 2022 Report)

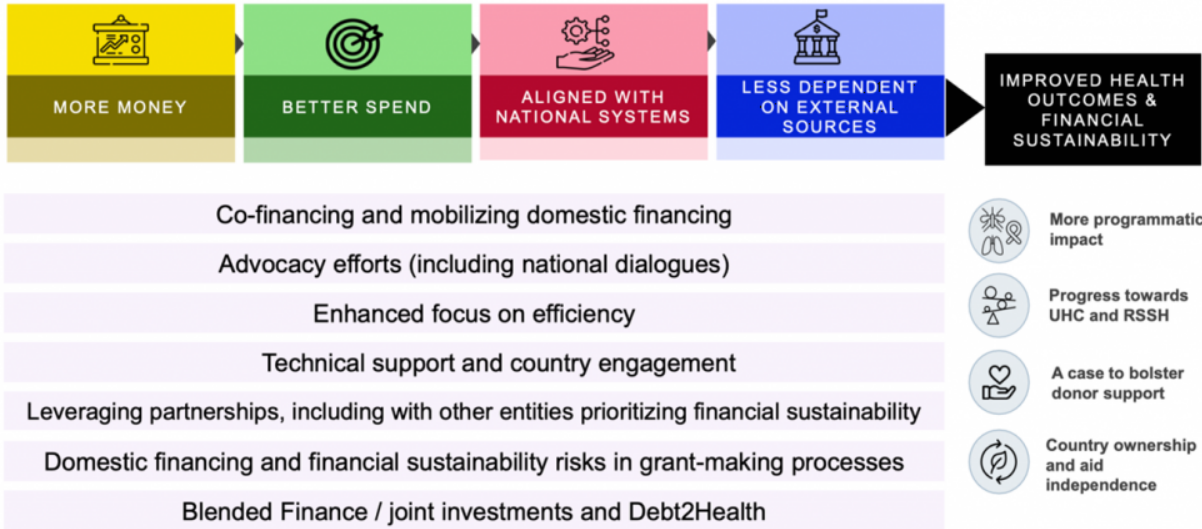
This reduction in government spend is expected to have lasting effects on the health sector. Consequently, these external pressures are likely to impact key performance indicators (KPI) execution, necessitating ongoing efforts in Public Financial Management (PFM), and signaling the need for a reset in domestic funding KPIs, particularly given the evolving economic landscape.

Figure 2. PFM, domestic resource mobilization and allocations for Human Rights and KPs



Supporting countries throughout GC7 to strengthen financial sustainability and improve health outcomes will require a multipronged approach

Figure 3. Multifaceted approach to support countries' financial sustainability and improved health outcomes



To strengthen outcomes, the Secretariat has worked to align co-financing requirements to the fiscal context facing countries and updated the KPIs to ensure performance insight.

Figure 4. Determining co-financing potential and updating KPIs in GC7

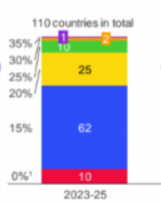
In GC7, with GAC, the Secretariat used a data-driven approach to determine co-financing potential

In the current context, we saw that direct application of the STC policy would not be realistic for many countries.

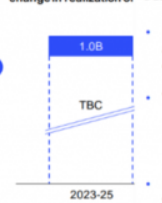
- ! Ambitious strategy committing us to greater investment
- ! Unprecedented fiscal pressure faced by countries
- ! Constrained allocations, with significantly increased cost of commodities and essential services

We modelled countries' fiscal space to evaluate their capacity to increase domestic financing and used this to set co-financing expectations in allocation letters.

A portion of grant funding is conditional on meeting co-financing requirements. Proposed % of allocation tied to co-financing across the portfolio (if of countries) shown below.



As a result, we are requiring approximately \$1bn of additional co-financing from countries in GC7 above GC5 compared to a GC5 \rightarrow change in realization of



For countries with significant fiscal challenges and potentially unsustainable trends in co-

KPI R1a (2023-28 Strategy) is more aligned to the policy than KPI11

- KPI R1a asks how much co-financing was realized in the previous allocation cycle across the portfolio as a % of **what countries committed**, not the minimum requirement expected by the policy. This is a more stretching indicator.

$$= \frac{\text{co-financing estimated across all countries}}{\text{commitments made by all countries}}$$
- We will also **shift the focus on acceptable data** sources to: improved **commitment letters**, including clear statements on past **budget execution** and the current year's budget allocation; **verification** by LFA and/or HF specialists, in line with the STC policy.
- Both KPI11 and KPI R1a suffer from a significant lag before the full portfolio is reported. This is because we do not assess retrospective co-financing performance by a country until they apply for funding in the following allocation cycle.
- To help compensate for this, KPI R1b, which will be reported alongside KPI R1a, will report on progress made by Global Fund Secretariat and partners in implementing co-financing risk mitigation steps. The forward-looking nature of co-financing risk assessment means that this KPI will provide an insight into future performance of KPI R1a.

This approach is designed to support realistic and strategic co-financing targets, aligned with providing the Global Fund with the leverage to support better programmatic outcome

THE GLOBAL FUND

1. Total number excludes 1 waste, 8 exemptions and one country applying a payments for results modality without a specific % of allocation tie

Excerpts from the Co-Financing Presentation

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Preliminary analysis of GC7 demonstrates more rigor, consistency and quality of co-financing commitments

The figure below shows how, as of October 2023, there were early signals that the GC7 potential was well-targeted regarding co-financing. This was undoubtedly facilitated by operational improvements: a consistent approach to assessing compliance and data requirements; the Mandatory Commitment Letter for GC7 requiring all countries to include financial and programmatic commitments; and more support for health financing data governance, and tracking programmatic commitments and risk. By 23 October, over 15 countries had gone through the Grants Approval Committee (GAC) review for GC7:

Figure 5. Early insights from GC7 on co-financing outcomes

Country	Components	Status of GC6 backward-looking compliance	Status of GC7 forward-looking compliance
Country AA	HF, TB	Conditional compliance (pending submission of further budget reports)	Conditional compliance (pending finalisation of Commitment Letter)
Country BB	Malaria	Waiver	Conditional compliance (pending finalisation of Commitment Letter)
Country CC	Malaria	Complied	Conditional compliance (pending finalisation of Commitment Letter)
Country DD	HF, TB	Complied	Conditional compliance (pending finalisation of Commitment Letter)
Country EE	HF, TB, Malaria	Complied	Conditional compliance (pending finalisation of Commitment Letter)
Country FF	HF, TB	Complied	Complied
Country GG	HF, TB, Malaria	Waiver (pending plan for COG status)	Waiver (pending plan for COG status)
Country HH	TB	Complied	Complied
Country II	Malaria, AIDS	Waiver	Conditional compliance (pending finalisation of Commitment Letter)
Country JJ	HF, TB, Malaria	Complied	Complied
Country KK	HF	Complied	Complied
Country LL	HF, TB, Malaria, AIDS	Complied	Complied
Country MM	Malaria	Waiver	Complied
Country NN	HF, Malaria	Waiver	Conditional compliance (pending finalisation of Commitment Letter)
Country OO	HF	Conditional compliance (pending submission of further budget reports)	Conditional compliance (pending finalisation of Commitment Letter)
Country PP	HF, TB	Conditional compliance (pending submission of further budget reports)	Conditional compliance (pending finalisation of Commitment Letter)
Country QQ	Malaria	Conditional compliance (pending submission of further budget reports)	Conditional compliance (pending finalisation of Commitment Letter)

Note: The letter country has also already been assessed for GC6 backward-looking and GC7 forward-looking requirements. GAC Recommended, but not Board approved yet

Public Financing Management

Efforts to strengthen PFM are underway.

Figure 6. Secretariat interventions regarding PFM

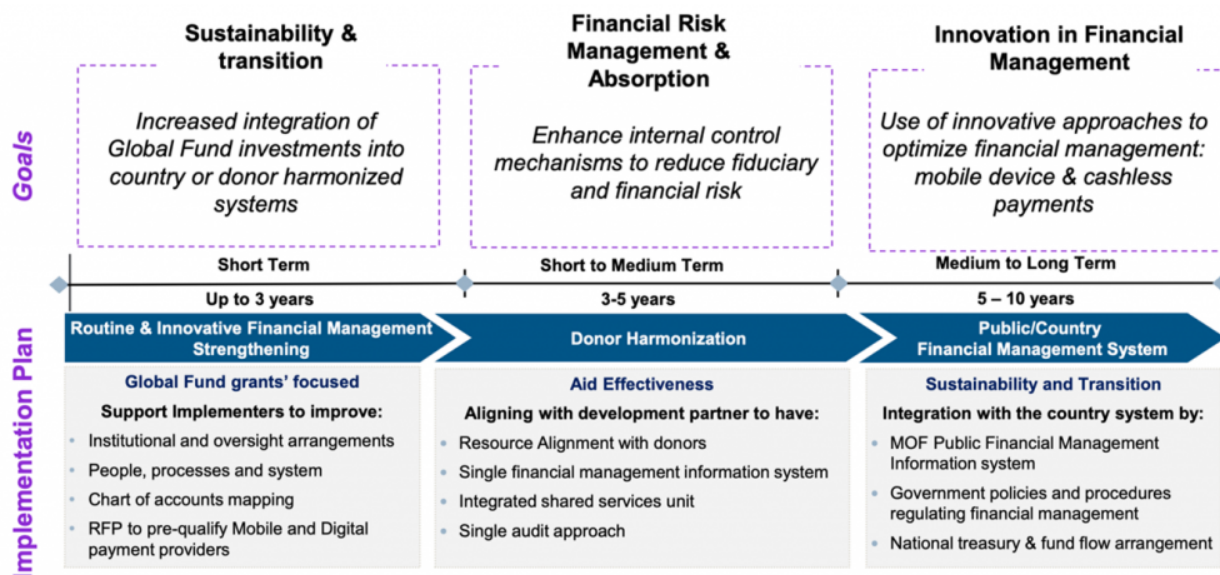


Figure 7. Achievements and focus of ongoing efforts demonstrate growing opportunity in PFM

By the Numbers | Achievements to Date

- ✓ **22%*** increase in budget absorption in priority countries (from 2016 - 2020)
- ✓ **52** countries have undergone resource alignment for HIV funding, advancing strategic alignment & aid effectiveness with PEPFAR
- ✓ **34** countries (or 74% targeted countries) have completed 80+% of action items for financial management capacity building (as of EOY 2022)
- ✓ **14** Mobile money pilots started incl. 4 end-to-end deployments and
- ✓ **44** countries are covered for cashless payments by pre-qualified providers (RFP)
- ✓ **8**** countries (or 100% targeted countries) piloting donor-harmonized / PFM systems for GF grants

Focus of Ongoing Efforts

Public Financial Management Continued efforts to ensure strengthening and uptake of PFM focus areas built into wider Global Fund grant-making and implementation processes***

Routine Financial Management Continued pre-qualification of service providers; Revamp of routine financial management to align it with new strategy with focus on communities and organizations supporting them for last mile delivery

Digital payments Proactive review and mitigation of risks prior to implementation; PR engagement to ensure successful deployment and build local accountability

* There has been a decline in absorption in 2020 – 22 driven by C19RM

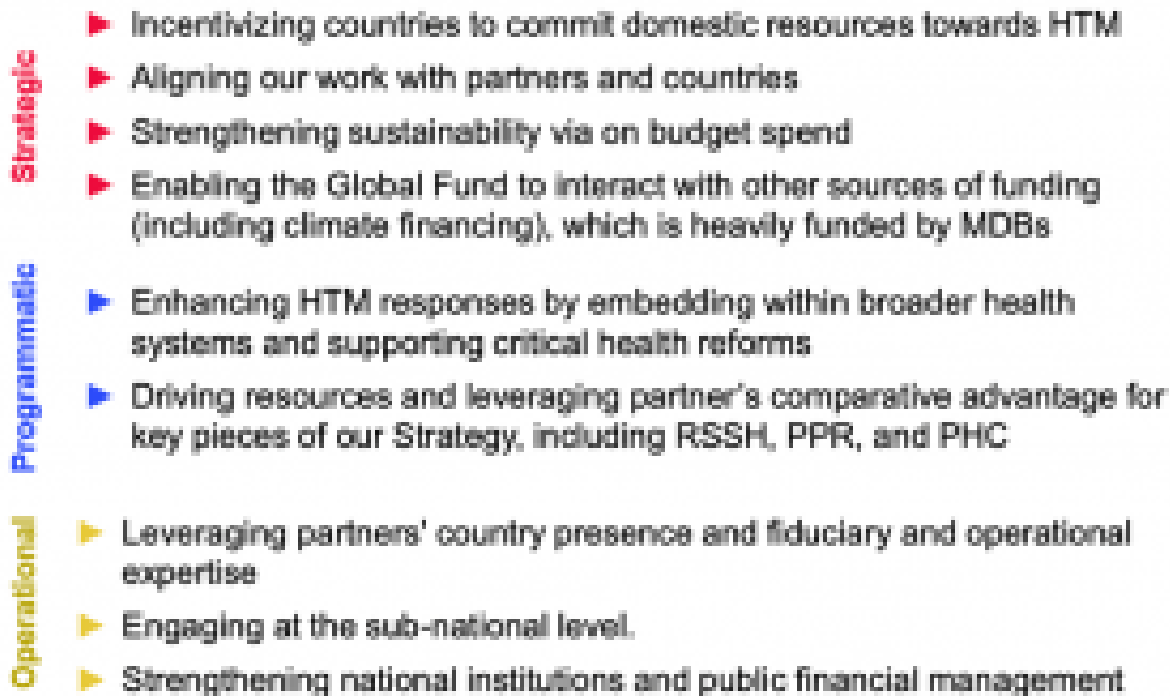
** 6 PFM countries (of which 4 from HI Africa II, 1 each from HI Asia & HI Africa I region) & 2 donor-harmonization

*** Focus on 31 high impact and core countries.

Using innovative new tools to turn the dial for more resources to support HTM and RSSH

As the Global Fund moves through GC7 and beyond, leveraging new tools – including blended finance – is essential to raise additional, and influence existing, resources to support HTM and RSSH objectives. Another mechanism is combining Global Fund grants with investments from multilateral development banks/finance institutions to encourage new financing or influence existing financing in support of HTM and RSSH objectives. These can complement Global Fund grants to achieve strategic, programmatic, and operational priorities:

Figure 8. Mechanisms to achieve strategic, programmatic and operational imperatives



Country examples

Some examples of how the Global Fund and investment partners have strengthened impact in GC7:

- India and Indonesia Loan Buy Downs incentivized additional domestic financing in two TB contexts, by encouraging and supporting Ministries of Finance to borrow for the health sector and TB control efforts and undertake critical health reforms.
- Pakistan: A joint investment designed to promote TB notification and case finding as well as strengthen primary health care/universal health coverage (PHC/UHC).
- Additional Transactions to support migrant populations to access antiretroviral therapy (ART) through social health insurance in one upper-middle-income (UMI) country and embed malaria community level interventions in national purchasing mechanisms.

The Global Fund is making major strides across health financing levers to catalyze resources: and can go further with strong partnerships

The Global Fund is committed to sustainability – in the current micro fiscal situation/context with budgetary pressures, it is laying stronger foundations to sustain the responses and continue to deliver.

The broader partnership can be a game changer in the following ways:

1. Keeping health prioritized among heads of state and the African Union.
2. Ensuring pragmatic operationalization of co-financing in the post-COVID context; credible and realistic partnership with countries.
3. Innovating with multilateral development banks (MDBs) to leverage and increase concessional financing and crowd-in resources to achieve Sustainable Development Goal 3.
4. Working together with partners and governments on financial sustainability planning country-by-country

NextGen Market Shaping and Pooled Procurement Mechanism (PPM)/Wambo.org

Aims and focus of NextGen Market Shaping

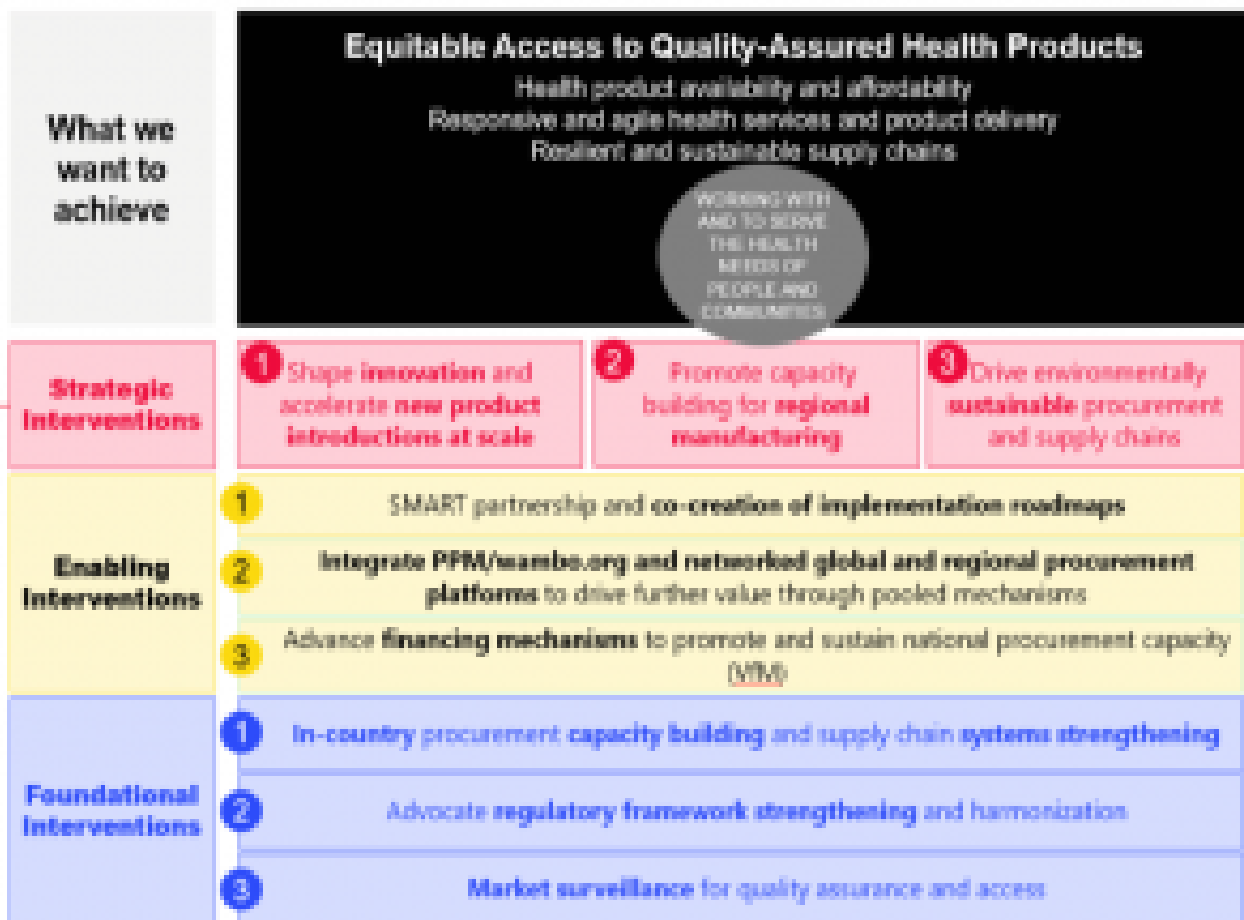
The NextGen Market Shaping approach is designed to drive equitable access to quality assured health products and foster innovation with a focus on

1. Accelerating scaled introduction of new tools and innovations for better outcomes and impact.
2. Promoting regional supply base diversification for improved supply security.
3. Supporting sustainable procurement and supply chains to ensure responsiveness and efficiency gains.

It builds on critical foundational interventions for robust and resilient national and community health systems: in-country capacity building, regulatory framework strengthening, and market surveillance. The approach aims to serve as a collaboration platform to harness partnership-wide engagement to advance prioritized efforts, focusing on complementarity and accelerating progress. Drawing on lessons from the COVID-19 pandemic, there is increasing focus on the impacts of climate change. There is particular focus on introduction of new products, and when there is an imbalance and/or misalignment between demand and supply or geographic footprint that could result in limited availability, long lead-times, higher costs.

NextGen Market Shaping efforts underpin the delivery of an important component of UHC: equitable access to life-saving medicines and health tools.

Figure 9. NextGen Market Shaping framework



Improved access to quality assured health products for GC7 and beyond

Progress to date

- Established Revolving Facility to accelerate health product introductions at scale. Secured supply capacity at lower access prices for accelerated introduction of CFP Dual active ingredient (AI) nets (>45% more effective) to address biological threats to malaria.
- With partners, achieved lower sustainable pricing contributing to more equitable access to affordable quality assured health products: (a) lower costs for first-line antiretroviral drugs (ARVs) treatment TLD to below \$45 per person per year; and (b) breakthrough pricing reduction on TB treatment (including a 55% reduction in cost of Bedaquilin for MDR-TB) and diagnostics (20% price reduction for GeneXpert TB cartridges), as well as improved care for equipment service and maintenance.
- Accelerating capacity building for regional manufacturing and procurement of rapid diagnostics. Expert Review Panel-Diagnostics (ERP-D) call for proposals launched for HIV rapid diagnostic tests (RDTs) manufactured in Africa.

- On track to finalize the NextGen Market Shaping Strategic Initiative investment plan for approval by the Grants Approval Committee (GAC) by end 2023.
- Reviewed and updated existing Quality Assurance (QA) Policies. The Strategy Committee recommended two QA Policies for Board decision in November.

Partner engagement

The Global Fund is:

1. Leveraging the Global Fund-Unitaid Task Force for wider collaboration to accelerate HTM innovation and product introduction.
2. Engaging with technical partners and donors through disease situation rooms to prioritize and align market shaping approach for accelerated health product introductions.
3. Dialoguing with the World Health Organization and the United States Government (USG) through PEPFAR to drive accelerated and streamlined regulatory pathways to enable regional manufacturing capacity building and procurement and new product introductions.
4. Developing interventions for capacity building for regional manufacturing and procurement with key partners including the African Constituency Bureau, GIZ, USG and several regional economic communities in Africa.
5. Developing an aligned approach to strengthen country capacity for procurement and supply chains focusing on digitization, data interoperability, last mile distribution, including assessing opportunities for environmentally sustainable solutions.

Looking ahead to the biggest challenges and actions

Outstanding challenges

- NextGen implementation is impacted by geopolitical uncertainties and economic challenges affecting global supply chains, which include inflationary trends and fluctuations in commodity pricing.
- Constrained resources for all NextGen priorities in GC7 lead to competing priorities, compelling countries to make challenging trade-off decisions, particularly in areas like malaria control.
- Effective change management is necessary at various levels, including the country, Secretariat, and governance, to implement new and scaled interventions such as the Revolving Facility, new health product introductions, and policies.
- Managing stakeholder expectations is crucial due to the complexity of the work required across the partner ecosystem and countries.

Actions for key stakeholders

Countries: Sustain strong collaboration and coordination with Global Fund Country Teams for the optimal execution of GC7, emphasizing innovation and extended coverage.

Secretariat: Persist in utilizing the NextGen Market Shaping approach to narrow the gap toward achieving 2030 goals, actively contributing to PPR, addressing the climate and health agenda, and incorporating the future of global health initiatives (FGHI) considerations.

Larger partnership considerations: Maintain ongoing engagement to align on common priorities, emphasizing a streamlined and complementary approach to interventions for maximum outcomes and impact.

Looking ahead together at GC7 and beyond

Early indicators suggest that GC7 is well-positioned to maintain advancements and progress in crucial areas by prioritizing strategically-focused Health Technology and Manufacturing programs aligned with the Strategy's objectives. The increase in the reach of prevention, testing, and treatment services, facilitated by commodity price reductions and robust markets, is noteworthy. Strengthened community engagement, along with a central emphasis on human rights, health equity, and gender equality, is proving vital in extending program reach, resilience, and quality within the challenging global context. Moreover, enhanced and comprehensive RSSH-PPR investments are strategically positioned to bolster system resilience in addressing HTM and broader pandemic threats.

However, the Global Fund and its partnership are confronting an imminent threat to the achievement of their mission. Challenges include overall HTM funding falling significantly below the levels necessary to meet SDGs, escalating discrimination, shrinking civic space, fiscal constraints limiting government health spending, and multi-crises involving human rights, climate, and conflict. Moreover, the shift in global and donor priorities away from HTM and health poses a severe risk of disease resurgence. Without sustained and increased partnership attention and resources, there is a genuine risk of losing and reversing gains, reducing treatment scale-up, increasing infections, and expanding drug resistance, thus limiting the efficacy of existing tools. Addressing these challenges is crucial to safeguarding progress and achieving long-term success.

Board paper GF/B50/08 Strategy Implementation: Acceleration into Grant Cycle 7 will soon be available on the Global Fund website.

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