Implementer's Group Paper for the 37th Global Fund Board Meeting:

# 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

## 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. The monitoring and evaluation of countries in transition needs to extend beyond efforts to sustain health services and interventions; it must also extend to the transition process itself[1].

**Recommendation 2:**
The GF should review further its plans in regard to monitoring and learning from transitions and strengthening them, including:

1. Clearly define the elements and stages of both successful and failed or incomplete transitions.
2. Based on these elements and stages, assign 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. Identify clear mitigation strategies for failing components of sustainability and transitions
4. Review all 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.

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

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.

**Recommendation 3:**
The Secretariat should review options for how to best establish an accountability mechanism for each country transitioning. This could include formally engaging the CCM to approve and monitor a transition roadmap at country level or funding regional civil society organizations to independently review and support the national response on the completion of transition.

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 requires updates on STC at each Board meeting and discussions on STC at each strategy committee. A programme of discussion on STC should be outlined for the Strategy Committee that covers the following possible topics: i) How to measure a successful transition; ii) Strategies for building sustainability iii) Civil society and key population funding sources, levels and mechanisms; iv) Inclusive governance during and after transition, including the role of CCMs and v) common challenges in transition and mitigation strategies vi) Analysis of the results of Transition Readiness Assessments.

**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

## 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 Macedonia, Moldova, Malaysia (transition planning), Montenegro, Bulgaria, Romania (TB), Albania, Thailand and Georgia.

***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. Currently we will only know how much unutilised funds will be available by the end of the funding cycle, which is not going to be helpful to reprogram these 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 implement[2].

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] Government services need to be made available to all citizens of the country, or all residents. For those activities that seek to address the needs of key populations most at risk of or affected by HIV, CSOs play an important role. In high income countries such as Germany, the US, UK, Canada and Australia, a partnership between government services and CSOs has been the centrepiece of effective national responses to HIV among people who inject drugs (PWID), men who have sex with men and transgender people (MSM) and sex workers (SW), as well as the general public.[4]

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.[5] The provision of funding resources by government to NGO initiatives improves the reach and the quality of services provided while enhancing linkages with government services, achieving greater results with fewer financial resources and leading to a sustainable, long-term response to HIV. Increasingly, developing and transitional countries are finding this partnership vitally important[6].

As countries transition from Global Fund support, the Global Fund recognizes that disruption of interventions that have been primarily implemented through civil society organizations can have a negative impact in the future of the response. 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

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[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] 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.

[5] 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.

[6] UNAIDS Governments fund communities (2016)

populations for which government funds can be used.

In addition, even where laws and regulations allow CSOs to be funded by government budgets, there remain significant problems in accessing and utilizing government funds for these activities. 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. 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.

***Sustainability Bridge Fund proposal:***

There remain considerable risks in countries which are no longer eligible for Global Fund financing or who will soon no longer be, 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 systems can ambivalent or even hostile to civil society engagement.

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, Private Foundations, the Private Sector and interested bilateral donors.

The Bridge Fund grant making and related organizational development support could be contracted out (competitively) to global and/or regional intermediary organizations experienced in supported grassroots civil society advocacy. Grants would be smaller in size compared with typical Global Fund grants, and so would be conducted under a separate "lighter touch" system more geared to the capacity constraints of indigenous civil society organizations.

**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'. Any review should 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 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:

- Once transitioned, countries are often no longer able to procure commodities at the same price as those previously obtained using Global Fund support
- Rising prices of 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.
- Wambo has potential to be highly beneficial for Transitioning countries but the potential benefits and risks of using Wambo for MICs and transitioning or transitioned countries have not been properly evaluated. The Wambo pilot should directly assess and clarify this.
- 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.
- 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.