

Domestic Financing of Global Fund Supported Programs

A. Trends in Domestic Financing of National Strategy Plan Costs

Implementation of the ‘willingness to pay’ policy for the 2014-2016 Allocation gave a strong impetus to Global Fund engagement on domestic financing. The Global Fund engagement on domestic financing was further strengthened with the implementation of the ‘Sustainability, Transition, and Co-financing’ policy from the 2017-2019 Allocation onwards.

a. Program Cohort for Co-financing Analysis

A total of US\$20.1 billion of domestic co-financing was committed to 276 Global Fund supported programs for the implementation period of the 2014-16 Allocation. As of February 2019, actual co-financing for the implementation period of the 2014-16 Allocation and co-financing commitments for the implementation period of the 2017-2019 Allocation for 233 out of the 276 programs have been reviewed. The analysis provided in subsequent sections is based on the above-mentioned subset of programs and is not reflective of the total Global Fund portfolio nor total domestic financing (see note below).

Note: Domestic financing commitments pertain to specific co-financing against National Strategy Plan (NSP) costs and does not cover recurrent government spending on human resources, health systems, outpatient and inpatient care, or sub-national government spending, if not included in the costing of the NSP. The Global Fund tracks spending and commitments on a consistent set of cost categories in each country across funding cycles, aligned to costing of the NSP.

b. Overview of Results

Programs reviewed till date accounted for US\$ 19.5 billion of the co-financing commitments for the implementation period of the 2014-2016 Allocation. Co-financing realized was US\$ 18.6 billion or 95% of the commitments. An additional co-financing of US\$ 4.8 billion was realized, which represents an increase of 35% in the implementation period of the 2014-2016 Allocation. A further increase of US\$ 7.9 billion has been committed for the implementation period of the 2017-2019 Allocation, an increase of 42% over the previous funding cycle.

c. Co-financing Trends by Country Income Category (US\$ Billion)

Income Group	Baseline	2014-2016 Allocation			2017-2019 Allocation		
	Actual	Actual	Additional	% Increase	Commitment	Additional	% Increase
Low Income	1.9	2.9	1.0	53%	3.9	1.0	33%
LMI	4.9	7.2	2.3	47%	11.7	4.5	63%
UMI	7.0	8.5	1.5	21%	10.8	2.4	28%
Total	13.8	18.6	4.8	35%	26.4	7.9	42%

d. Co-financing Trends by Disease Component (US\$ Billion)

Disease Component	Baseline	2014-2016 Allocation			2017-2019 Allocation		
	Actual	Actual	Additional	% Increase	Commitment	Additional	% Increase
HIV	9.5	11.9	2.3	24%	16.8	4.9	41%
TB	2.4	3.5	1.1	46%	5.5	2.0	59%
Malaria	1.8	3.2	1.4	74%	4.1	0.9	28%
Total	13.8	18.6	4.8	35%	26.4	7.9	42%

e. Co-financing Trends by Geographic Regions (US\$ Billion)

Region	Baseline	2014-2016 Allocation			2017-2019 Allocation		
	Actual	Actual	Additional	% Increase	Commitment	Additional	% Increase
Africa	9.1	12.4	3.3	37%	16.4	4.1	33%
MENA	0.2	0.3	0.1	51%	0.5	0.2	66%
Asia Pacific	2.8	3.8	1.0	36%	6.8	3.0	80%
EECA	1.0	1.0	0.1	6%	1.2	0.2	19%
LAC	0.8	1.1	0.3	31%	1.4	0.4	32%
Total	13.9	18.6	4.8	35%	26.4	7.9	42%

B. Domestic Financing Projections for Investment Case, 2021-2023

Domestic financing projections for the ‘Investment Case’ are against the costs of ‘Global Plans’ developed by technical partners, which includes health systems operational costs (human resources, outpatient and inpatient care etc.) financed by domestic resources. Projections are based on co-financing commitments as detailed in the ‘Investment Case’. As co-financing commitments do not include recurrent health system operational costs in most cases, they are adjusted to align with Global Plan costing methodology.

About 10% of the total domestic financing forecasted for 2021-2023 is from low income countries, 38% from Upper Middle-Income Countries (UMI), and the remainder from Lower Middle-Income Countries (LMI). About 72% of the total domestic financing is anticipated from 15 middle income countries, which already finance a major share of the funding requirements through domestic resources (UMIs and high burden Asian LMIs) or are very high burden African middle-income countries, where Global Fund is strongly engaged on domestic resource mobilization for health. See Annex for Global Fund initiatives and support for domestic resource mobilization.

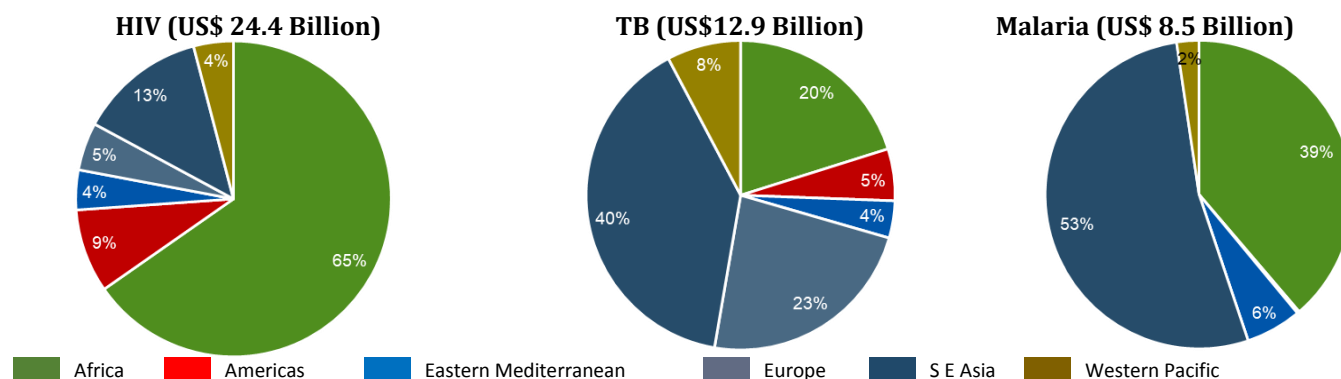
Domestic Financing Projections by Income Categories (2021-2023)

Income Category	Eligible Countries	2021-2023	
		US\$ B	% Share
LI	33	4.5	10%
Lower-LMI	30	16.3	36%
Upper-LMI	23	7.5	16%
UMI	44	17.5	38%
Total	130	45.8	100%

Top 15 Countries in Forecast for Domestic Financing (2021-2023)

UMI	LMI
South Africa	India
Kazakhstan	Philippines
Thailand	Indonesia
Namibia	Kenya
Botswana	Ghana
Colombia	Nigeria
Peru	Ukraine
Angola	

Domestic Financing Forecast (2021-23) by Disease and Region



Annex: Domestic Resource Mobilization: Global Fund Initiatives and Support

A. Country Level Engagement and Support:

- Strategic engagement of the Global Fund with key domestic stakeholders (including Ministry of Finance), development partners and civil society on domestic financing aligned to country planning and budgeting cycles and grant life-cycle. Follow up high level engagement through Senior Management on domestic financing. Engagement on broader health financing as well as on focused priority areas for the Global Fund.
 - In a set of high burden countries in Africa (examples- Kenya, Cote' d Ivoire, Ethiopia, Tanzania, Senegal, Benin), Global Fund along with partners are providing tailored support for domestic financing advocacy using a roadmap that has been designed together with the African Union and the African Development Bank. This framework includes the following steps: (a) supporting country needs assessments/country-level target setting; (b) supporting the creation of an inter-ministerial "task force" and discussions on assessing various options for domestic resource mobilization; (c) supporting and/or facilitating the provision of technical assistance to create work plans for implementation and monitoring; and (d) advocating to scale-up these mechanisms should they prove to be effective.
 - Bangladesh: High burden TB country that is heavily dependent on Global Fund for a major share of TB financing. Focused CT engagement has resulted in government taking responsibility for procuring all first line TB drugs. Engagement aligned to country planning cycle for developing the National Development Plan, with domestic commitments incorporated in the 4th Health Nutrition and Population Sector Program (HNPS) outlay
 - Kenya: The adoption of a new constitution in 2010 created a decentralized system of government with devolution of functions and finances to 47 counties. Major share of health functions and budget was devolved to counties from fiscal year 2013/14. There were substantial teething problems during the transition that has led to high variance in budget allocation across counties and underspending on health. From around 7.8% of government expenditure pre-devolution, share of health in total public expenditure declined to 5.5% in FY 2013/14, with counties allocating 13.5% of their budgets to health. By 2016/17, share of health in total expenditure reached pre-devolution levels with counties allocating about 25% of their budgets to health. The health budgets for subsequent years have maintained the increasing trend. Global Fund supported programs received an additional investment of US\$ 127 million in 2015-17, compared to 2012-14. These increases were in part due to Government of Kenya, creating an earmarked budget line, to procure commodities for Global Fund supported programs, in response to the willingness to pay requirement of the previous allocation. In FY 2017/18, US\$ 28 million has been allocated against this budget line. The government is strongly committed to increasing its contribution to the three disease programs over the next implementation phase as well, with an additional investment of US\$ 142 million committed for 2018-20.
 - Global Fund support has been critical in establishing programs particularly in several countries that were impacted by economic and/or political crisis. These programs continue to be heavily dependent on external resources with domestic contributions by

and large limited to payment of salaries of government staff. The Global Fund's country engagement has played a catalytic role in leveraging additional domestic resources in countries where political stability and economies are improving. In 2015-17, governments in several of these countries made substantive direct co-investments in Global Fund supported programs, an important step towards their longer-term sustainability (Examples: Mozambique, Myanmar, and Timor-Leste).

- Incorporation of requirements of co-financing and other risk mitigation measures related to transition and sustainability in grant agreements and their monitoring during grant implementation: Depending on an assessment of co-financing risks and requirements to continue active country engagement, grant agreements incorporate specific co-financing requirements that are approved by the GAC and monitored as per agreed upon schedules. This has facilitated continuous monitoring and engagement with countries on realization of co-financing commitments
 - In Ukraine, specific co-financing and programmatic targets was included in the Grant Agreement. Sustained country engagement by the Global Fund as well as strong advocacy by the civil society around meeting the co-financing targets resulted in a 140% increase in HIV and TB budgets in 2017 and an agreed Transition Plan, which aims at gradual takeover of funding for TB and HIV programs. Government spending was targeted to addressing key sustainability concerns, primarily to treble government contribution for procurement of ARVs and absorption of Global Fund support for Opioid Substitution Therapy (OST).
 - India: Global Fund financing was catalytic in putting about 1.1 million people on ART, which has been fully transitioned to government financing in 2018. The central government budget allocation for the three programs in FY 2018 is about US\$ 1 billion (excludes significant State government contribution). There is high political commitment, particularly for ending TB, which is one of the priorities of the Prime Minister of India. Along with matching fund requirements from the Global Fund, the political commitment has catalyzed substantive increases in domestic budget support to the TB program, which has increased from US\$ 62 million in FY 2015 to US\$ 325 million in FY 2018. The FY 2018 budget speech by the Minister of Finance announced a major additional allocation of US\$ 90 million for expanding TB-specific cash transfers and linkages to broader nutrition schemes for supporting TB patients. The Government of India is also negotiating financing of US\$ 400 million from the World Bank for the TB program, with potential participation of the Global Fund through a loan buy-down
- Catalyzing Global Fund support to address bottlenecks for mobilization and effective use of domestic financing for health
 - Tanzania: The Global Fund supported a scoping study for a more sustainable approach to procurement and supply chain management in Tanzania, which played a key role in generating evidence and political support for a 372% increase in domestic development budget for health in FY 2016/17. The increase in allocation served to wipe out debt of the Medical Stores Department, improve allocations for procurement of drugs, and strengthen the PSM system. These increases have been maintained, and incrementally increased in the 2017/18 budget. Notwithstanding these increases, execution of the development budget remains significantly inadequate and pose an implementation challenge. In the first nine months of FY 2016/17, the government had disbursed only about TZS 118 Billion from the

domestic development budget. While this is a 15-fold increase compared to the executed development budget of the previous fiscal year, it accounted for only 37% of the allocated budget for FY 2016/17.

- Kazakhstan: Global Fund support is aimed at institutionalization of a sustainable social contracting system through strengthening legal frameworks, funding mechanisms, and implementation arrangements for the delivery of HIV activities to key populations. Global Fund support has a strong matching component with all consumables and HTC costs financed by regional governments. Once a viable social contracting mechanism is integrated into the national HIV response, it is expected that key population funding will be progressively transitioned to domestic financing.
- Facilitating initiatives to stimulate stakeholder engagement on domestic financing: Initiatives such as development of health financing strategies, investment efficiency workshops, transition readiness assessments, sustainability and transition planning and dissemination of National Health Accounts facilitate engagement of key policy makers, which support greater country ownership and accountability for resource mobilization and its effective use. These efforts provide a platform for multi-stakeholder advocacy and translates into requests for funding to the Global Fund to address key bottlenecks for domestic funding
 - Of 41 high burden countries with less than 8% of government expenditure on health and/or having tax revenues less than 15% of the GDP, that accessed funding so far, 83% (34 countries) have or are in process of developing health financing strategies. Half of these, have support from Global Fund in developing/implementing strategy components;
 - Country level investment efficiency workshops are planned for 69 components during 2017-2019, of which over 20 have been completed
 - As of date, 68% of the high burden countries in the Global Fund portfolio have support for National Health Accounts through multiple channels
 - About 25 transition readiness assessments covering 45 components have been completed, as of date
 - 11 countries in EECA/LAC have developed transition work-plans/sustainability plans, and approximately 12 additional EECA/LAC countries finalizing/ developing them in 2018
- Grant funding for targeted advocacy
 - Many Global Fund grants support targeted advocacy for domestic resource mobilization. Examples of grant funding include support for: Advocacy activities to Local Government Units (LGUs) to increase their respective HIV budgets (Philippines); strengthening civil society organizations to access sustainable financial funding from domestic governmental and private funding sources (Thailand); advocacy to incorporate funding for HIV outreach services into local government budgets and develop regional response strategies (Ukraine); skill building for advocacy (Bolivia, El Salvador, Guatemala, Honduras, Dominican Republic)
 - Sustainable HIV Financing in Transition (SHIFT) is a two-year regional advocacy grant (2017–2018) that aims to enable and empower civil society, including communities of HIV key populations, to advocate for sustainable HIV financing, especially considering

the changing international HIV funding landscape. The four countries involved in the program are Malaysia, Indonesia, the Philippines and Thailand.

- A multi country grant (2019-2021) is currently being designed to promote sustainable services for key populations at higher risk of HIV and securing long-term sustainable financing for HIV programs. The eight countries covered by the grant include Papua New Guinea, Philippines, Bhutan, Lao (People's Democratic Republic), Malaysia, Mongolia, Sri Lanka and Timor-Leste. A key focus of the grant is on community advocacy, increasing government investments for HIV service provision and stimulating an increase in funding from alternate sources such as development banks, high net worth individuals and the private sector
- Advocating and supporting integration of Global Fund supported programs in 'Universal Health Coverage' (UHC) dialogue, reforms and financing mechanisms. While many countries are undertaking major reforms for UHC, services of programs that have been historically funded through vertical mechanisms are often excluded from UHC financing mechanisms. Strategic Global Fund engagement and support is catalyzing integration of these services into UHC mechanisms
 - **Viet Nam:** By 2016, nearly 80% of Vietnamese had social health insurance (SHI) and 100% coverage is targeted by 2020. As social health insurance expands coverage, the key to financial and institutional sustainability of externally-financed health programs such as HIV, will be to be better integrated within the context of UHC framework. ARVs, Viral Load Testing and other HIV-related services became reimbursable under the Social Health Insurance in late 2014 and by 2020 over 70% of PLWHIV will receive their ARVs via the SHI, which is a remarkable achievement when compared to neighboring countries with comparable level of economic development. Patients supported by PEPFAR will transition to social health insurance by 2018 and those supported by Global Fund will begin transition from 2019. To accelerate the uptake and utilization of health insurance among PLHIV, the grant under the 2017-19 allocation supports SHI premiums for 32,238 PLHIV and co-payment for 71,000 PLHIV between 2018 and 2019.
 - **Indonesia:** Government health spending in Indonesia received a major boost with reforms of its social security and health systems as part of government's efforts to roll out 'universal health coverage'. In 2014, Indonesia launched its universal health care (UHC) programme- Jaminan Kesehatan Nasional (JKN) which integrates five central insurance schemes and folds in a limited number of local schemes. By end 2016, JKN has enrolled about 66% of the population, with the goal to cover entire population by 2019. As JKN expands coverage, the key to financial and institutional sustainability of externally-financed health programs such as HIV and TB, will be to be better integrated within the context of UHC reforms. While JKN covers hospitalization and basic services provided through capitation based primary care, most HIV and TB services are not currently covered. A key focus of Global Fund grant support is to integrate HIV and TB services within JKN and address health system readiness to provide included services for specific target groups and retain them in the treatment cascade.
 - **Thailand:** Thailand is among the handful of middle income countries that have attained universal health coverage for its citizens through a tax-funded Universal Coverage (UC) health insurance scheme. Thailand being an economic powerhouse of the region attracts migrant workers from neighboring countries who are disproportionately affected by ill-health including the three diseases whose national responses are supported by the Global Fund. To address this lacuna a Migrant Health Insurance (MHI) scheme was

launched by the government. Through successive grants, Global Fund has supported high level consultations to strengthen the migrant health insurance scheme as well as development and implementation of marketing strategy to increase enrolment of migrants in MHI.

- Engagement and facilitation of innovative financing mechanisms
 - Debt2Health (D2H) is an innovative financing initiative of the Global Fund, which helps to channel resources of developing countries away from debt repayment towards life-saving investments in health. Under a Debt2Health agreement facilitated by the Global Fund, creditors cancel a portion of their claims on the condition that the beneficiary country invests the freed-up resources into programs approved by the Global Fund. Debts swapped under Debt2Health agreements involving Australia and Germany on the creditor side have channeled USD 111.5 million to Global Fund grants for Egypt, Ethiopia, Indonesia and Pakistan resulting in total debt cancellation by participating creditors of twice that amount, i.e. approximately USD 223 million. Recently debt swaps facilitated by the Global Fund with Spain on the creditor side has resulted in D2H agreements of €12.5 million for Cameroon (€9.3 million) and Ethiopia (€3.2 million).
 - Private Sector Initiatives: Resource mobilization initiatives of the Global Fund from private sector have raised additional resources for health in developing countries. For example: US\$ 65 million committed by the Tahir Foundation for the current replenishment will support health programs in Indonesia. Additionally, a new Indonesia Health Fund with an initial investment of US\$40 million from eight Indonesian business leaders in partnership with the Global Fund and co-funding from Gates Foundation (US\$ 40 million) has been established to support communicable disease control and MNCH programs in the country. The India Health Fund (IHF) – an initiative led by Tata Trusts, in collaboration with the Global Fund, is an innovative mechanism to raise funds within India and invest the money to tackle key health challenges, starting with tuberculosis and malaria. As an innovative financing platform, the India Health Fund will help leverage and pool private sector resources and expertise to support health programs that are supported by the Global Fund and other partners
 - Engagement with development banks (ADB, IDB, World Bank) and national governments to explore blended financing mechanisms

B. Global and Regional Initiatives and Partnerships

- Advocacy for domestic resource mobilization through global platforms (World Health Assembly, UN High Level Meetings) and regional platforms (African Union, African Malaria Leaders Alliance, Asia Pacific Leaders Malaria Alliance).
- The Global Fund has facilitated multi-stakeholder consultations to develop regional strategies and investment guidance in EECA and LAC, which have set benchmarks and expectations regarding government financing of priority interventions for HIV and TB. These efforts have translated into setting the foundations for scale up and planned transitions of treatment and prevention programs to domestic funding from the 2014-16 Allocation onwards.
- Collaboration and partnerships for health expenditure tracking: Health and disease expenditures are critical inputs for advocacy efforts as well as development of 'Universal Health Coverage' (UHC) plans and policies to ensure financial risk protection and effective

public spending, as well as monitoring progress of their implementation. The Global Fund makes a substantive contribution to the UHC agenda by:

- Supporting institutionalization of 'National Health Accounts' (NHA), which is an internationally accepted methodology for measuring health and disease spending from all sources including public, international, and out-of-pocket (OOP) expenditure, through its grants and a global partnership initiated under the aegis of a 'Memorandum of Understanding' with the 'World Health Organization. Global Fund engagement has leveraged significant financing from other partners such as the BMGF and GAVI for institutionalization of National Health Accounts in priority countries. Till 2017, WHO report of government health expenditures was limited to general government health expenditures, which included donor support managed by government agencies, masking actual trends in government spending from domestic resources especially in low income countries. Global Fund engagement on NHA has catalyzed annual reporting of domestic government health expenditures by the WHO, providing a better evidence base for sustaining advocacy for domestic resource mobilization at the country and regional levels.
- Supporting NHA institutionalization in the Asia-Pacific region through the Asia-Pacific Health Accounts Network to stimulate country demand, build local capacity, share best practices, and provide peer support for NHA. Based on lessons learned and positive feedback from the Asia-Pacific experience, a regional network for Africa is in the process of being supported through WHO
- Supporting a pioneering expenditure analysis in South Africa to provide a detailed and fuller picture of HIV and TB expenditure, combining spending data from PEPFAR, Global Fund and government at the subnational and intervention levels. This analysis provided a key input to South Africa's HIV/TB investment case, which was the basis for the country's funding request to the Global Fund. This is now being rolled out in collaboration with USAID's 'Health Financing and Governance' project to other countries.
- Partnering with IMS for innovative use of pharmaceutical data to track disease spending. While expenditure on pharmaceuticals account for a major share of health expenditure, its disaggregation by diseases has been historically problematic. The partnership is being rolled across Asia, to develop a cost-effective approach to disease accounts
- Working with OECD, WHO, and the World Bank, the Global Fund has supported the establishment of new health networks of Ministry of Finance (MOF) officials in Eastern Europe, Latin America, Africa, and Asia. Along with the Gates Foundation and the GIZ, the Global Fund has supported the 'Collaborative African Budget Reform Initiative' (CABRI), to engage with Senior Budget Officials on mobilizing domestic resources and its effective use for health. These new networks give Global Fund and other partner's direct access to MOF officials and are innovative platforms for operationalizing the Global Fund's STC policy.
- The Global Fund is engaged with key technical and funding agencies for supporting countries on critical issues related to domestic resource mobilization and its effective use. This includes:
 - World Bank: Global Fund is part of a multi donor trust fund with the World Bank, where we have made specific investments in sustainability and transition planning in Indonesia and Sri Lanka. In Indonesia, Global Fund has supported activities for

integration of HIV/TB/malaria services into the social health insurance program (JKN) in Indonesia through the World Bank MDTF. Additional support is provided through current grants to evaluate and advocate for full integration of treatment and prevention components into JKN. In Sri Lanka, the collaboration is focused on rationalization of health services (PHC) and diagnostic services. Currently exploring opportunities to intensify our collaborations on blended finance opportunities and Joint Health Financing System Assessments / Public Expenditure Reviews in many countries (including Cote d'Ivoire, Bhutan, and Namibia)

- Asia Development Bank -- The Global Fund and the Asian Development Bank (ADB) have signed a memorandum of understanding to support the financing, design and implementation of country-led programs to fight HIV, tuberculosis and malaria, and build resilient health systems in ADB member countries eligible for Global Fund financing. Through a framework of mutual cooperation, ADB and the Global Fund aims to complement each other's contributions to health programs in the Asia and Pacific region. The partnership is also exploring how ADB can support a gradual shift to other funding sources, especially increased domestic financing in countries transitioning from Global Fund grants
 - Inter-American Development Bank -- Recently the Global Fund Board approved investment to eliminate malaria in a blended finance arrangement
 - African Development Bank -- Working with the Bank and other partners on Public Finance Management (PFM) reforms
 - Collaboration with WHO, UNAIDS, World Bank and other partners on improving investment efficiency within national programs: Technical support targeted for intervention prioritization and strategic planning through use of efficiency tools such as TIME. Analysis results have either been directly incorporated in country NSPs/ investment cases or have played a key role in shaping country dialogue regarding strategic resource allocation.
 - OECD Centre for Tax Policy and the OECD Health Division on tax policy for domestic resource mobilization
 - Annual Montreux Health Financing Meeting convened by the WHO: The broader issue of resource mobilization of the health sector is a central focus of the Montreux health financing agenda. This annual meeting includes all key stakeholders including IMF and countries.
- Support for regional scorecards on health financing for monitoring and advocacy (African Malaria Leaders Alliance, Asia Pacific Leaders Malaria Alliance)