

Global Fund Policies addressing Sustainability, Transitions and Co-Financing

BACKGROUND

The Global Fund's (GF) approach to sustainability, transitions and co-financing (STC) is primarily set out in the Global Fund's [Sustainability, Transition and Co-financing Policy \[GF/B35/04\]](#), approved by the Board at its 35th meeting. Several other GF policies and initiatives—including the [Global Fund's Eligibility Policy \[GF/B35/06\]](#), [Challenging Operating Environments Policy \[GF/B35/03\]](#) and the [Emergency Fund Special Initiative](#)—are also relevant to STC.

This document presents four areas fundamental to addressing STC across the GF's portfolio:

1. STC Policy Monitoring and Evaluation
2. Beyond allocations sources of funding for STC
3. Eligibility
4. Procurement and supply chain

There are also two key cross-cutting issues:

- A key overarching priority for all STC-related policy should be to prevent failed transitions and ensure sustainability. It is essential that people in need of treatment, prevention and care do not suffer because of premature, poorly planned, and/or under funded transition efforts.
- Currently, interventions for key populations are most negatively impacted by bad transitions. Key populations and communities should instead benefit from the transition and so transition processes should ensure continuation of all essential services at least at the minimum level according to international standards and with no one left behind.

1. STC POLICY MONITORING & EVALUATION

While the GF's STC Policy is reflective of Board decisions and GF-related initiatives since 2007 (see Annex 1), the STC Policy itself was first implemented in 2016. As a result, it is too soon to see tangible results regarding the policy's impact. The GF Secretariat estimates that a full review of the STC policy may be possible in 2018.

Recommendation 1:

Plans should be put in place by the Secretariat for a full review and evaluation of the STC policy by the end of 2018. This should complement the planned TERG follow-up evaluation of both STC and COEs in either 2018/2019.

In the meantime, accountability mechanisms that monitor and enforce the implementation of transition plans are essential. For example, countries facing transition have an urgent need to sustain and scale up life saving treatment, prevention and human rights programs—with virtually no funding sources to fill these gaps. Transition planning must focus on addressing these priorities, and communicating clearly to the Board when transition planning does not mitigate these risks, so appropriate measures can be taken. The monitoring and evaluation of countries in transition also needs to extend beyond efforts to sustain health services and interventions; it must also extend to the transition process itself¹.

¹ For discussions of the criteria or aspects of successful and failed transitions: <http://www.icaso.org/handling-healthexperiences-global-fund-transitions> & Principles of a Successful Transition from External Donor Funding, STOPAIDS, 2016

Recommendation 2:

The GF should review further its plans in regard to monitoring and learning from transitions and strengthening them, including:

1. Clearly defining the elements and stages of both successful and failed or incomplete transitions.
2. Based on these elements and stages, assigning clear indicators to measure success of transition and sustainability for use by in-country accountability mechanisms to track successes or flag emerging challenges to the Board, and
3. Identifying clear risk mitigation strategies and developing a plan of action/interventions to address the failing components of sustainability and transitions
4. Reviewing all on-going transitions on a regular basis, producing a progress report to the Board and identifying critical enablers or disablers for transition to help improve future transitions.
5. Maintaining contact with countries that are no longer eligible (including transition funding) and that have graduated prematurely (such as Macedonia and Bosnia) in order to receive regular updates on the aftermath of transition. Including civil society in discussions and feeding the updates into the evaluation of transitions.
6. The Chief Risk Officer conducting a risk assessment of the countries that are in transition.
7. Requesting OIG to conduct an audit of (unsuccessful) transition in order to have an independent review of the process and documenting lessons learned to help other countries.
8. The Global Fund Secretariat leading multi-sector coordination (besides through the CCM) between stakeholders at country level, other donors, technical partners, government, civil society and communities representatives.

There is currently an absence of a mechanism in many transitioning countries capable of playing a valuable watchdog role in regard to transition, assessing progress against the transition plan and national strategy, tracking changes to the epidemic, and holding governments and other key stakeholders, including the Global Fund, accountable. In addition, in every country there are national forces – both in government and in civil society - working to increase HTM investments. The GF must pro-actively support these forces, especially in transitioning countries, as their success determines the public health safeguarding of the Fund's investments to date.

Recommendation 3:

The Secretariat should review options for how to best establish accountability mechanisms for each country transitioning. This could include:

- formally engaging the CCM to regularly monitor the transition plan at country level
- funding regional civil society organizations to independently review and support the national response on the completion of transition.
- funding the mapping of government and non-government efforts to increase HTM budgets, and should create a plan for supporting those efforts, including via advocacy funding.

Being such a critical issue for the GF, Board delegations are clear on their desire for ongoing reporting on STC implementation through the Strategy Committee and at Board meetings. This

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requires updates on STC at each Board meeting and discussions on STC at each strategy committee. A programme of reporting on STC should be outlined for the Strategy Committee that covers the topics such as (building on recommendation ii): i) reporting on indicators measuring the success of transition and sustainability work; ii) Analysis of the results of Transition Readiness Assessments including a list of countries with upcoming TRAs iii) mitigation strategies in failing transitions; iv) Implementation and effectiveness of Strategies for building sustainability v) Civil society and key population funding sources, levels and mechanisms, including reporting on KPIs 9B and 9C on Key pops in MICS vi) Inclusive governance during and after transition, including the role of CCMs vii) procurement and supply chain management in transitioning countries

While there is still much to learn and improve in its STC work, there is no doubt that the Global Fund is already leading the way globally in relation to responding to the issues and the broader debates around ODA for health. As such the Global Fund should take a stronger thought-leadership role by convening additional focused opportunities for Board members, staff and GF stakeholders (through, for example, Board retreats, partnership forums etc) and external discussions on STC with key partners including bilateral and private donors, other multilaterals, national governments and civil society (through one-off discussions but also through other key mechanisms such as UHC2030 etc).

Recommendation 4:

- The Strategy Committee should commit to have an STC discussion at each of its meetings leading up to the formal review of the STC policy in 2018
- As STC update should be a standing item on each Board meeting agenda
- The Global Fund should take a stronger thought leadership role on STC, eligibility and broader ODA for health debates, convening discussions both with Global Fund stakeholders and in the broader international development community.

BEYOND ALLOCATION SOURCES OF FUNDING FOR STC

A range of funding mechanisms is available for the GF to help countries address STC issues. These include: Catalytic Investment matching funds and strategic initiatives; portfolio optimisation; and new mechanisms yet to be fully explored, such as loan-buy downs, social impact bonds, and other proposals such as the *Sustainability Bridge Fund*.

Catalytic Investment priorities

Role of multi-country grants

Harnessing Catalytic Investment and strategic initiative funding could strengthen sustainability and transition preparedness planning. The STC policy (Part 1: Sustainability; 7c) recognises that multi-country grants are an effective tool for supporting advocacy and addressing barriers to accessing health care in contexts where political constraints prevent domestic investment in interventions for people living with, affected, or at risk of HIV, TB and malaria—especially key populations.

Recommendation 5:

The Global Fund Secretariat should outline how multi-country approaches can play an important role in ensuring that transition policies are implemented and sufficiently funded.

Prioritisation of immediately transitioning countries

Under the Strategic priority on Sustainability, Service Delivery and Health Workforce, the Strategic Initiative on Sustainability, Transition and Efficiency (US\$15 million) covers both transitioning countries and countries with low domestic spend on health. The latter group of countries, while critical over the long term, could swallow up a large portion of this relatively small amount. At the moment it is still unclear what ratio will go to countries that are immediately transitioning.

Recommendation 6:

The focus of this Strategic Initiative could be on countries undergoing transition with low transition readiness scores and countries whose transition during 2014-2016 allocation period was not properly planned or hindered by legal and political barriers. These countries include Albania, Bosnia and Herzegovina, Bulgaria, Georgia Kosovo, Macedonia, Malaysia (transition planning), Moldova, Montenegro, Romania (TB), Serbia, and (voluntarily) Thailand.

Use of unutilised funds for STC

There do not appear to be clear processes regarding unutilised funds from approved Catalytic Investments or the recovery of funds from country allocations (savings or recovery of repayments after fraud). If unutilised funds can be made available by the end of the funding cycle, they can be helpful to reprogram grants within the current cycle and for immediate needs. Unutilised funds could be used to support innovative regional or national funding mechanisms designed to fund essential services or human rights and advocacy programming during transition. Such resources could also be used to deliver "high impact" interventions in transitioned countries.

Recommendation 7:

The Secretariat should clarify if it is possible to identify unutilised funds earlier so that they might be used before the end of the current funding cycle. The Secretariat should also clarify the potential value of unutilised funds and what level of funds might be made available to support countries that are immediately transitioning and have been unable to benefit fully from the long term planning and support envisioned within the STC policy.

Blended Finance

The GF is in the early stages of exploring a potential partnership with The World Bank to issue "loan buy-downs" to leverage additional health sector funding for GF grant recipient countries, including those transitioning. The principle is that buy-downs would allow countries to use of a portion GF grant resources to obtain low or no interest loans from The World Bank specifically earmarked for health, providing access to significantly more concessional funding through loans for the three diseases and health systems strengthening than GF grants along can provide.

Social impact bonds are another mechanism where private investors pay for interventions to achieve agreed outcomes and outcome funders (governments, private sector or donors) make payments to investors if the interventions succeed.

Recommendation 8:

In its current consideration of blended finance, the Global Fund should engage with the board in its assessment of the appropriate use of these measures, provide a framework for pilot proposals with evaluation criteria and a clear decision making process for the board.

Social Contracting Mechanisms:

Social contracting is the process through which governments fund are used to fund entities that are

not part of government (called here civil society organizations or CSOs) to carry out activities that the government wants implemented and that the CSOs agree to implement².

Evidence across the world suggests that forming a stable, meaningful partnerships between governments and CSOs can greatly enhance the goals of a country's overall response to HIV, TB and malaria.³ Many evaluations over the past three decades have found that partnerships between government and CSOs brings cost savings and efficiencies as well as increased effectiveness.⁴ For those activities that seek to address the needs of key populations most at risk of or affected by HIV, CSOs play a particularly important role. This is already the centrepiece to national HIV responses for key populations in many high income countries such as Germany, the US, UK, Canada and Australia.⁵

Social contracting is common in some transitioning countries but it is rare or, in fact, impossible in other countries in transition. Some countries have laws against government funds being provided to non-state actors, which means governments cannot fund CSOs to work on HIV, TB or on anything else. In other countries, the government does contract CSOs but within very narrow bounds. For example, CSOs may be able to provide home care to PLHIV and PLTB, but not to do any advocacy or to work with any criminalized populations (such as drug users, sex workers and MSM), or allowed access to prisons. There is enormous variation in the ways that laws and governmental regulations (sometimes differently at national, provincial and local levels) restrict: a) the ways that CSOs can be registered; b) activities they can carry out with key populations; and c) the activities for key populations for which government funds can be used. Legal and regulatory frameworks sometimes have to be revised to allow NGOs to serve as social contractor and to deliver medical services, which might require licensing.

In addition, irrespective of national laws and regulations, political will may not be present and decision-makers may not allow CSOs to be funded by government budgets. In one country, it may be reluctance on the part of provincial officials to fund CSOs to work with key populations (despite national approval); in another, it may be that the contract itself is set up in such an unfair way that no CSO can access and use the funds effectively.

Sustainability Bridge Funding

There remain considerable risks in countries which became ineligible before the STC policy was adopted, that investments made and programmatic gains achieved will get lost due to lack of ongoing commitments by government, threatening closure of services, resurgence of disease and loss of life. In many of these countries there are no or few external sources of support for civil society accountability work, no contracting mechanisms for government funding of NGO's and legal

² See NGO social contracting fact sheet Ukraine, UNDP Technical Report · January 2016

³ UNAIDS Guidance for Partnerships with Civil Society, including people living with HIV and Key Populations, (2012); Bonnel R. Funding mechanisms for civil society: the experience of the AIDS response World Bank (2013); Rodriguez-Garcia R, Bonnel R, Wilson D, N' Jie N. Investing in communities achieves results: findings from an evaluation of community responses to HIV and AIDS World Bank (2013); UNAIDS Stronger Together: From health and community systems to systems for health (2016); UNAIDS and STOP AIDS Alliance Communities Deliver: The critical role of communities in reaching global targets to end the AIDS epidemic (2015)

⁴ For example, Yehia B and Frank I. Battling AIDS in America: an evaluation of the National HIV/AIDS Strategy, American Journal of Public Health Sep2011, Vol. 101 Issue 9, pe4; Government of Canada Report to the Secretary General of the United Nations on the United Nations General Assembly Special Session on HIV/AIDS Declaration of Commitment on HIV/AIDS 2009, Ottawa; UNODC/WHO EURO 2011 Mid-term evaluation of the Estonian national HIV/AIDS strategy 2006 – 2015 and national drug prevention strategy 2012, Copenhagen.

⁵ See for example, US White House Office of National AIDS Policy National HIV/AIDS Strategy for the United States Washington DC. July 2010; Australian Government Department of Health and Ageing Sixth National HIV Strategy 2010-2013 Canberra 2010.

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systems can be ambivalent or even hostile to civil society engagement. Unfortunately due to disease resurgence and changes in GNI, some of these countries will become eligible again, and in cases where the government has not sustained services, the entire civil society response will need to be rebuilt—such is the case in Serbia.

Therefore, to support sustainability of its investments in civil society in transitioning or non-eligible countries, the Global Fund and other donor partners, should consider establishing a *Bridge Fund mechanism* designed to support civil society in order to:

- Protect or re-establish services where they have lapsed, especially in the area of harm reduction or peer-led service outreach programs for key and vulnerable populations: low threshold services that focus on controlling disease resurgence and building the case for social contracting and other modalities of government support for civil society led services.
- Advocate for the establishment of legal and regulatory provisions for domestic financing of HIV, TB, and/or malaria services.
- Advocate for price control for medicines through pooled procurement mechanisms and TRIPS flexibilities.
- Advocate for human rights and gender equality programs as part of national disease and health programs.

Funding for this Bridge Fund could come from the Global Fund's catalytic funding stream, portfolio optimization, or unutilized funds, and/or from Private Foundations, the Private Sector and/or interested bilateral donors.

Recommendation 9:

The Global Fund Secretariat should review all these financing mechanisms and identify appropriate ways that it can contribute to their development and support their roll-out where they will make a significant contribution towards successful transitions and sustainability of progress against the three diseases.

ELIGIBILITY

The current Eligibility policy was agreed in 2013 and most recently amended at the 35th Board meeting, where the eligibility calculations were expanded to be determined over a three-year average to allow countries that become ineligible for funding in one year to be potentially become eligible again. The criteria used to assess eligibility (disease burden and GNI) have not changed for at least 10 years.

Eligibility criteria

There was interest at the March 2017 Strategy Committee meeting in reviewing the criteria for assessing eligibility once again. The GF Secretariat made clear that it would support such a discussion, but that any changes would not take effect until the new eligibility assessments were made in 2020. New criteria would therefore need to be finalised by 2018. For the discussion to be successful it must first start by reaching consensus on what the GF's vision of success looks like—otherwise we will have continually competing visions for what eligibility is trying to achieve.

Recommendation 10:

The Secretariat should outline the process between now and 2018 for reviewing and amending the Eligibility Policy to ensure it remains 'fit for purpose'. The review should explore ways to incorporate the EAI findings and recommendations in order for the Global Fund to transition from an income classification-based model to a model that focuses more on a public health approach and equity in access to health services (leave no one behind). Any review should also be started with a discussion about what the 'purpose' is.

Measures of disease burden

At the last Strategy Committee, it was agreed to change the measures of disease burden from TB case finding (notification) to TB incidence.

Recommendation 11:

The Secretariat should report to the strategy committee on what the impact of changing TB metrics will be on the eligibility of countries – which, if any, countries will become ineligible or eligible again as a result of the change.

Expanding the scale for measuring level of disease burden for key populations

At the March 2017 Strategy Committee meeting, it was also suggested that the disease burden measure for key populations to be extended to include the levels of 'severe' and 'extreme', matching the scale for national disease burden. For those G20 countries with data sets that confirm that key populations are at severe or extreme levels of disease burden, it should be considered whether they could become eligible for Global Fund grants. However, it must also be a priority to establish reliable statistics for KP disease burden in countries that do not have data sets currently.

Recommendation 12:

The Secretariat should report back to the Strategy Committee whether any G20 countries, irrespective of their World Bank income classification, do have valid data sets on Key Populations that indicate they are at severe or extreme levels of disease burden and, if so, indicate whether they could be eligible for Global Fund grants.

The NGO Rule and mechanisms for funding civil society

There is a clear need for flexibilities in GF policy along the lines of the NGO rule that will provide an avenue for supporting civil society post-transition to hold their governments to account and to provide ongoing Key Population services where governments are unwilling to provide such services and social contracting mechanisms are not in place or functioning for this purpose. The Sustainability Bridge Fund described earlier is one such possible mechanism but there may be others.

Recommendation 13:

An evaluation is needed of the NGO rule to identify positive and negative lessons from the mechanism. This could then inform the development of a mechanism to support service delivery across all three diseases by non-state service providers in transition countries at least until an effective government contract mechanism is established.

The role of the Global Fund in countries that have never been eligible

There is an active discussion whether there should be additional flexibilities within the Global Fund's policies to support countries that have never been eligible for a Global Fund grant but who need emergency support to access affordable commodities or to address crises in relation to access to

HIV, TB or Malaria services. Venezuela is such a case currently and a separate proposal is being brought to the Board table addressing this issue.

PROCUREMENT AND SUPPLY CHAIN:

Procurement:

Global Fund data identifies that approximately half of all Global Fund financing is currently used to finance commodities [GF/SC03/04]. There are many challenges facing countries transitioning from Global Fund grants in relation to procuring commodities, including:

- Once transitioned, countries not only face diminishing resources of international aid but face having to pay higher prices for commodities (no longer being able to procure commodities at the same price as those previously obtained using Global Fund support).
- Rising prices of, particularly, newer ARVs and new and existing treatment for MDR TB and Hepatitis C due to increased patenting, which excludes or limits the availability of low-cost generic production and supply, or the ability to procure improved formulations.
- The withdrawal of other bilateral donor funding (including from the Global Fund)
- Continuous pressure through free trade agreement and diplomatic pressure to expand intellectual property protection beyond obligations under the TRIPS Agreement and exclusion from voluntary licenses which can facilitate competition for medicines for certain medicines across the three diseases.
- Beyond intellectual property barriers, companies marketing the branded version of the medicine are also foregoing registration in most low and middle-income countries, thereby significantly delaying access even to branded versions of medicines.

Supply chain:

Because the Global Fund has been using higher standards for supply chain management and for commodities purchased under the Global Fund grant – the system that is developed is often entirely different than the national chain supply policies. It is currently unclear what will happen when to these supply chains when the Global Fund transitions out.

Recommendation 14:

- The Secretariat and the Board should identify to what extent Global Fund policies ensure sufficient risk assessments are carried out and support is provided for countries to access affordable commodities before and after transition. Such analysis could provide valuable insights with which the Board can strengthen how transitioning and transitioned countries sustain the procurement of commodities, but it must focus on all procurement-related support provided by the Global Fund (e.g. technical support regarding legislation and processes to encourage registration and generic competition) and not focused solely on Wambo.
- The Secretariat should communicate clearly to CCMs and national governments (through country visits and formal communications) that addressing procurement challenges are a critical aspect of transition readiness and access to sustainable prices are a key concern for countries in or approaching transition.
- Wambo has potential to be highly beneficial for transitioning countries (in terms of transparency and accountability, and increased cost-effectiveness of procurement systems), but the specific benefits and risks of using Wambo for MICs and transitioning or transitioned countries should be properly evaluated in Pilot 1b and contribute to a broader assessment of procurement.

Recommendations (continued)

- The Global Fund should retain and enhance support to alternative methods to help drive down drug prices. These should include: the use of TRIPS flexibilities; increased engagement to assure wider voluntary licenses with a broader geographic scope; more flexibility and measures to strengthen prequalification and collaborative registration through WHO; and improving registration at the national level through engagement with companies, international institutions and most importantly, the relevant governments.
- In particular, GF should work with transitioning countries and companies to convert temporary registration waivers for medicines into stable registration status before exit, and to ensure that countries will remain eligible to voluntary licensing schemes after exit.
- The Global Fund should take steps to ensure that governments adhere to strict quality assurance measures that ensure new and old medicines purchased for treatment programs meets WHO or stringent regulatory authority quality assurance requirements.
- The Global Fund should explore a broader range of activities providing support to strengthen procurement systems as a catalytic priority, financed using recovered funding from country allocations, supported through portfolio optimisation and/ or as a special initiative.
- Finally, the Global Fund, working with other actors, should provide mitigation strategies, in response to barriers preventing countries from securing adequate supply and affordable prices of quality commodities, which may hinder scale up of treatment programs. This is particularly relevant to countries where appropriate time to prepare for gradual transition is not provided.