

FOCUS ON

Innovative Financing for Health

Smart, effective health investments through the Global Fund have saved 17 million lives, expanding opportunities and achieving greater social justice for families and communities worldwide. Scientific advances, innovative ideas and private sector expertise are unlocking improvements in disease prevention, treatment and care.

This striking progress was achieved through a partnership between national governments, donors, the private sector, civil society and the affected communities themselves. But the foundations of development financing are shifting; while donor governments have historically covered much of the funding needed for key development work such as the fight against AIDS, tuberculosis and malaria, they cannot continue to fill the resource gap. To reach the global goal of ending the epidemics of AIDS, TB and malaria by 2030, we need to identify alternative and innovative financing models to support national governments to build sustainable funding for their health programs.

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To do this, the Global Fund helps governments work with new partners, such as impact investors, high-net-worth individuals, private sector companies, sovereign wealth and pension funds, banks and asset management companies and development finance institutions. National governments lead the process, with the Global Fund providing the tools and facilitating the engagement of new partners and funding sources. Innovative finance is not a replacement for domestic financing; it supplements it, until national governments are able to transition to fully nationally funded health programs.

There is no one-size-fits-all approach to innovative financing; each solution is developed to best suit each country's unique environment. The Global Fund's innovative financing platforms build partnerships with development finance institutions through blended finance; between governments and impact investors through social impact bonds; and between creditor and debtor governments in Debt2Health.

Blended Finance

Blended finance combines grant funding and private capital flows such as loans for government health investments to ensure a smooth transition from traditional donor support to fully nationally funded health programs and systems. Blended finance loans typically have long maturity horizons and flexible terms, enabling governments to spread the related costs over time. Partner lending institutions are able to expand their portfolio to include national health projects with the knowledge that funds are invested under the Global Fund's model, which includes rigorous monitoring and evaluation controls on program quality, risk management procedures, and a focus on maximizing impact. The Global Fund is exploring partnerships to multiply its impact through blended finance and to learn from similar models. For example, through the Unfunded Quality Demand program, the Global Fund identifies quality programs that lack sufficient funding. The Global Fund provides this list of programs to the Lives and Livelihoods Fund, a mechanism supported by the Bill & Melinda Gates Foundation and the Islamic Development Bank that provides affordable financing through a combination of grants and concessional loans.

Social Impact Bonds

Social impact bonds focus investments toward programs that yield effective social outcomes – in this case, impact in the fight against HIV, TB and malaria. An investor (a donor or private sector organization, for example) provides upfront financing to a service provider that delivers the programs (often a nongovernmental organization). If the pre-agreed outcomes of the program are met, the outcome payer (usually the government or a donor) repays the investment, sometimes with interest. In some cases, charitable foundations or organizations may guarantee all or part of the social impact bond, to provide additional security for the investor.

Social impact bonds can help expand critical programs or implement innovative pilot projects for marginalized and at-risk populations which might not receive adequate support through the existing health system. In South Africa, for example, the Global Fund recently endorsed a funding submission that included a request for funds to establish a Social Impact Bond on HIV prevention for communities most at risk. The Global Fund is exploring ways that social impact bonds could be used in other countries.

New Possibilities

The Global Fund is continually looking at new partners and funding sources to increase development financing. Diaspora sending home remittances, an increasingly important source of revenue in many developing countries, could be offered the option to direct a certain percentage to health programs in their home communities. Mobile money and new tools such as diaspora bonds for health, or thematic health bonds, also show potential for growth. Most importantly, the Global Fund partnership puts national governments squarely in the lead in the drive to make global health sustainable by increasing domestic investments for health. Countries supported by the Global Fund have so far increased their domestic financing commitments to US\$5.9 billion, spurred in part by the Global Fund domestic financing policy. Global health is a shared responsibility. With new, innovative solutions to health financing, we can end the epidemics of HIV, TB and malaria – for good.

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Through an innovative Debt2Health agreement between Germany and Egypt, Egypt's converted debt payments are redirected to benefit malaria programs in Ethiopia, pictured here.

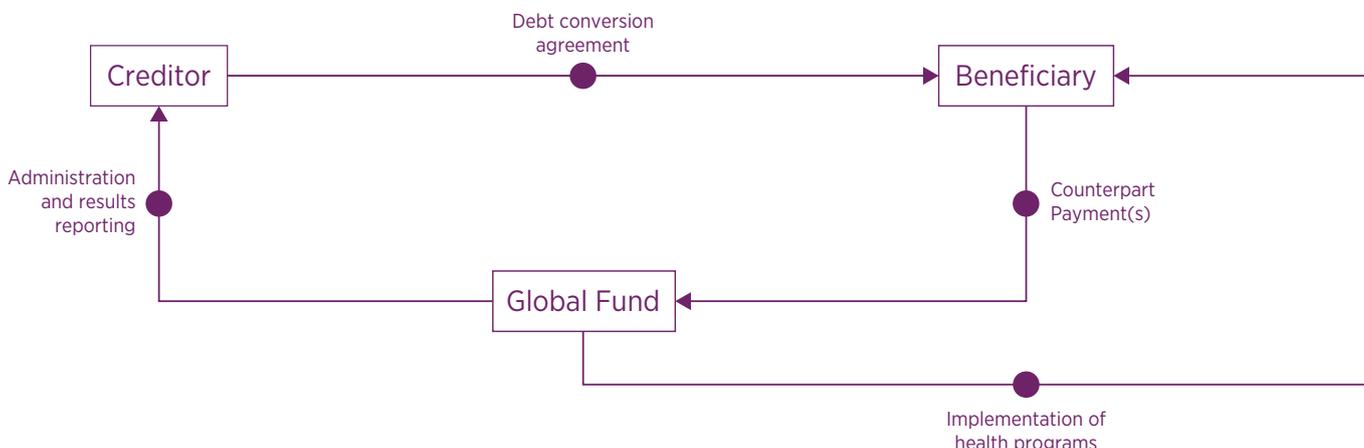
Debt2Health

Debt2Health converts debt repayments into lifesaving investments in health. Under individually negotiated “debt swap” agreements, a creditor nation foregoes repayment of a loan when the beneficiary nation agrees to invest part or all of the freed-up resources into a Global Fund-supported program. It is a win-win situation: the creditor knows that the cancelled debt is going directly to programs already part of the national health strategy and that are supported and monitored by the Global Fund partnership; the debtor gets both loan elimination, but more importantly, a substantial source of health investment. To date, debts swapped under Debt2Health agreements total close to €170 million, involving Australia and Germany on the creditor side; Côte d’Ivoire, Egypt, Ethiopia, Indonesia and Pakistan on the beneficiary side.

About the Global Fund

The Global Fund is a 21st-century partnership designed to accelerate the end of AIDS, TB and malaria as epidemics. As a partnership between governments, civil society, the private sector and people affected by the diseases, the Global Fund mobilizes and invests nearly US\$4 billion a year to support programs run by local experts in more than 100 countries. The Global Fund’s operating costs are just 2.3 percent of grants under management, reflecting an exceptionally high degree of efficiency. By challenging barriers and embracing innovative approaches, we are working together to better serve people affected by the diseases.

THE GLOBAL FUND’S FLEXIBLE DEBT SWAP SCHEME



May 2016
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