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Inter-sectoral co-financing: Financing across sectors for universal health coverage in sub-Saharan Africa

LESSONS LEARNED | MAY 2019

Abbreviations

AIDS	Acquired immunodeficiency syndrome
Global Fund	Global Fund to Fight AIDS, Tuberculosis and Malaria
HIV	Human immunodeficiency virus
iSDG	Integrated Sustainable Development Goals Model (Millennium Institute)
LSHTM	London School of Hygiene & Tropical Medicine
MAPS	Mainstreaming, Acceleration and Policy Support
NSP	National HIV Strategic Plan
PFM	Public financial management
PPPs	Public-private partnerships
SDGs	Sustainable Development Goals
SIB	Social impact bond
TB	Tuberculosis
TWG	Technical working group
UHC	Universal health coverage
UNDP	United Nations Development Programme
WHO	World Health Organization
WTP	Willingness to pay

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STRIVE research consortium

A DFID-funded research programme consortium, STRIVE is led by the London School of Hygiene & Tropical Medicine, with six key research partners in Tanzania, South Africa, India and the USA. STRIVE provides new insights and evidence into how different structural factors – including gender inequality and violence, poor livelihood options, stigma, and problematic alcohol use – influence HIV vulnerability and undermine the effectiveness of the HIV response.

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http://strive.lshtm.ac.uk/

Contents

1. Introduction and background

"Through determining the right policies, including innovative methods of (co)-financing for development, we can achieve our aspirations to end extreme poverty by 2030 and also ensure healthy lives for all. Achieving such ambitious goals is not just about the need for more resources overall, it's about spending what we do have more effectively and efficiently."

UNDP, 2015[i]

This brief describes the lessons learnt from the piloting of an innovative approach developed by the United Nations Development Programme (UNDP) and the STRIVE Research Consortium (STRIVE) led from the London School of Hygiene & Tropical Medicine (LSHTM). The aim is to support efficient resource allocation for integrated planning and budgeting for the Sustainable Development Goals (SDGs) as well as contribute towards universal health coverage (UHC). This inter-sectoral co-financing approach (referred to as 'co-financing'), enables public entities to budget for interventions that have benefits across multiple sectors and SDG targets simultaneously. The approach requires the costs of high-value interventions to be split among 'benefitting sectors', based on each sector's estimation of the opportunity cost and their ability to manoeuver funds to pay for expected results. This allows for the adequate financing of those high-value, cross-cutting initiatives that often appear too costly for a single payer (e.g. a ministry of education or health) to fund individually at scale, thus achieving far greater progress towards the SDG targets.

UNDP's Strategic Plan 2018-2021[ii] recognizes the complexity and interconnectedness of development aims. In support of SDG implementation, especially at country level, UNDP is an integrator to support "greater collaboration across sectors and partners to deliver impacts at scale and to utilize limited resources efficiently." Likewise, UNDP's HIV, Health and Development Strategy 2016-2021[iii] stresses that "progress on the SDGs requires going to scale with innovative approaches that harness synergies across the goals, simultaneously addressing overlapping vulnerabilities and delivering shared gains, particularly given the need to make the most efficient and effective use of available development resources."

The seventeen SDGs span social, economic and environmental dimensions of sustainable development, with 169 targets in total that are integrated and indivisible, and which will require additional financial resources to be achieved.[iv] The Addis Ababa Action Agenda on Financing for Development (2015)[v] makes clear that domestic resources will be relied upon heavily to meet this financial need, while expanded and new private investments and official development assistance (ODA) would also be required. However, it must be recognized that only some SDG targets are truly indivisible, and for others there are in fact benefits and trade-offs of differing magnitude. Nilsson's et al. (2016) framework[vi] goes beyond the notion of the SDGs being 'indivisible' to recognize that not all goals and targets are mutually supporting, and hence governments may have to make difficult choices, especially if they continue to budget in a siloed manner which leads to greater competition for scarce resources, while also limiting policy coherence.

There is now increasing pressure on national and local governments not only to increase available resources, including through innovative approaches but also to invest resources more efficiently. One logical way is to prioritize high-value interventions which deliver impacts across multiple goals, targets and sectors simultaneously. For example, evidence indicates that investments in the agriculture, nutrition and food security sectors would have the strongest synergies with water and land resources, biodiversity, health and climate.[vii,viii] Co-financing provides an option for more strategic and effective use of available funds, and is relevant for most if not all funding sources; however, the UNDP–STRIVE pilot focused on its application to public budgets, given the expectation for increased domestic financing for the SDGs, and the need for national and sub-national governments to be optimally efficient in their allocation of limited resources.

Through UNDP's Mainstreaming, Acceleration and Policy Support (MAPS) approach to SDG planning, financing and implementation at country-level, UNDP has consolidated and developed a range of tools and expertise for development practitioners to support SDG implementation. Meanwhile, UNDP has also developed an online database of SDG financing solutions.[ix] The co-financing pilot project has fallen within this range of support offered to countries by UNDP and STRIVE, to support the early discussions and planning in-country to apply the approach to finance identified projects that theoretically would have impact and outcomes across sectors.

2. Co-financing definition and its benefits

"Co-financing is an innovative financing approach whereby two or more sectors or budget holders, each with different development objectives, co-fund an intervention or broader investment area which advances their respective objectives simultaneously" (UNDP, *Financing across sectors for sustainable development, Guidance Note* 2019[x]). Each participating sector's budget contribution are determined by weighing the impact each would expect from the intervention against their valuation, or ability or willingness to pay (WTP), of that impact. Co-financing does not necessarily require additional resources but rather it helps optimize allocation of existing resources across sectors to maximise cross-sector outcomes.

The co-financing approach was developed in 2014 by UNDP and STRIVE,[xi] because cost-effective structural interventions to tackle HIV were being passed over because researchers and policymakers were examining such interventions for HIV outcomes in isolation, and not capturing additional benefits to other sectors such as education, social welfare and gender. Described as a 'significant methodological breakthrough for economic evaluation of multi-sectoral interventions',[xii] the approach can uniquely support the achievement of the SDGs by ensuring that win-win interventions which deliver high impacts across multiple goals and targets at once are adequately valued, prioritized and implemented. At the same time, the call for inter-sectoral action for health requires multi-sectoral collaboration as well as inter-sectoral financing. However, this will require indeed government sectors to break down silos and to plan and work together, including through re-engineered cross-sectoral governance, planning and financing mechanisms.[xiii]

"Co-financing can be used either: 1) When central budget holders determine how much of total resources to allocate to different sector budgets/the budgets of specific large programmes (*ex ante* co-financing); or 2) After different line ministries have received budgetary allocations from the central budget holder and are considering how to efficiently finance a specific intervention with multiple outcomes across sectors (*ex post* co-financing)".

UNDP, 2019

The UNDP Guidance Note suggests that there are two categories of programmes that could benefit from co-financing: (1) programmes that are underfunded by the implementing sector, because their sectoral benefit is less than the societal multi-sectoral benefit (i.e. the paying sector only finances the programme to the extent that it benefits from its implementation and any benefits to other sectors are disregarded); and (2) programmes that are not funded at all, because they are not cost-effective from any single sector perspective (i.e. their sectoral benefit is less than the sectoral cost). This problem is likely to occur for programmes where the choice is full provision or no provision.[1]

3. The UNDP–STRIVE co-financing project objectives

In 2015, with funding from the Japanese Government, UNDP and STRIVE developed the first-ever set of operational tools on co-financing. UNDP also introduced the approach, through a regional course, to policymakers from **Ethiopia, Malawi, South Africa** and **Tanzania**. These countries made some efforts to identify potential cross-sectoral projects that would benefit from co-financing. In late 2016, UNDP received further funding from the Japanese Government for a second, follow-on phase of cross-sectoral co-financing, through which support was extended to the four original countries and three additional countries: **Kenya, Zambia** and **Ghana**.

The project – '*Financing across sectors for universal health coverage in sub-Saharan Africa*' – had the following main objectives:

1. To continue sensitizing senior policymakers and technical officers from the original four co-financing countries as well as to introduce the approach to senior policymakers and technical officers from three additional countries: Kenya, Zambia and Ghana.
2. To assist all seven countries to develop costed co-financing models/plans that advance UHC and human development (with geographic scope and budget contributors/ contributions defined).
3. To provide all seven countries with the follow-on technical and other support needed to implement their co-financed interventions and develop monitoring frameworks.

4. Country achievements

Country awareness raising and project identification

Country visits, stakeholder meetings and the regional workshop served to raise awareness and understanding of the co-financing approach among the persons identified as critical to taking the concept forward, including representatives from various ministries: finance and budgeting (treasury), health, social development/ protection, education, agriculture and district administrations. Great interest in, and enthusiasm for, co-financing was generally expressed in all countries, and the key stakeholders appreciated its potential value and the processes (political, financial and programmatic) that would need to unfold, as well as the challenges that would be faced in implementing it. The regional workshop allowed for the exploration of these issues, and country participants were able to brainstorm and identify measures to minimize the risks.

1. For example, this often occurs in health care due to horizontal equity considerations, whereby a programme must be delivered to the whole patient population who would benefit, or not at all.

A synopsis of the country-specific processes and projects

The country contexts and factors contributing to the selection, and progress, of their co-financed projects are described below:

Tanzania

The Co-financing Technical Working Group (TWG) in Tanzania was the first to be constituted and had been actively facilitated by the UNDP Focal Point since the inaugural workshop in 2015. Members included representatives from the Office of the President (Regional Administration and Local Government), Ministry of Finance (Health System Reforms Secretariat; Poverty Eradication and M&E Units), the Tanzanian AIDS Commission (TACAIDS), the Ministry of Health (Health Sector Reform and M&E units); and the Tanzania Social Action Fund (TASAF).

The Tanzanian TWG had to move away from their initial idea of co-financing cash transfers due to a change in policy direction that emphasized employment creation. After stakeholder consultation, they eventually agreed that co-financing should support a 'Sustainable Livelihoods' project under TASAF as well as under the Local Government Development Grant (LGDG), which provides block grant funds for development projects to enhance the health of citizens in the selected district/s. Members of the TWG have been developing a concept note to this effect and will be holding on-going stakeholder meetings to move the process forward.

COUNTRY PROPOSED CO-FINANCED PROJECTS (DEVELOPED AT THE REGIONAL WORKSHOP)

- **Ghana** – improving children's pedestrian road safety in Accra
- **Tanzania** – local government's development grant for district development projects with health benefits
- **Malawi** – scaling up the social cash transfer programme and possibility of district projects
- **Zambia** – non-motorized transport infrastructure for a smart Lusaka city
- **South Africa** – expanding the cash plus care programme for young women in KwaZulu-Natal

Ghana

The UNDP Focal Point has been essential in driving the co-financing agenda forwards and had convened an active TWG that considered many possibilities for co-financing. The TWG had the committed participation of representatives from the Ghana Health Services, the Police Services, the National Road Safety, and the Ministries of Local Government and Finance.

At the regional workshop, they agreed upon the prevention of road accidents in Accra, which they later refined further to focus on children. For this goal, they had defined a package of interventions to enhance children's health, safety and well-being by reducing their morbidities and premature mortality. This fits squarely within health promotion activities identified by WHO as key to achieving UHC (Call for Action, 2017). The Ghana TWG subsequently developed a concept note for the project which they will be taking to the key players in the country in 2019.

South Africa

Through the awareness raising and in-country meetings, the co-financing approach has been endorsed and promoted by the South African National AIDS Council (SANAC),[2] resulting in its inclusion in the new National HIV Strategic Plan (NSP) as a potential funding mechanism. Co-financing was also noted in the application

2. Dr Nevilene Slingers is the key country lead and presented the work to date at an international symposium co-organized by STRIVE and UNDP at the International AIDS Conference in Amsterdam in July 2018.

to the Global Fund (GF) for the country's next grant, as well as in the Kwazulu-Natal's (KZN) Global Fund sustainability plan for their piloted cash transfers for adolescent girls and young women. It is hoped that their cash transfer project will continue, in which case they wish to explore the potential of public co-financing. The concept was also presented to the National Treasury's Chief Director for Health and Social Development[3] and his team, and they expressed interest in the concept, but noted that previous efforts at cross-sectoral funding of HIV activities had not been very successful (e.g. the HIV Workplace Programme where all Departments had to commit 2% of their budgets to HIV workplace interventions; although, since these were separate HIV activities, it was therefore not a truly co-financed project). Treasury also noted the length of time it would take to set up and implement a different funding mechanism into the budgeting cycle, the earliest probably only being the 2020/21 budget, assuming all the interested departments have committed to co-financing the project by mid-2019. The creation of a joint expenditure reporting and management system would also take time, they noted, and would rely on the different departments trusting each other to manage the funds appropriately.

Going forwards, the country is piloting the social impact bond (SIB) approach to encourage the investment in social good interventions by interested payers (usually local investors), to whom the funds would be repaid by the government with successful outcomes. Co-financing is viewed as a potential mechanism to also leverage public resource mobilization from the different departments for SIB interventions that have cross-sectoral impacts.

Malawi

The Government of Malawi adopted the Integrated SDGs (iSDGs) policy framework and requested UNDP and the Millennium Institute to develop a customized planning tool to identify the best mix of policies and interventions to optimize their achievement of the SDGs. UNDP and STRIVE worked with the Millennium Institute to incorporate co-financing into their 'iSDG Malawi model', which would help Malawi determine the optimum budgetary contribution from each of its sectors to achieve the optimal progress towards the SDGS. The iSDG report is due for release in 2019.

At the regional workshop, the Malawian stakeholders agreed on applying co-financing to cash transfers that would have health, economic and other beneficial impact. In addition, the Ministry of Local Government representative believed co-financing to be critical for district level planners and argued that it should be piloted in one or two strategic districts. Moving these ideas forward took time, mostly as a result of competing demands and the complexity of the structures at local government level requiring their full involvement and endorsement. It is hoped that the enthusiasm of the Ministries of Local Government, Health and Finance will be sustained and that they continue to explore their co-financing application options.

Kenya

The potential focus for co-financing in Kenya shifted from the initial idea of reducing air pollution to rather supporting decentralized development at county level, where great enthusiasm for the funding approach was expressed by county councillors. Co-financing is now recognized as a potential tool for the achievement of the SDGs in Kenya, within the SDG Partnership Platform, and via the devolution process which provides a suitable context for co-financing. Importantly, the UNDP country office is negotiating strategic support to public financial management (PFM) at the county level and envisages co-financing as a key component in their PFM support to the northern counties. However, this still needs to be carefully navigated at national and county levels, and it was agreed that the concept would only take effect after some key devolution steps had occurred (in 2019).

3. Dr Mark Blecher.

Zambia

Stakeholders from the Ministry of Health, the National AIDS Council, Ministry of Local Government and Housing and the Ministry of National Development Planning attended the regional workshop and proposed that co-financing could be used for "non-motorized transport infrastructure for a smart Lusaka city". Unfortunately, the UNDP Focal Point moved to another country and competing priorities in government slowed progress down. An in-country person with the time and resources to drive the discussions and processes to develop the concept of co-financing is crucial.

Ethiopia

Although some initial interest in co-financing had been expressed by some Ethiopian representatives in the 2015 meeting, it later became apparent that it would be extremely difficult to find traction for such a concept in Ethiopia – partly because of the limited available public financing and ministries being unable or unwilling to 'share' funds, but also because of tensions between government and development partners over budget sovereignty. This challenge was repeated by the representative of the Ministry of Finance. The country position was respected and no further interaction occurred on the topic.

5. Challenges, issues and lessons for co-financing

There are challenges to integrated programming and joint financing across sectors. A key challenge is that policymakers continue to operate in silos and often do not have the appropriate tools and data to identify the most powerful interactions across sectoral targets, and thus miss the opportunities to maximize positive interactions and minimize negative ones.

Another key challenge is that resources to achieve the SDGs are currently spread across diverse actors and constrained by systems of public and private finance and ODA flows that may not be fit-for-purpose.[xv] When choosing where to allocate their budgets, payers tend to evaluate their options in isolation, with public budgeting historically focusing on the costs of service delivery and not the outcomes to be achieved. Concurrently, many conventional methods of calculating cost-effectiveness only focus on a narrow set of outcomes, and tend not to provide evidence of the multi-sectoral benefits which would be useful for sectoral planning. In other words, despite the fact that synergies and trade-offs are widespread and may have a significant impact, governments (and other relevant institutions) do not typically consider the economy-wide effects of interventions and SDG investment.[xvi, xvii]

> "For the co-financing approach to be taken forward in countries, there needs to be:
>
> 1. recognition of the multiple benefits of an intervention or investment area;
> 2. a willingness of different payers to jointly fund implementation; and
> 3. the ability of the public finance system to allow for cross-sectoral budgeting, fund management and accountability".
>
> UNDP, 2019

Through the pilot supported by UNDP and STRIVE, these key challenges and others were identified, as well as the opportunity to identify potential solutions, or actions to mitigate their impact. These are described below.

Political buy-in for co-financing

Moving the co-financing agenda forwards in these countries has shown that the process requires a combination of conditions to be fulfilled:

- **The political process** of obtaining national leadership and buy-in from all the ministries involved is possibly the most important criteria for success. This certainly is the most time-consuming aspect with highly variable (or unpredictable) outcomes, since the locus of control of these aspects is usually outside the scope of the members of the TWGs. This final component was underestimated in the projects' inception and planning, and going forward should be a concurrent priority process while also conceptualizing the technical aspects through the work of the TWG.
- **A strong coordination structure** with adequate power and leadership (senior representation across sectors including the ministry of finance) is critical to make key decisions and call for senior meetings to secure buy-in, as well as someone (with time and resources) to play the facilitation role with practical coordination and logistics. Ideally this should be an existing coordination structure for which co-financing is an additional tool to facilitate their inter-sectoral coordination around a specific topic/ goal (for example, in Tanzania the co-financing proposal was initially embedded in the existing TWG for social protection);
- **The technical inputs and data** are necessary to inform sectoral decisions, such as costing and modelling to estimate benefits and the payer's opportunity costs, as well as their ability to re-allocate existing budgets for certain services/outputs to others with potentially greater outcomes, down to provincial or district level;
- **Public finance management system experimentation and reform** and changes in public budgeting and accounting are required (but which are slow to enact), and therefore building on any existing cross-sectoral financing structures/mechanisms would facilitate the process, or where pooling of in-kind resources already functions well.

A combination of factors, such as, political processes, timing and leadership all influence the context when attempting to germinate innovative ideas and systems. For example, the Kenyan devolution process (in other countries as well) provides the opportunity for co-financing to provide a powerful funding mechanism for counties/ districts struggling to make the most efficient investments with their available funding. However, for application at the district level, extensive efforts are also required to raise awareness and obtain the necessary buy-in from the various district structures[4] and agreement on the districts in which to pilot, with concurrent focus on strengthening the councils' multi-sectoral programme-based budgeting efforts. All of this requires extensive planning, consultation and leadership from within the country, but remains a key opportunity for, and potential contribution of, co-financing.

Similarly, in Malawi, the national commitment to the integrated SDG (iSDG) agenda and co-financing as a key funding mechanism to achieve their iSDG goals will, it is hoped, be the key driving force to move co-financing towards implementation.

The overall question is what constitutes adequate country buy-in to enable co-financing? In summary, it requires agreement between and within ministries, not least the ministry of finance, with the political commitment to re-allocate funds already budgeted for specific services/outputs to rather meet other political objectives by maximizing their budget outcomes and impact, through successful

4. The National Local Govt Finance and Service Committee; Finance and Auditing Committee; the Area Development Committee (ADC); the Director of Planning & Development at Council level, the District Executive Committee, Local Govt Association (Exec.Director).

joint planning, budgeting, execution, management and accountability (not small asks). Even with all these, changes in the government can quickly alter the context and hence political support for the project can be easily lost. The influence of political agendas and changes should not be underestimated.

Selection of a suitable co-financing project

Reaching consensus on possible co-financed projects took a protracted amount of time in all the countries, for a number of reasons, including, but not limited to, the following:

- There were some changes in the political context and ruling party interests, resulting in the original ideas no longer having sufficient political support (e.g. Tanzania).
- Obtaining the full-buy in of the relevant ministries, as well as of the senior levels within each ministry, takes time and requires considerable dialogue between and within ministries. Not only is cross-sectoral planning somewhat limited in most countries, but cross-sectoral budgeting is almost non-existent (with very few examples from Africa to learn from), making the idea of joint financing a novel one in practical terms. In addition, each ministry has their particular mandate to deliver on and may even be competing for scarce domestic funds, and could not easily consider projects which would still have an impact upon their own mandated objectives and targets.
- Experience confirms that having co-financing seen as an 'external' agenda, rather than owned by countries for their own perceived benefits, meant it did not gain enough traction to sustain it. Generating and responding to country demand and ownership is an essential step in the process.
- Once agreed by three or more ministries, steps then had to be taken to obtain the buy-in of their senior government officials, as well as of those within the MOF, and most countries had a MOF representative on their TWGs. This did not translate, however, into approval by the MOF to pilot or implement a co-financing mechanism, which would have required significant public finance reform, specifically regarding the budgeting, the expenditure reporting and accountability. South Africa was the only country where the project reached the level of Chief Director within the National Treasury, mostly because it was driven by the South African National AIDS Council, and built upon an existing (and innovative) pilot project funded by the Global Fund and for which additional domestic funding was being sought.
- Already existing projects that have buy-in from different sectors, and which might have existing external funding (such as Global Fund support for innovative interventions) greatly increases the chance of the project being approved for application of the co-financing approach. An example is the Cash plus Care project for young women in South Africa that was funded by the Global Fund and into which various departments had already committed various non-financial resources. The risk of reducing external funding also created an incentive for departments to explore alternative domestic funding options. In this way, where risk-averse governments may be less likely to test innovations (such as co-financing), the commitment of external (or private) investments could catalyze such piloting by the public sector.
- None of the countries had reached the stage of sharing the concept with a broader audience nor engaged civil society, which ideally would be done once all the ministries' buy-in had been obtained.

Coordination and governance structures

Closely related to the issue of country leadership and political buy-in is that of the coordination structure required to push the co-financing agenda forwards, as described above. However:

- Even where some traction had been gained through the establishment of active technical working groups with senior level representation, these individuals could not have taken certain decisions that required public finance reform alone/ individually. However, there seemed to have been limited extension beyond these individuals to the other critical players within their ministries, or to other development partners, with information sharing and advocating for their support and decisions required.
- Additionally, even where detailed workplans were developed, the actioning of those workplans required additional time and resources. Competing demands on the members themselves, as well as of the persons with whom individual or group meetings needed to be held, hindered progress. Inevitably, activities that are not viewed as part of an annual performance accountability risk becoming deprioritised.
- Establishing a new, or parallel, TWG outside of other cross-sectoral structures and efforts may also have contributed to their limited effectiveness. Most countries had other cross-sectoral planning mechanisms/ structures for various purposes, such as for decentralized, district-level planning and budgeting, or HIV coordination across sectors, which may, or may not, have been functional. Embedding the co-financing coordination into these structures may have ensured its alignment with, and absorption into, existing national efforts. The South African example was more effective because it sought to support an existing, innovative project being piloted by the Country Coordinating Mechanism (CCM) with secured funding from the Global Fund and with the full leadership of SANAC. For HIV-related projects, every country with Global Fund funding has a CCM which is an existing cross-sectoral body with senior representation and potentially strong oversight capacities, and which could potentially act as the coordinating entity for the co-financing project, if the selected project would have HIV-related and other sectoral benefits, as cash transfers for young women would do.
- Having a strong country commitment to the SDGs and embedding co-financing within the relevant financing (e.g. the iSDG) framework could gain greater ground and political traction. For example, in Kenya, the SDG Partnership Platform and the devolution process to counties could potentially provide co-financing with the policy directive and practical demand from counties/districts. On the other hand, the SDG framework may keep the co-financing concept at an abstract level, with no single ministry taking the lead (such as in Malawi).
- For various reasons, there may be more traction for co-financing at decentralized levels, not least because there are already existing cross-sectoral platforms and planning processes, where sectors are less siloed and constrained in the way they are at national level (as was confirmed in the literature as well as in experiments in high-income countries).
- Alternatively, a thematic focus with one specific ministry taking the lead may result in greater progress being made, as in Ghana where the issue of children's road safety garnered the support of a range of actors: health, road safety, police and local government, with the Ghana Health Services taking a key lead role.
- South Africa provides an example of a thematic focus (HIV) with the national AIDS coordinating body (SANAC) taking the lead in driving the concept forward as a potential funding source for the National HIV/STI/TB Strategic Plan (NSP), as well as for the existing Cash plus Care project for young women which is still being negotiated. It is also being considered as a funding mechanism for the social impact bond (SIB) being piloted with seed funding from the Global Fund.

Public budgeting and financing challenges

In reality, public budgeting processes continue to focus on sectoral inputs rather than outcomes, and this may lead to resistance to co-financing.[xviii] Recent movements away from input-based budgeting towards programme/output-based budgeting, also with some UNDP support, are helping to address this barrier. Additionally, many countries lack the capacity to generate the evidence from multiple outcome assessments to guide the different sectors' willingness to invest in integrated programmes.

> "Successful co-financing depends on the veracity of two main assumptions: (1) that the objective of budget holders is to maximize their sectoral outcomes; and (2) that budget holders are solely constrained by their budget when making decisions about the interventions in which to invest. In reality, these assumptions do not always hold. On the first assumption, political economy theory suggests that the driving objective of policymakers may be to maximize not the efficiency and results generated by their spending but rather the budgetary amount under their control. (Hauk & Smith, 2015). If so, sectors/ministries may not be amenable to sharing decision making and losing financial control over limited resources. On the second assumption, government departments/district authorities are often restricted by budgeting guidelines and mandates which set boundaries for what they can invest in. Public financial management (PFM) and reform is notoriously challenging where institutional structures are rigid and resistant to change. Sectors can be subject to discrete regulatory and financial structures, some of which may be inflexible, making cross-sectoral co-financing difficult to establish".
>
> UNDP, 2019

The participating countries faced various budget-related constraints, for example:

- Domestic budgets are extremely limited and usually inadequate for the ministries' core mandate activities, so heightening the estimated opportunity costs of perceived 'sharing' of resources;
- Domestic revenue envelopes can fluctuate and be uncertain through variations in scheduling, designation, allocation and disbursement;
- Ministries may not fully trust another ministry to manage their funds for a co-financed project effectively and also may not want to lose visibility and attribution of success. Even where they have committed the funds, they may not transfer the funds, which would jeopardize the entire project;
- Public budgeting processes are rigid, siloed and slow to reform. Even after the protracted process of securing the full commitment of the interested ministries with agreement of each of their contribution, as well as the ministry of finance's endorsement, additional time, at least a 6–8 month budgeting process, would then be required to reallocate from routine budgets to the selected co-financed project. This would require dealing with the projects from which funds would be removed, and then time for the creation and implementation of the new funding mechanism. The transaction costs of setting up, coordinating and monitoring of this funding mechanism should not be under-estimated, and should be gauged to be less than the anticipated gains from co-financing, for optimal benefit;
- Committed public budgets often do not materialize into disbursements. Funds are reallocated to other competing demands throughout the year, or disappear through mis-management. This could also jeopardise the entire project and cause disillusionment among all the paying ministries.

On the positive side, one of the key enablers of co-financing is that, unlike many other forms of cross-sectoral policy, co-financing acknowledges and accepts that sectors typically attempt to maximize their sectoral policy goals, regardless of external sector effects. By demonstrating the mutual benefits of joint action, co-financing overcomes a major bottleneck that could hinder other types of cross-sectoral action. It does not require participants to act from an altruistic stance or outside of self-interest. While many collaborative arrangements require a shared or common goal, providing a rationale for the collaboration, co-financing is additionally relevant where sectors have dissimilar goals which are capable of being achieved in concert.

Table 1 outlines thematic barriers that may be faced in implementing and sustaining a co-financing approach, together with potential actions to reduce risk. There is a range of options to reduce each identified barrier, and these options are more impactful when pursued together rather than in isolation. Each situation must be explored carefully for potential barriers and enablers, with appropriate responses undertaken early in the process.

TABLE 1: POTENTIAL BARRIERS TO CO-FINANCING AND ACTIONS TO REDUCE RISK

POTENTIAL BARRIERS	ACTIONS TO REDUCE RISK
Financial issues	
▪ Public funds available to commit to new projects are limited. Large portions of government budgets may already be committed to the wage bill and other recurrent operational expenses. For example, ministries may not have adequate funds to deliver basic mandated services, and would therefore struggle to free up existing programme funding for a co-financed project, even with evidence that it would contribute to their core mandate and objectives. ▪ Limited financial autonomy. Programme managers who understand the benefits of co-financing may have limited financial autonomy to make budgetary decisions regarding adjustments for a co-financed project. ▪ Anticipated loss of budget control. Ministries may fear loss of control over funding committed to a co-financed project and hence not feel confident that the project will meet their objectives.	▪ Align the co-financed project with national priorities and the government's key obligations, in order to secure adequate additional funding from the available public revenue. It is imperative to harness political capital. If politicians are convinced (through sound evidence) to place a high premium on the project they will be more likely to commit the necessary funds (or consider borrowing funds if the intervention is a high priority). ▪ Identify key champions, such as Permanent Secretaries, or key entry points, such as legislative frameworks, to support the development of accountability frameworks for the committed funds. Legislative frameworks could outline use of the funds and include reporting requirements, backed with stringent auditing, to ensure correct use and transparent accountability. ▪ Identify controlling officers (such as finance managers and accountants) to manage the whole co-financing fund. They must be accountable and work to minimize risks through strict procurement procedures, balances and checks, and routine internal auditing.

POTENTIAL BARRIERS	ACTIONS TO REDUCE RISK
■ A perceived risk of corruption by other ministries. This may reduce the willingness of minis-tries to pool resources, as it poses a risk of non-achievement of their own objectives. ■ Public budget allocations and disbursements may, for various reasons, be reduced, with-drawn, or delayed during the financial year. These scenarios could seriously jeopardize the co-financed project which would rely heavily on committed funds being transferred as planned. ■ Financial information systems are inflexible or rigid, and thus unaccommodating to cross-sectoral accounting.	■ 'Earmark' or 'ring-fence' the co-financing funds with strict conditionality and reporting requirements to minimize the risk of the funds being transferred to other projects, or misused. For example, programme-based budgeting would indicate the agreed items of expenditure for each programme, and unapproved expenses should not be allowed. ■ Engage a neutral institution (such as an auditing firm) to improve financial planning and accountability systems, and to undertake external audits annually. ■ Conduct activities to increase government transparency and build confidence in public accountability. Maintain strong fiscal discipline while also strengthening financial management capacity at local government level, to minimize the risk of corruption. ■ Expand the revenue base at the central/district/county/council levels to increase the available funds for the co-financed project. For example, involve donors, the economic sectors and public-private partnerships (PPPs).

Budgeting / reporting issues

■ Silo budgeting processes are slow to reform. This can make the adoption of a co-financed approach more difficult at the central level. ■ Public auditing is carried out per ministry. Accounting officers report only on their ministries, making it difficult to report on a co-financed project. ■ Resource allocation criteria are rigid and constrained by historical allocations, financial guidelines, geographic focus, etc. This can lead to limited fiscal space, as mentioned in 'Financial issues' above. ■ Delayed implementation of the co-financed project. This can jeopardize performance and spending delivery, affecting the next transfer or allocation, and ultimately impact the project negatively.	■ Apply a cross-sectoral joint planning and budgeting approach to the design of the co-financed project. To achieve this, bring together planning and budgeting units to approve budgets and plans together, with agreed joint reporting according to outputs. ■ Firstly, focus ministerial attention on, and commitment to, the potential targets they could achieve through the project. Then begin process of securing their financial commitment to those targets. ■ Establish an inter-ministerial audit committee (including the ministries of finance, local government and other relevant ministries) which will undertake joint auditing, reporting, risk assessments and problem solving. ■ Explore block grants from central governments to local councils as a potential funding opportunity for the identified co-financed project. Many local councils receive these grants based on an allocation formula, such as a capacity-building grant (usually without conditions) to cater to demands outside of the sectoral mandates. Secure the interest of local decision makers to champion the proposed co-financed project and allocate funds to it. ■ Increase efforts to reduce programme duplication and fragmentation. This will facilitate more effective coordination of objectives and more efficiently allocate available resources.

POTENTIAL BARRIERS	ACTIONS TO REDUCE RISK
Programme issues	
■ Ministries are constrained by their mandated responsibilities. Pre-set boundaries on what ministries can invest in means they may be un-able to contribute resources to a co-financed project. ■ Ministries have not been presented evidence to demonstrate that a co-financed project would assist them to achieve their specific targets. ■ Cross-sectoral plans and projects do not apply the optimal co-financing model, which specifies that funds are jointly managed. Rather, ministries manage their own budgets and activities separately, but contribute towards a joint objective.	■ Generate evidence by modelling the potential outcomes and impact of the proposed co-financed intervention for each ministries' contribution. Engage experts to conduct these analyses if needed. ■ Undertake extensive awareness raising of the co-financing approach and proposed project among all interested ministries, including the ministries of finance and planning. Provide evidence to support awareness raising activities (preferably based on modeled data) demonstrating the potential for the co-financed project to contribute concretely to each ministries' objectives and targets. ■ Establish processes and systems that identify potential co-financed projects (separately from the usual mandates of ministries) and focus on those that have cross-cutting impacts.
Political will and decision-making issues	
■ Decision makers implicitly rank potential projects which they perceive as most or least efficient. This may limit their ability to understand the value of a co-financed project. ■ Decision makers' identification of the 'least efficient investments' are not based on explicit analyses, but rather the perceived certainty and size of the intervention's impact, as well as how costly the intervention is compared to its assumed benefits and scale.	■ Undertake awareness raising activities and facilitate dialogue at various levels of government on the co-financing approach, to secure the informed buy-in of key political stakeholders. Generate evidence to support awareness raising activities (preferably based on modeled data) demonstrating the potential for the co-financed project to contribute concretely to each ministries' objectives and targets. Engage experts to conduct these analyses if needed. ■ Ensure that the proposed co-financed project addresses specific, key national priorities that will gain the buy-in of relevant stakeholders. This will increase political commitment to the project and, in turn, increase the likelihood of the project being funded. ■ Align the proposed co-financing project with existing planning and implementation processes that promote cross-sectoral action, such as National Development Plans (NDPs) and corresponding governance structures. ■ Develop a monitoring and evaluation framework to monitor and track the impact of the co-financed project. This is an integral step to sustaining political commitment for the project.

Source: UNDP (2019). *Financing across sectors for sustainable development: Guidance Note.*

6. Opportunities and next steps for co-financing

Co-financing can uniquely support the achievement of the SDGs by ensuring that win-win interventions which deliver high impacts across multiple goals and targets at once are adequately valued, prioritized, financed and implemented. Co-financing as an approach would flow logically from cross-sectoral joint planning to achieve the SDGs, and relies on a true sharing of mandates, budgets and co-responsibility to deliver the selected projects.

In addition to the SDG framework, the goals of universal health coverage (UHC), as well as of 'health-in-all policies' (HiAP) framework (WHO, 2013[xix]), the whole-of-government approach, and the International Health Regulations (2007), all demand close inter-sectoral planning for their optimal achievement/implementation. Once all relevant ministries have understood and accepted their gain, role and financial contribution, then establishing a co-financing mechanism to channel and manage the resources appropriately would be required.

Climate change and environmental concerns are closely intertwined with health outcomes. In the context of growing global awareness of the repercussions of poor environmental management, co-financing offers multiple sectors an approach to combine their efforts and resources in a coherent response that would have greatest impact.

UNDP is developing a network of 60 country-based 'Accelerator Labs' which aim to identify challenge–solution pairs through an ongoing process of iterative learning by continuous experimentation. 'Accelerator financing' is a viable area of research to identify real world applications of co-financing in development financing.

Within the current landscape of plateauing external funding for health and HIV, there is greater pressure on countries to mobilize increased domestic revenue and to utilize their available funding (including loan support) more efficiently. The co-financing mechanism assists with the latter, enabling sectors to reallocate funds more strategically to high impact projects.

Also, within the context of reducing donor funding, the social impact bond (SIB) is an innovative funding mechanism which is being piloted in some countries such as South Africa. Philanthropic investors are being sought for projects with social benefits, with repayment schedules based on positive, measurable outcomes. Since these projects tend to have high cross-sectoral impacts, and rely upon strong M&E systems to prove outcomes, they provide a perfect opportunity for co-financing from public sectors. The additional public contributions would also enhance investor confidence and are likely to attract larger investments.

Many east and southern African countries are devolving financial autonomy to districts or counties. This process requires strengthening of the financial management systems at the local government level including budgeting across sectors, where co-financing logically sits. The Kenyan and Malawian decentralisation processes provided great opportunities to pilot and expand the application of co-financing, but require time and effort to get all the necessary processes in place and persons/entities on board.

In terms of next steps, both with regard to the possibilities mentioned above, and to build upon the momentum gained over the last 18 months of the pilot work, it is hoped the UNDP Focal Points will continue in their key role of facilitation, enabling the TWGs to continue to develop their concept notes and obtain the political and budgetary buy-in of interested ministries, necessarily adopting a long-term vision with sustained effort over possibly several years for implementation and scale-up.

7. Conclusion

There has been valuable progress in the two years of the UNDP and STRIVE work to raise awareness and understanding of co-financing, to provide more in-depth training, to set up TWGs, draft concept notes and to plan for the country-specific modelling. Changes, however, in public budgeting systems require a longer time-frame than a typical project cycle. This would ensure adequate buy-in and endorsement from key stakeholders, enable the country-specific modelling of their proposed projects, secure the agreement of the affected ministries including finance/treasury, and lead to a practical implementation plan that has the full support of all the participating sectors. The establishment of strong M&E frameworks to monitor outputs and outcomes is critical, so as to ensure that the optimal impact is achieved and participating ministries can 'claim' their targets achieved. Above all, the demand for co-financing must come from within the government, and must be part of the ministries' annual plans and performance targets, with sound joint accounting and reporting systems to ensure the optimal use of contributed funds. This would require the long-term commitment of the ministries to achieve full implementation and realization of the impact of co-financing.

Annex 1

Ministries represented at the regional co-financing workshop and in the in-country technical working groups/steering committees

COUNTRY	REPRESENTATIVES FROM THE FOLLOWING MINISTRIES
Ghana	▪ Ghana Police Services (Education, Research and Training) ▪ Ghana Health Services (NCD programme) ▪ National Road Safety Commission (Planning and Programmes) ▪ Ministry of Local Goverment (Planning Office) ▪ UNDP Ghana (HHD programme) ▪ The representative from the Ministry of Finance (Budget unit) could not attend due to late visa
Tanzania	▪ Office of the President (Regional Administration and Local Government) ▪ UNDP Tanzania (HIV programme) ▪ The representative from the Ministry of Finance (Health System Reforms Secretariat) and other members of the Co-financing TWG were unable to get travel permissions in time
Malawi	▪ Ministry of Local Government and Rural Development (Decentralisation) ▪ Ministry of Health (Planning and Budgeting unit) ▪ Ministry of Finance (Budgeting unit) ▪ The UNDP Malawi representative was unable to attend
Zambia	▪ Ministry of Local Government and Housing (Planning) ▪ National Aids Council (Policy and Planning) ▪ Ministry of National Development and Planning (Planning) ▪ Ministry of Health (Planning) ▪ UNDP Zambia (Poverty Reduction)
South Africa	▪ SANAC (Resource mobilization and donor coordination) ▪ UNDP South Africa (HIV unit) ▪ Individual meetings are being held with National Treasury and National Departments of Health, Social Development and Education
Kenya	▪ No participants because they are planning sub-national meetings inline with their devolution process

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From
the People of Japan

STRIVE
Tackling the structural drivers of HIV

UNDP
Empowered lives.
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