



COUNTERPART FINANCING REQUIREMENTS FOR RENEWALS INFORMATION NOTE

The Global Fund recognizes that financing of health care is a shared responsibility. At the same time, it recognizes that countries have differing abilities to contribute to their disease programs and to rapidly scale up that contribution. The Global Fund's Counterpart Financing requirements aim to better support aid objectives of additionality, financial sustainability, and country ownership.

WHAT IS COUNTERPART FINANCING?

Counterpart Financing in the Global Fund context pertains to the government contribution of the applicant country, allocated¹ to (1) national disease program (HIV and AIDS, tuberculosis or malaria) and (2) the health sector. Government contribution refers to all public resources specifically allocated to the national disease program and the health sector from government revenues; government borrowings from external sources or private creditors; and debt relief proceeds. With the exception of loans and debt relief, all other forms of external assistance, even when routed through government budgets are not counted as government contribution.

COUNTERPART FINANCING REQUIREMENTS

The Global Fund Counterpart-Financing requirement focuses on three areas described below.

AREA 1: MINIMUM COUNTERPART FINANCING THRESHOLD

Disease grants/programs. The Counterpart-Financing requirement introduces the concept of a Counterpart Financing “minimum threshold”. This is the minimum level that the government's contribution to the national disease program should reach, as a share of total government and Global Fund financing.² From January 2012, countries that request funding must ensure that their government contribution meets the minimum threshold at the proposal stage and at renewals, or, if the applicant country government's contribution is below the minimum threshold, it must develop and submit an action plan for moving towards the threshold.

The minimum thresholds are determined by income level:

- Low Income Countries (LIC): 5 percent

¹ The boundaries for what constitute disease spending and health spending is in accordance with guidelines set by WHO (for tuberculosis, malaria and health spending) and UNAIDS (HIV).

² Government contribution is the annual average of government spending in the past two years and current year government budget for the relevant disease program. Global Fund contribution is the annual average of financing requested and existing funding available from other Global Fund grants/SSFs for that disease, for the next Phase/Implementation Period.

- Lower Middle Income Countries (LMIC):
 - Lower LMICs: 20 percent
 - Upper LMIC: 40 percent
- Eligible Upper Middle Income Countries (UMIC): 60 percent

These levels are intended to recognize countries' differing abilities to contribute, yet at the same time challenge many countries to raise their contributions. UMIC countries are encouraged to increase their Counterpart Financing contribution to above 90 percent during the duration of implementation and to include plans to transition activities to the national program.

Cross-Cutting Health Systems Strengthening (CC-HSS) grants/programs. The minimum Counterpart Financing threshold for CC-HSS grants/programs is set at the same levels as for disease grants/programs. Counterpart Financing in the context of CC-HSS grants/programs is the total of the government's contribution to all national disease programs (HIV/AIDS, tuberculosis and/or malaria as applicable to a country) which either have existing Global Fund support or a funding request under consideration. Global Fund financing is the total of existing and requested funding for the applicable diseases and CC-HSS.

AREA 2: INCREASING GOVERNMENT CONTRIBUTIONS TO THE DISEASE PROGRAM AND HEALTH SECTOR

The Counterpart Financing policy requires governments to steadily increase their contribution to the national disease programs and health sector each year to avoid displacement of government spending by external assistance. In monitoring compliance with the policy, a noncompliant country's extenuating circumstances will be considered. Furthermore, as important contextual information, governments will also be asked to report on overall public spending on health over time. The intent of this Counterpart Financing requirement is to help countries steadily strengthen the government contribution to the national disease program, in the context of increasing overall public spending on health, whilst ensuring that increases are not made at the expense of other key programs.

AREA 3: IMPROVING EXPENDITURE DATA

A key source of information for the government contribution will be the data collection and validation efforts that WHO, UNAIDS and other partners already support, together with health expenditure data submitted to the WHO. Technical partners specify standardized measures for annual reporting of financing information by source and carry out validation of the numbers provided. The Counterpart Financing policy will build on and help to strengthen this existing system. As a requirement of Counterpart Financing, countries are asked to report government expenditure to these organizations each year, which will result in increased coverage of these reporting systems.

Applicants have the possibility of requesting up to USD 50,000 per disease in technical assistance to conduct the disease expenditure assessments.

IMPLEMENTATION OF THE COUNTERPART FINANCING POLICY

Exclusion from Counterpart Financing Requirements. The Counterpart Financing requirements will apply to all CCM Requests including those with civil society as principal recipients. Multi-Country grants/programs (from Regional Coordinating Mechanisms and

Regional Organizations), and requests submitted by non-CCMs will not be required to meet the Counterpart Financing requirements.

CCM Request. CCMs are required to complete the Financial Gap Analysis and Counterpart Financing table as part of the CCM Request. If Counterpart Financing falls below the minimum threshold and/or if trends do not comply with the requirements, CCMs must provide a justification. If applicable, CCMs should submit an action plan to meet the Counterpart Financing requirement. Guidance will be provided on these aspects in the respective questions below.

Global Fund Secretariat Review. The Global Fund Secretariat will review compliance with Counterpart Financing requirements as a material part of their overall review of the CCM Request. In doing so, the Global Fund Secretariat can make one of two decisions:

- Accept the Counterpart Financing arrangements; or
- Request clarification or attach conditions to the funding recommendation to ensure improved measurement and/or improvements to Counterpart Financing during grant implementation. For example, the Review Panel may request additional information such as provision of an action plan for improving counterpart financing or request for improved measurement (e.g., disease spending study during the implementation period). Subsequent funding is subject to compliance with the attached conditions.

Grant/SSF implementation. Resulting Grant/SSF Agreements will include a commitment to report annually to technical partners on disease program and overall health spending. Prior to grant signing, the Global Fund Secretariat must receive from an appropriate government ministry or agency³ a letter of undertaking affirming that the counterpart financing requirement has been met (or, if the requirement is not met at the time of signing, agreeing that an action plan will be implemented in order to meet such requirement). Compliance with Counterpart Financing requirements will be monitored on an on-going basis during grant negotiation, implementation and at the time of next renewal. Compliance with the Counterpart Financing requirements, including receipt of the government letter of undertaking, will also influence the Global Fund's decision in future CCM applications for renewals and new funding.

³ Such government ministry or agency must have the ability to confirm the budgetary commitment for financing of the disease program and overall health spending.