

The Global Fund Sustainability, Transition and Co-financing Policy¹

November 2024

PREAMBLE

1. The Sustainability, Transition and Co-financing (STC) Policy was first approved by the Board in 2016. At the time of its approval, many Global Fund supported countries were experiencing economic growth, conducive to a progressive shift from external-donor financing for health toward domestically funded systems and disease-specific responses. The revised STC Policy ("the Policy") acknowledges the changed post-COVID-19 landscape in which countries are implementing health programs, including significant pressures on economic growth, increased debt burden in many contexts, challenges to increase health spending, and the Global Fund's continued need to reinforce sustainability. The Policy aims to support countries to better invest domestic and Global Fund resources to strengthen systems for health, support national HIV, TB, and malaria responses, and address critical sustainability and transition challenges to the Global Fund's mission. The Policy establishes principles and requirements for sustainability, transition and co-financing. It embraces differentiation because 'how' and 'what' both countries and the Global Fund invest in is dependent on a variety of factors, including epidemiological context, size of country allocations, the broader donor and partner landscape, existing financing of health systems, and unique country contexts. The Global Fund recognizes that sustainability, transition, and co-financing are intrinsically linked, and efforts to implement the Policy should ensure complementarity among the individual parts. This includes ensuring that co-financing implementation supports sustainability and transition goals, particularly the financing of specific programmatic interventions. While the Policy provides the Global Fund with a critical tool to continue to support countries to strengthen sustainability, success will depend on a number of factors, including strong political will, country leadership, an enabling environment that supports human rights, gender equality, and civic freedoms, economic circumstances facing countries, and effective implementation of sustainability and transition priorities at the country level.
2. The Secretariat will provide regular updates with a high degree of transparency to the relevant Standing Board Committee(s) on the implementation of this Policy, including on (i) co-financing commitments made by countries and co-financing outcomes; (ii) flexibilities used to support Policy implementation; (iii) adjustments to standard requirements in the Policy, including overviews of waivers; (iv) countries where transition timelines have been negotiated; (v) overall updates on sustainability and transition planning, (vi) updates on the implementation of innovative finance efforts; and (vii) updates on operationalization of the revised Policy. In addition, the Secretariat will continue to leverage ongoing learning and formal evaluations, where relevant, to inform the implementation of the Policy.

PART 1: SUSTAINABILITY AND TRANSITION

3. **Sustainability:** The Global Fund defines sustainability as the ability of a health program or

¹ Approved at the 52nd Global Fund Board Meeting (20-22 November 2024) through Decision Point GF/B52/DP04

country to both maintain and scale up service coverage to a level, in line with epidemiological context, that will provide for continuing control of a public health problem and support efforts for elimination of the three diseases, even after the removal of funding by the Global Fund and other major external donors.

4. The Global Fund recognizes that sustainability has many dimensions, including financial, programmatic, epidemiological and political. The Global Fund works closely with countries, partners, civil society, and communities to address these as part of its ongoing grant design and grant-making, support for national responses, co-financing requirements, and overall engagement with countries.
5. The Global Fund underscores the importance of all partners working to build, align with and use domestic plans, systems and processes to increase country ownership and support the sustainability of nationally owned programs.
6. The Global Fund acknowledges the importance of strengthening sustainability of national health responses and health systems across a variety of thematic areas.² These include:
 - a. Supporting national health sector planning processes, including, but not limited to, the development of robust, inclusive (including key and vulnerable populations, communities and civil society), quality, evidenced-based, prioritized, costed National Health Strategies, Disease Specific Strategic Plans, Health Financing Strategies and other national planning processes;
 - b. Supporting countries in the development of national health policies that address the largest infectious disease burdens of disease and support targeted Global Fund investments;
 - c. Supporting countries to strengthen domestic resource mobilization and financing of health systems and the national responses;
 - d. Encouraging more efficient, effective, and equitable use of external and domestic resources to deliver national health targets;
 - e. Increasing alignment, implementation and monitoring of Global Fund financed programs through country systems;
 - f. Supporting country-led, inclusive (including key and vulnerable populations, communities and civil society) multi-stakeholder processes to support robust sustainability and transition planning;
 - g. Supporting countries to address challenges to sustaining access to quality health products, and to more rapidly move to more effective health product regimens to improve outcomes and generate efficiencies; and
 - h. Supporting efforts to address structural barriers, equity, human rights and gender-related barriers to access, especially for key and vulnerable populations, and supporting country systems that allow for the effective delivery of programs through communities and civil society.
7. If there are barriers or political constraints preventing domestic investments in interventions for

² The Global Fund acknowledges that given different country contexts, implementation of the various thematic areas will differ across the portfolio.

people living with, affected by, or at risk of HIV, TB or malaria, the Global Fund will utilize the tools at its disposal, including, co-financing and focus of funding requirements, as well as partners, diplomacy, and regional advocacy efforts to address them.

8. **Alignment:** The Global Fund has agreed to the principles of aid effectiveness as detailed in the Paris Declaration, Accra Action Agenda and Busan Global Partnership. Therefore:
- To enhance sustainability, Global Fund financed programs should gradually be implemented through country systems. In all 'upper-middle' income countries (UMIC) and 'upper-lower-middle' income countries (U-LMIC) or country-components³ approaching transition, where possible, implementation mechanisms should be through existing inclusive country systems.
 - To support the robustness, transparency and effective utilization of countries' financial systems for the management, mobilization and oversight of resources for health, the Global Fund will, in coordination with relevant partners⁴, support countries, as appropriate, to strengthen public financial management (PFM). Strengthened PFM systems will underpin sustainability efforts by supporting the Global Fund and other partners to integrate investments directly through public financial systems and ensure that external resources are progressively incorporated into a country's budget cycle.
 - In situations where there are capacity related constraints that do not allow for implementation through country systems, countries are encouraged to actively engage with the Global Fund and partners to strengthen associated system components to enable the future use of country systems.
9. **Planning for Sustainability:** The Global Fund recognizes that planning for sustainability is an integral part of supporting countries to sustain effective coverage of national HIV, TB and malaria responses and responsibly transition from Global Fund financing. To this effect:
- The Global Fund encourages and supports country-led sustainability planning processes which should be country-owned and inclusive, including government and non-government stakeholders, key and vulnerable populations, communities, civil society and other stakeholders (including relevant partners). Sustainability planning should consider how to maximize impact while balancing both short- and long-term results, implement necessary transformations in national responses that support improved efficiency and long-term sustainability, and consider not only current costs and financing available, but also future costs for which domestic financing will be needed to deliver national responses at scale. It should also consider the sustainability of interventions dependent on Global Fund and other external financing, including interventions to support access to services for key and vulnerable populations.
 - All Global Fund supported countries, regardless of their income level, should undertake inclusive sustainability planning to ensure programmatic interventions supported by the Global Fund can be financed and sustained at scale in the event of reduced funding or full transition from the Global Fund. For countries with higher economic capacity, the focus is specifically on preparing for transition from Global Fund financing. For countries with lower

³ The Global Fund notes in certain countries, components will not all move towards transition at the same pace. As such, "country-component" refers to a specific component, and its movement towards transition.

⁴ Relevant partners may include, but are not limited to: World Bank, WHO, USAID, Gavi, IFAC, PAFA, AFROSAI, INTOSAI, CREFIAF, and Gates Foundation.

economic capacity and high disease burden, the Global Fund supports longer-term sustainability planning, coordinated closely with partners.⁵ Funding requests to the Global Fund must explicitly reflect sustainability planning to ensure grants reflect the outcomes of country-level planning processes and are positioned to continue to deliver programmatic interventions effectively and at scale, particularly in the event of reduced funding from the Global Fund. Wherever possible, sustainability planning should be implemented in coordination with Global Fund partners.

10. Planning for Transition: The Global Fund defines transition as the mechanism by which a country, or a country-component, moves towards fully funding and implementing its HIV, TB and malaria programs independent of Global Fund support. A successful transition is one in which previous gains against HIV, TB and malaria are maintained and scaled up, as appropriate, even after external support has come to an end. Recognizing that a successful transition takes time and preparation, the Global Fund strongly recommends that all UMICs and all 'lower-middle' income countries (LMIC) with 'Not High' disease burden,⁶ prioritize transition planning⁷. Funding requests to the Global Fund must explicitly reflect transition planning, where relevant, to ensure grants reflect the outcome of country level planning processes. Noting that subsequent allocations are not guaranteed, as part of planning processes, countries must also consider the impact of reduced funding. To this effect:

- a. The Global Fund will support transition planning processes for countries (either at the country level or on a component basis). Transition planning should be country-owned, led by the country coordinating mechanism (CCM) or other multi-stakeholder coordinating body and be inclusive, including government stakeholders, key and vulnerable populations, communities, civil society and other stakeholders. It should facilitate dialogue at country level around transition-related programmatic (including the sustainability of interventions to support access to services for key and vulnerable populations) and financial needs, identify key gaps and challenges, and plans to address them.
- b. The Secretariat may define accelerated transition timelines for country allocations in specific lower disease burden 'middle' income countries (MIC) to set a predictable timeline for transition to a fully domestically funded response, and therefore enable resources to be utilized in lower income parts of the portfolio. Countries may still be eligible for other types of Global Fund support after the end of country allocation funding. In the case where a country or country component decides to voluntarily transition⁸, the Global Fund may provide support for transition planning processes and engage to support a responsible transition.
- c. According to the Global Fund's Eligibility Policy, once a country reaches UMIC status,⁹ it is no longer eligible for funding if there is less than a 'high' disease burden. The Eligibility Policy allows for up to one final allocation of Transition Funding following a change in

⁵ Sustainability planning processes will vary across the portfolio, particularly in 'low' income countries and Challenging Operating Environments, where the pace and nature of sustainability may differ. The Global Fund acknowledges that sustainability planning will be heavily influenced by country context and that planning is a dynamic and continuing process.

⁶ As defined by the Global Fund Eligibility Policy, as may be amended from time to time.

⁷ The Global Fund publishes yearly transition projections to facilitate transition planning processes.

⁸ Voluntarily transitioned is defined as a country with a component that, despite meeting eligibility requirements, has agreed to voluntary transition such component from the Global Fund within a specified time frame.

⁹ UMICs classified by the International Development Association (IDA) as IDA-eligible Small States, including Small Island Economies, are eligible to receive an allocation, regardless of national disease burden, as outlined in Paragraph 9a of the Eligibility Policy, as may be amended from time to time. G-20 UMICs who were ineligible before the approval of GF/B39/DP03 remain ineligible.

eligibility.¹⁰ Transition Funding should be solely used to fund activities identified as part of the transition planning processes that are required to ensure transition readiness.

11. Innovative financing: To strengthen resources available for HIV, TB, malaria and RSSH priorities, the Secretariat will continue to use and further explore the use of innovative financing mechanisms, including, but not limited to, blended finance, Debt2Health, outcome financing modalities (such as Social Impact Bonds), and other mechanisms that support the Global Fund's overall resource mobilization efforts. These mechanisms may also support optimization of existing resources and strengthened alignment with other partners. The Secretariat will update the Audit and Finance Committee and the Board on progress, lessons learned and recommendations, as appropriate, from utilizing such mechanisms.

PART 2: FOCUS OF FUNDING

12. Funding Requests to the Global Fund should be based on robust, inclusive (including engagement with key and vulnerable populations, communities and civil society), evidence-based and accurately costed National Health and Disease-specific Strategic Plans (NSP)¹¹, consider guidance provided by the Secretariat on use of country allocations, normative guidance from technical partners, previous and future co-financing commitments, and available domestic and other donor resources. These requirements are designed to focus Global Fund resources on interventions of the highest impact in pursuit of the Global Fund's Strategy, and will be assessed at the application stage as part of the review process.

13. All countries, regardless of their income level¹², must:

- a. Prioritize evidence-based interventions¹³ in line with their epidemiological context, which maximize impact against HIV, TB and malaria and contribute towards building RSSH. Global Fund financing must be used to support strategically focused and prioritized interventions;
- b. Prioritize interventions based upon the epidemiological context and responsive to key and vulnerable populations, human rights and gender related barriers and inequities in access to services;
- c. For RSSH, be focused on improving overall program outcomes¹⁴ and targeted to support scale-up, efficiency and alignment of interventions; and
- d. Consider the introduction of new tools, health products and technologies that represent global best practice and are critical for sustaining gains and moving towards control and/or elimination.

14. Additionally, UMICs and lower disease burden U-LMICs must demonstrate that the focus of their

¹⁰ Eligibility Policy Paragraph 19 and footnote 21, as may be amended from time to time. The Secretariat may exceptionally request on a case-by-case basis that the Global Fund Board approve one additional allocation of Transition Funding. Countries who move to 'high' income or are members of the OECD-DAC are not eligible for Transition Funding.

¹¹ In cases where there is no agreed NSP or they are of insufficient quality, the Global Fund will work with the country, in coordination with relevant partners, to develop and/or strengthen the NSP. The Global Fund will also support the strengthening of NSPs for health, as needed, to ensure that the programmatic and financial sustainability of the three disease programs has been considered and planned for.

¹² As per Eligibility Policy definitions, as may be amended from time to time.

¹³ Evidence-based interventions that: (i) address emerging threats to the broader disease response; and/or (ii) lift barriers to the broader disease response and access to services and/or (iii) create conditions for improved integrated service delivery; and/or (iv) enable roll-out of new technologies that represent global best practices.

¹⁴ Improving equitable coverage and uptake addressing: (i) availability of services; (ii) access to services; (iii) utilization of services; (iv) quality of services; and (v) are not adequately funded.

funding requests is to maintain or scale-up evidence-based interventions for key and vulnerable populations¹⁵ and address critical barriers to the sustainability of effective disease responses. Funding requests should also include interventions to ensure transition readiness, including critical RSSH needs, to support sustainability and improve equitable coverage and uptake of services.

PART 3: CO-FINANCING

15. Global Fund co-financing requirements leverage allocations to incentivize domestic financing of health systems, national HIV, TB, and malaria responses, RSSH priorities, and specific programmatic interventions, including those currently financed through Global Fund grants. To do this, access to a portion of every Global Fund grant is conditional upon countries meeting co-financing requirements. Co-financing is a key component of achieving financial sustainability, strengthening country ownership and improving impact in the fight against HIV, TB, and malaria.

16. **Definition:** Co-financing, in the context of the Global Fund, pertains to domestic public resources¹⁶ that finance the health sector and national responses supported by the Global Fund. Domestic public resources include: government revenues, government borrowings, health insurance, and debt relief proceeds including Debt2Health¹⁷ arrangements with the Global Fund. Except for loans and debt relief, all other forms of international assistance, even when channeled through government budgets, are not considered as co-financing.

17. Scope and Applicability:

- a. All country components eligible to receive an allocation from the Global Fund must comply with applicable co-financing requirements to access their full allocation.
- b. Co-financing requirements for accessing funds beyond country allocations will be subject to the rules governing the use of such funding.¹⁸
- c. Regional, multi-country and non-CCM applicants are not required to meet the co-financing requirements described in this Policy. If multi-country grants are funded through the pooling of country allocations, the Global Fund will negotiate and include country specific co-financing requirements which will apply to each country included in these multi-country grants.

18. Principles:

- a. The Global Fund is committed to supporting countries to meet their health financing commitments. The Global Fund expects and encourages national governments to fulfill their financial commitments to the health sector in line with recognized international declarations¹⁹ and national strategies. Country ownership underpins the Global Fund's approach to co-financing.

¹⁵ For applications from UMICs with very high disease burden, this may include the scale-up of key program components with the caveat that they cannot replace existing domestic financing of these interventions.

¹⁶ In specific circumstances and based on country context, domestic private contributions, restricted to individual payments for health financial protection mechanisms and verified contributions from domestic corporations can be considered as co-financing. In no cases do out of pocket payments borne by households or individuals count as co-financing.

¹⁷ While the STC Policy includes Debt2Health in the formal definition of co-financing, the Secretariat treats this on a case-by-case basis to avoid double-counting and ensure co-financing supports sufficient additional resources for health and the national responses.

¹⁸ As set forth in relevant decisions governing the use of such funds as approved by the Board or the Standing Committee with delegated authority.

¹⁹ Such as the Abuja Declaration of 2001.

- b. The Global Fund recognizes the importance of political advocacy to strengthen domestic financing, and will work with countries, partners, communities, and civil society to advocate for improved domestic financing for health and the national responses.
- c. The Global Fund strongly encourages countries to progressively increase government expenditure on health to meet national universal health coverage (UHC) goals, increase domestic resources for national HIV, TB, and malaria responses, and improve value for money of existing spending.
- d. The Global Fund will work with countries to progressively finance programmatic interventions through domestic financing, including those currently financed by the Global Fund. Progressive uptake of programmatic interventions is essential to gradually strengthening financial and programmatic sustainability. This includes interventions dependent on external and Global Fund financing including (but not limited to) interventions to support access to services for key and vulnerable populations.
- e. In all countries, public policies for mobilization and effective use of domestic resources for health are central to the Global Fund's approach to co-financing.
- f. As countries grow economically and have increased fiscal capacity, they are expected to increase their contributions to the national responses and health systems in line with the requirements of their national plans and fiscal capacity over each allocation period.
- g. The Global Fund will collaborate closely with partners²⁰ on the implementation of its co-financing approaches, particularly with respect to the financing of common programmatic priorities, supporting health reforms, strengthening primary care spending, and/or overall investments in health systems.

Co-financing Incentive:

- 19. To incentivize impact and support sustainability, access to a portion of the Global Fund allocation is conditional on countries meeting co-financing requirements.
- 20. This 'co-financing incentive' is 15% of the Global Fund allocation. It may be increased by the Global Fund Secretariat or waived in exceptional circumstances.

Co-financing Requirements:

- 21. The Global Fund has three types of co-financing requirements which are differentiated across income levels.
- 22. First, 'low' income countries (LICs) and LMICs are required to demonstrate progressive government expenditure on health to meet national UHC goals over each allocation period.
- 23. Second, all countries are required to progressively finance costs of key programmatic interventions over each allocation period. This is critical to sustaining effective coverage of HIV, TB, and malaria responses and also strengthens dialogue with countries on the optimal mix of Global Fund investments versus country investments.²¹

²⁰ Including Gavi, multi-lateral partners, and/or bilateral partners with formal co-financing policies.

²¹ The specific programmatic interventions will be based on country context. They may include (but are not limited to) health products, essential drugs, and commodities; human resources; interventions that address human rights and gender related barriers and interventions to support key and vulnerable populations, etc.

24. Third, all countries are required to increase co-financing²² of national HIV, TB, and malaria responses and/or RSSH over each allocation period. The size of the increase is determined by the allocation, and is 7.5% of the allocation in LICs and 15% of the allocation in MICs²³. Based on country context, this may be adjusted upward or downward and may focus in its entirety on financing of programmatic interventions. The Global Fund will agree with countries on the exact focus of co-financing, but in general the following parameters apply:

- a. LICs are required to strengthen financing of specific programmatic interventions. They are encouraged to consider disease specific co-financing, but they have the flexibility to fulfil the majority of their co-financing through investments in RSSH.
- b. LMICs are required to strengthen financing of specific programmatic interventions and disease specific co-financing. They have the flexibility to fulfill up to 50% of their co-financing through investments in RSSH.
- c. In U-LMICs and UMICs, co-financing is required to be 100% focused on specific sustainability and transition priorities, with particular attention to financing of programmatic interventions targeting key and vulnerable populations, as relevant to the country context.

Differentiation:

25. The Global Fund's co-financing requirements are differentiated across income levels to focus co-financing where it can have the most impact, considering the size and targeting of Global Fund allocations and existing levels of health financing.
26. Given the importance of reducing dependency on the Global Fund for key program costs, all countries are required to demonstrate that they are progressively financing programmatic interventions, regardless of income classification.
27. UMICs and U-LMICs are not required to demonstrate progressive government expenditure on health. This is to focus co-financing requirements on addressing critical disease transition, sustainability and key and vulnerable population needs. In these portfolios, especially those with smaller allocations, the predominant focus of co-financing is expected to be financing of specific programmatic interventions.
28. In addition, the Secretariat will have the flexibility to, based on country context, portfolio classification, Challenging Operating Environment (COE) classification and Global Fund allocation amounts, consider further differentiation to maximize Global Fund investments within a given context.

Compliance with co-financing:

29. The Secretariat will engage with key stakeholders including, but not limited to, the Ministries of Finance and Health to ensure that co-financing has the necessary governmental approval²⁴.
30. In assessing compliance, the Secretariat will work with countries to have robust evidence of the

²² As noted in the section on compliance with co-financing, the Global Fund will consider efficiencies when assessing compliance with requirements. Improving efficiency of existing spending is strongly encouraged and treated positively in co-financing compliance assessments.

²³ This includes UMICs.

²⁴ The Global Fund requires governmental authorities to submit formal commitments to meet co-financing requirements as part of Access to Funding processes. The details of how these commitments must be received from governmental authorities and the specific requirements that the commitments must adhere to are outlined in the Global Fund's operational guidance on co-financing.

financial realization of co-financing requirements, considering efficiencies, currency depreciation, macroeconomic, fiscal, and other contextual factors relevant to the country and aligned with country budgeting processes.

31. If a country cannot comply with applicable co-financing requirements to avail the full 'co-financing incentive' due to extenuating circumstances, the Secretariat will reduce the country's allocation in accordance with this Policy or approve a partial or full waiver of requirements at the application stage or during grant implementation.²⁵ Any waiver of co-financing requirements will require strong justification and a plan for addressing funding shortfalls and will be considered on its own merits.
32. Unless requirements are waived by the Secretariat, failure to meet the applicable co-financing requirements will result in the reduction of current grant funding and/or factored into subsequent allocations.
33. Track record of meeting co-financing requirements will be considered by the Secretariat when allocating additional funding to countries through portfolio optimization, as well as in the qualitative adjustment processes associated with Global Fund allocations.
34. The Secretariat will continue to utilize, establish and improve mechanisms for monitoring of applicable co-financing requirements as well as data governance of co-financing.
35. To ensure a reliable basis for tracking applicable co-financing requirements and government spending, applicants may request interventions to support the strengthening of health financing systems through Global Fund applications, including, but not limited to, supporting public financial management systems, resource tracking, and/or the development and management of health financing data at the country level.

PART 4: IMPLEMENTATION

36. The Global Fund recognizes that country context is a key factor that influences sustainability, and that no single policy will be able to account for all situations. The Secretariat will consider exceptions to this Policy, considering country context²⁶, as needed during implementation.
37. The Global Fund will work closely with all stakeholders (including Global Fund partners) to encourage effective implementation of this Policy, noting that success in implementing this Policy will be heavily influenced by country leadership, engagement and ownership of sustainability and transition priorities at country level.
38. As highlighted in the preamble of this Policy, the Global Fund will provide regular updates with a high degree of transparency to the relevant Standing Board Committee on the implementation of this Policy.

²⁵ Partial waivers may include a waiver of individual co-financing requirements and/or a waiver of part of those requirements.

²⁶ Countries that have been defined as Challenging Operating Environments (COEs) may be granted flexibilities with respect to the requirements set forth in this Policy and/or as set forth in the Policy on COEs, and as amended from time to time. The Secretariat will determine whether such flexibilities are appropriate according to the nature or basis for a country's classification as a COE. As noted in the COE Policy, the classification of a country as a COE does not automatically guarantee the application of flexibilities.