

**Approved on** 29 May 2026  
**Approved by** Executive Grant Management Committee  
**Process Owner** Health Finance Department (HFD)  
**Associated OPN** Operational Policy Note (OPN) on Co-financing

### Purpose and Overview

1. This document provides general procedural guidance for implementing the co-financing policy (part of the Sustainability, Transition and Co-financing (STC) Policy). It describes for each key process outputs, the timelines and responsibilities for preparation, review and approval.
2. The implementation of co-financing is embedded in the Global Fund's Grant Life Cycle (GLC). Relevant steps are outlined in Figure 1, with specific considerations applying to countries where the Global Fund is providing final / transition grants and specific flexibilities for Focused portfolios.

**Figure 1: Co-financing processes across the GLC**

Funding Request	Grant-making	Grant Implementation
Define and communicate co-financing requirements	Formalize co-financing commitments	Finalizing compliance during Grant Implementation (if applicable)
Country Dialogue on co-financing requirements	Assess co-financing risk	Support ongoing dialogue and monitor co-financing progress
	Assess compliance with co-financing requirements	Withholding disbursements (if applicable)
	Recommend and decide on compliance assessment actions (if applicable)	Approve revisions to commitments (if applicable)
	Communicate compliance outcomes and co-financing decisions	

3. High level responsibilities of key actors:

<b>Country Coordinating Mechanism (CCM)</b>	Prepare required co-financing documentation for the Funding Request. As part of oversight role, support development and monitoring of commitments as part of broader efforts to support financial sustainability. Coordinate with Secretariat to identify the PR that will submit co-financing commitments in the co-financing online form and report on realization of commitments during Grant Implementation.
<b>Principal Recipient (PR)</b>	During Grant-making stage, support country government stakeholders (i.e., relevant budget authorities, CCMs) in finalization of co-financing documentation, including the co-financing Commitment Letter (CL) and the submission of co-financing evidence to support verification. PRs also finalize grant requirements related to co-financing requirements during Grant-making and selected PRs (where relevant) submit co-financing commitments in the co-financing online form. During Grant Implementation, selected PRs (where appropriate) collaborate closely with the CCM, the Secretariat, and country government stakeholders to report on co-financing commitment realization and advocate for the realization of commitments.
<b>Relevant Country Budget Authority stakeholders</b>	Develop, finalize, commit and authorize co-financing commitments which fulfill the requirements of the STC Policy. This includes working with CCM and PR to submit relevant co-financing documentation required for Grant-Making, grant approval, and monitoring of commitment implementation. Formally authorize the commitment of financial resources through finalization and signature of the CL.

<b>Country Team (CT)<sup>1</sup></b>	<b>Fund Portfolio Manager (FPM)</b> , along with the <b>Disease Fund Manager (DFM)<sup>2</sup></b> , if applicable) and <b>Program Officer (PO)</b> , coordinates engagement with country stakeholders, including government stakeholders, PRs and CCMs, on co-financing. Includes obtaining, reviewing and acceptance of co-financing documentation throughout the GLC, first-line Health Financing risk assessment (including Domestic Health Financing and Co-financing risk) and ongoing monitoring of co-financing progress. Where a country is assessed as non-compliant or has not fulfilled a grant condition or monitoring requirement related to co-financing, the CT (in consultation with other technical specialists, including Health Finance Specialists) makes the recommendation on what the resulting action is and extent of the potential grant reduction, allocation adjustment or withheld disbursement (as relevant).
<b>Senior Finance Specialist</b>	Implements efforts to strengthen Public Financing Management capacity, to support stronger budgeting and reporting of domestic financing and co-financing commitments. Advise and support discussions on withholding a disbursement (postpone or modify), where it must be applied as non-compliance action.
<b>Legal counsel</b>	Advises on co-financing grant requirements reflected in grant confirmation. Develops specific grant conditions based on country context and compliance outcomes. Advises on implementation of the co-financing policy in line with approved OPNs and Secretariat guidance in collaboration with HF Specialists.
<b>Health Finance (HF) Specialist</b>	Plays the primary role in supporting CTs to implement end-to-end co-financing processes, including development / negotiation of commitments, approval of final commitments, and monitoring of commitments. Engages with country stakeholders, in coordination with the CT, to ensure effective implementation of the co-financing policy. Advises CTs on applicability of co-financing requirements for specific portfolios and is responsible for ensuring co-financing documentation is developed in alignment with the Co-financing OPN and STC Policy requirements. HF Specialists are accountable for compliance assessment and advise CTs on options for actions (including in the case of non-compliance with requirements). Where applicable, HF Specialists review / validate compliance assessments prepared by other stakeholders for the CT. HF Specialists support second-line review for the Health Financing related risk assessment and identification and/or delivery of technical assistance (where feasible and needed) to strengthen the ability to implement co-financing processes at the country level. Overall, HF Specialists are the primary technical stakeholder supporting implementation of co-financing policy in collaboration with CTs and country stakeholders.
<b>Program Sustainability Specialist (where applicable)</b>	Where applicable, and where agreed with the relevant HF Specialist, the Program Sustainability Specialist can have responsibility for co-financing compliance assessment and preparation of co-financing deliverables as part of their overall support for transition and sustainability. In addition, provide support for CTs on co-financing related processes and decision-making.
<b>Risk Specialist</b>	Review and support Health Financing risk assessment for High Impact and Core portfolios. Support development and execution of plans to monitor co-financing risks and mitigating actions.
<b>Local Fund Agent (LFA)</b>	As requested by CT and where applicable, LFAs support verification of co-financing reporting received from countries, review progress against commitments, and provide analysis or recommendations related to co-financing implementation.

4. The detailed steps and associated responsibilities are captured below and in the co-financing RACI (forthcoming).

<sup>1</sup> CT comprises FPM, DFM, if applicable, PO, Fund Portfolio Coordinator (FPC), Senior Finance Specialist, PHME Specialist, HPM Specialist, Legal Counsel.

<sup>2</sup> If applicable, the DFM undertakes initial review and recommends to the Senior FPM.

## A. Funding Request

Grant Deliverable <sup>†3</sup>	Requirements per Portfolio Category <sup>4</sup>			Timeline	Responsibilities			
	HI / Core	Focused <sup>5</sup>			Prepare / submit	Review / validate	Approve	
		A	T					L
<b>Define and communicate co-financing requirements</b>								
Allocation letter – co-financing inputs	R			Once per grant cycle, in the 3 months prior to the allocation letters being sent out Processed per <a href="#">Operational Procedures on Design Funding Requests and Sign Quality Grants</a>	HF Specialist Program Sustainability Specialist <sup>†</sup>	FPM DFM <sup>†</sup>	Head, Grant Management Division (GMD)	
Identify PR for co-financing implementation	R			Once per grant cycle, during early stages of Country Dialogue. PR identified both for inclusion of co-financing in portal and reporting on co-financing during implementation	CT	HF Specialist Program Sustainability Specialists	FPM	
<b>Country Dialogue on co-financing requirements</b>								
Funding Landscape Table (FLT) <sup>6</sup>	R <sup>a</sup>	-	R <sup>a,7</sup>	Initiated as part of FR Country Dialogue and submitted to Technical Review Panel (TRP) review See <a href="#">Operational Procedures on Design Funding Requests and Sign Quality Grants</a>	Country budget authority stakeholders (e.g. Ministry of Finance) and / or CCM and / or PR	HF Specialist Program Sustainability Specialist <sup>†</sup>	FPM DFM <sup>†</sup>	
Co-financing evidence	R <sup>a</sup>			Initiated as part of FR Country Dialogue to support development of co-financing documentation, including FLT and CL during Grant-making				
Secretariat Briefing Note – co-financing section	BP <sup>a</sup>	-		Before the start of the TRP review See <a href="#">Operational Procedures on Design Funding Requests and Sign Quality Grants</a>	HF Specialist Program Sustainability Specialist <sup>†</sup>	CT		

## B. Grant-making

<sup>3</sup> † Henceforth, this symbol denotes 'if applicable'.

<sup>4</sup> 'R' = Required; 'BP' = Best Practice; '-' = Not required

<sup>5</sup> Focused portfolios are further categorized into 3 management models: Aligned (A), Targeted (T) and Light (L).

<sup>6</sup> In exceptional cases where there are no co-financing requirements, the requirement to submit the FLT may be waived following endorsement by the A2F Senior Manager upon recommendation from the Head, HFD.

<sup>7</sup> Focused portfolios are only required to complete the Disease gap overview table for the previous allocation period. The rest of the FLT template is optional.

Grant Deliverable	Requirements per Portfolio Category				Timeline	Responsibilities		
	HI / Core	Focused				Prepare / submit	Review / validate	Approve
		A	T	L				
<b>Formalize co-financing commitments</b>								
Co-Financing online form	R	R <sup>8</sup>			Finalized during Grant-making as a pre-requisite for pre-Grant Approvals Committee (GAC) review and submission to GAC Submitted via Partner Portal	Selected PR, based on inputs from country budget authority stakeholders (e.g. Ministry of Finance)	HF Specialist Program Sustainability Specialist <sup>†</sup>	FPM DFM <sup>†</sup>
Commitment letter (CL)		R <sup>b</sup>			Finalized during Grant-making as a pre-requisite for pre-GAC review and grant submission to GAC	Country budget authority stakeholders (e.g. Ministry of Finance)		
<b>Assess co-financing risk</b>								
Health Finance (HF) risk assessment and mitigating actions for co-financing	R	-			Prior to pre-GAC review and submission to GAC See <a href="#">Operational Procedures on Country Risk Management</a>	CT	HF Specialist Risk Specialist	FPM DFM <sup>†</sup>
<b>Assess compliance with co-financing requirements</b>								
Co-financing compliance assessment		R			Prior to pre-GAC review and submission to GAC	HF Specialist Program Sustainability Specialist <sup>†</sup>	FPM	GAC
<b>Recommend and decide on compliance assessment actions (if applicable)</b>								
Recommendation for non-compliance actions (grant reduction or allocation adjustment)		R <sup>†</sup>			Required where compliance assessment for the country is non-compliant, which can take place at various stages of the GLC, but typically prior to GAC approval of the grant See Co-financing grant reduction memo template	HF Specialist Program Sustainability Specialist <sup>†</sup>	FPM	Department Head (DH) (for withholding of disbursement) Head, GMD for funding reduction revision and/or future allocation reduction, with non-objection clearance from Chief Financial Officer (CFO)
<b>Communicate compliance outcomes and co-financing decisions</b>								

<sup>8</sup> Only 1-2 line summary co-financing commitments required, aligned with Budget / Summary Budget requirements for Focused portfolios.

Grant Deliverable	Requirements per Portfolio Category				Timeline	Responsibilities		
	HI / Core	Focused				Prepare / submit	Review / validate	Approve
		A	T	L				
Grant-making final review form co-financing section	R <sup>a</sup>				Prior to pre-GAC review and submission to GAC See <a href="#">Operational Procedures on Design Funding Requests and Sign Quality Grants</a>	HF Specialist Program Sustainability Specialist <sup>†</sup>	CT	FPM DFM <sup>†</sup>
Grant confirmation co-financing requirement	R <sup>a</sup>				Following GAC recommendation See <a href="#">Operational Procedures on Design Funding Requests and Sign Quality Grants</a>	Legal Counsel	HF Specialist Program Sustainability Specialist <sup>†</sup>	FPM DFM <sup>†</sup>
Performance letter co-financing section					Following GAC recommendation.	HF Specialist Program Sustainability Specialist <sup>†</sup>	CT	
GAC report to the Board co-financing section	R				Sent to the Board after GAC recommendation See <a href="#">Operational Procedures on Design Funding Requests and Sign Quality Grants</a>	GAC Secretariat	HF Specialist FPM / DFM <sup>†</sup>	GAC and GAC Chair

### C. Grant Implementation

Grant Deliverable	Requirements per Portfolio Category				Timeline	Responsibilities		
	HI / Core	Focused				Prepare / submit	Review / validate	Approve
		A	T	L				
<b>Finalizing compliance during Grant Implementation (if applicable)</b>								
GAC co-financing compliance notification	<i>If applicable</i>				Following finalization of compliance assessment during Grant Implementation	HF Specialist Program Sustainability Specialist <sup>†</sup>	CT	FPM DFM <sup>†</sup>
Implementation Letter (if applicable)					As required, to reflect changes to grant requirements and their due dates See <a href="#">Operational Procedures on Revise Grants</a>	HF Specialist Program Sustainability Specialist <sup>†</sup> CT	Legal counsel	
Performance Letter co-financing section / communication to country stakeholders					As required, to formally communicate co-financing outcomes to the PR, CCM and / or country government stakeholders	HF Specialist Program Sustainability Specialist <sup>†</sup> CT	CT	

Grant Deliverable	Requirements per Portfolio Category			Timeline	Responsibilities			
	HI / Core	Focused			Prepare / submit	Review / validate	Approve	
		A	T	L				
GAC report to the Board co-financing section for updated compliance assessment	<i>If applicable</i>				Sent to the Board after GAC is notified where applicable (i.e., when completed during implementation) See <a href="#">Operational Procedures on Design Funding Requests and Sign Quality Grants</a>	GAC Secretariat	HF Specialist FPM / DFM <sup>†</sup>	GAC and GAC Chair
<b>Support ongoing dialogue and monitor co-financing progress</b>								
Annual monitoring of co-financing progress via PR reporting or offline	R <sup>a</sup>				Once per year, per agreed monitoring schedule with country and PR reporting requirements (as applicable). Involves Secretariat review of submitted co-financing information	PR with support from CCM and country budget authority stakeholders (e.g., Ministry of Finance)	HF Specialist Program Sustainability Specialist <sup>†</sup>	FPM DFM <sup>†</sup>
Mitigating action monitoring via PR reporting	R	-			See <a href="#">Operational Procedures on Country Risk Management</a> and <a href="#">Operational Procedures on Implementation Oversight</a>	PR	CT HF Specialist Program Sustainability Specialist <sup>†</sup>	
Quarterly review of updates in Integrated Risk Management (IRM) by second line oversight functions	R	-			First day of each quarter See <a href="#">Operational Procedures on Country Risk Management</a>	HF Specialist	Risk Specialist CT	
<b>Withholding disbursements (if applicable)</b>								
Recommendation to modify or postpone a disbursement	<i>If applicable</i>				Can take place at various stages of the GLC, including during Grant Implementation. Failure to submit the CL and/or fulfil co-financing grant conditions or reporting requirements during Grant Implementation can lead to a recommendation to modify or postpone a disbursement	CT	HF Specialists Program Sustainability Specialist <sup>†</sup>	FPM DFM <sup>†</sup>
<b>Approve revisions to commitments (if applicable)</b>								
Revised CL or letter to Secretariat	<i>If applicable</i>				At any point during Grant Implementation where it is agreed to revise commitments and the country has already submitted a final, signed CL accepted by the Secretariat	Country Budget Authority stakeholders (e.g. Ministry of Finance)	HF Specialist Program Sustainability Specialist <sup>†</sup> FPM / DFM <sup>†</sup>	DH or Regional Manager (RM), GMD (if commitments meet STC Policy requirements) Head, GMD (if commitments do not

Grant Deliverable	Requirements per Portfolio Category			Timeline	Responsibilities			
	HI / Core	Focused			Prepare / submit	Review / validate	Approve	
		A	T					L
							meet STC Policy requirements) with non-objection clearance from Chief Financial Officer (CFO)	
Implementation letter	<i>If applicable</i>			As required, to reflect changes to grant requirements and their due dates See <a href="#">Operational Procedures on Revise Grants</a>	CT	Legal counsel HF Specialists Program Sustainability Specialist <sup>†</sup>	FPM DFM <sup>†</sup>	
GAC report to the Board co-financing section, if there are changes to co-financing commitments				Sent to the Board after GAC is notified, where applicable (i.e., material changes to co-financing commitments as per OPN) See <a href="#">Operational Procedures on Design Funding Requests and Sign Quality Grants</a>	GAC Secretariat	HF Specialist FPM / DFM <sup>†</sup>	GAC and GAC Chair	

**Notes:**

<sup>a</sup> Except countries which are exempt.

<sup>b</sup> Except countries which are exempt or have a full waiver (backward-looking and forward-looking) approved.

## Monitoring and Reporting

5. Operational monitoring and reporting activities are led by HFD, in coordination with subprocess owners. The following data points are monitored as process metrics for co-financing:
  - 90 % of GAC reviews include a final compliance assessment (for forward and backward-looking requirements), by the time of GAC approval.
  - 90 % of eligible countries have a final compliance assessment (for forward and backward-looking requirements) within 6 months of the IP start date.
  - 85 % of eligible countries (PR or government) complete on time reporting on co-financing commitment realization for commitments in the relevant grant cycle. Please note that this metric can be different for any countries with GC8 transition timelines, given organizational approach to differentiate in those contexts.
  - Less than 15% of waivers provided for GC7 and GC8 co-financing requirements.

## Annex 1. Evidence of co-financing realization

1. In the context of co-financing implementation, **realizations** refer to expenditure and budget allocation data available to demonstrate progress against backward-looking co-financing requirements, submitted during the Funding Request, Grant-making or as part of routine monitoring.
2. Realizations are considered **verified realizations** if they are substantiated by country-submitted documentation and / or primary sources. These clearly indicate the sources and can include (amongst others):
  - a. Country-submitted documentation with budget lines identified which allow for associating expenditure and allocation against HIV, TB, malaria and / or RSSH;
  - b. Evidence of financing specific programmatic interventions and / or programmatic costs (such as or health products), for example invoices or purchase orders;
  - c. Documentation or analyses which have been verified or developed by the LFA, Supreme Audit Institution (SAI), and/or another competent entity agreed on with the Secretariat;
  - d. Expenditure assessments, such as National Health Assessments (NHAs), National AIDS Spending Assessments (NASAs) or TB spending assessments, when they are up-to-date (reflecting the relevant Grant Implementation years) and granular enough (i.e. demonstrate disease-specific as opposed to overall health expenditure); and / or
  - e. Procurement using domestic resources through the wambo.org procurement platform of the Global Funds Pooled Procurement Mechanism or another verified procurement mechanism.
3. Where country budgeting is not aligned with disease-specific categorizations, the Secretariat can allocate spending from broader investments (such as primary care budgets) to understand realizations for compliance assessment. Where this is necessary, the method by which the Secretariat allocates spending must be a technically sound approach aligned with best practices for resource tracking and allocating spending against budget execution data.
4. Where reported realizations reflect budget allocations rather than actual expenditure, the Secretariat can apply a coefficient derived from the country's historical execution rates to adjust these amounts. Such adjustments can be used for the assessment of compliance with co-financing minimum requirements, as well as for informing forward-looking co-financing commitments where these are evidenced by future budget allocations.
5. For the purposes of non-monetized commitments, countries must submit similarly robust evidence as for financial commitments. As best practice, these are country-submitted and primary sources.
6. Publicly available data sources not submitted by the country, such as (but not limited to) the WHO Global Health Expenditure Database (GHED), can be used to understand progress towards overall health expenditure requirements (ie, Requirement 1).

## Annex 2. Further guidance on compliance assessment

### General guidance

1. For both backward-looking compliance and forward-looking compliance, each co-financing requirement is assessed separately. A country is only compliant overall if all co-financing requirements are compliant<sup>9</sup>.
  - a. For backward-looking compliance, the compliance review for each co-financing requirement assesses whether the country has fulfilled the **commitments** in the country's CL for the previous grant cycle. Realization of **policy-stipulated minimum requirements** are considered if the country has not realized the commitments, to determine compliance actions;
  - b. For forward-looking compliance, the compliance review for each co-financing requirement assesses whether the country has made sufficient commitments to meet the **policy-stipulated minimum requirements** in their CL for the upcoming grant cycle.
2. Compliance for each HIV/AIDS, Tuberculosis, Malaria and RSSH component is assessed separately.
3. For backward-looking compliance assessment, a mix of expenditure, provisional expenditure, and budget information can be used to determine whether a country has realized its commitments, due to the timing of Grant-making within the grant cycle. Once a compliance assessment of compliant, non-compliant or full waiver is submitted to the GAC (as part of Grant-making or as a notification during Grant Implementation), that compliance assessment is final and not subject to revision unless a specific provision is included in the grant confirmation that requires an updated assessment.

**Backward-looking requirement 1: Government health expenditure (only applicable for LIC and LMIC countries)**

4. Key test – Does the country demonstrate progressive increases in overall spending on health as per the STC Policy requirement?
  - a. **Compliant** if the country has submitted evidence or there is publicly available data demonstrating increased government health expenditure by the absolute amount or % (of total government expenditure) committed to in the commitment letter or compared to the previous grant cycle.
  - b. Otherwise, the country is **non-compliant**. This includes situations where the country has not submitted sufficient evidence and there is no publicly available data to assess whether the country has fulfilled their government health expenditure commitment, and/or where evidence suggests the country has not met the requirements.

**Backward-looking requirement 2: Financing of specific programmatic interventions**

5. Key test – Has the country fulfilled the specific programmatic financing commitments in the CL for the previous grant cycle?
  - a. **Compliant** if the country has submitted evidence demonstrating the country has realized monetized and monitorable programmatic commitments in the CL. The value of quantified efficiencies linked to realizing the programmatic commitments in the CL counts towards the country being assessed as compliant, where relevant.
  - b. Alternatively, if the country has not fully realized the programmatic commitments in the CL, they can still be assessed as **compliant** on a holistic basis if the country has realized the programmatic commitments to a sufficient extent to advance transition and financial sustainability objectives, taking into consideration relevant contextual factors. These can include shifts in the funding landscape (including allocation reductions from any reprioritization processes) and the impacts of non-realization on programmatic impact.
  - c. Otherwise, the country is **non-compliant**. This includes situations where the country has not submitted sufficient evidence to assess whether the country has realized their programmatic commitments in the CL.

**Backward-looking requirement 3: Disease-specific co-financing**

6. Key test – Has the country fulfilled the disease-specific co-financing commitments in the CL for the previous grant cycle?

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<sup>9</sup> For countries that have components with different transition timelines, this is treated on a case by case basis given the flexibilities available for final / transition grant components.

- a. **Compliant** if the country has submitted evidence demonstrating the country has realized domestic investments into the three diseases and RSSH (as relevant) to meet the disease-specific co-financing commitments in the CL.
- b. Specific to GC7 backward-looking compliance, the amount which countries must realize to be assessed as compliant can be adjusted downward to consider the impact of the reprioritization processes on country allocations.
- c. Otherwise, the country is **non-compliant**. This includes situations where the country has not submitted sufficient evidence to assess whether the country has realized the disease-specific co-financing commitments in the CL.

#### **Forward-looking requirement 1: Government health expenditure (only applicable for LIC and LMIC countries)**

7. Key test – Has the country made a sufficient commitment to increase government health expenditure in the CL for the upcoming grant cycle?
  - a. **Compliant** if the government health expenditure commitment is an increase in either % or absolute terms compared to the ‘baseline’ expenditure for the previous grant cycle. The baseline is calculated as the total government health expenditure for the previous grant cycle, which can be a mix of expenditure, provisional expenditure, and budget information, due to the timing of Grant-making within the grant cycle.
  - b. Otherwise, the country is **non-compliant**. This includes situations where the country has not included a government health expenditure commitment in the CL, despite best efforts to negotiate and engage with the country on this requirement.

#### **Forward-looking requirement 2: Financing of specific programmatic interventions**

8. Key test – Has the country made sufficient commitments to finance specific programmatic interventions in the CL for the upcoming grant cycle?
  - a. **Compliant** if there are clear, costed commitments to finance specific programmatic commitments in the CL. These commitments must be aligned to interventions currently funded by the Global Fund and/or advance the overall financial sustainability and transition objectives of the country.
  - b. For all countries, where the total amount of commitments to finance specific programmatic interventions meets the **policy-stipulated total minimum co-financing requirement** for the purposes of the requirement for disease-specific co-financing, it is not necessary to make a separate commitment for disease-specific co-financing in the CL. The commitments to finance specific programmatic interventions can fulfil both requirements concurrently.
  - c. For U-LMICs and UMICs, as per the STC Policy, the commitments to finance specific programmatic interventions must represent the majority (in amount) of the total disease-specific co-financing commitments in the CL, and include interventions which specifically support transition objectives, with special attention to programmatic interventions that target key and vulnerable populations.
  - d. Otherwise, the country is **non-compliant**. This includes situations where the country has not included any commitments to finance specific programmatic interventions in the CL, despite best efforts to negotiate and engage with the country.

#### **Forward-looking requirement 3: Disease-specific co-financing**

9. Key test – Has the country made sufficient commitments to disease-specific co-financing in the CL for the upcoming grant cycle?
  - a. The minimum amount which a country must commit to for each disease component is calculated as the **policy-stipulated total minimum co-financing requirement**. This is the sum of the country’s ‘baseline’ expenditure for the previous grant cycle and the policy-stipulated minimum additional co-financing requirement<sup>10</sup>.

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<sup>10</sup> In transition / final grants, the total minimum requirement is not assessed. In those grants, only the additional minimum is reviewed.

- b. The baseline for each disease component and RSSH is calculated as the government expenditure for the previous grant cycle, which can be a mix of expenditure, provisional expenditure, and budget information, due to the timing of Grant-making within the grant cycle. This can represent financing for only a subset of monitorable interventions agreed between the country and the Global Fund and is equal to the amount of realizations used to assess backward-looking compliance for disease-specific co-financing.
- c. The starting point for the minimum additional co-financing requirement is 7.5% of the allocation for LICs, 15% of the allocation for MICs, which can be adjusted by the Secretariat. The final amounts are included in the allocation letters and communicated to countries. The Global Fund can increase the minimum additional co-financing requirement % based on several quantitative and qualitative factors, including relative availability of fiscal space, co-financing track record, agreed sustainability and transition objectives, and demonstrated political will to advance domestic health financing (non-exhaustive). Conversely, the Global Fund can exceptionally decrease the minimum additional co-financing requirement % based on other quantitative and qualitative factors, including relative lack of fiscal space, high debt distress or other macro-fiscal indicators, and challenging operating environment characteristics.
- d. **Compliant** if, for each relevant disease component, the commitments to disease-specific co-financing are greater than the policy-stipulated total minimum co-financing requirement:
  - i. LICs have the flexibility to fulfil the majority of their total minimum co-financing requirement through investments in RSSH, instead of disease-specific investments.
  - ii. LMICs have the flexibility to fulfill up to 50% of their total minimum co-financing requirement through investments in RSSH.
  - iii. Commitments related to RSSH (financial and specific programmatic where relevant) must represent budget allocations aligned with Modular Framework interventions. Certain other interventions outside the Modular Framework, including investments related to primary healthcare, can be accepted on a case-by-case basis.
- e. Otherwise, the country is **non-compliant**. This includes situations where the country has not included any commitments to disease-specific co-financing in the CL, despite best efforts to negotiate and engage with the country.

#### **Role of HF Specialist:**

10. Confirms if the country is exempt from co-financing requirements per the STC Policy and OPN (where relevant).
11. Responsible for the compliance assessment for countries which are not exempt (compliant vs non-compliant vs conditional)
12. Advises on whether country meets the criteria for a waiver (or partial waiver) per the STC Policy and OPN if the country is non-compliant.
13. Advises on the applicable compliance assessment actions if the country is non-compliant or conditional, including calculating the starting point (based on a purely quantitative exercise) of a potential grant reduction or allocation adjustment.
14. Where applicable, conducts second-line review of co-financing deliverables prepared by members of the CT to ensure adherence with the STC Policy and Co-financing OPN.

#### **Role of Program Sustainability Specialist (if applicable):**

15. Where applicable, and where agreed with the relevant HF Specialist, the Program Sustainability Specialist can have first-line responsibility for co-financing compliance assessment and preparation of co-financing deliverables (as part of overall responsibilities for transition and sustainability).

#### **Role of CT:**

16. Decides whether to pursue a waiver for the country, taking into consideration HF Specialist advice and the requirements of the OPN.
17. Decides whether to pursue compliance assessment actions if the country is non-compliant and exactly how much the grant reduction or allocation adjustment will be, taking into consideration HF Specialist

advice and qualitative considerations not considered in the starting point calculation provided by the HF Specialist, in line with the requirements of the OPN.

### **Annex 3. Further guidance on compliance assessment actions for non-compliance**

1. Where a country is assessed **as non-compliant** for one or more disease components and / or co-financing requirements, it is necessary for CTs to decide whether any penalties are applied, in line with requirements of the OPN.
2. Generally, non-compliance with backward-looking requirements will impact the grant for the previous grant cycle and non-compliance with forward-looking requirements will impact the grant for the upcoming grant cycle. However, depending on the timing of Grant-making and compliance assessment, it can be necessary to apply penalties based on non-compliance with backward-looking requirements to the grant for the upcoming grant cycle. This will be relevant in situations where the Implementation Period (IP) for the previous grant is almost completed by the time of the compliance assessment.
3. Grant reductions and allocation adjustments are generally applied where the non-compliance assessment is final. The option to withhold (i.e., postpone or modify) a disbursement is generally applied where a country is assessed as conditionally compliant and still has an opportunity to meet the conditions for compliance within a defined timeframe, including in cases where required documentation (e.g., a CL) has not been submitted, or to incentivize compliance with co-financing or monitoring requirements during Grant Implementation.
4. There is no definitive formula to calculate the amount by which a grant is reduced, an allocation adjusted, or a disbursement withheld. The starting point, subject to adjustment by the CT, is that the amount is proportional to the non-realization of co-financing requirements.
5. For non-compliance with disease-specific co-financing requirements, this starting point can be calculated in several ways, with detailed guidance available in the Co-financing grant reduction memo template.
6. For non-compliance with the requirements for government health expenditure or financing specific programmatic interventions, a context-specific approach must be developed, potentially drawing on the approaches to the disease-specific co-financing requirement described above. Similarly, a context-specific approach must be developed where a country has not complied with more than one co-financing requirement.
7. Specific to GC7 grant reprioritization, the starting point for reductions is calculated with reference to the co-financing incentive amount formalized in the grant confirmation. In the majority of cases this will be the original co-financing incentive which was calculated against the allocation / program split prior to the mid-cycle GC7 reprioritization exercise. This does not affect the decision-making authority of CTs, in line with the requirements of the OPN, to adjust the final amount of a grant reduction based on impacts of mid-cycle GC7 reprioritization, which can be decided on a case-by-case basis.

### **Annex 4. Further guidance on co-financing commitment revisions**

1. During implementation, there is flexibility for countries to adjust the specific commitments made to finance programmatic interventions, including in the context of any Global Fund reprioritization. The below are additional factors to consider when assessing any changes to commitments to finance specific programmatic interventions during implementation:
  - a. the extent the proposed new investments are aligned with the original, specific commitments in the CL (e.g., are the commitments completely new; fundamental changes; more precision for originally 'broad' commitments; etc.).
  - b. the extent to which the proposed investments are aligned with the financial sustainability objectives for the country (e.g., how important the operational costs are to financial sustainability of the disease programs);
  - c. what the rationale is for the proposed changes and how reasonable it is from a health financing perspective (e.g., is this a result of shifting funding landscape or necessary re-prioritization, etc.); and
  - d. the potential/actual impacts of non-realization for the original programmatic commitments (e.g., what is the risk of program discontinuities or stockouts).