Accelerator Discussion Frame

Accelerator 1. Sustainable Financing

Why is an accelerator on sustainable financing needed?

One of the most effective ways to reach the SDG3 targets is to rapidly improve the generation, allocation, and use of funds for health. Business as usual will not achieve universal health coverage (UHC) or the broader set of SDG3 targets. The global health agencies will work together to assist countries in building their capacity to raise adequate and sustainable revenue through pro-poor and pro-health fiscal policies, give more priority to health, improve the efficiency and equity of health spending, and ensure that critical public goods such as epidemic and pandemic preparedness are adequately funded. At the same time, the participating agencies will work to better align Development Assistance for Health (DAH) with national priorities, use it to leverage more funds for health and shape the quality of domestic resources, ultimately increasing the impact of DAH on people’s lives.

The accelerator will help to:

- **Increase public funding for health.** Current funding levels for health in low-income countries (LICs) and lower middle-income countries (LMICs) are insufficient to ensure sustained progress towards the objective that all people receive the health services they need, in line with SDG3. While health funding increased substantially during the MDG era, driven largely by economic growth in LICs and LMICs and a rapid increase in DAH, domestic resource mobilization (DRM) is moving too slowly. Fiscal capacity in many LIC and LMIC governments has not improved sufficiently, while levels of DAH have stagnated since the 2008 global financial crisis.

- **Increase the prioritization of health within budgets at national and subnational levels.** In many LICs and LMICs, governments continue to give relatively low priority to health in allocating available domestic resources and allocate to the wrong things. Since 2000, there has been a decline in the prioritization of health from domestic public revenues, while LICs as a group have increased their reliance on DAH.

- **Harmonize DAH, align it with national priorities, leverage more funding and increase its impact.** DAH continues to supplement domestic resources but at times remains fragmented and not optimally coordinated at country level. Too often, a proliferation of

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multiple donor programs imposes high transaction costs on countries. Donors are missing critical opportunities to increase its impact by focusing jointly on key priority objectives, using different combinations of funding instruments or supporting DRM. External flows have sometimes been substituted for domestic resources and have done little to encourage increased capacity for health financing or DRM in a coordinated way. Instead, individual donor agencies and disease-specific advocates have often approached ministries of finance (MOFs) to lobby for funding to support a particular health issue.

- **Improve the efficiency and equity of health spending.** Sustainable financing for SDG3 requires not only raising more revenues, but also spending them more efficiently and equitably. About 20-40% of health spending worldwide is misallocated or wasted, and reducing this requires spending on the right things, spending in the right places and spending it right. Inequitable spending places a massive financial burden on the poor, with 100 million people worldwide forced into extreme poverty each year due to out-of-pocket medical expenses.

- **Ensure adequate funding for pandemic and emergency response.** Donors and governments of LICs and MICs need more incentive to invest in “common goods” such as epidemic and pandemic preparedness, research and development, and population-based health education. The sustainable financing accelerator will focus particularly on financing for pandemic and emergency response to avoid draining funding for other health-related activities.

**What principles should govern our approach to accelerating sustainable financing for SDG3?**

Building on recent experience, both successes and failures, a number of principles will maximize the chances that the accelerator can rapidly increase available funds for health and improve the efficiency and equity of their use:

- The proposed activities must be advanced quickly and jointly
- Countries must lead the process, setting the agenda on sustainable financing. The main discussions between external partners must be at country level and should include civil society
- The multilateral agencies involved in the accelerator should support countries to engage with other key development partners (e.g. bilateral financing agencies and foundations) in support of the agenda. Alignment between multilateral and bilateral agencies will be critical

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• Regular and collaborative involvement of multilateral health agencies is required to support the MOH to dialogue with the MOF, the macro-fiscal parts of the development banks, and the IMF on DRM and PFM improvements
• Efforts should build on existing networks for collaboration and coordination at country and global levels, making sure that the benefits of the ongoing initiatives will be more than the sum of the parts
• Improved global advocacy is needed for fiscal actions that will help countries improve health and raise more domestic revenues. Examples include taxes on products harmful to health (especially cigarettes, alcohol, and sugar) and global action against tax avoidance

What do we need to accelerate sustainable financing for SDG3?

The accelerator comprises six primary activities, called accelerator drivers, and a set of supporting activities to make the drivers work, described in the next section. The drivers are the set of activities that can rapidly increase the amount, sustainability and quality of funds for health and ensure they are used well.

Accelerator drivers

• **Intensified advocacy for generating demand for increased domestic spending on health.** This includes scaling up joint support to country advocacy for increased DRM and health spending and increased global advocacy in support. This will build domestic demand for investment in the health and the social sectors more generally and generate increased understanding and buy-in from the MOF and its external partners (such as IMF) on the case for raising more revenue and investing more in health. There are two components:
  - Scaled up joint support to country advocacy for health spending, such as People’s Health Forums, National Health Assemblies, scorecards.
  - Advocacy with external partners of the MOF for greater consideration of health risks in the development of macroeconomic policy – e.g. in Article IV consultations between countries and the IMF. This advocacy will take place at national and global levels: for example international forums, such as at the UN, the WHA, and the World Bank annual meetings offer the opportunity for dialogue with key country decision makers as a group and individually.

• **Enhanced support to accelerated fiscal reforms.** This requires building joint support for regular dialogue between the MOH, the MOF, the IMF, and the macro-fiscal arms of...
development banks on fiscal reforms that are required to raise more funds and to give priority to health. This is a technical dialogue, complements the advocacy of driver 1. Such dialogue will build on the Addis Ababa Action Agenda and on regional networks that bring together MOF officials working on health with their counterparts in the MOH. It will be accompanied by supporting activities mentioned in the next section on accelerator supporting actions, including joint support to the development of national financing strategies, technical support to the development of investment cases and capacity building.

- **Enhanced support for countries to increase efficiency of health spending.** Technical and policy support will help countries identify their major sources of inefficiency, which ones can be addressed by health financing policy levers, and then support the development and implementation of policies to improve efficiency. The participating health agencies will also facilitate methods of monitoring and evaluation of progress where appropriate. The focus will be on all areas of inefficiency: the questions of doing the right things, in the right places, and doing them right. The external partners will fund and provide technical support to countries on efficiency reforms.

- **Enhanced support for countries to improve Public Financial Management (PFM) in the health sector.** Strengthening PFM can facilitate higher and more predictable budget allocations, increase efficiency by better matching available resources with national priorities and needs, and reduce fragmentation in revenue streams and funding flows. It can facilitate timely and transparent budget execution and increase overall financial accountability by strengthening accounting and audit systems. PFM strengthening applies to processes across all levels of government as well as frontline providers. The global health partners will support this financially, and with technical support and capacity building where appropriate (see next section).

- **Increased deployment of joint financing mechanisms.** Hybrid financing instruments, including loan buy-downs, will be expanded as appropriate to leverage substantial increases in the availability of external funds for health. Parallel and pooled funding, such as multi-donor trust funds, will be expanded to guarantee a critical mass of financial support to key country priorities. At the same time, the external financial partners will be working with the countries on DRM so that external resources complement rather than replace domestic resources.

- **Increased deployment of innovative financing approaches.** The agencies will support countries to explore which innovative mechanisms used globally for raising DAH are applicable at country level. Examples of such global level mechanisms include the
International Finance Facility for Immunisation (IFFIm), which uses donor pledges to issue vaccine bonds on the capital markets, or the Vaccine Independence Initiative (VII) revolving fund, which provides credit to countries to buy vaccines. Adaptation to country level requires exploring how such mechanisms might be transformed in a way that seeks to establish integrated funding channels. The agencies will also continue to work on innovative approaches at the global level.

What will we do differently to make this happen?

There are six critical supporting activities that Global Health Organizations must do to ensure that the drivers succeed. They involve either scaling up what is already being done or doing things differently:

- **Strengthen more rapidly domestic capacity for the formulation, implementation, and monitoring of health financing policies.** Countries frequently have limited capacity to develop and implement health financing strategies and PFM reforms. The MOH also is rarely equipped to have an informed dialogue with the MOF and its external partners, including on what additional resources are necessary and how they will be used. The participating health agencies will strengthen their collaboration on ways to build the necessary capacities and institutions at country level, including through clarifying roles and responsibilities and reducing overlapping activities.

- **Strengthen coordination between external partners to intensify technical support to countries on sustainable financing.** This requires a more coordinated approach to support governments to develop and implement health financing strategies, involving for example: developing a common perspective on where the needs/gaps are, clarifying roles, clearly defining how to deal with specific issues like how to include ARVs within integrated benefit packages managed by national health purchasing agencies, linking co-financing requirements to overall DRM capacities and policies. In addition, the global health agencies are not the only financiers of health or providers of technical support to countries. Bilateral agencies and foundations are also active, so this activity will also require intensified dialogue about the accelerator with other key players in each country, supported by global or regional level dialogue.

- **Streamline mechanisms for joint financing arrangements to reduce transaction costs.** Options include joint audit arrangements for pooled financing or buy-downs, or combining country-level finance and governance platforms that exist separately for different donors.

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• **Explore innovations in the private sector that might allow more rapid progress in financing needed health services.** One example of such an innovation is providing guarantees to incentivize more private sector investment for hard-to-reach populations. In addition, the potential of digital or mobile technologies to facilitate payment for results, reduce resource leakages and corruption, or generate real-time financial performance data will be explored. Concurrently, support governments to strengthen public policy towards private health financing to increase the likelihood that it plays a complementary role rather than contributing to fragmentation, inefficiency, and inequity.

• **Adopt a consistent and concerted approach to financing for pandemic preparedness and other health emergencies.** This approach should include ways to leverage both DAH and domestic finance for such preparedness and to agree how post-Joint External Evaluation action plans for health security fit with broader health financing strategies. Instead of LIC and LMIC governments having to divert a large proportion of their budgets into a contingency fund that they may never use, one alternative might be to use a global insurance-type mechanism. MOFs would pay a regular “insurance premium” that does not have to be considered in the health budget.

• **Actively pursue a shared learning agenda.** This will support all the accelerator drivers, and could include:
  o Compiling and working from a common set of data, e.g. agreeing on the costs required to scale up health interventions and services in particular settings
  o Developing a joint country/development partner agenda for value for money, including through identifying best sector and multi-sector buys (MOHs and external partners should advocate for these best buys as a way of reaching SDG3 more quickly and helping other sectors reach their SDG goals)
  o Developing a consistent approach to transition financing across partner agencies, including approaches to planning and budgeting for transition
  o Re-visiting the current aspirational targets for government spending on health (e.g. spending 15% of general government expenditures or spending 5% of GDP on health) to examine their logic, value, and feasibility, and the value of such targets for increasing DRM and priority to health
  o Mapping of the human capital index to SDG3 indicators
  o Establishing action groups to develop and launch priority innovative finance mechanisms (e.g. on malaria elimination bonds, pandemic contingency funding)

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What difference will this accelerator make?

The collective efforts of countries and global health partners on the sustainable financing accelerator will result in:

- Increased and sustainable domestic resource mobilization for health, whether from fiscal reforms to raise more public funds and/or from giving greater priority to health in budgets with spending on the right things. Depending on the country, this will be observed at the sub-national as well as national levels.
- Improved efficiency in the way resources are raised, pooled and used, including through better prioritization of key interventions within health budgets, partly linked to improved PFM.
- Increased equity in the way resources are raised, pooled and used.
- Increased collaboration between global financing agencies, and with countries, to ensure a critical mass of DAH on key country priorities, harmonization with country priorities, and development of sustainable financing strategies that include policies for improved efficiency and equity. Where countries will enter transition, this would also include collaboration with the country on its overall health financing transition strategy.
- Increased capacity at country level for the development, implementation and monitoring of health financing strategies and PFM.
- More coordinated global advocacy/action around issues that support sustainable financing – for example, on public health-related taxes (sub-regional harmonization of tobacco or SSB taxes, e.g. for the East African Community), tax avoidance.

Framing questions for consultation

The accelerator document describes how the multilateral agencies can support countries to accelerate progress on sustainable financing. It lays out the key drivers that are involved. But to bring it to fruition, countries need to take the lead in identifying which areas of the sustainable financing accelerator are the most important to them (recognizing that these areas will differ by countries), what steps the need to take to move ahead, who are the key stakeholders who need to be involved, and what support they might need from regional or global networks.

Based on this, the broader consultation would seek input on the following questions:

- Do the accelerator drivers address the key obstacles countries face in moving more rapidly towards sustainable health financing?
- What do countries see as the main ways in which global and regional networks can support them?
- What are the next steps and who needs to be involved in each proposed step?

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