Operational Policy Note

Blended Finance and Joint Investments

Approved on: 27 October 2023, updated 5 April 2024
Approved by: Executive Grant Management Committee
Process Owner: Health Finance Department

Process Metrics for Blended Finance and Joint Investments

Country Teams and other Secretariat teams are expected to meet the following key performance indicators:

- 100% of blended finance transactions that fall under the established blended finance modalities are reviewed by IFAC (unless differentiated from the IFAC processes per the OPN).
- Blended finance pipeline developed and reviewed by IFAC at least once every quarter as part of an ongoing review of potential funding opportunities and the movement of transactions through various stages.
- Following IFAC Full Screening review and recommendation, all blended finance transactions to move to GAC approval within 2.5 months.

Process Objective

1. Blended Finance and Joint Investments (herein referred to as "blended finance" and/or "transaction") refer to country-led efforts to combine Global Fund funding with non-Global Fund sources of funding, primarily investments from development finance institutions, including multi-lateral development banks (MDBs).

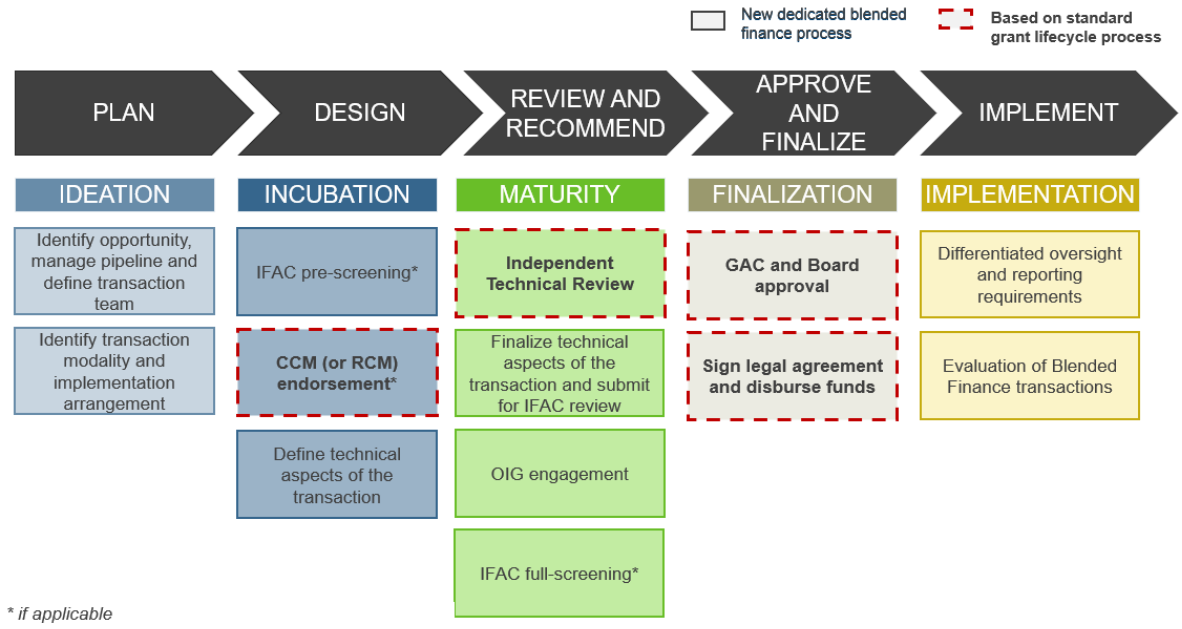
2. Blended finance[1] is a catalytic and useful mechanism for mobilizing and leveraging investments made by Global Fund partners to support aims consistent with and/or complementary to Global Fund core grants. As a complement (but not a replacement) to traditional Global Fund grants, blended finance is critical for enhancing national sustainable financing for health and the delivery of the Global Fund's Strategy objectives, mainly by: (a) catalyzing and mobilizing additional financing for health and the three diseases, and (b) influencing existing partner financing to support HIV, tuberculosis, malaria and resilient and sustainable systems for health (RSSH) objectives. As such, it contributes to sustainable financing, strengthening country ownership, domestic resource mobilization, achieving programmatic results in an efficient, non-duplicative

[1] As cited in the current Global Fund Strategy and in prior reporting to the Global Fund Board (e.g., Structured Approach to Innovative Finance).

manner, supporting critical health reforms at the country level, improving overall impact of Global Fund investments, and strengthening sustainability of health systems and national responses.

3. Figure 1 below describes the phases and sub-processes of blended finance transactions. Given the fundamentally different nature of blended finance in comparison to regular grants (which, depending on the modality, often involves the Global Fund making a joint investment with a development finance institution rather than contracting a Principal Recipient directly under a Grant Agreement), there are differences in how some standard grant life cycle processes are considered during the development, review, approval, and implementation of Blended Finance transactions, as highlighted below. In addition, different Global Fund sources of funds (e.g., allocation funding, Strategic Initiative Funding) may require specific sub-process steps and consideration, but each stage set out below is broadly applicable to all blended finance transactions.

Figure 1: Blended finance process diagram



4. **Key principles:** All blended finance investments must adhere to the following principles:

   a. Implement blended finance in an "**impact driven**" manner, where there is clear synergy and complementarity with the intended results of Global Fund grants.
   b. Follow the core Global Fund principle of **country ownership**, including meaningful engagement of all national stakeholders.
   c. **Strengthen alignment** with development partners, in line with aid effectiveness principles, country needs and requests for more aligned approaches to financing of shared priorities.
   d. Follow **strong due diligence** during transaction development, review and implementation including **independent technical reviews** to maximize the impact of Global Fund resources.
   e. Aim for **streamlined approaches** to reduce transaction costs for countries, partners, and the Global Fund Secretariat.

5. **Sources of funding:** There are different sources of Global Fund funding that can be used for blended finance transactions, including but not limited to[2]:

    a. *Allocation funding:* allocation funding may be used to fund blended finance transactions through the funding request submission; or through the reinvestment of savings to fund activities included in the Register of Unfunded Quality Demand (UQD)[3].
    b. *Catalytic Investments, including Strategic Initiatives (SI):* catalytic investments may be leveraged to support blended finance. This includes, but is not limited to, Strategic Initiatives specifically focused on health financing and/or innovative finance.

6. Irrespective of the source of funds used, blended finance transactions can be identified and developed during funding request stage (included in the budget and/or in the PAAR submitted to the Global Fund) or during grant implementation (through the reinvestment of savings to fund activities included in the UQD register or through the updating of the PAAR and UQD register).

A. Operational Policy

7. This Operational Policy Note (OPN) provides guidance for all Global Fund stakeholders considering, designing, approving, and implementing Global Fund blended finance investments based on the general parameters described in the Board-endorsed *Global Fund Strategy*, the Audit and Finance Committee (AFC) endorsed *Structured Approach to Innovative Finance*, and the Global Fund's Framework for Joint Investments in Blended finance. It defines the key principles and requirements of blended finance transactions, and standardizes the processes for developing, reviewing, approving, and implementing blended finance investments.

8. This OPN is designed only for blended finance and does not cover the broader array of possible Innovative Finance transactions outlined in the Global Fund's *Structured Approach to Innovative Finance* (e.g., Debt2Health, outcome based financing, etc). The OPN includes principles that should be adhered to if Payment for Results (PfR) modalities are used in the context of blended finance investments. These PfR principles are materially consistent with other PfR-related operational policy[4], and should be the primary reference for reviewing PfR modalities when included in blended finance transactions, which often rely on the PfR approaches of partners organizations. When reviewing blended finance transactions that include PfR modalities, this OPN should be the primary source of reference for CTs. A

A.1. IDEATION – Scoping and identification of blended finance transactions

A.1.1. Identify opportunity, manage pipeline and define transaction team

9. Blended finance transactions can be identified either by i) countries during country dialogue and/or Funding Request (FR) development processes, with support from partner organizations, and Global Fund Secretariat stakeholders (including Country Teams and Health Finance

[2] Should other sources of funding be identified for blended finance efforts, use of those funds will follow the guidelines associated with the additional sources of funds.
[3] *Portfolio Optimization (PO):* blended finance transactions are eligible for Portfolio Optimization, where proposals will be reviewed in accordance with the *Global Fund's prioritization framework*. Under this framework they can be prioritized as a mechanism to strengthen the sustainability of Global Fund investments and national programs, where strategic investments could complement additional resources from domestic and other sources, such as blended finance and joint investments.
[4] Existing guidance on cost inputs and related finance requirements for Payment for Results are outlined in the Payment for Results section of the Guidelines for Grant Budgeting.

Specialists); or ii) throughout the grant lifecycle by countries and/or the Global Fund Secretariat via ongoing engagement with countries and development partners. In addition to this, the Secretariat may identify opportunities for blended finance during other ongoing planning processes for the investment of Global Fund financing, such as Strategy development or planning for future allocation cycles.

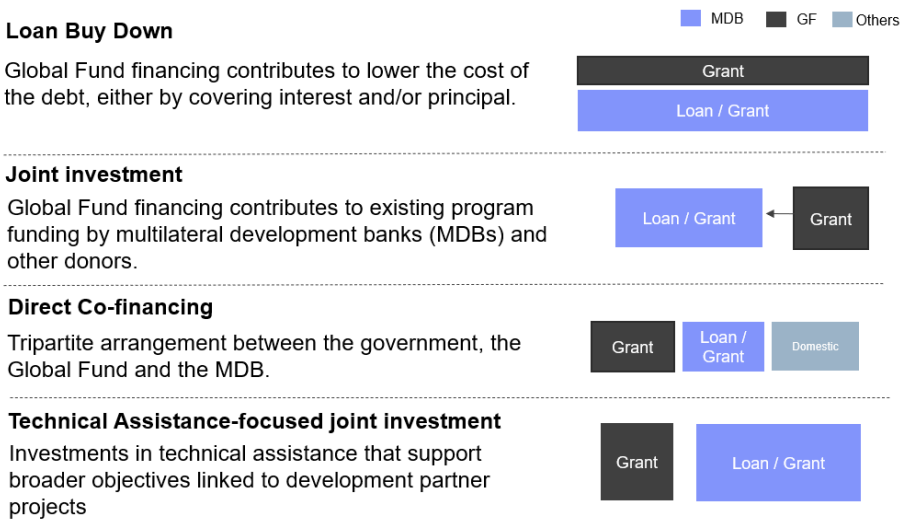
10. Once a potential blended finance opportunity has been identified, it is included in the pipeline of blended finance transactions, which is managed by the Health Finance Department (HFD) and periodically shared with the Innovative Finance Approval Committee (IFAC) and Technical Review Panel (TRP). The purpose of this information sharing is to keep the IFAC and the TRP members informed and updated about potential transactions that would come for their review at later stages. Maintaining a pipeline of potential transactions allows for increased visibility by the Secretariat and the TRP on the scale, scope, and focus of blended finance transactions across the Global Fund portfolio.

11. The Transaction Team[5] is set up by the Fund Portfolio Manager (FPM) as a cross-functional team that leads the development of deliverables necessary at ideation, incubation and maturity stages of the blended finance transaction, signing-off on final transaction specific documentation prior to IFAC reviews. Detailed responsibilities of the Transaction Team are defined in the *Operational Procedures*. The Transaction Team also engages with partners in-country (as needed) as indicated in Section A2.2 below.

A.1.2. Identify transaction modality and implementation arrangement

12. In relation to the transaction modality, The Global Fund's blended finance efforts primarily consist of four types of transactions as per Figure 2 below:

Figure 2: Modalities of blended finance transactions



[5] The Transaction Team is generally composed of the Fund Portfolio Manager (FPM) and Disease Fund Manager (DFM) if applicable, Health Finance Specialist (HFS), Legal Counsel, Finance Specialist, Health Financing and Risk Management Advisor (Blended Finance focal point), and Risk Management Specialist, and other Country Team members as per the FPM's discretion. Blended Finance focal points from Legal and Finance (who are familiar with the Global Fund's blended finance approaches) support the transaction team as needed.

13. In **loan buy-down transactions (LBD)**, the Global Fund finances repayment of a credit or a concessional loan from a partner organization to a Government, "buying down" the costs of that credit or loan. The "buy down" makes the cost of borrowing more attractive and affordable to the country, helping support additional, needed domestic investments and/or reforms in health systems and/or national responses. In this modality, the Global Fund signs a legal agreement with and disburses its investment to the partner organization providing the loan and relies on the partner organization to make disbursements to the recipient conditioned on results pre-defined in collaboration with the Global Fund.

14. In **joint investments**, the Global Fund contributes to existing program funding (loans or grants) by a partner organization and potentially other donors. The goal of joint investments is often to influence the scope of existing funding to better support the three disease and RSSH objectives. In this modality, the Global Fund signs a legal agreement with and disburses its investment to a partner organization providing existing funding and relies on the partner organization to make disbursements to the recipient conditioned on either agreed upon budgets and/or results pre-defined in collaboration with the Global Fund.

15. In **direct co-financing**[6], the Global Fund contributes funds to a project or program that is jointly funded and coordinated with a development finance institution and the country through a tripartite arrangement. There are three ways that the Global Fund does this:

    a. **Parallel co-financing:** when Global Fund and partner organization fund different / complementary components; the Global Fund signs its own Grant Agreement and disburses directly to a PR as per the Partners' Results Framework and the Global Fund's Performance Framework agreed with both the partner organization and the PR.
    b. **Joint co-financing:** when Global Fund and partner organization pay for and/or procure the same activities in an agreed proportion; the Global Fund signs its own Grant Agreement and disburses directly to a PR as per the joint Results Framework agreed with both the MDB and the PR.
    c. **Program co-financing:** The Global Fund signs a legal agreement with the PR. Funds are co-mingled with those of the partner organization and those of the recipient government; thus the funds are not expected to be traced to specific expenditures to the same extent as other direct co-financing modalities.

    In all of these direct co-financing transactions funds from the Global Fund flow directly to the Principal Recipient (PR) / implementer, which is also the implementer of the project/program from the partner organization side.

16. In **technical assistance-focused joint investments**, the Global Fund finances the provision of technical assistance by a partner organization in a specific country directly in the context of supporting the development of a broader blended finance project or improving its effectiveness. This may include analytical work, sector dialogue, project design or implementation support to assist in either the scoping, development, evaluation, or broader effectiveness of partner loans. The materiality of these transactions and the level of risk are often less than in regular blended finance transactions. As a result, these transactions follow a differentiated IFAC review process as indicated in Section A.2.1.

[6] Please note that this terminology is reflected here because it is the terminology included in the Global Fund's Framework Agreement with the World Bank, which helps to support direct co-financing with the World Bank. Other partners may use different terms.

17. Selecting the transaction modality for a blended finance investment influences considerations related to costs of transactions, assurance mechanisms, legal agreements, among others. Therefore, identification and selection of the transaction modality and how the Global Fund resources will be invested in the transaction is a primary technical discussion which should take place as early as possible, ideally before the incubation stage. If the Transaction Team has enough information to make a decision on the transaction modality prior to IFAC's pre-screening, it should be presented for validation or through a list of potential options for IFAC's steer.

18. Following the identification of a blended finance transaction, the FPM, with support from other members of the Transaction Team as needed, identifies what is the most appropriate implementation approach for the blended finance transaction, taking into consideration the transaction modality (more specifically, whether the Global Fund funding for the blended finance transaction would flow directly to the implementer/Principal Recipient or to the partner organization) and the source of funds.

19. The Country Team may decide to integrate the blended finance transaction into an existing grant or establish a new grant, depending on the transaction modality and the source of funds. For direct co-financing cases, there may be an existing Global Fund grant implemented by the PR that can be used to implement the transaction. In such cases, the blended finance transaction can be integrated into the existing grant during funding request or grant-making or grant-implementation depending on when the opportunity is identified.

A.2. INCUBATION – IFAC pre-screening and initial transaction development, including addressing key technical areas

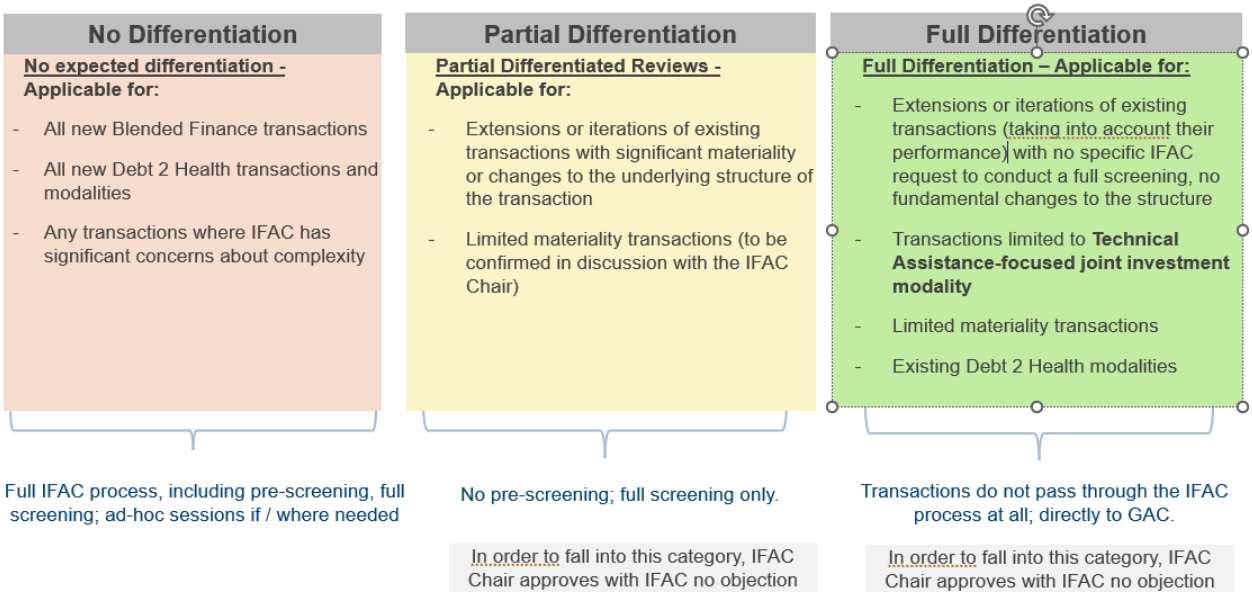
A.2.1. IFAC pre-screening (if applicable)

20. As the Transaction Team advances in discussions with partners on a blended finance transaction, they prepare the required documentation for conducting a preliminary consultation with IFAC. At this stage, a pre-screening memo is prepared outlining the main characteristics, initial transaction modality and structure, programmatic rationale, and the likelihood of success of the proposed blended finance transaction.

21. The IFAC pre-screening is designed to allow Senior Management at the Secretariat to provide steer at the early stages of transaction development. The pre-screening is an opportunity to outline to Senior Management the high-level details of the potential transaction, such as partners involved, sources of funding, programmatic rationale, non-standard exceptions envisioned, early understanding of risks and assurance considerations, and the internal consultations and stakeholder engagement to date. IFAC pre-screenings (including any steer and / or objections from IFAC) help focus the attention of the Secretariat (including CTs), country, and partner stakeholders on those transactions that are the most viable / feasible to develop, approve, and implement.

22. All blended finance transactions pass through this initial "pre-screening" phase, unless specifically exempted as per the differentiation process outlined in Figure 3. IFAC can perform a differentiated review based on a variety of factors, including novelty, materiality, considerations on the modality, complexity / risks, and performance of existing transactions. Figure 3 outlines this differentiated approach.

Figure 3: Overview of IFAC differentiated review:



23. For transactions that require IFAC pre-screening as per Figure 3, the pre-screening is conducted during the incubation stage once the Transaction Team has gathered enough information on key parameters of the transaction for IFAC to provide meaningful steer (e.g. partner investments, partner loan development timing, programmatic alignment, rationale, likelihood of achieving the expected results, implementation arrangements, etc.). While there is flexibility on the timing of the IFAC pre-screening, it should ideally take place prior to the independent technical review (Section A.3.1), where possible, to prevent transactions that are not operationally feasible from being formally submitted for independent technical review.

24. The possible outcomes following IFAC pre-screening are "recommended", "recommended with comments" or "transaction not recommended for continuation". If the transaction is "recommended with comments", these should be addressed before the IFAC full screening[7] and the full screening should include how these have been addressed. If the transaction is "not recommended for continuation", the Transaction Team discontinues the development of the blended finance transaction at least until there is a significant change in the context that might constitute an opportunity for reconsideration.

25. Following initial endorsement from the IFAC, the Transaction Team continues with the development of the transaction, incorporating any steer from IFAC received from the screening process, which is addressed in full by the time the Full Screening is conducted (see "Maturity" stage, Section A.3).

A.2.2. CCM[8] engagement and endorsement (if applicable)

26. Regardless of how opportunities are identified, all blended finance investments are reviewed by in-country stakeholders through multi-stakeholder inclusive consultations, including with CCMs.

[7] In exceptional circumstances, if the IFAC deems that there was not enough information to complete the pre-screening review, the transaction can return to the pre-screening based on IFAC recommendation.
[8] Throughout this OPN, references to CCM include any Regional Coordinating Mechanism (RCM), Regional Organization (RO) or other applicant, as applicable.

By default, loans (which are often included in blended finance transactions) have to be approved by Ministries of Finance, so there is strong country engagement and endorsement on blended finance transactions. This focus on in country consultation reflects the Global Fund's core principle of country ownership.

27. During incubation, the Transaction Team is expected to engage in consultations with in-country stakeholders as per standard grant life cycle processes. The level of engagement and the stakeholders involved will depend on the transaction modality, the stage of development from the partner side and contextual factors. In the specific case of direct co-financing transactions (see paragraph 14), the Global Fund's existing or nominated PR (as applicable) may be consulted during the development of the blended finance transaction if it is expected to play the role of the implementer. The Transaction Team is also expected to engage with technical partners to ensure alignment with country specific strategic priorities and to leverage their technical expertise, data and/or country/disease specific knowledge as a qualitative input, as needed.

28. When the development of the blended finance transaction takes place during Funding Request stage, CCM engagement follows the regular processes described in the OPN on Design and Review of Funding Requests. This includes CCM endorsement[9] of the transaction as part of the Funding Request submission process.

29. When the development of the blended finance transaction is done during grant implementation, CCM endorsement should follow processes described in the OPN on Design and Review of Funding Requests and in the OPN on Revise Grants, as applicable. This includes CCM endorsement[10] of the grant revision or updates to the PAAR, if such transaction has not been endorsed by the CCM earlier.

30. For transactions not financed by the Global Fund allocation, CCM engagement will vary. While dialogue with in-country stakeholders is essential overall, only transactions financed by the Global Fund allocation must be formally endorsed by the CCM during development[11].

A.2.3. Define technical aspects of the transaction, including: *PfR considerations; Partner and Global Fund joint timeline; Identification and implementation of Technical Assistance (TA)*

31. Following IFAC pre-screening, the Transaction Team should address the following technical focus areas before proceeding to maturity stage and completing the independent technical review:

A.2.3.1. Payment for Results considerations

32. Blended finance transactions may include PfR approaches by the partner organization (e.g., through the adoption of Disbursement Linked Indicators (DLIs), Performance-Based Conditions

[9] Endorsement by each member of the CCM (or RCM for RCM applications) shall be provided. For RCM applications, endorsement must also be provided for each country represented in the program by: (i) CCM Chair and (ii) civil society representative if the CCM Chair is the representative of the Government, or the representative of the Government if the CCM Chair is the representative of the civil society.
[10] Endorsement must be provided by: (i) the CCM Chair and (ii) the civil society representative if the CCM Chair is the representative of the Government, or the representative of the Government if the CCM Chair is the representative of the civil society. With respect to endorsement by the CCM Chair, in the absence of the CCM Chair, endorsement by the Vice Chair is acceptable if in line with the CCM's governing documents.
[11] Noting that in case of a new separate grant agreement, the CCM would still endorse via signature / acknowledgement of the grant, in line with footnote 11 above.

(PBCs), or other modalities used by partners to disburse against results). In these cases, the PfR aspects of the blended finance transaction should focus on the appropriate results; payment / disbursement decisions should be based on appropriate verification of those results; any risks related to the PfR elements of the transaction should be identified during review and approval processes; and due diligence reviews of the capacity of assurance providers should be a priority.

33. Design and review of the PfR aspects of the transaction should follow all of the following principles highlighted below. However, given the nature of blended finance transactions, the review of these principles will often rely in part or significantly on the systems and/or processes of the partner:

    a. *Programmatic Focus:* The PfR aspects of the transaction must seek to improve programmatic performance and be specifically focused on the programmatic objectives underpinning the rationale for the transaction and/or the part of the transaction specifically supported by the PfR mechanism. When the blended finance transaction retains Global Fund specific reporting (i.e., in the case of direct co-financing investments), the PfR targets should be aligned with the grant performance framework and the partner organizations' corresponding Results Frameworks.
    b. *Sustainability:* The PfR aspects of the transaction should leverage local systems, avoid fragmentation, and align to operational realities wherever possible.
    c. *Value for Money:* The PfR aspect of the transaction should be developed taking into account Value for Money considerations.
    d. *Due Diligence:* The PfR aspects of the transaction must be based on due diligence of the targets intended to be achieved, including the capacity of implementers and verification entities involved in verifying those results, where possible leveraging national entities and national reporting systems.
    e. *Assurance:* The PfR aspects of the transaction should be adequately assured to confirm that risks are being effectively mitigated and that Global Fund contributions are used for purposes intended, as defined by the terms of the contractual agreement with the partner organization.

A.2.3.2. Partner and Global Fund joint timeline

34. The maturity of a partner project, the stage of development and how quickly the transaction is expected to be approved will impact the Global Fund's approach to transaction development. Therefore, during the incubation stage the Transaction Team should align with the partner on the stage of development of the project, and the timeline for partner approval. This will impact the extent to which the Global Fund can influence the design and structure of the partner project, the type of independent technical review, and the timing of internal review processes. Timelines can vary greatly depending on the specific project, and should be outlined very early in the development of the transaction.

A.2.3.3. Identification and implementation of technical assistance to support development of the transaction

35. Technical assistance may be required to support the development of a transaction, such as definition / scope of DLIs or other PfR mechanisms, assessment of specific technical areas that should be supported by the transaction, evaluations of existing technical areas or performance, etc. Therefore, identifying whether any technical assistance to support the development of the transaction and the Global Fund's contribution should be a focus of the incubation stage, including the identification of necessary financing (where required).

A.3. MATURITY - independent technical review and IFAC full screening

A.3.1. Independent Technical Review

36. All blended finance transactions include an independent technical review to ensure investments are well placed to strengthen impact and sustainability, in line with all Global Fund investments. Where possible, these are aligned with standard grant life cycle processes for independent technical review. Figure 4 below summarizes the approach to Independent Technical Reviews, which is based on: i) the stage of development of the partner project (i.e., early or late[12] - depending on how advanced and defined the partner project is and the extent to which the Global Fund can still influence the project structure and focus); and ii) the grant lifecycle stage (i.e., funding request or grant implementation). When the source of funding is the Global Fund allocation (including Portfolio Optimization funding)[13], the Technical Review Panel (TRP) plays a primary role in the technical review, either through a joint review with development partners or through a stand-alone TRP review. Where possible and where the partner organization is willing to, joint reviews with the TRP are encouraged to ensure aligned approaches to the financing of shared priorities, reduce duplication, and foster more streamlined transaction development.

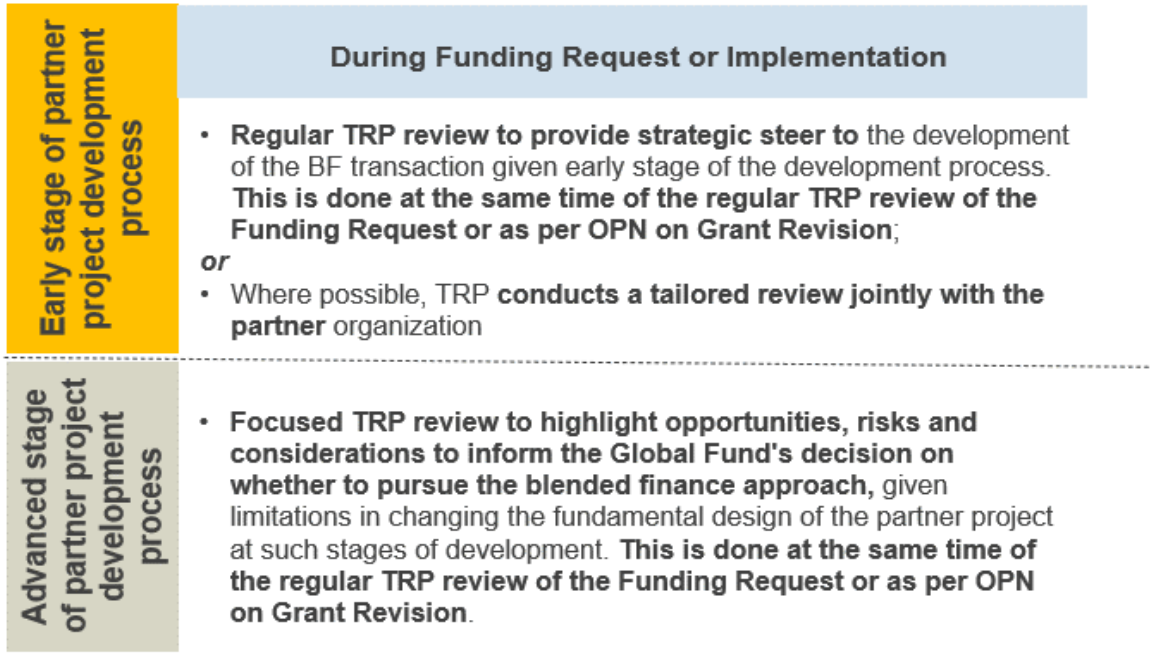
37. Key principles that underpin the independent technical review include:

    a. maintaining a strong and independent focus while adjusting the approach to streamline and eliminate duplication;
    b. pursuing meaningful and where possible early engagement to ensure the review can substantively shape the investment; and
    c. identifying opportunities for learning to continue strengthening the quality and impact of blended finance transactions.

38. TRP review is based on both Global Fund specific documentation required for the Funding Request as well as information on the partner project. This includes: the FR narrative, budget and/or PAAR, partner specific documentation that describes the partner project, and any supporting information related to the national response or context. To reduce duplication, in some cases, the Global Fund Secretariat may agree with the TRP to submit only partner documentation (in lieu of the Funding Request), especially if a significant percentage of the allocation is being used for the BF transaction.

Figure 4: Overview of independent review approaches based on the stage of partner project development process:

[12] While the Global Fund prefers to engage on a blended finance transaction in the early stages of the development of the partner project where the design / development can be meaningfully influenced, there are situations where a late stage engagement can still strengthen impact, even without changing the fundamental design. For this reason, both options are available in blended finance transactions.
[13] If earmarked funds become available to support blended finance transactions in the future, the independent technical review of these transactions should follow the specific rules that would apply to those funds. In general, technical review of blended finance transactions should seek to minimize duplication of efforts. For transactions funded with existing or future catalytic funding, the independent technical review of the investments should follow the applicable rules for the use of those funds.



39. In the majority of blended finance transactions, Global Fund investments represent a small percentage of the overall transaction. When a greater percentage of the overall transaction is funded by the Global Fund, this may require more in-depth review by the Secretariat and TRP, but this will be determined on a case-by-case basis given the exceptional nature.

A.3.1.1. During Funding Request Submission

40. **Early stage of the partner project development process:** the TRP either (i) reviews the blended finance transaction at the same time of the regular TRP review of the Funding Request or (ii) the TRP conducts a tailored review of the blended finance transaction jointly with the partner organization, where possible. When it is done jointly with the partner organization, this tailored review would be done through the engagement of TRP reviewers in the review processes of partner organizations to provide their inputs and recommendations for consideration. TRP reviewers involved in this tailored review should represent a broad set of skills, including, but not limited to, health financing, health systems, relevant disease experts and equity, human rights and gender, reflecting the technical skill-sets critical to HIV, Tuberculosis, Malaria responses and RSSH. In general, a TRP RSSH expert should be systematically involved in the reviews.

41. **Advanced stage of the partner project development process:** If the partner project is in the advanced stages, it means it has already undergone an independent technical review by the partner and significant country level discussions, limiting the types of recommendations that are feasible to implement and limiting the extent to which the fundamental design and focus can be materially changed. As a result, in this case, the TRP review focuses on highlighting opportunities, risks and considerations to inform the Global Fund's decision on whether to pursue the blended finance transaction at the same time of the regular TRP review, given limitations in changing the fundamental design of the partner project at this development stage. This review focuses on ensuring that the proposal is technically sound and strategically focused to inform the Secretariat's decision-making rather than on detailed recommendations that may not be possible to implement.

A.3.1.2. During grant implementation:

42. **Early stage of the partner project development process:** the TRP conducts its regular review for programmatic revisions that require TRP input as per OPN on Revise Grants, or conducts a tailored review jointly with the partner organization (where possible).

43. **Advanced stage of the partner project development process:** Similar to the scenario described in Section A.3.1 above, in this case, the TRP review focuses on highlighting opportunities, risks and considerations to inform the Global Fund's decision on whether to pursue the blended finance approach. This review focuses on ensuring that the proposal is technically sound and strategically focused to inform the Secretariat's decision-making rather than on detailed recommendations that may not be possible to implement. At both stages, the TRP may require additional time for UQD reviews of blended finance transactions, given the complexity.

A.3.2. Finalize technical aspects of the transaction and submit for IFAC review

A.3.2.1. Analysis and independent opinion of assurance providers and implementers proposed by partner organization:

44. Implementation of blended finance transactions relies heavily on programmatic, financial and other assurance provided by partner organizations and/or the country level entities used by those partners (which are often national institutions), including implementers used by the partner organization. As such, blended finance transactions require strong understanding and analysis of assurance providers and implementers to understand the key risks / risk-tradeoffs of undertaking the investment. A key part of the Maturity Stage is the analysis and development of an independent opinion from the Secretariat on the appropriateness of the proposed assurance providers and implementers used in the blended finance transaction. This analysis is based on the review of the assessment conducted by the partner organization (which is shared with the Global Fund)[14] as well as other required additional analysis, and any risks that may result from the use of these entities. While this varies depending on the transaction, it is likely to include an analysis of:

    a. the entities involved in the verification of programmatic results (particularly in the context of PfR investments),
    b. the entities providing financial and fiduciary assurance (including Supreme Audit Institutions) for the resources involved in the transaction,
    c. the entities involved in audits and investigations, and
    d. the implementers of key interventions / activities. This includes an understanding of the characteristics and capacities of these entities, as well as past performance (particularly when they have been used in previous projects by the partner or by the Global Fund, where relevant).

45. This assessment should be prepared by the Transaction Team and included in the Full Screening, reviewed and approved by IFAC. While partner documentation can, should, and often will be used to inform the assessment (particularly given that Global Fund partners may conduct thorough assessments on financial management / fiduciary considerations, environmental and social considerations, risks), the Secretariat's review is designed to provide an independent understanding of the assurance providers / implementers and any risks that could results from their use.

[14] Transaction Teams can refer to examples of analyses done from past transactions to guide these assessments. Further guidance related to the review of implementers and assurance providers in the context of blended finance transactions is forthcoming.

A.3.2.2. Finalization of the Partner Results Framework[15] and associated indicators, including verification protocols:

46. A key focus of the maturity stage is the review of the partner results framework and associated indicators (building on the independent technical review, which also includes a focus on these indicators) detailed in partner projects and negotiated with the partner and country, including the methods of verification that will be used to verify results.

A.3.2.3. Development of differentiated grant reporting documentation including Performance Framework and Budget (where applicable)

47. For certain blended finance transactions that may retain Global Fund reporting (e.g., in the case of a direct co-financing modality pursued with allocation funding) transaction specific, differentiated versions of the Global Fund's Performance Framework and Detailed Budget should be prepared.

A.3.2.4. Development of risk trade-off analysis

48. Blended finance transactions must carefully balance risks involved in the transaction with rewards of the potential investment, particularly given that the Global Fund relies more heavily on partner organizations to manage many of the overall and implementation risks. As such, a key focus of the maturity stage is the development of a risk-trade-off analysis, highlighting the key risks associated with the transaction and how those compare to the expected benefits. This risk-trade off analysis should consider: a) the overall risks associated with the portfolio (building on country specific analysis included in the Global Fund's Integrated Risk Management Tool); b) the specific risks associated with the design of the transaction and modality (such as verification of results in PfR mechanisms; capacity of implementers and assurance providers; previous performance, etc.); c) risks related to the programmatic achievement of results; and d) any other risks. The risk trade-off analysis may build on the risk analysis conducted by partner organizations but must be an independent Secretariat assessment.

A.3.2.5. Identification of expected fees and administrative costs

49. The partner organization is expected to provide a certain set of services as part of the transaction, which often result in fees and operational costs. As part of the maturity stage, the Transaction Team discusses with the partner any potential costs associated with the investment, including related to: a) confirmation that fees are in line with standard fees associated with the partner organization and in line with previous precedents for other blended investments with that partner; b) clarity on how the overall costs link to the services provided by the partner (i.e., what the fees "pay for"); and c) how / if the Secretariat is confident that the overall costs represent value for money given the nature of the transaction and investment. Documentation on the expected costs should be included in the Full Screening memo.

A.3.2.6. Development of legal agreement with the partner organization

50. Legal agreements with partner organizations cover many of the most important details of the transaction, including the Global Fund's rights and obligations. This includes disbursements, financial and programmatic reporting, claw back clauses, etc. While some of the details of legal

[15] For specific transactions that retain Global Fund specific reporting (such as co-financing transactions through a Framework Agreement with the World Bank), customized templates from grant reporting (including Transaction Specific Performance Framework, and Detailed Budget) should be developed by the CT with the support from Health Finance Specialists ahead of IFAC full screening.

agreements with partner organizations are standard, modifications may be included based on the specific transaction. A draft, formal contractual agreement is prepared by the Transaction Team (led by the Legal focal point) and negotiated with the partner organization before proceeding to IFAC Full Assessment. Acceptable modifications to standard agreements will vary based on the partner organization and must be discussed with the legal focal point and CT legal counsel during the maturity stage. Following the IFAC full review, this contractual agreement should be aligned with the transaction details reviewed by IFAC, and any transaction specific recommendations made by IFAC. The final legal agreement with the partner must be negotiated prior to GAC approval.

51. All blended finance transactions must pass through a full screening assessment by the IFAC, prior to GAC approval (except when exempted as per the differentiation process described in Section A.2.1). A Full Screening memo is developed by the Transaction Team summarizing and discussing criteria relevant to IFAC review of the proposed transaction, building on any initial steer provided by the IFAC during the pre-screening process. This includes information on:

    a. Final transaction structure and modality
    b. Rationale for the investment and programmatic overview, including the results frameworks and programmatic indicators
    c. Assurance considerations and analysis
    d. Risk trade-off analysis, including analysis of key risks
    e. Fees and costs associated with the transaction
    f. Required deviations to Global Fund operational policies (to be approved by IFAC[16]) if not included in the standard flexibilities
    g. Relevant Annexes – including relevant partner project documents and draft legal agreements
    h. Standard grant documents (Performance Framework and Budget if and when applicable – i.e., when a blended finance transaction retains Global Fund reporting).
    i. TRP review outcome (where and when applicable)

A.3.3. OIG engagement

52. During the development of the IFAC full-screening assessment, the Transaction Team engages the Office of the Inspector General (OIG) to provide their insights on the blended finance transaction. The OIG is an invited guest to full IFAC screenings and provides inputs into the development of blended finance transactions, particularly related to considerations around assurance and potential risks. In general, OIG engagement should begin at the time of the IFAC pre-screening and continue as part of the transaction development process during the maturity stage.

A.3.4. IFAC full-screening (if applicable)

53. The IFAC full-screening consists of a detailed review of the final transaction, including the elements outlined in point 46 above. Based on the review of the full screening documentation, the IFAC either recommends a transaction for GAC approval, with specific recommendations for GAC consideration, or requests additional iteration by the Transaction Team and further IFAC

[16] The Executive Grant Management Committee (EGMC) has delegated authority to IFAC to approve operational policy deviations required for transactions recommended for approval by IFAC. IFAC-approved operational policy deviations shall be reported by the Health Financing Department to the EGMC, via email, for each IFAC recommended transaction. Reporting to the EGMC shall consist of brief citation to the recommended transaction and attachment of the applicable transaction Screening Assessment supporting IFAC approval.

review. During IFAC meetings, IFAC member consensus is required for transaction recommendation to the GAC and any deviations to operational policies.

54. Blended finance transactions require standard flexibilities to Global Fund operational policies, which IFAC reviews[17] during the full screening and approves as part of the recommendation of the transaction for GAC approval. Deviations to operational policies are approved by IFAC and then reported by the IFAC to the Executive Grant Management Committee (EGMC), as per the delegated authority of IFAC.

A.4. TRANSACTION FINALIZATION – GAC and Board approval, agreement activation and disbursement of funds to partner organization

A.4.1. GAC and Board Approval

55. Following the IFAC full screening and recommendation to the GAC, the transaction is submitted to the GAC as per standard grant life cycle processes for GAC review and request for Board approval.

56. To reduce duplication in review processes, a formal recommendation and report are prepared and submitted by the IFAC Secretariat to the GAC, indicating IFAC's conclusions and identifying any remaining areas of consideration for the GAC. GAC review should focus only on the issues not resolved by IFAC, including any specific items that are flagged by IFAC for GAC discussion and any issues which are within the mandate of the GAC, including but not limited to: a) engagement with GAC partners; b) addressing any pending actions at the time of IFAC review; c) formal reporting to the Board; d) TRP recommendations or necessary engagement with the TRP;

57. Pre-GAC is given visibility of every blended finance transaction submitted for GAC approval. Since significant due diligence is done prior to IFAC review, the pre-GAC review focuses primarily on areas identified by IFAC that need to be addressed by the GAC, including any unresolved issues as well as the appropriate framing and process for GAC approval. The IFAC Chair and/or Secretariat works with the GAC Secretariat to identify the appropriate process for GAC review, including whether the transaction should go to a Plenary GAC, Executive GAC, or should undergo electronic GAC review and approval.

58. Documentation required for GAC submission may vary based on the source of funding and type of agreement being signed with partner, but should include:

    a. IFAC full screening assessment and other documentation reviewed by IFAC
    b. Final legal agreements with partners (such as Administrative Agreements)
    c. Partner concept note / funding request or equivalent (such as World Bank PAD) and any other partner documentation that is materially relevant to the blended finance transaction
    d. Grant Making Final Review Form (if new grant) or Form B (if grant revision)
    e. TRP Review and Recommendation Form (when applicable)

[17] In line with the EGMC's delegation to the IFAC on 15 December 2022

f. Global Fund grant documents (if applicable), such as Detailed Budget, Performance Framework, etc.

59. If the transaction is funded through the allocation or PO, the GAC submits its recommendation for Board approval as per standard processes. All blended finance transactions follow standard Board approval processes for Global Fund grants.

A.4.2. Sign legal agreement and disburse funds

60. Once a blended finance transaction is approved by GAC (if SI-funded) or the Board (if funded through allocation/PO), the legal agreement can be signed.

A.5. IMPLEMENTATION – Blended finance transaction differentiated implementation oversight, reporting and evaluation

A.5.1. Differentiated Oversight & Reporting Requirements

A.5.1.1. Programmatic and financial reporting

61. During implementation, it is expected that partners involved in the blended finance transaction will play a primary role in implementation oversight. The specific responsibility and focus of the CT's oversight role will be defined for each transaction, including as described in the contractual agreement with the partner organization and based on any recommendations by the IFAC, GAC, and/or TRP. Depending on the structure of the blended finance transaction, materiality, incremental risk and implementation arrangements, the CT's role may be adjusted and documented during the transaction review and approval stages. The contractual agreement should clearly state the extent of Global Fund access to programmatic, financial and other reports and data from partner organization.

62. Unless Global Fund reporting is retained (e.g., in the case of certain direct co-financing modalities pursued with allocation funding[18] where it should follow the OPN on Implementation Oversight), blended finance transactions are likely to require reporting consistent with partner policies, processes and platforms, which will be different from standard Global Fund grant-reporting (e.g., PU/DRs) and different from SI partner reporting (if the blended finance transaction is funded with SI funds). When blended finance legal agreements with partner organizations involve non-standard reporting, exception(s) to Global Fund standard reporting requirements are covered by the standard exceptions reviewed by IFAC.

63. Local Fund Agents (LFAs) are not expected to undertake the standard assurance role for blended finance transactions, unless specifically requested by the Country Team and/or recommended by IFAC / GAC during the approval process.

A.5.1.2. Annual Funding Decision and Disbursements

64. The approach for funding decisions and disbursements for blended finance transactions is described in the contractual agreements with the development partner (for example, the

[18] In this case, reporting templates (e.g., PU/DR) should be aligned and consistent with blended finance transaction design.

Administration Agreements with the World Bank). Once the contractual agreement is signed, the disbursement process will depend on the source of funds. Blended finance transactions will often require a bespoke funding decision and disbursement approach that deviates from standard Global Fund Annual Funding Decision and Disbursement (AFD) requirements, but also from the standard disbursement approach applied with partner organizations for SI investments (when SI funded). Bespoke funding decisions and disbursement approaches should be clarified during transaction structuring, including the necessary exceptions. In the case of direct co-financing modalities where the Global Fund disburses blended finance funds directly to the PR, standard Global Fund Annual Funding Decision and Disbursement (AFD)[19] requirements still apply.

65. If the AFD needs to be adjusted to align with the transaction reporting period and/or when transaction funding goes beyond standard AUP cut-off dates, flexibilities to the OPN on Annual Funding Decisions and Disbursements may be needed.

A.5.1.3. Country level engagement during implementation

66. Expectations for country level engagement by the Country Team are based on the approach agreed with the partner and could vary based on the transaction modality. This may include joint missions, public disclosure of progress reports and key findings, as well as involvement in recommending modifications during ongoing implementation.

A.5.1.4. Assurance report from partner organization

67. Legal agreements with partners may deviate from standard Global Fund grant Audit Rights and Access and will require standard flexibilities. For example, partner organizations might not provide for Global Fund access to books and records or incorporate Global Fund's Codes of Conduct, instead relying on their own policies and procedures. In any case, the legal agreement with the partner organization should require that the Global Fund is informed about the outcomes of any assurance review, audit or investigation it conducts within the scope of the blended finance transaction as per the terms of the contractual agreement.

A.5.1.5. Grant Revisions during implementation

68. Standard revision processes as per the OPN on Revise Grants still apply to blended finance transactions. In the case of parallel and joint co-financing, given that the Global Fund disburses against known expenditures or a share of the known expenditures agreed with the partner organization, grant revisions that affect the Global Fund portion of the blended finance transaction should be discussed and aligned with the partner organization before internal review of the proposed revision.

A.5.1.6. Closure of blended finance transactions

69. In the case of direct co-financing modalities, grant closure should follow regular processes and requirements as per the OPN on IP Reconciliation and Grant Closure. For blended finance modalities where a differentiated reporting is agreed with the partner organization (e.g., loan buy downs and joint investments), the only applicable closure requirement as per IP Reconciliation

[19] OPN Annual Funding Decision and Disbursement

and Grant Closure is the Financial Closure Report (FCR), given that disbursements to Trust Funds are deemed as expenditures which allow to finalize the FCR.

A.5.2. Evaluation of blended finance transactions and ongoing learning

70. Ongoing evaluation and learning of blended finance transactions is critical to improving how blended finance transactions achieve Global Fund strategic objectives. As part of implementation of the blended finance transaction, Country Teams (with support of the Health Finance Department and other teams, where applicable) should work with partners to define opportunities for evaluation, including leveraging existing partner evaluation processes. This may include bespoke evaluations, mid-term evaluations, or other opportunities for understanding the impact of the blended finance transaction. In addition, the TRP plays an important role in ongoing learning on blended finance through their regular debriefs to countries, the Global Fund Secretariat, and partners following review windows and after each allocation cycle.

B. Specific Multi-Country Considerations

71. Multicountry grants refer to:

    a. grants financed through pooled country allocations (e.g., Multicountry Western Pacific and Multicountry Caribbean);
    b. regional grants financed solely through the Catalytic Investments – Multicountry Modality; and
    c. regional grants financed through a combination of pooled country allocations and Catalytic Investments (e.g., the Regional Artemisinin-resistance Initiative (RAI)).

72. Multicountry grants generally follow the same requirements set out in this OPN, with the following specific considerations:

    d. For multicountry grants, reference to CCM includes engagement of the RO (if applicable), RCM (if applicable) and CCM representatives of all countries included within the grant.
    e. The legal and political considerations and logistics of cross-border implementation are considered when tailoring LFA-services.

Annex 1. Requirement Levels by Portfolio Category

The table below defines the differentiated blended finance requirements for each portfolio category (High Impact, Core and Focused) and for Focused portfolio management models (Aligned, Targeted, Light, Legacy) for country and multi-country portfolios. While all deliverables linked to blended finance transactions are required across all portfolio categories, for Focused portfolios the role of stakeholders other than the CT (such as HF Specialists) in the development of these deliverables is expected to be higher to reduce workload on the CTs for these portfolios.

Blended finance Deliverables	**Requirement by Portfolio Category**				
		Focused			
	High Impact & Core	Aligned	Targeted	Light	Legacy
Identify opportunity, manage pipeline and define transaction team					
Blended finance opportunities included on the blended finance pipeline	R		R		
Transaction Team established	R		R		
Identify transaction modality and implementation arrangement					
Transaction modality identified (or options identified for IFAC's steer)	R		R		
Integration approach determined, based on source of funds, grant lifecycle and transactions modality	R		R		
IFAC pre-screening (if applicable)					
IFAC Pre-screening memo prepared where applicable (based on the differentiation criteria outlined in the OPN)	R[a]		R[a]		
Steer from IFAC for the development of the transaction, where applicable	R[a]		R[a]		
CCM (or RCM) endorsement (if applicable)					
Consultations conducted with relevant in-country stakeholders	R		R		
CCM (or RCM) endorsement for transactions using allocation funding	R		R		
Finalize technical aspects of the transaction and submit for IFAC review					
Partner and Global Fund joint timeline finalized	R		R		
Technical assistance to support development of the transaction (where applicable) identified and implemented	R		R		
Independent Technical Review					
Independent review conducted and outcomes shared with the Global Fund Secretariat (and with the partner organization, via the Global Fund Secretariat).	R		R		
Finalize technical aspects of the transaction and submit for IFAC review					
Analysis and independent opinion of Assurance Providers conducted	R		R		
Analysis and independent opinion of Implementers conducted	R		R		
Partner's Results Framework finalized	R		R		
Transaction specific Performance Framework and Detailed Budget developed	R		R		
Risk trade-off analysis developed	R		R		
Expected fees and administrative costs identified	R		R		

Legal agreement with partner organization(s) developed	R	R
Full IFAC screening memo submitted (as applicable based on the differentiation criteria outlined in the OPN)	R[b]	R[b]
OIG engagement		
Inputs and decision on transaction, particularly in terms of assurance and risk	R[c]	R[c]
IFAC full-screening (if applicable)		
IFAC-recommended transaction	R	R
GAC and Board approval		
GAC-recommended for Board approval or GAC-approved transaction (as applicable based on the source of funding)	R	R
Board-approved transaction (as applicable based on the source of funding)	R	R
Sign legal agreement and disburse funds		
Signed legal agreement	R	R
Differentiated oversight and reporting requirements		
Differentiated oversight and reporting completed	R	R
Evaluation of Blended Finance transactions		
Ongoing evaluation and learning of blended finance transactions completed	R	R

Level of Requirements:
R= Required
BP = Best Practice
- = Not required

a: Pre-screening not required for transactions that qualify for partial or full IFAC differentiation (e.g., extension of existing transactions with material changes, TA-focused investments, etc.)

b: Full screening not required for transactions that qualify for full IFAC differentiation (e.g., extension of existing transactions without material changes, TA-focused investments, etc.)

Change History

Version No.	Approved By	Change Description	Date
1	EGMC	Original version	27 October 2023
2	EGMC Delegated Authority	Update to align OPN with Board Approval of Updated Approach to Blended Finance in November 2023.	5 April 2024