



PRINCIPLED INTEREST:
A DEVELOPMENT FINANCE LEARNING SERIES



MARKETLINKS

Applications of Finance in Global Health

February 11th, 2021

*Welcome! We will begin shortly.
Please complete the poll*



Image Credit: Emmanuel Attramah, PMI Impact Malaria



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A DEVELOPMENT FINANCE LEARNING SERIES



Priya Sharma

Director, Scalable Innovation
USAID/PSE Hub

»» AGENDA

- **How can finance be used to improve health outcomes?**
- **How is finance being applied to global health portfolios at USAID?**
- **What are we learning?**



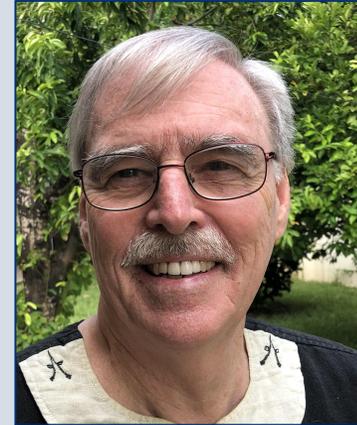
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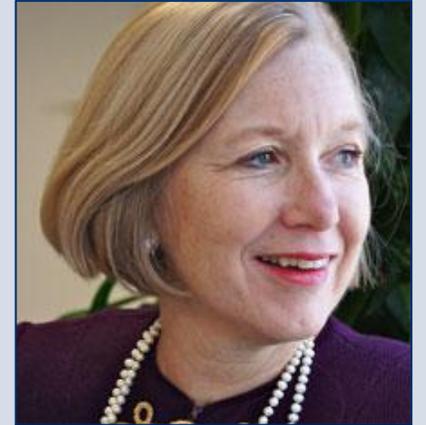
Amy Lin

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Development of the Blended Finance Roadmap for Global Health



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USAID's Center for Innovation & Impact (CII) focuses on supporting and scaling global health innovations

Role

Apply innovative, **business-minded** approaches to accelerate the development, introduction and scale up of priority global health interventions

What we do



Catalyze Innovation

- ✓ Open innovation
- ✓ Innovator support
- ✓ Adoption of cutting-edge approaches
- ✓ Amplify the use of innovation



Scale for Impact

- ✓ Strategic planning for introduction and scale
- ✓ Market shaping
- ✓ ***Innovative financing*** – *focus for today*

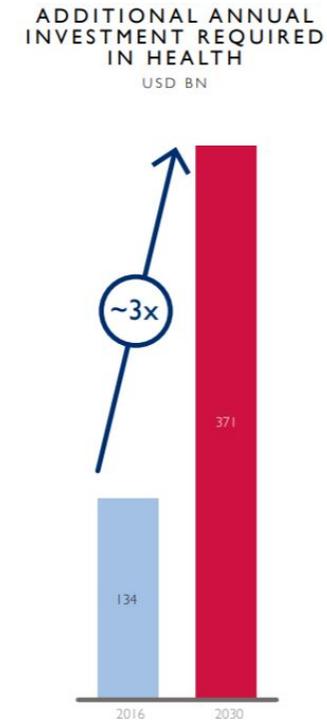
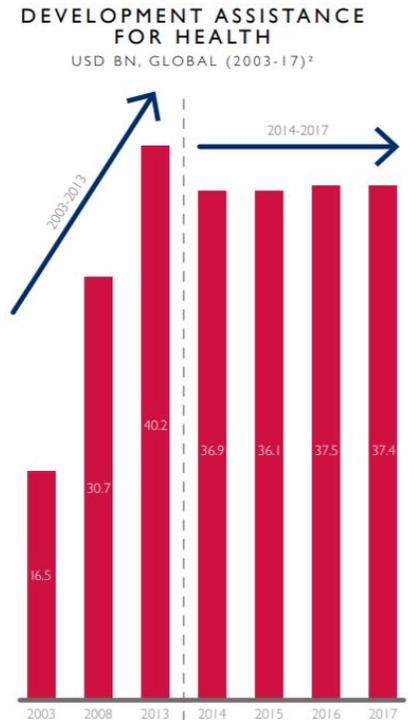
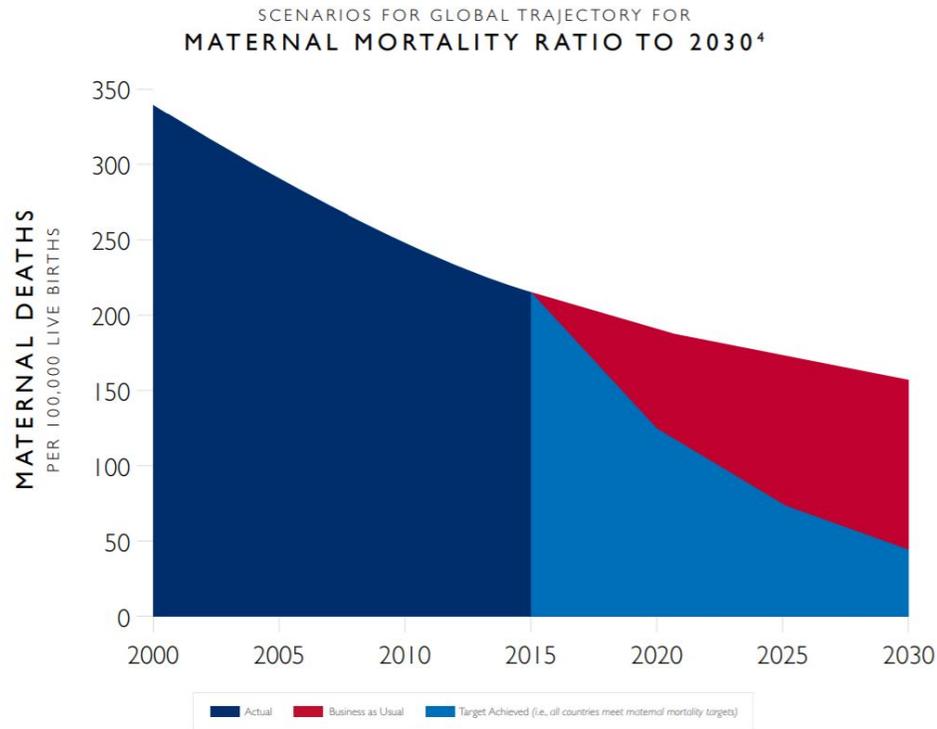


Strengthen Cross-cutting Enablers

- ✓ Digital health
- ✓ Public goods
- ✓ Partnerships
- ✓ Human-centered design

Learn more about our work using these approaches in [CII's 2020 Impact Brief](#) and on our [website](#)

Despite progress, the global health community is far from achieving the health SDGs...even before COVID-19



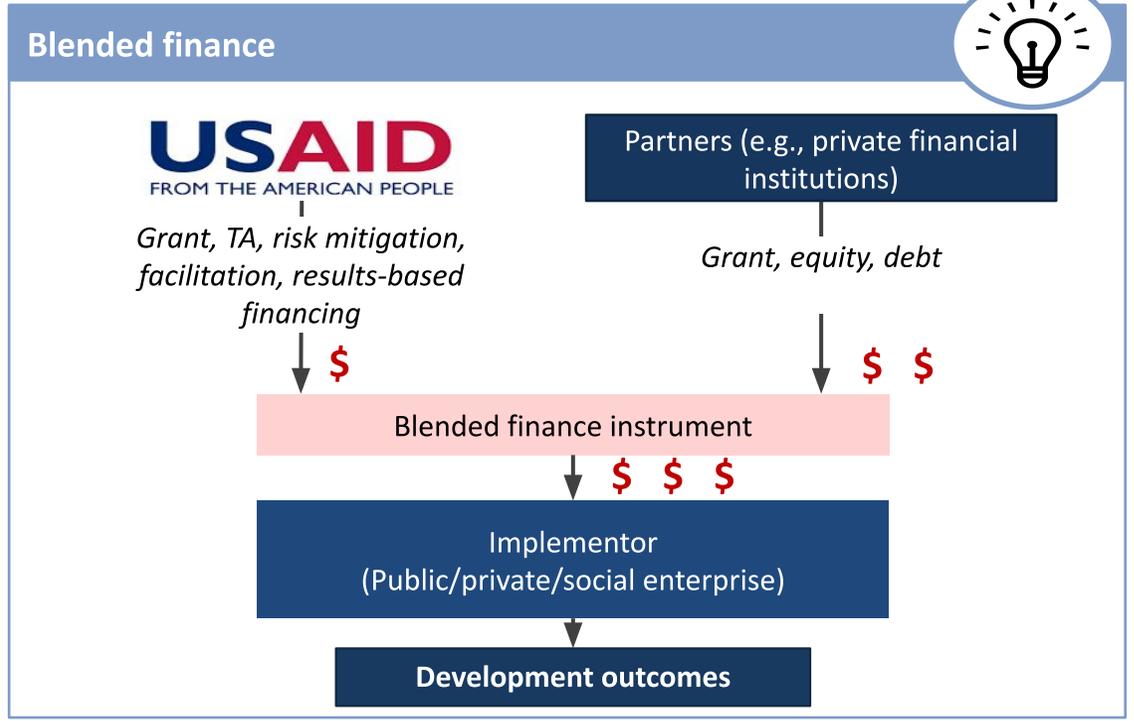
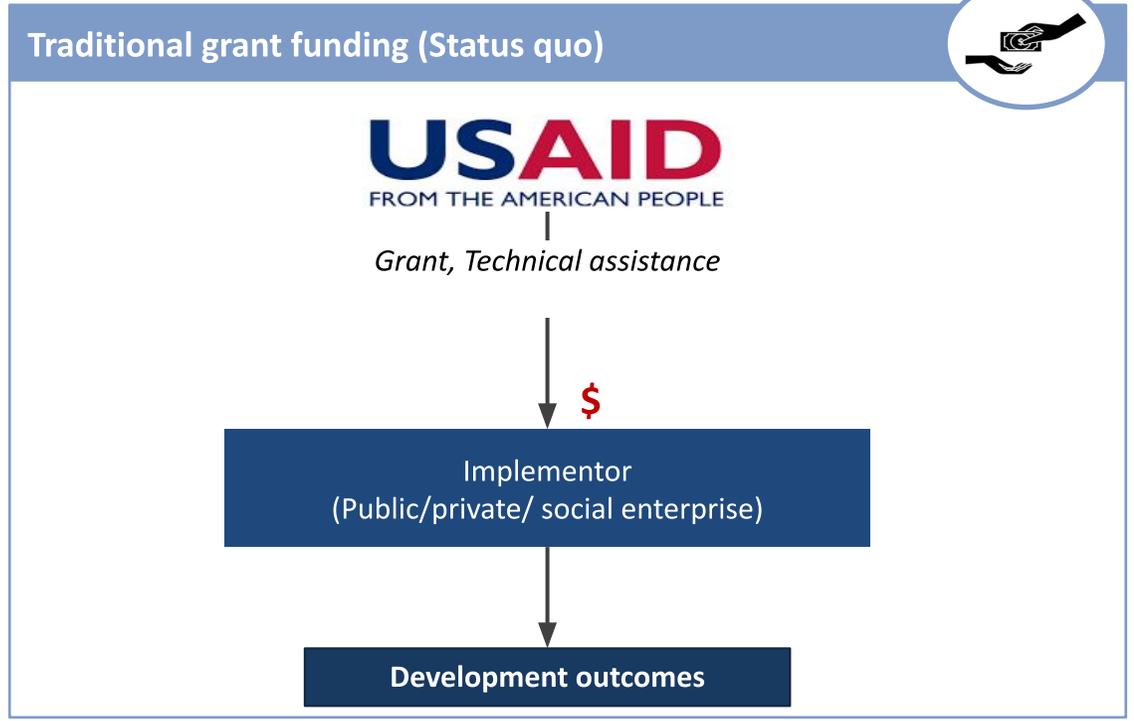
Need new innovation and market access to achieve global health targets

With plateauing donor aid, annual health financing gap to grow 3x by 2030. Need new investment in global health innovation

Blended finance can contribute to bridging these funding gaps by engaging the private sector

What is blended finance? Blended finance is the strategic use of public or philanthropic resources to mobilize new *private capital* for development outcomes. Blended finance helps overcome barriers impeding private capital from flowing into developing country markets.

In global health, private capital could come from new funding or in-kind investments from banks, impact investors, high net-worth individuals, pharmaceutical or medical technology companies, healthcare providers, equipment leasing firms, distribution companies, or other private actors.



Note: 'Innovative finance', is a broader term, and refers to "approaches to mobilize resources and to increase the effectiveness and efficiency of financial flows that address global social and environmental challenges.", while blended finance is a subset of innovative finance. For more details, please refer to the [2017 USAID Investing for Impact Report](#).

USAID brings a unique combination of 5 advantages to support blended finance transactions in health

Advantage	Description
1 Grant capital and credit guarantee authorities 	Extensive experience in deploying grant capital as the largest donor in global health and implementing DCA guarantees across sectors and countries
2 Technical and programmatic expertise in global health 	Wide-ranging experience in identifying health challenges and implementing interventions across health areas
3 Convening power and credibility 	Expertise in crafting multi-stakeholder arrangements, with a track record of partnering across the private, public, NGO and FBO sectors
4 Country presence and relationships 	Mission presence in 60+ countries with specific local knowledge, networks, and stakeholder relationships
5 Ability to influence and accelerate policy 	As an official US government agency, able to support policy or regulatory advances to attract private investments as well as ensure appropriate governance and monitoring of transactions



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Greater than the
Sum of its Parts:

*Blended Finance Roadmap
for Global Health*

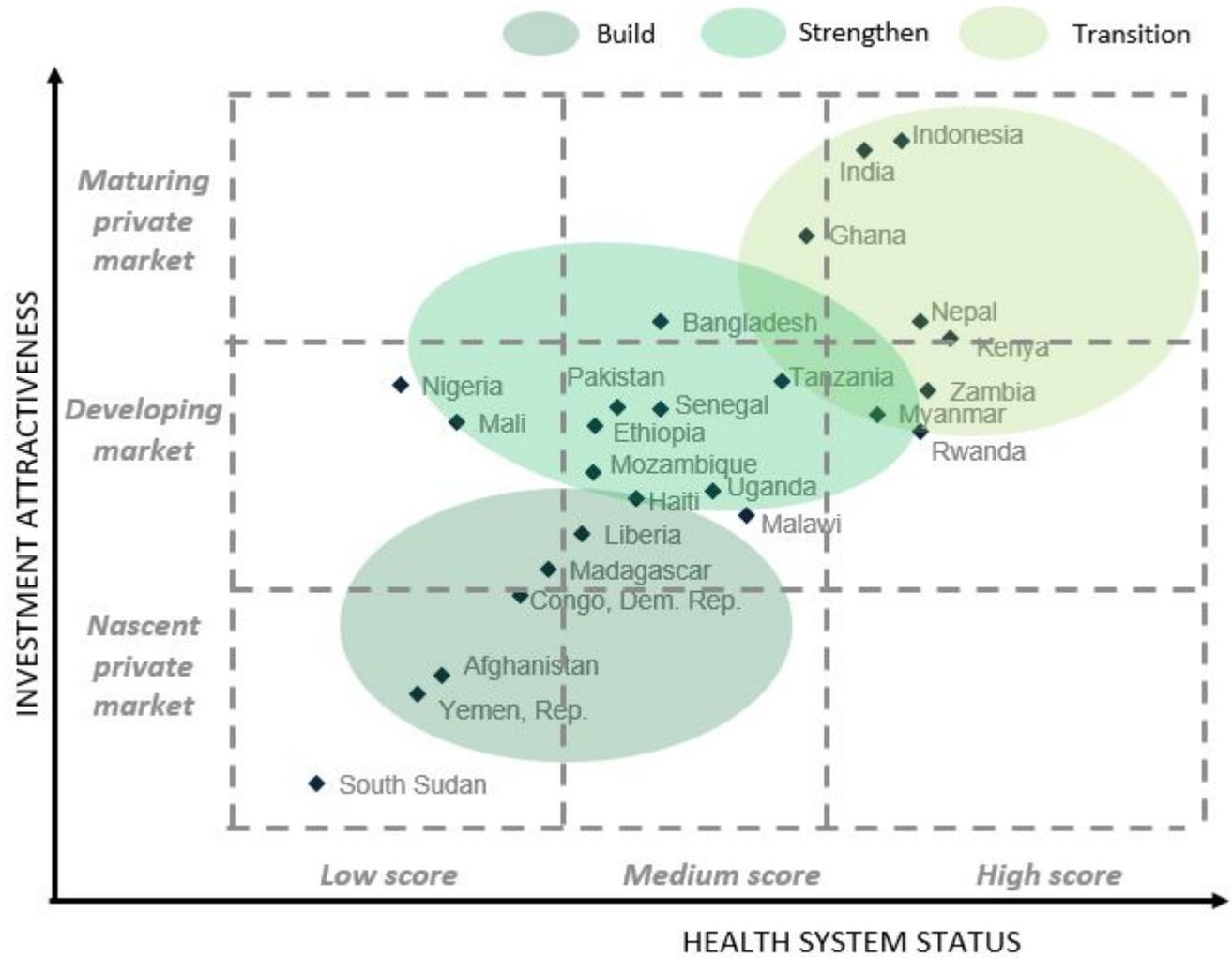


From CII's Investing for Impact Series

Read it [here](#)

Archetypes suggest different blended finance approaches for USAID's 25 PCMD countries

USAID's PCMD countries mapped across 3 blended finance archetypes



Build: Countries with basic financing systems. Difficult to deploy blended finance instruments but can support market development by strengthening the enabling environment.

Strengthen: Countries with growing private markets. Can implement basic blended finance transactions to demonstrate the opportunity for investment to improve health outcomes.

Transition: Countries with stronger financing systems that can support more complex blended finance transactions to improve health outcomes.

Note: This exercise has been performed using publicly available data sources. Please see [slide 71](#) in the annex for details.

Different archetypes suggest different modes of deploying capital across a range of financial instruments

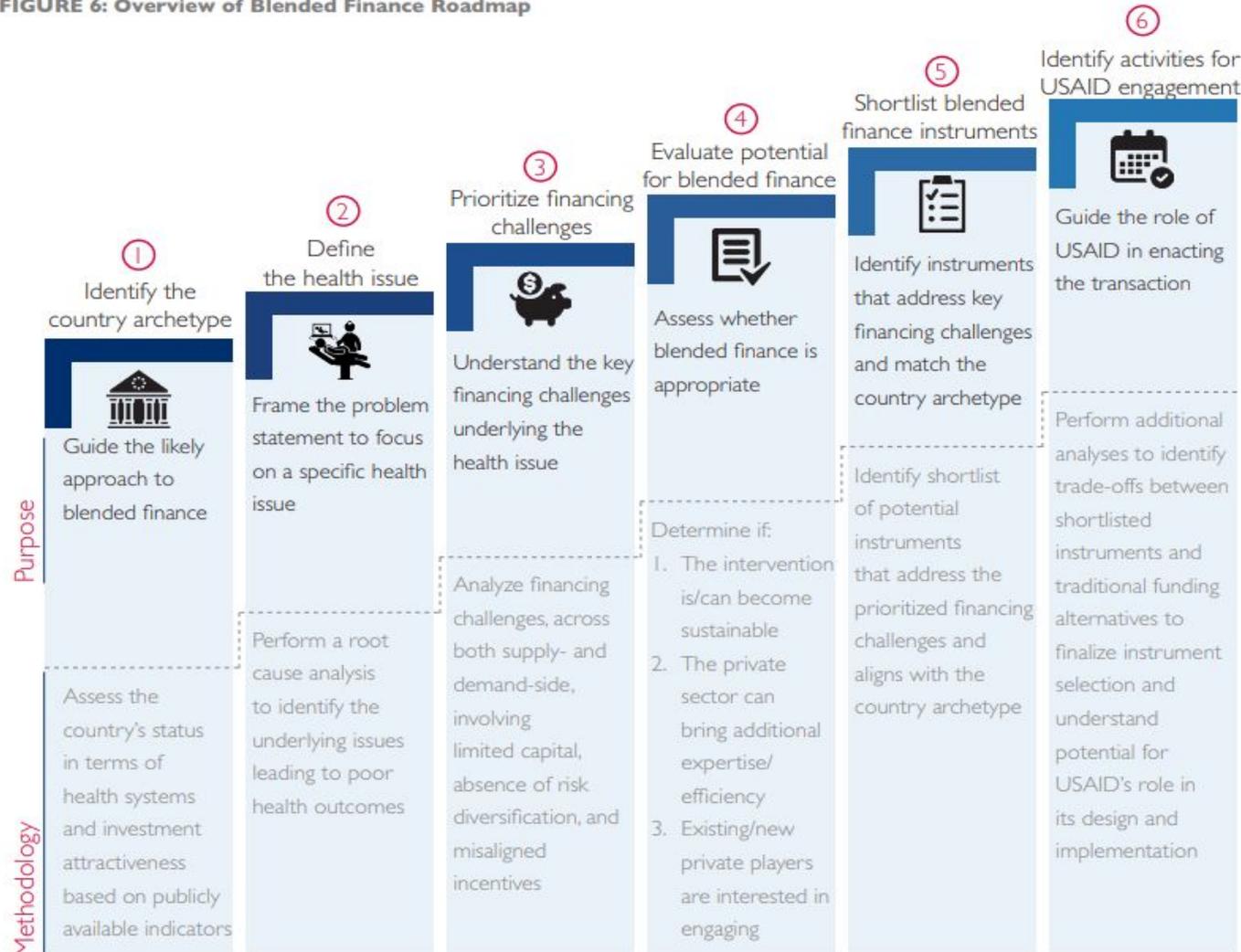
- The table provides an illustration of how a Mission could seek to deploy a sub-set of blended finance instruments in a given archetype
- Subnational situations may differ significantly from the country's overall status, and as a result, specific regions within one country may not align with the country's archetype
- While the instruments are placed according to the most-suited archetype, this is only directional and can be used across the spectrum

Illustrative subset of blended finance instruments and USAID's potential role across country archetypes

	<i>Build</i>	<i>Strengthen</i>	<i>Transition</i>
	Grant Capital Provide grant for developing proof of concept for health product/service idea	Seed capital Provide grant for developing a prototype with potential for substantial impact	Impact funds Provide grant for structuring the fund and/or initial capital to attract investors
	DCA support Use a DCA guarantee to encourage local lending to private health enterprises	SME debt Provide TA to local banks to set up a credit rating facility for health SMEs	Debt buy-down Use grant to partially re-pay a loan contingent on achieving health milestones
	Milestone-based payments Provide grant to a service provider if input milestones achieved	Pay-for-success mechanisms Provide grant to a service provider if output milestones achieved	Impact bonds Act as outcomes funder by using grant to pay for achievement of health impact milestones

We developed a roadmap—a six-step process—to help USAID identify blended finance opportunities to achieve its health goals

FIGURE 6: Overview of Blended Finance Roadmap



From health issue to health impact: A summary of the three deep-dives

	Healthcare issue	Financing challenge	Blended finance transaction	Output	Outcome	Impact
 India	Catastrophic expenditure for TB patients	<ul style="list-style-type: none"> - Limited patient savings for out-of-pocket payments - High potential for loan default - Limited access by MFIs to bank lending to fund health loans 	Pooled debt fund which would provide credit to MFIs + DCA with TA to help them understand the market	<ul style="list-style-type: none"> - # of patients provided health loans - Total value of loan disbursed 	# of patients who completed the treatment regime without dropping out to return to work	<ul style="list-style-type: none"> Lower TB-linked morbidity and higher cure rates Reduced TB relapse rates Decreased MDR-TB burden
 Tanzania	Inability of FBO facilities to provide timely, uninterrupted healthcare services	<ul style="list-style-type: none"> - Shortage of working capital faced by FBOs - Limited access to loans from banks due to lack of collateral, high perceived risk 	Creation of revolving fund within a diocese to provide working capital loans to facilities	<ul style="list-style-type: none"> - % of all health facilities taking loans - % of health facilities with stock out of essential medicines 	Uninterrupted service delivery at health facilities	Improved RMNCH, TB, HIV indicators
 Liberia	Limited patient ability to pay for healthcare services	<ul style="list-style-type: none"> - Limited patient savings for out-of-pocket payments - Low revenue for facilities from low income patients - Poor linkage of grants to health outcomes of low income patients 	Creation of insurance scheme with donor co-pay (linked to treatment adherence)	<ul style="list-style-type: none"> - # of pregnant women provided with healthcare services - # of pregnant women paying premium timely 	<ul style="list-style-type: none"> - # of women attending antenatal care visits - # of women attending postnatal visits 	Improved MMR, NMR

NOTE: Please see USAID's [theory of change](#) page for more details

Open Doors African Private Healthcare Initiative

01.21.2021

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FROM THE AMERICAN PEOPLE



COVID-19 is a **dual crisis** for African private SME healthcare providers

PUBLIC HEALTH CRISIS

- 50% of SSA relies on private healthcare providers
- Cases of COVID-19 will lead to an additional 3.6M to 5.5M hospitalizations in the AFRO region
- Continued lockdowns could lead to disruption of critical essential services and significant additional cases:
 - 769K deaths from malaria
 - 1.2M child and maternal deaths
 - 20 years of progress lost

FINANCIAL CRISIS

- Revenues of private facilities have dropped by 40% since March 2020
- Government lockdowns have disrupted cash flow by requiring healthcare facilities to defer elective procedures and regular outpatient health care services
- Patients are concerned about visiting medical facilities
- Commercial banks are tightening already strict lending criteria for SMEs
- SMEs are the “**missing middle**”: too large for microfinance and too small for commercial lending

To respond to the critical need, we developed a structured finance solution that addresses the impact of the COVID-19 pandemic now.

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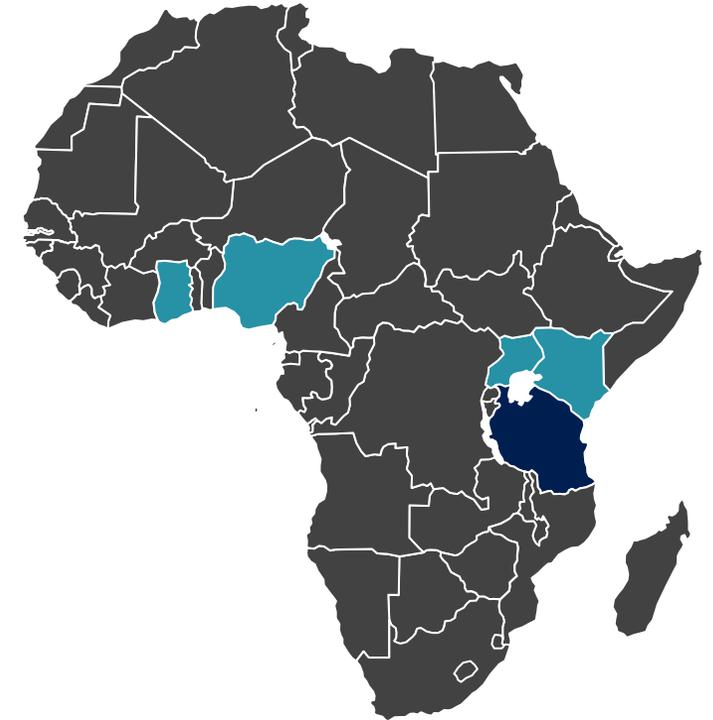


Open Doors Africa Private Healthcare Initiative (ODAPHI): Investing to **stabilize** clinics during COVID-19

PMI, with support from USAID's Center for Innovation & Impact (CII), partnered with the Development Finance Corporation (DFC) and the Health Finance Coalition (HFC) to mobilize a ~\$20 million loan guarantee to **unlock up to \$35.5 million** from the Medical Credit Fund (MCF) in **working capital loans for health SMEs** in **Ghana, Kenya, Nigeria, Tanzania, and Uganda**.

The HFC is a new coalition of leading philanthropists dedicated to blended finance for global health and includes Malaria No More, Rockefeller Foundation, Skoll Foundation, and MCJ Amelior Foundation.

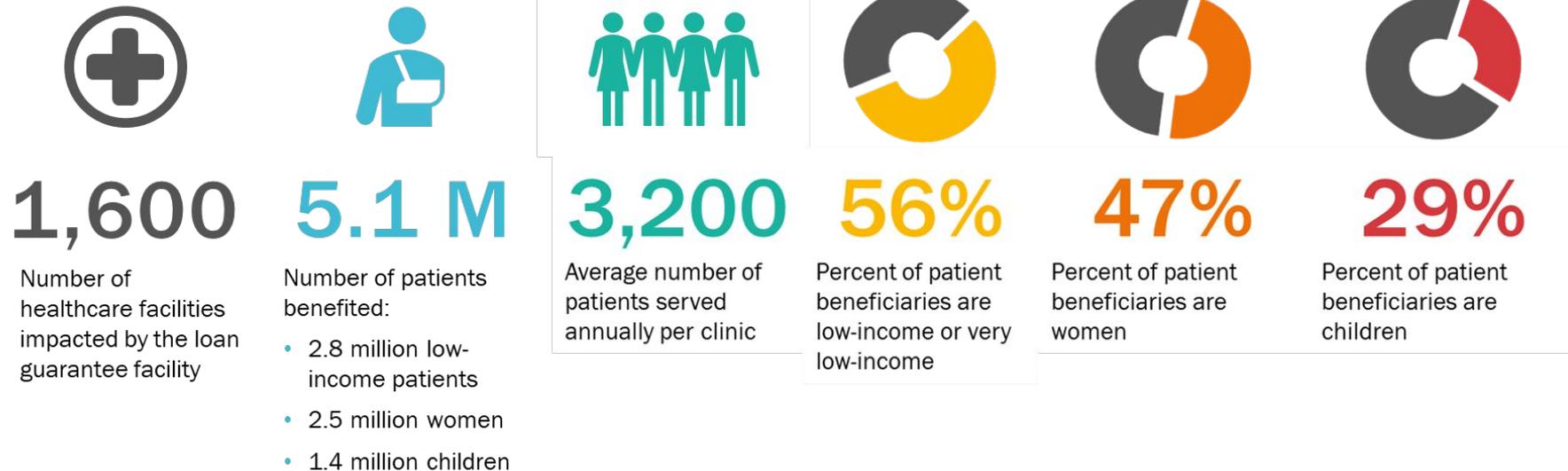
This financing will enable SME healthcare providers to stabilize operations, procure PPE or other equipment, and continue providing essential health services – including Malaria diagnosis & treatment. These loans will be paired with digital training resources from SafeCare on COVID-19 and Malaria.



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ODAPHI has the potential to reach 1600 healthcare facilities and over 5 million patients



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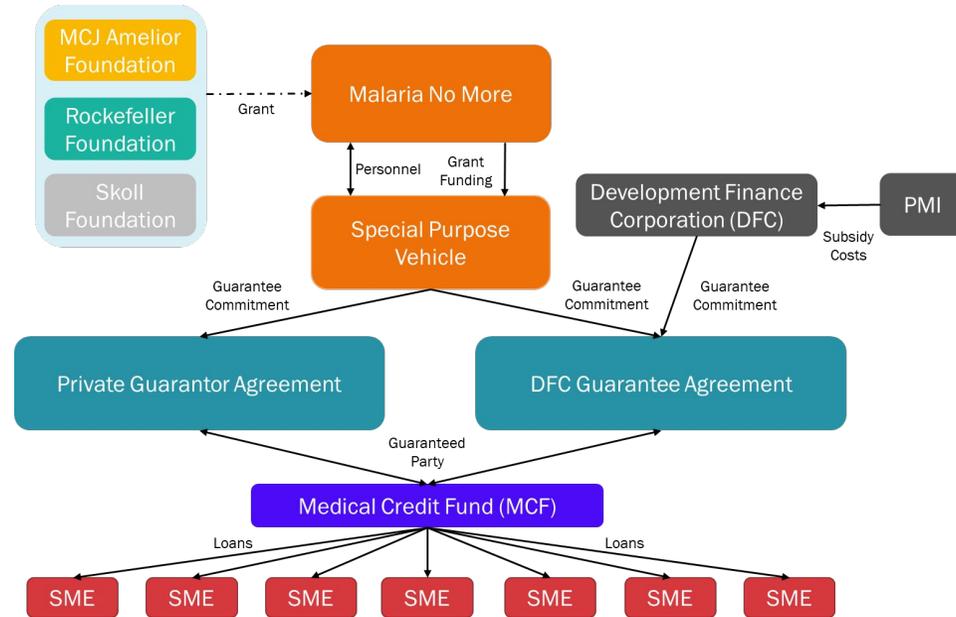
ODAPHI investment structure

PMI's catalytic investment of \$700K, along with a 2:1 matching investment of \$1.5M from Rockefeller Foundation, Skoll Foundation, and MCJ Amelior Foundation, leverages a ~\$20M loan guarantee from the DFC, that can unlock over \$35M in working capital loans from MCF.

These working capital loans will average \$17K per health facility and will enable them to continue providing essential health services during the COVID-19 pandemic.

Health SMEs can apply for loans through the Medical Credit Fund (www.medicalcreditfund.org)

PMI & USAID's CII will continue to stay engaged throughout the life of this investment for 3 years



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Development of the Blended Finance Roadmap for Global Health



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USAID INVEST: A Global PSE Finance Mechanism with a Health Portfolio



\$167 million buy-in ceiling



\$20.3 million of budget totals are from health & COVID-19 response buy-ins



\$17.5 million of budget totals from COVID-19 response buy-ins



55 Buy-Ins from 38 USAID MBIOs



19 Buy-Ins are health and COVID-19 response buy-ins



13 Buy-Ins are COVID-19 response specific



64 countries of INVEST implementation



26 countries implementing health and COVID-19 response efforts



Afghanistan COVID-19 Response

Promoting Investment and Trade

- \$15 million, multi-phased, 4 year buy-in, building business to-business linkages between Afghanistan and foreign investors and partners
- Sector-specific transaction advisors and firms supporting transactions in civil aviation/airport services, mining, marble, finance, carpets, gems, jewelry, and more

Covid-19 Context

- Underreporting has led to premature business re-openings
 - MoH survey found 10 million people - 1/3 of the population – had COVID-19 but only 55K are registered confirmed cases
- Products available in country lack safe and effective ingredients to kill COVID-19 causing germs and bacteria
- Local cost of hand sanitizer and cleaning products prohibitively high
- Solutions must be local, and Mission wants to avoid direct investment



Afghanistan COVID-19 Response

Sustaining Earlier Mission Investments

- Provide targeted technical assistance to Afghan business associations to ensure local firms communicate and understand COVID-19 safe practices for employees, supply chain, and consumers

Maximizing Growth of Current Investments

- Post-investment technical assistance – working with a local, green firm in renewable solar-powered cold storage units to mitigate impact of post harvest loss

Positioning for Future Investments

- Identify, strengthen, and market SMEs to compete in local PPE markets and access finance and investment opportunities
 - Disinfectant products and hand sanitizer partnerships

Finance Solutions for the Sustainability of CBOs in Vietnam

Role of CBOs

- Providers of important health services for persons living with HIV/AIDS
- PEPFAR funded since the 1990s
- Most CBOs were founded by key populations (KPs) themselves and are a trusted resource, particularly for more vulnerable KPs such as sex workers and people who inject drugs

Why Blended Finance for CBOs?

- Funding to date has come mostly from donors and the public sector
- To ensure financial sustainability after PEPFAR and other funding ends
- To access new sources of income that enable CBOs to continue providing quality services and help Vietnam meet the UNAIDS goal to end AIDS by 2030

Theory of Change: *If CBOs can diversify their income streams and business models, then they can become more responsive and sustainable enterprises that provide quality care to patients and communities.*



Finance Solutions for the Sustainability of CBOs in Vietnam

INVEST's Activity

- Supports USAID/Vietnam in modifying its technical assistance model to address systemic challenges in financing the health sector and increase local ownership

Market-Based Assessment

- Activity: Organizational assessment of 63 CBOs and social enterprises; consumer survey; investment readiness analysis
- Expected outcomes: Identification of private sector investment opportunities and shortlist of 15-20 CBOs to recommend for an Innovation Pilot Fund and Technical Assistance Fund



INVEST and Global Health



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Blended Finance at USAID/Tanzania



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Blended Finance Solutions – Tanzania Faith Based Hospital Network

Problem

- GoT ending service level agreements with CSSC hospitals
- GoT directly competing with CSSC hospitals by building new public hospitals-- often in same vicinity as CSSC hospital

Potential Risks

- Financial pressure on CSSC hospitals, which currently represent more than 40% of all operating hospitals in the country
- Existing GoT hospital network is already understaffed, poorly maintained, and dependent on donor support

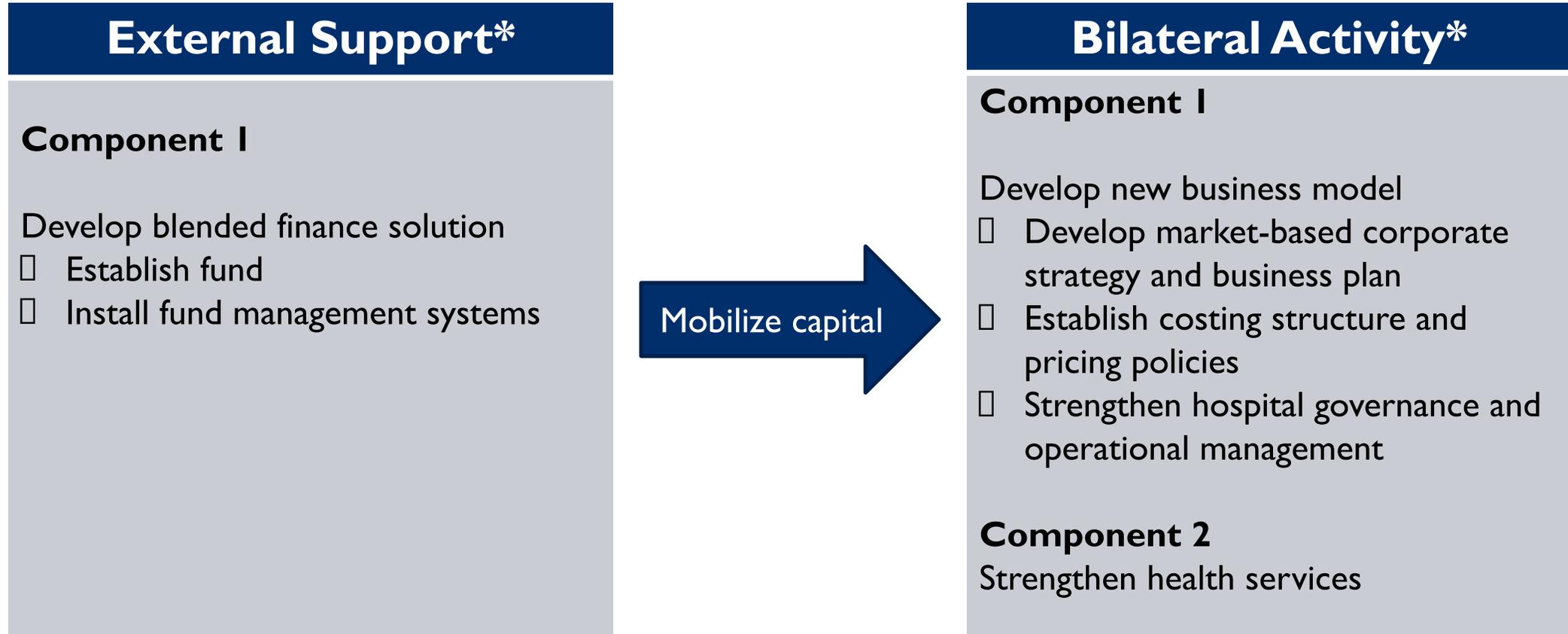
Solution

- Establish a new CSSC business model using a market-based revenue mix
- Source capital to upgrade facilities and services to compete with public facilities

Blended finance can stimulate a chain of positive reinforcing effects:

- A major bank successfully utilized a \$2.8 DCA facility; a \$8.1M DCA being negotiated
- A leading medical equipment company and the bank entered into a buy-back agreement
- Other banks now showing interest

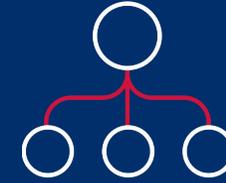
Blended Finance Solutions – Tanzania Faith Based Hospital Network



*External Support provided through Center for Innovation & Impact and from INVEST

*Pamoja Tuwekeze Afya “Together Let’s Invest in Health”

Q&A



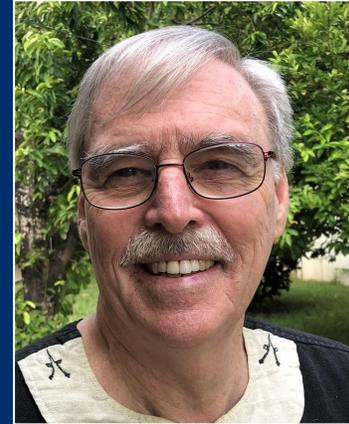
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LEARN MORE

Visit our Finance Wiki on Marketlinks

<https://www.marketlinks.org/finance-wiki/finance-wiki>

More Materials:

[Greater Than the Sum of its Parts: Blended Finance Roadmap for Global Health](#)

[CII's Innovative Finance for Global Health e-course](#)

BEFORE YOU GO!



Please take a moment to answer the poll questions