

Strengthening the Financial Sustainability of Disease Programs

Health Finance Approach of the Global Fund

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Policies and initiatives related to this article are currently being discussed and may significantly change in the near future.

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OVERVIEW

Health financing is a cornerstone of Universal Health Coverage (UHC), ensuring that everyone has access to quality health services without financial hardship. It involves how health services are funded, allocated, accessed, and sustained to ensure equity and financial protection. In the current political and economic environment of global health, new ways to maximize the impact of limited resources and allocate those resources appropriately are in high demand. Sustainable health financing and equitable access to health are receiving more attention than ever.

In this context, the Global Fund to Fight AIDS, Tuberculosis and Malaria established a new Health Financing Department in 2021 and developed a strategic approach to help sustain the results of the national responses it funds and to mobilize domestic resources. The establishment of this department also reflects the priority placed on sustainability in the 2023–2027 Global Fund Strategy. Through this strategic approach, implementer countries (recipients of Global Fund financing) are provided enhanced support on health financing to maximize impact with the goal of becoming more independent from donor aid and more prepared to address the corresponding risks. This is a challenging endeavor, requiring proper application of Global Fund policies, strong country leadership, and strong partnerships. The Global Fund implements an approach that supports sustainability while remaining flexible in responding to national and regional contexts.

The Global Fund's approach to health finance to support financial sustainability has six focus areas, namely:

- 1. Co-financing**, a policy through which implementer countries must realize co-financing requirements focused on health investments, increased financial allocation for national HIV, TB, and malaria responses, and commitments to specific programmatic interventions. Only after providing signed government commitments can implementer countries access their full allocation funding. This approach provides an opportunity to discuss health financing with a country's budget authorities for mobilizing domestic resources.

2. **Innovative finance, including blended financing and Debt2Health**— Blended financing for the Global Fund refers to combining grant funds with funding primarily from multilateral development banks (MDBs) or other financial institutions. Blended financing can strengthen alignment among development partners and support countries to raise additional resources and to influence existing resources to strengthen health systems while supporting critical health interventions. Debt2Health refers to increasing domestic financing in health by converting debt repayments into investments in public health.
3. **Domestic financing advocacy**, including holding national dialogues with stakeholders on health financing reforms, hosting roundtables with ministers of health and finance on sustainable financing for health, and strengthening the role of civil society organization networks for effective participation in health budgeting.
4. **Leveraging partnerships** with other technical partners, global health initiatives (GHIs), financial institutions, and bilateral donors¹ to support sustainable financing in a coordinated and collective effort.
5. **Technical advice and assistance**, referring to technical advice on strengthening health financing systems on a variety of topics, including health financing data, public financial management (PFM), resource tracking, health financing schemes, financial sustainability planning, etc.
6. **Value for Money**, an approach to ensure efficient, equitable, and sustainable use of resources to maximize the impact of health programs. It involves securing affordable prices, optimizing resource allocation, and ensuring access to health services.

In the spring of 2024, Japan announced the launch of the “UHC Knowledge Hub” (hereafter, the Hub) to support countries with UHC financing. Global health stakeholders are eager for Japan’s leadership and coordination on this critical area. The Hub can support sustainable financing for UHC by promoting dialogue between health and finance authorities, building capacity on PFM, fostering an inter-agency health financial data platform as a global public good, and leveraging loans to mobilize domestic resources.

1. There is no specific term that encompasses all organizations, agencies, institutions, partnerships, initiatives and institutions that provide financial or technical support for health or for sectors that include health. In this document, references are made as global health agencies or, as appropriately, institutions. The term global health initiatives (GHIs) has been used for many years, but in recent discussions over the Future of Global Health Initiatives, it referred to six agencies such as the Global Fund, Gavi, FIND, Unitaïd, GFF and CEPI.

WHY HEALTH FINANCING MATTERS

Strengthening health financing is essential to the two core components of UHC, accessibility and affordability of quality care. Achieving UHC requires both sustainable financing and preventing excessive out-of-pocket payments. When Japan or other donors provide development assistance, implementer countries are expected to achieve “independence from aid,” whereby activities previously financed through donor assistance continue, enabling development results to be maintained and expanded after the support ends. Donors expect countries to be politically committed and to take ownership, continuing programs and activities through domestic resources.

However, this type of sustainability is challenging to achieve. While many global health agencies and bilateral donors prioritize sustainability, how many have developed formal measures to ensure that implementer countries plan a financial pathway to fund their programs through domestic resources? Given the large scale of Global Fund support, failure to sustain Global Fund–financed interventions and outcomes could have severe consequences on health outcomes. In particular, because the Global Fund supports health services for marginalized and vulnerable populations, the inability to sustain social protection interventions will have significant consequences. To be a responsible funder and partner to implementer countries in the current global health financing environment, the Global Fund takes a serious, collaborative, and proactive approach to address the sustainability, continuity of and universal access to services. Reaching these goals is not easy and there are challenges in putting theory into practice, as well as in balancing short-term results with long-term impact. However, the Global Fund is prioritizing practical approaches to strengthen sustainability of its investments, improve health financing, and support the achievement of UHC.

Global health financing outlook

Many implementer countries are under economic strain, often with high levels of debt, and face additional funding pressures from population growth, human mobility, the impact of climate change, and the associated costs of adapting social systems, changing disease burdens, and rising healthcare costs (IHME, 2023). Donor countries are also pressured to increase official development assistance (ODA) to respond to climate change and humanitarian crises. Amidst this, several global health agencies will host replenishment meetings during 2024 and 2025. These coinciding replenishments have triggered discussions on optimal allocation of limited ODA resources. Global momentum to maintain multilateral cooperation for development is also fluctuating in the wake of national elections in many countries (Drake et al., 2023).

Within this environment, domestic resource mobilization is being prioritized for discussion by global health agencies (World Bank, 2023). This builds on previous discussions that highlighted the importance of raising additional resources for health, including the Abuja Declaration in 2001, through which African countries committed to allocate 15% of national budgets to the health sector. National domestic resources were also discussed at the International Conference on Financing for Development in 2015 and the Summit for a New Global Financing Pact in 2023.

National budgeting and domestic financing for health is a sensitive area as it is rooted in the politics of each country. It is not always easy to exert influence from outside the country or through development aid. National budgeting is determined by the amount available from internal and external sources of financing as well as a country’s capacity to “execute” the budget. Nevertheless, given the current global situation, it is critical to examine how health sector financing can meet present and future health challenges, ultimately fulfilling the fundamental right of access to essential healthcare worldwide by 2030 (Fan and Gupta, 2024). (For an illustrative example, see Case Study 1.)

The importance of sustainable health financing

Health financing in low- and middle-income countries is supported by external sources, including bilateral aid, UN agencies, MDBs, public-private partnership funds (such as GHIs), and philanthropic organizations, in addition to domestic resources. This external support has more than tripled over the last 20 years (Global Burden, 2019).

Case Study 1: Health Financing in Ethiopia

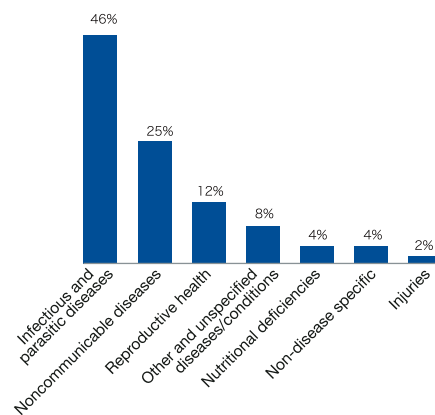
One global effort to analyze health financing is the National Health Accounts (NHA) developed by the WHO in collaboration with countries to track and analyze total health expenditures and their distribution across different funding sources, diseases, healthcare providers, and healthcare functions. It aims to assess the efficiency and equity of health systems, enhance transparency, and support policy decisions aimed at achieving UHC.

Below is an analysis of Ethiopia’s NHA as an example. Ethiopia has conducted the NHA seven times to date. The charts shown are from the 2022 report, which analyzed 2019–2020 data from relevant ministries as well as extensive household surveys. This report shows total health expenditure, the changes in the proportion of government and out-of-pocket payments in total spending, and the share of the health budget within the national budget spent on infectious diseases, which accounts for more than half of health expenditures.

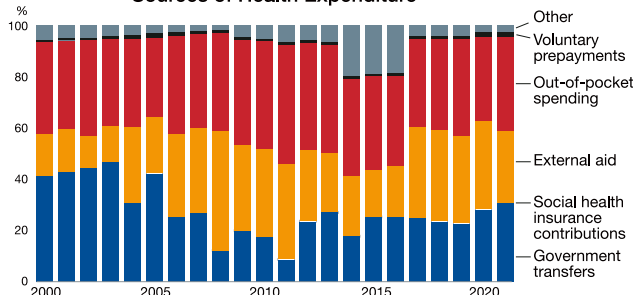
Key Statistics

	2005	2010	2015	2021
Health spending US\$ per capita	7	16	24	26
Government health spending % Health spending (GGHE-D%CGE)	42.1	17.3	25.3	30.5
Out-of-pocket spending % Health spending (OOPS%CHE)	31.3	42.3	36.7	37.0
Priority to health (GGHE-D%GGE)	7.6	5.1	5.6	7.1
GDP US\$ per capita	160	300	616	825t

Total Health Expenditure by Disease and Health Condition



Sources of Health Expenditure

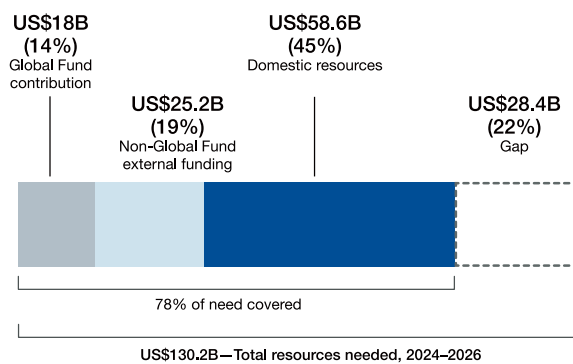


Source: Global Health Expenditure Database, the Ethiopia National Health Accounts Report 2019/20

The Global Fund’s financing comprises a substantial proportion of global health financing, especially in low-income and lower-middle-income contexts, focusing on specific interventions essential to accelerating infectious disease control across many countries. The Global Fund’s financing approach has key features such as a multi-stakeholder partnership model, results-based financing, country ownership, and the ability to deploy financing in an agile, accelerated fashion.

Twenty years after the Global Fund’s establishment, and in the face of a changing health landscape, there is a lot of discussion on how the Global Fund contributes to overall health systems and the achievement of UHC. It is important to consider how to make the best use of the Global Fund’s financing mechanism, which has successfully financed HIV, TB, and malaria control by implementer countries in collaboration with other partners as well. This mechanism is a global public good. There is an expectation that Global Fund financing catalyzes an acceleration of infectious disease control programs and paves the way for countries to mobilize domestic resources for sustainability (see fig. 1). As the availability of Global Fund financing directly impacts the lives of people affected by the three diseases, the Global Fund is prioritizing discussions on the meaning of sustainability and how it can be achieved to avoid future interruptions in disease control. There are various dimensions of sustainability, including programmatic, financial, political, and epidemiological. There are also many thematic areas that are critical to sustainability, including raising and allocating additional resources, strengthening value for money, undertaking transformations in programmatic service delivery, and addressing the challenges to accessing quality, affordable health products, among others.

Figure 1. Domestic resources as a percentage of total funding needs for HIV, TB, and malaria control



Source: The Global Fund Seventh Replenishment Investment Case

While the Global Fund has played a major role in financing of HIV, TB, and malaria, it is also a significant funder of health systems strengthening, contributing to overall health system sustainability. For example, the Global Fund makes significant investments to strengthen human resources for health (HRH), including community health workers. It provides technical assistance to support the sustainability of these investments, including government standardization of health worker salaries, improved tracking of human resource investments to ensure adequate budgetary support, and the development of long-term plans for financing and managing HRH.

Health finance support for mobilizing domestic resources

Implementer countries must expand their health investments for the benefit of socioeconomic development. How can the Global Fund incentivize this in a comprehensive and sustainable manner? Many implementer countries prioritize budgets for economic growth over social

development, including at the sacrifice of health budgets. Therefore, the Global Fund has reinforced its overall efforts on health financing to support countries' efforts to strengthen health system financing, including through the co-financing policy.

The Global Fund's co-financing policy requires governments to be accountable to donors and national citizens for the use and results of aid. To assist in this effort, the Global Fund supports civil society capacity to monitor their governments' investment in health. The Global Fund is also increasing its support for financing management capacity in coordination with partners; supporting transparency of funding flows for multiple health-sector donors, thereby improving the effectiveness and efficiency of financial support; and increasing the financing flows through national systems.

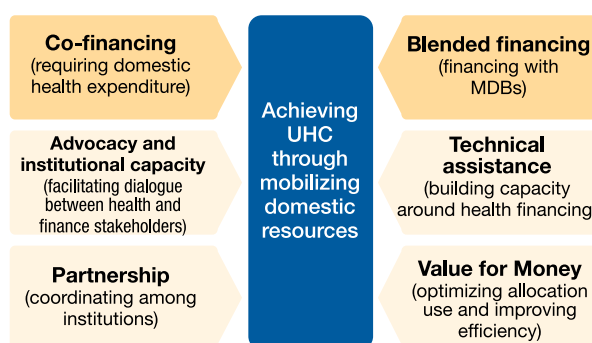
In many countries, donor support is treated as external, off-budget funding and not explicitly included in the national budget. Increasing the amount of donor support that is "on-budget" has a number of benefits. First, it enables fiscal authorities and civil society in implementer countries to see and monitor associated revenues and expenditures that could be improved. Second, it enhances accountability for the use of donor funds in line with national policies and strategies. Third, it can trigger an immediate reaction if sudden reductions in external flows take place, ensuring that programmatic gaps are addressed promptly to avoid discontinuation and loss of lives. It also leads to formal involvement of the national budget authority in the process, increasing government ownership of externally financed programs and strengthening the relationship with donors. And finally, transitioning Global Fund investments to be on-budget also lays the groundwork for programmatic costs to be absorbed into domestic financing, which is a key priority of the Global Fund's co-financing efforts.

THE GLOBAL FUND'S APPROACH TO HEALTH FINANCING

The Global Fund's Sustainability, Transition and Co-financing (STC) Policy, approved in 2016 (Global Fund OIG, 2022), is meant to strengthen overall sustainability, improve domestic financing, and facilitate a gradual transition away from Global Fund financing (Global Fund, 2016). The policy is differentiated according to the implementer countries' income levels and disease burden (fig. 2).

In line with that policy, the Global Fund established a new Health Financing Department in 2021 to strengthen the organization's engagement with implementer countries and other global health agencies to support domestic financing through the six areas described below (see also fig. 3). Two of these six areas, co-financing and blended financing, will also be described in more detail in the following section.

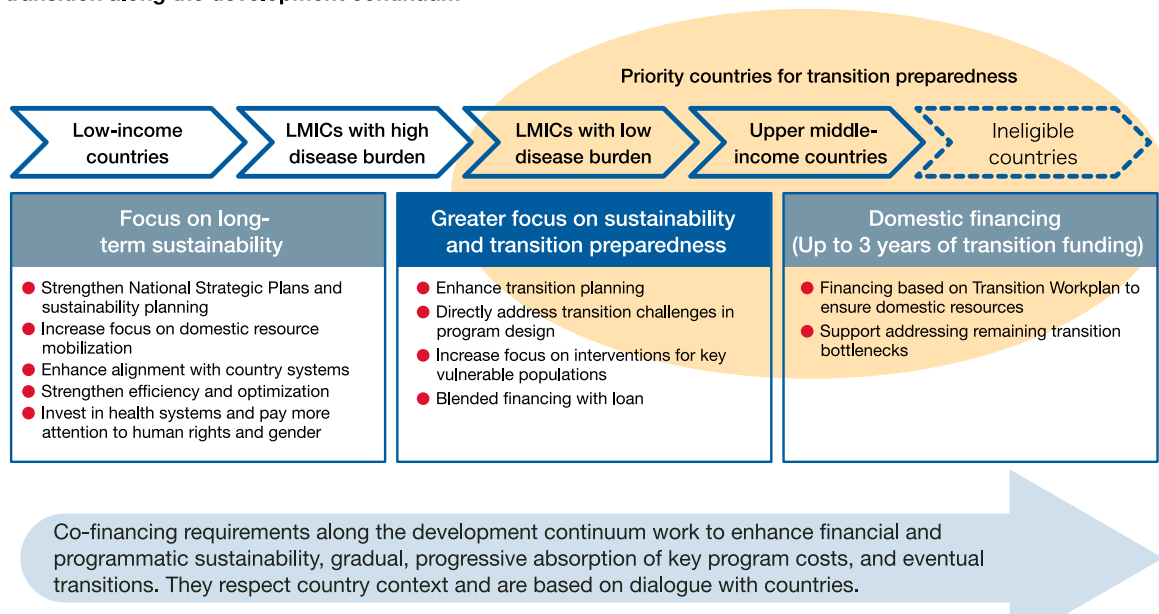
Figure 2. The six areas of the Global Fund's Health Finance Approach



1. Co-financing²

The Global Fund’s co-financing policy requires that implementer countries make and then realize co-financing requirements focused on health systems and HIV, TB, and malaria responses and on specific programmatic commitments to cover key program costs, including those supported by the Global Fund. Access to the full Global Fund allocation is conditional on the implementer country meeting this requirement, which is determined by the country’s income level and disease burden. The Global Fund monitors compliance with these requirements, including spending on HIV, TB, and malaria responses and the overall health system. The policy aims at reducing external aid dependency and increasing domestic funding, as well as strengthening country ownership of the national responses. In some implementer countries, national budget tracking systems are still developing, and the reporting of all associated disease costs is not yet an established norm, with the quality and availability of data remaining a challenge. Some implementer governments may hesitate to increase infectious disease control budgets even if the country’s income level rises, preferring to request continued support from donors. The Global Fund’s joint work with implementer countries on co-financing supports budgeting processes and expands domestic resources for the Global Fund–supported national responses.

Figure 3. The Global Fund’s approach to sustainability and transition along the development continuum



2. “Co-financing” has sometimes been used with different meanings in different areas/agencies. For example, multi-lateral development banks often refer to “co-financing” as the joint financing of health from various donors. At the Global Fund, co-financing refers to how countries must increase financing of their national responses and health systems in order to access Global Fund financing.

2. Blended financing³ and Debt2Health

The demand for investment in HIV, TB, malaria, and health systems cannot currently be met solely by financing from the Global Fund, other donors, and domestic sources. To continue to scale up available resources for these areas, the Global Fund supports blended financing, which refers to combining grant funds with funding from MDBs and other financial institutions. Blended financing complements traditional Global Fund grant financing and is part of the Global Fund's overall approach to raising additional resources for health and the three diseases. Blended financing allows the Global Fund to use different financial mechanisms to achieve its objectives, making it possible to leverage borrowing for the social sector and the capabilities of its partners to strengthen health and community systems and fight HIV, TB, and malaria. It also benefits Global Fund partner institutions by bringing the Global Fund's technical expertise to the lending activities at the same time.

Blended financing involves reviewing an implementer country's health policies with multiple other donors, leading to improved coordination, effectiveness, and support for the health sector and important reforms. If the flow of funds and reporting indicators can align between donors, it could lift the administrative burden on implementer countries and improve project efficiency. As partners consider their own investments in health systems, the Global Fund can offer unique expertise in fighting HIV, TB, and malaria. (See the section on blended financing later in this document for more details.)

In addition to the Global Fund's work on blended financing, there is an initiative called Debt2Health, which is the Global Fund's debt swap program. This initiative aims at allowing creditor and debtor countries to convert—or “swap”—part of their debt into health program funding, and has helped the Global Fund support approximately US\$250 million in additional investments since its creation.

3. Advocacy and strengthening governance

Allocating national budgets to healthcare is a complex process that requires strong political commitment. Financing decisions are inherently political, making collaboration between health and finance ministries essential for expanding the fiscal space for health. To support these efforts, the Global Fund engages in advocacy at the global, national, and regional levels.

For instance, in collaboration with the African Union's African Leaders' Meeting, African Union Development Agency-NEPAD (AUDA-NEPAD), and the Regional Economic Communities, national health finance dialogues have been organized, bringing together ministries of health and finance along with parliamentarians and representatives from the private sector, civil society, media, and development partners in Burundi, Kenya, Malawi, Mauritius, Mozambique, Rwanda, and Zambia. These dialogues aimed to raise awareness within implementer governments about the need for domestic health financing, increase political focus

3. “Blended financing” is a term used differently by different agencies. Other health agencies commonly refer to multiple donor contributions as “joint financing” or “co-financing.” Blended financing is sometimes used to refer to a combination of public and private funding in the development sector. At the Global Fund, it refers to combining Global Fund resources with resources from other partners, including multi-lateral development banks.

and accountability, identify opportunities for efficiencies, align support from development partners, and foster government commitment. The discussions were based on evidence-based analysis that informed key health financing reforms.

Ministries of health cannot tackle these challenges in isolation, as health is a cross-cutting issue. Therefore, it is essential to foster collaboration with other ministries, such as ministries of economy and finance, labor, gender, and defense. Implementing sound health financing policy measures is crucial in order to mobilize stable funding for the health sector, and improve efficiency, governance, and equity. Recent national dialogues have prioritized national health insurance and health tax levies as critical elements of reform.

The Global Fund has also put a strong emphasis on engaging civil society in these discussions and enhancing their role in advocating for health financing and budget accountability. Since 2020, the Global Fund has partnered with the Global Financing Facility, Gavi, UHC 2030, and a network of civil society organizations in Sub-Saharan Africa to advance the Joint Learning Agenda on health financing and accountability in the region. To date, this partnership has strengthened the capacity of more than 200 civil society representatives in 20 African anglophone and francophone countries with the objective of developing advocacy and accountability plans that reflect national health financing priorities. The next phase of the initiative aims to implement the high-priority activities identified in those plans in collaboration with country partners.

4. Partnership among global health agencies

Many GHIs, bilateral donors, MDBs, and UN agencies are concerned with domestic resource mobilization and seek to expand the implementer countries' budget lines for their area of focus. Improved collaboration and alignment across health initiatives has been called for as a key part of efforts to improve domestic financing. Health financing provides a good entry point to understanding overall investments and distribution of resources (including direct financing, human resources, and commodities). This call for coordination and collaboration embodies the principles described in the recently launched Lusaka Agenda.

The Global Fund works closely with other global health agencies on coordinating across their respective areas of health financing work. This is achieved through regular discussions and formal agreements. For instance, the Global Fund is co-chair of the Sustainable Health Financing Accelerator, one of the key activities of the Sustainable Development Goal 3 (SDG3) Global Action Plan (WHO, 2023), through which member organizations share approaches and lessons from their respective institutions, discuss their country-specific initiatives, and foster coordination between staff and workstreams. Other partnerships exist between agencies supporting HIV, such as the Joint United Nations Program on HIV/AIDS (UNAIDS) and the US President's Emergency Plan for AIDS Relief (PEPFAR), to collaborate on financial data and jointly support sustainability planning at the national level.

In the future, the challenge will be how to support partnerships that continue progress on specific programmatic priorities and health objectives, such as HIV, TB, and malaria, while also supporting holistic health and community systems. Recently, there have been calls for a more comprehensive and aligned approach in collaboration with implementer countries and other donors to strengthen health systems.

5. Technical advice and assistance

To ensure sustainability and expand the fiscal space for health, it is essential to support strong health financing systems at the country level. To do this, the Global Fund provides technical advice and assistance for a variety of thematic areas within health financing. This includes (but is not limited to) to analyzing financial data and supporting resource tracking; strengthening health data systems; improving PFM capacities, such as accounting or budgeting; supporting integration of donor-funded health services into health insurance schemes; and strengthening social contracting with the private sector and NGOs. The Global Fund implements these efforts both by financing direct technical assistance and by providing technical advice and support to Global Fund country teams to strengthen their ability to engage on health financing at the country level.

There are a wide variety of challenges that require improved technical support. For example, tracking national investments in the response to infectious diseases is difficult. As noted above, donor grants are often treated as external financial flows and may not be reflected in the national budget. In contexts where decentralization is taking place, obtaining an overview of the total national resources for a given disease response program becomes more demanding. Another critical challenge is the raising and pooling of resources. Many implementer countries are exploring stable financial mobilization for the health sector via insurance and taxes, but these are complex mechanisms that require significant support to implement effectively.

The Global Fund works closely with other organizations to engage on technical issues affecting health financing and to support countries to strengthen financial sustainability. For example, in 2024, the Global Fund, in collaboration with other organizations such as the WHO, World Bank, the Asian Development Bank, JICA, and others, hosted high-level training and workshops for implementer countries and their stakeholders to discuss support for financial sustainability for countries in the Middle East, North Africa, and Asia.

6. Value for Money

One of the keys to maximizing impact and ensuring sustainability in the fight against HIV, TB, and malaria is to increase the scale of financial investment while ensuring that limited funds have the most significant impact. “Value for Money” is a concept that defines how to maximize and sustain quality and equitable health outputs, outcomes, and impact for a given level of resources. It is critical in creating fiscal space, reducing waste, and maximizing impact. Value for Money ensures that the results achieved are well worth the investment, leading to more efficient, sustainable, and equitable health programs and systems.

The Global Fund has in place a process to improve Value for Money as a core principle of grant implementation by considering, analyzing, and tracking grant performance from the following perspectives:

- Efficiency—meaning optimally allocating and utilizing resources to maximize impact
- Equity—defined as fair opportunity for everyone to attain their full potential for health and wellbeing, with no person disadvantaged due to social, economic, demographic, or geographic differences

- Economy—meaning paying the right prices for inputs along the grant cycle of the programs, from the planning process to grant closure

The efforts on Value for Money include applying disease impact scenario modeling to identify high-efficiency intervention approaches, conducting geospatial analysis to improve service accessibility to accelerate equity, and finding ways to access more affordable prices for critical health products and commodities. The Global Fund is placing priority on embedding Value for Money approaches throughout the grant cycle and overall operations.

ILLUSTRATIVE CASES: CO-FINANCING AND BLENDED FINANCING

The following section discusses co-financing and blended financing in more detail, including practical steps and responses to the challenges.

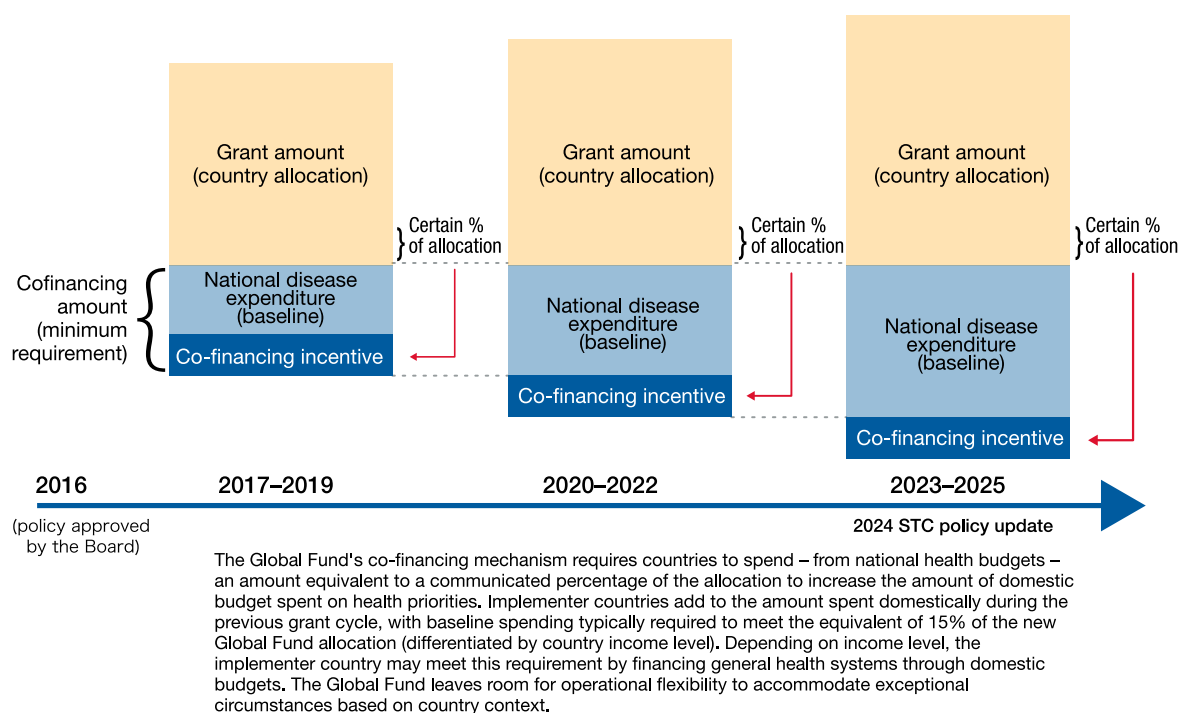
1. Co-financing

a. What co-financing is and how it works

“Co-financing” is a policy through which implementer countries must make and then realize co-financing requirements focused on health system investments in national HIV, TB, and malaria responses and specific programmatic commitments to cover key program costs, including those supported by the Global Fund. Only after providing signed documentation that these commitments to domestic financing will be met can implementer countries access their full allocation of funding. On average, 15% of a Global Fund grant is conditioned on co-financing requirements, but this percentage can be increased or decreased across the portfolio (see fig. 4). Implementer countries are informed of their expected co-financing requirements in the allocation letter received prior to the beginning of each grant cycle. The implementer country’s financial authorities are required to submit a written commitment letter and, at the end of the grant period, the relevant data and evidence of having fulfilled this commitment, which is then reviewed by the Secretariat for verification of compliance with co-financing requirements.

b. Challenges and solutions

Although there are high expectations for co-financing commitments and they remain a critical tool to dialogue with and encourage countries to strengthen domestic financing of the national disease responses, implementation of the policy is not always simple. First, implementer countries struggle with PFM, budgeting, accounting, and data quality. Obtaining the budget and expenditure data required to confirm that co-financing commitments have been met requires significant engagement between the Global Fund Secretariat and implementer countries’ governmental authorities. To address this, the Global Fund has increased its own efforts on health

Figure 4. Co-financing mechanism

financing data and collaborates with other donors to strengthen health finance capabilities, which is critical to improving the quality of data used in co-financing processes.

A second challenge arises in the instance of an implementer country's noncompliance with the co-financing policy. If a country fails to comply with these obligations, grant support may be reduced or suspended unless a waiver is provided by the Secretariat. However, cases of reduction or suspension can be detrimental to the national responses or programmatic priorities, while exceptions can weaken co-financing as an instrument to support improved domestic financing. Therefore, it is important to balance these competing priorities in the implementation of the policy in order to maximize the impact of the policy on programmatic and domestic financing.

Third, it is difficult to assess if co-financing commitments are truly "additional" to national disease response budgets. The Global Fund works to address this challenge by comparing these additional investments with baseline disease response budgets to better understand the actual additionality of co-financing.

Finally, it is challenging to have a one-size-fits-all policy, especially given the significant diversity among the countries in which the Global Fund invests. For example, for implementer countries with higher incomes and lower disease burdens, grant amounts are smaller and thus the amount of co-financing required is smaller as well. In these settings, the policy requires that co-financing commitments be highly targeted on key and vulnerable populations most affected by HIV, TB, and malaria. On the other hand, low-income implementer countries receiving larger grants have correspondingly large co-financing obligations even though their overall health budgets may be smaller. In these contexts, the policy provides more flexibility to allow co-financing to be focused on investments in broader health systems.

The Global Fund's policy is differentiated to help ensure it can effectively support the wide variety of countries and contexts. Considering the challenges noted above, the Global Fund

has been constantly working to strengthen the implementation of the existing co-financing policy since it was approved in 2016, including by doing the following:

- introducing a mandatory commitment letter to ensure clarity in co-financing commitments and ensuring these are backed by clear government commitments
- improving data governance of co-financing
- integrating co-financing into its overall risk reviews to identify and work to address risks

To further enhance co-financing efforts, the Global Fund is reviewing the STC Policy, which will be discussed by the Board in November 2024. This includes proposed changes to strengthen the implementation of the co-financing policy based on lessons learned. Proposed changes related to co-financing include (but are not limited to) the following:

- putting a greater focus on specific programmatic interventions in co-financing implementation, in order to focus more on the “quality” of co-financing and the optimal mix of country investments versus Global Fund investments
- better reflecting the realities of country budgeting processes when assessing realization of co-financing
- enhancing transparency around co-financing commitments
- increasing the focus on co-financing commitments to support specific sustainability and transition challenges, including related to key and vulnerable populations, in upper low- and middle-income countries’ contexts

Case Study 2: Country A in Western Africa

During the previous funding cycle (Grant Cycle 6, 2020–2022), the co-financing commitments of Country A were significantly higher than the minimum requirement. The country’s health financing ambitions did not match its reported spending or its fiscal capacity. These concerns and risks were discussed with the Ministry of Health and the Country Coordination Mechanism throughout the implementation of the grants, as was the issue of the difficulty in obtaining reliable data and documentation of realized expenditures. The Global Fund and the country agreed to simplify the commitments and reporting protocol as well as to align it with the government’s budget structure. The co-financing requirement was aligned to the following three budgetary programs: 1) primary healthcare and disease control; 2) health product availability and financial access to healthcare; and 3) multi-sectoral AIDS control program. For the current funding cycle (Grant Cycle 7, 2023–2025), the minimum additional requirement was reduced to zero due to the unstable political environment, but Country A submitted an ambitious commitment letter in which it committed to increasing spending significantly across the three budget programs, therefore exceeding the minimum requirement of maintaining spending.

Case Study 3: Country B in Southern Africa

Co-financing requirements for Country B were fully waived in the previous funding cycle (Grant Cycle 6) due to macroeconomic challenges and fiscal constraints. Co-financing requirements were re-introduced to Country B in Grant Cycle 7. The co-financing requirement is focused on the government’s investments in the HIV program through domestic funding of antiretroviral procurement as well as the strengthening of sustainable health workforce investments. The government’s co-financing commitment in human resources for health (HRH) was determined using a workforce sustainability planning process. This process included a health labor market assessment supported by the WHO and financed by the Global Fund to inform the expected cost of the national HRH strategy and priorities, which included increasing the supply of HRH and addressing the country’s historic challenges of attrition and brain drain. The government’s commitments for HRH were articulated in an HRH investment compact. The financial value of the government’s commitments in the compact was translated into a co-financing commitment letter for Grant Cycle 7, which will be signed by the Ministry of Finance and Ministry of Health and Child Care.

- maintaining flexibility to ensure that co-financing requirements reflect country context, including fiscal space

The Global Fund works with implementer countries to ensure that such co-financing is appropriate in the context of their health systems and their existing health financing. It also provides technical assistance, if necessary, to support co-financing efforts (see Case Studies 2 and 3). Overall, the emphasis is on dialogue with implementer countries and coordination with other donors to support effective co-financing implementation, which is a critical priority for the Global Fund's partnership efforts.

2. Blended financing

a. How blended financing helps mobilize domestic resources

Across the development sector, joint financing with MDBs and other financial institutions is increasingly being prioritized, as reflected in recent discussions on how to mobilize large amounts of development finance (G20, 2023). For example, the Bridgetown Initiative announced in 2022, in line with MDB reforms, called for International Monetary Fund Special Drawing Rights or other measures to fill expanded needs for financing issues such as climate change. Development financing was also discussed at the Summit on New Development Finance Arrangements in France in 2023.

In the context of mobilizing additional resources, the Global Fund uses a framework for what it calls “blended financing,” referring to the use of grant funds with funds from MDBs (e.g., the World Bank, the Asian Development Bank, and/or other MDBs) and other financing institutions to increase opportunities for domestic investment in HIV, TB, malaria, and health and community systems. Auxiliary benefits include promoting aligned investments across health financiers, increasing investment effectiveness, and mobilizing domestic funds.

The Global Fund blends financing with MDBs and other financial institutions for several reasons. First, these investments can help fill the gap between the full funding needs of implementer countries and the resources that are available from domestic sources, the Global Fund, and other donors. For example, a development bank loan can cover costs for a disease response priority, such as the health needs of vulnerable groups. In addition, blended financing can help improve alignment between multiple funders to finance shared priorities. Implementer country objectives supported by the Global Fund often involve strengthening health systems, such as health system reform and the improvement of primary healthcare. Loans, alongside Global Fund grants, can meaningfully support such reforms through larger investment size and strong engagement with government ministries. Another advantage of blended financing is that loans need to be processed through the Ministry of Finance and recorded as formal budget line in an implementer country's national budget. Blended financing can help support the listing of Global Fund grants in national budgets as well, rather than being treated as off-budget, external funding, which increases the domestic budget transparency. Inclusion in the national budget is a useful step toward sustainable country ownership and assumption of costs currently covered by Global Fund grants, which can eventually be

transitioned to domestic investments through sources such as taxes or bonds. While there are many benefits, however, it is important to acknowledge that blended financing transactions are not a replacement for but rather are complementary to Global Fund grants as part of overall efforts for resource mobilization.

The Global Fund has been using blended financing with development banks since 2017, with an increased number of transactions in the last five years. The Global Fund has supported 15 blended financing transactions overall, 10 of which were signed since the beginning of 2023 (SFHA, 2023).

There are four significant modalities used by the Global Fund in blended financing:

- **Loan buy-downs:** The Global Fund contributes to lowering the cost of debt either by covering the interest and/or principle on loans borrowed by implementer countries from development banks. Those loans are invested in strategic priorities in the health sector and/or national HIV, TB, and malaria responses. Examples of this are the Global Fund's buy-down of loans from the World Bank to India and Indonesia for TB investments. (See Case Study 4 for an illustration of this modality.)
- **Joint investment:** The Global Fund financing contributes to existing programs funded by MDBs and other donors. Examples of this are support for primary healthcare through World Bank-managed trust funds in Pakistan, and a recent Global Fund investment in Colombia with the World Bank to support improved access to antiretroviral therapy (ART) for vulnerable populations.
- **Direct co-financing (or “parallel co-financing”):** The implementer country government, the Global Fund, and an MDB develop a tripartite agreement to co-finance specific priorities. Examples of this are support for health systems through a World Bank-managed

Case Study 4: Investing more through joint financing between the Global Fund and the World Bank (Indonesia/TB)

Indonesia has the third highest TB prevalence globally. TB poses a substantial economic development problem due to productivity losses, and the country has been facing challenges in detecting and treating TB, particularly in the wake of COVID-19. Global Fund grants alone cannot cover the national TB response.

In December 2022, the Indonesian government signed a US\$300 million loan agreement with the World Bank, with the Global Fund providing a “loan buy-down.” If the Indonesian government meets pre-agreed performance indicators, the Global Fund will cover the interest and principal repayments of up to US\$20 million. This mechanism provides the opportunity for the government to mobilize additional resources in support of ongoing efforts to address TB-related challenges.

More specifically, the loan funding is linked to improved detection of TB cases, better treatment coverage, and reforms in provider payments to incentivize primary care, while aiming to accelerate three approaches:

1. Promoting TB control at the provincial level: Designed to support additional performance-based annual funding to scale up TB case detection and treatment at the local level through primary health facilities of local government units, where TB services are often challenged.
2. Promoting patient-centered, high-quality, cost-effective TB treatment: Addressing insufficient TB detection and treatment in local health facilities and referral to higher-level health facilities. The program establishes efficient processes for diagnosis, access to medicines, case finding, and treatment at the local level.
3. Strengthening information systems through a digital surveillance system: Promoting a common monitoring and coordination approach across the public and private health sectors in Indonesia. The project aims to improve TB record-keeping and reporting, enable real-time activity coordination, and improve service efficiency and equity.

trust fund in Haiti, and co-financing for nutritional and primary care support in Laos with the World Bank.

- **Technical assistance–focused joint investment:** These are Global Fund investments in technical assistance that support broader objectives linked to a development partner project. An example of this is Global Fund–financed technical assistance in India in cooperation with a World Bank–financed project on pandemic preparedness.

b. Challenges and solutions

One of the challenges with blended investments is they are jointly implemented by multiple institutions, requiring additional coordination and administrative procedures for both donors and implementer countries as compared to a bilateral approach. However, much of this administrative transaction takes place during the program development phase, with the result that joint implementation is expected to reduce administrative burdens on implementer countries over the long term.

More and more donors support health and community systems rather than specific disease responses, and therefore implementer countries are required to coordinate with global health agencies on the ground while avoiding potential duplication. The Lusaka Agenda pointed to the need for the development of an overall policy framework where each GHI plays an active role in their area of expertise, works toward unifying and harmonizing procedures across initiatives for operational efficiency, and reduces administrative burdens.

In this respect, blended financing is one way to address these challenges as blended financing supports donor and MDB financing institutions to integrate and align. To support improved coordination and alignment, the Global Fund has put in place more formal agreements with certain partners, including the World Bank and the Asian Development Bank.

HOW JAPAN CAN CONTRIBUTE TO ACHIEVING UHC

As the COVID-19 crisis has shown, infectious diseases spread regardless of whether it is in the Global North or South. In today’s interconnected and interdependent world, health for all cannot be achieved without globally consistent and coordinated work. Therefore, health has been recognized as a global public good that contributes to the international community’s stability and prosperity. Achieving this requires cultivating equal standing among implementer and donor countries. These demands are in line with the concepts of ownership and sustainability that have been the core philosophy or hallmark of Japan’s international cooperation.

How can Japan better engage in supporting global health in the future? The Government of Japan announced the “UHC Knowledge Hub” at the World Bank Spring Meetings and WHO-hosted World Health Assembly in 2024. The Hub aims to achieve UHC through the following:

- strengthening health financing through domestic resource mobilization
- serving as a hub for sharing, managing, and generating knowledge on health financing data by global health agencies
- developing health financing capacity among financial and health authorities

This is closely aligned with the Global Fund's health financing efforts described in this paper. There are thus elevated expectations among stakeholders for the Hub to address current global health challenges. The following are some areas where the Hub can play a meaningful role.

1. Promotion of evidence-based dialogue among health and financial authorities, including broad stakeholder engagement

The Japanese government initiated a dialogue between health and finance ministers at the 2019 G20 summit in Osaka. This initiative was well received and has continued throughout the changes in presidency. Securing sufficient health financing to achieve UHC is a country's political matter, but global initiatives such as the Hub can support countries to take political leadership and to define policy measures.

To increase the effectiveness of these efforts, it is critical that discussions be held based on specific analyses of health financing data. Wider stakeholder engagement in these dialogues, including with civil society, should also be encouraged as the experiences of the Global Fund suggests.

2. Capacity building around health financing in coordination with global health agencies

Strong health-related financial systems are essential for domestic resource mobilization and health financing sustainability. Agencies have long supported this through providing technical assistance and capacity building. One of the challenges is that sustainability efforts have often been implemented independently for each global health agency's priorities, rather than in a coordinated manner, thus limiting efficiency and increasing the burden on implementing countries. Japan can leverage its role as a donor and board member of global health agencies to encourage coordinated sustainability efforts.

JICA supports institution-building and strengthening of governance as a foundation for development. The World Bank provides support by using the Public Expenditure Financial Accountability Framework. The WHO and the World Bank provide e-learning courses on various aspects of health financing that are available publicly to anyone, anytime, anywhere. The African Union and ASEAN have conducted practical training aligned to regional- and country-specific contexts.

What is needed is training that is designed to support practical policy implementation, is based on first-hand information and primary source data, is strategically linked across various thematic training programs, targets the right participants, and—most importantly—is linked to global health agencies' programs. The Hub can collaborate with existing training programs to make them more practical and effective.

3. A health financing data platform as a global public good

The first step in mobilizing domestic resources is understanding health financing and financial flows. This includes overall health expenditure; government revenue and health spending, and their breakdowns; how health services are used; sources and amounts of external financing; and out-of-pocket payments.

The WHO works with national governments to collect and publish health expenditure data and to build institutional capacity on the use of data in policy development. (National Health Accounts - Global Health Expenditure Database). The World Bank, the Global Financing Facility, Gavi, the Institute for Health Metrics and Evaluation, PEPFAR, and the Global Fund also collect and analyze data as needed for their operations. The African Union health financing matrices show domestic resources. These data are valuable for understanding countries' overall health financing. However, they have not yet been fully used due to differences in methodology, data collection, validation, analysis, and data ownership.

Global health agencies now demand quality health financial data to support evidence-based decisions and expand domestic resources to ensure the financial sustainability of the activities they finance. The Hub can play a role in addressing these challenges. It can function as a global platform to link multiple health finance databases and with the understanding that health data is a global public good. The Hub can encourage these agencies to collaborate on data and promote its transparency, laying the groundwork for data-based policy decisions that will ensure optimal resource allocation for UHC. Strengthening coordination on how data is collected and used can help improve impact on financial sustainability.

4. Leveraging loans/lending to facilitate mobilization of domestic resources

It will take time to shift the resources needed to fight infectious diseases from external aid to domestic funding sources, regardless of a country's economic situation. In the meantime, grants to support health systems and infectious diseases will remain critical, especially in lower-income countries. In addition to grants, supporting domestic financing through increased lending for health and consideration of joint financing is an important tool to complement grant funding. Using concessional official loans allowing for greater investment in health programs can help address the critical funding gap. It could also facilitate the inclusion of infectious disease control into national budgets, laying the foundation for sustainable financing and the transition from external grant financing to domestic resources. Additionally, pooled funding requires upfront alignment between agencies and with the national plan, allowing for coordinated support around country priorities. In this regard, Japan can support both loans and grants, allowing for greater investment while providing technical assistance to support domestic resource mobilization.

CONCLUDING REMARKS

Sustainable health financing and equitable access to healthcare are critical to achieving UHC. Global health agencies have been called upon to consider overall health and coordinate with other agencies, in line with national plans. In this context, health financing is useful because it provides a holistic picture of health policy implementation based on data, and enables optimal resource allocation and policy decisions. How can we translate this into action? The aims of the Hub—to promote use of health financing data as a global public good, encourage dialogue between finance and health authorities, and strengthen the fiscal management capacity—are highly relevant to addressing the demands of the current global health architecture. As a nation that has championed UHC, global health stakeholders are looking to Japan to move forward on this agenda.

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Japan Center for International Exchange

Founded in 1970, the Japan Center for International Exchange (JCIE) is one of Japan's leading foreign policy institutes. With offices in Tokyo and New York, it organizes legislative exchanges and policy dialogues that bring together key figures from diverse sectors of society, both in Japan and overseas. During the 1990s, it played a leading role in encouraging the adoption of human security as a pillar of Japanese foreign policy, and this led to the launch of a series of major initiatives on global health. The Friends of the Global Fund, Japan (FGFJ) was created in 2004, the Global Health and Human Security Program in 2008, and the Healthy and Active Aging in Asia in 2017 to strengthen public-private partnership and Japan's role in global health.

Japan Center for International Exchange: <https://jcie.org/>

Friends of the Global Fund, Japan

The Friends of the Global Fund, Japan (FGFJ) raises awareness and builds support for the work of the Global Fund to Fight AIDS, Tuberculosis and Malaria, encouraging greater Japanese participation in addressing the global crisis posed by these deadly diseases. It organizes briefings, policy dialogues, joint studies, international symposiums, and site visits, and it serves as an information source on the value of the Global Fund's fight against the three diseases in order to promote greater understanding throughout all sectors of Japanese society. The Japan Center for International Exchange (JCIE) launched this private initiative in 2004 and has operated it as a JCIE program since that time.

FGFJ has a multi-party Diet Task Force and a multi-sectoral Board of Advisors, organizing meetings two or three times a year to examine ways to broaden Japan's international role in combatting infectious diseases that threaten global security and advocate support for the Global Fund. Site visits to the Global Fund programs are also organized every few years to allow for the Diet Task Force members to witness firsthand the challenges posed by communicable diseases and the lifesaving role of the Global Fund in the countries that it supports.

Friends of the Global Fund, Japan: <https://fgfj-en.jcie.or.jp/>

