



**World Health
Organization**

WHO Centre for Health Development (Kobe)

Innovative Financing Solutions for Health Promotion

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Outline

- Financing for Health Promotion
- What is Innovative Financing?
 - Key Characteristics
- National innovative financing mechanisms
- International innovative financing mechanisms
- Lessons
- Example of the Solidarity Tobacco Contribution concept
- Priorities for the future

FINANCING FOR HEALTH PROMOTION

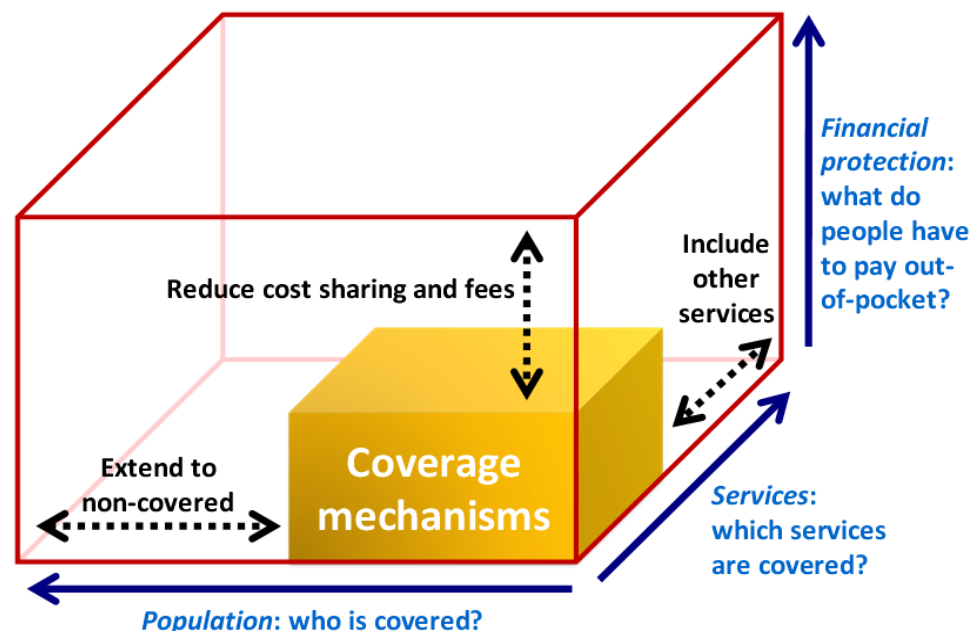
Financing for Health Promotion

- Health promotion = Wide diversity of programmes and needs
 - HiAP? ISA? SDH?
 - Disease specific: health promotion and disease prevention?
 - Health sector; Universal health coverage?
 - Other sector-specific?
 - By setting?
- Rationalizing the needs and managing competition
- Limited resources
- Prioritization + synergy
- Managing multiple funding sources
- Must ensure equity

In the context of universal health coverage

- Current increased attention on universal coverage has created some kind of momentum and platform for developing national health financing systems
- Services = **promotion, prevention**, treatment, rehabilitative, palliation
- Who? Everyone!
- Financing models

Towards universal coverage



WHAT IS INNOVATIVE FINANCING?

What is innovative financing?

- Innovative sources and mechanisms of funding are **non-traditional** modes of financing (i.e. beyond ODA and Government budget) -- complementarity
- Innovative funding includes resources from **internal, external, private** or **public** sources
- Innovative funding can be mobilized through **financial mechanisms and instruments**

Characteristics/Criteria (1)

- Additional
- Complementarity
- Sustainable
- Predictable
- Transparent
- Stable
- Pooled
- Country and community ownership
- Based on strong political leadership
 - Aim to:
 - **Increase** resources availability
 - **Diversify** the resource base
 - **Complement** traditional funding
 - **Maximise** the impact of ODA

Characteristics (2)

- **Preferential support for certain health issues**
 - MDGs 4, 5, 6 (GFATM, Product Red,
 - Immunization (GAVI, IFFim, AMC)

BUT...

 - Climate change (Emission Trading)
 - Environment (GEF)
 - Education
 - General revenue/development (FTT, tobacco taxation)
- **Emerging issues:**
 - NCDs
 - Promotion and prevention agendas of UHC
 - Climate change and health
 - **Funding for multi-sectoral initiatives for health**

NATIONAL INNOVATIVE FINANCING SOLUTIONS

National Examples – World Health Report

■ Indirect taxes

- Ghana funded its national health insurance partly by increasing the value-added tax (VAT) by 2.5%

■ "Sin" taxes on tobacco and alcohol

- A 50% increase in tobacco tax alone would yield an additional US\$ 1.42 billion for just 22 low income countries for which sufficient data exists. Twice current external aid for health
- Could increase government health budget by up to 25%
- Increase of **40% in alcohol excise tax** in 12 LIC: reduce consumption by 10% and increase tax revenue three times = 38% of total health spending (where informal market significant)

■ Excise tax on unhealthy food (sugar, salt)

- Excise tax on unhealthy foodstuffs and ingredients.
- Romania is proposing to implement a 20% levy on foods high in fat, salt, additives and sugar. Could reduce consumption of harmful foods and improve health

■ Currency transaction levy

- Seen as feasible in many countries, e.g. India could raise US\$ 370 million per year from a very small levy (0.005%)

■ Solidarity levies

- Gabon raised US\$ 30 million for health in 2009 partly by imposing a 1.5% levy on financial transactions abroad
- Mobile phone levies

National Efforts -- NCD

- **ThaiHealth Promotion Foundation**
 - Receives 2% of total National tax revenue on alcohol and tobacco products
 - Mongolia, VicHealth, Health Promotion Switzerland, Austria HP Fdn
 - Co-financing impact
- **Egypt Tobacco Tax increase**
 - At least a third of additional revenues to fund National Health Insurance
- **Greece Tobacco Tax and Lottery Funds for Health**
 - Since 1985, use part of funds for health
- **WHO & WHO Framework Convention on Tobacco Control**
 - Driver to increase taxes to 70% of retail price
 - World Bank: Demand reduction: every 10% increase in tobacco taxes yields...
 - 44% decrease in consumption (developed countries) or
 - 8% decrease (developing countries)
 - Tax funds may be used for National Tobacco Control activities

Options for raising more domestic funds for health

- Increase government allocation for health
 - Role of parliamentarians
 - Civil society support
 - Investment cases and deliverables: prevention, treatment, savings (short and long term).
 - Political commitment (e.g. Abuja Declaration)
- Raise revenue for health more efficiently – e.g. increase the total availability of resources
 - ⇒ WHR 2010: Efficiency gains in hospitals can result in up to 40% savings. Can be used to support NCD ‘best buys’
 - ⇒ In Indonesia, clear and consistent regulations and a policy of zero-tolerance for corruption increased tax yield from 9.9% to 11% of non-oil GDP over four years – with a subsequent increase in health expenditures.
- Private Sector: product reformulations, responsible marketing, public support
- Civil society: self-help, patient support and education, palliative care, social mobilization

INTERNATIONAL INNOVATIVE FINANCING INITIATIVES

International Innovative Financing Models

Category	Name	Funds raised	Health Promotion Potential
Resource generating; pooled	GFATM - Affordable Medicines Facility– malaria GAVI GEF	\$29 b \$150 m \$4 b+ \$12 b (grant) \$57b+ (co-finance)	HTM prevention; HSS Malaria (medicines) Vaccination; HSS Environment
Global levies-based	UNITAID Medicines Patent Pool Foundation Financial Transaction Tax Airline CO2 Emission tax STC Concept	\$1.6 b \$38 b	HTM (medicines; shaping market) Access to Medicines Development UNITAID (Tobacco and NCD)
Guarantee	Advance Market Mechanism (AMC) International Finance Facility for Immunization (IFFim)	\$1.5 b \$6.3 b	Immunization Immunization
Debt Swaps	Debt2Health (GFATM) WB Polio	Euro 86 m \$316 m	Contribution to GFATM Polio
Private Sector schemes (citizen based)	Product Red (GFATM) GAVI Matching Fund Private sector contribution (PIP) NGO fundraising (matching grants, campaigns) Global Digital Solidarity Fund	\$150 m \$18 m/year	HTM Immunization Influenza <i>Multiple</i> Information society

International Innovative Financing Models

Category	Name	Funds raised	Health Promotion Potential
In Kind	Drug donation programmes – NTD (WHO)		NTDs prevention and treatment
Matching grants: loan buy downs	Japan – BMG Foundation (Polio, Pakistan)	\$65 m	Polio
	WB TB loan buy down (China)	\$50 m	
	WB Botswana HIV/TB buy down	\$50 m	
	WB Polio buy down	\$50 m	
Other	Lotteries R&D Funds (eg ANDI)		

MECHANISMS TO RAISE FUNDS FOR LONG TERM SUPPORT

Revolving fund	\$145m (PAHO)	WHO/PAHO Revolving Fund for Vaccines and Syringes	<ul style="list-style-type: none"> ● Initial capitlization. ● Regional procurement planning; additional buying power to reduce prices. ● Small service charge to ensure operations; country repayment into fund 	<ul style="list-style-type: none"> ● Generally used for vaccines. ● New model to apply for future use during a pandemic. ● Dual use? (ongoing purchase role vs. pandemic preparedness role)
Bonds	Uncertain. IFFIm = \$2 billion MultiCat: Mexico issued \$290m bonds	IFFIm MultiCat Program (countries with World Bank intermediary)	<ul style="list-style-type: none"> ● IFFIm Participating countries guarantee bonds issued on private international capital markets. Frontloaded funds used by GAVI ● Interest on bonds paid; principal paid when bond due by participating countries ● MultiCat: WB assisted governments' issuance of bonds. Front-end financing supports purchase of insurance (that also invests the funds). ● Catastrophic event leads to suspension of interest on bonds (and possibly payment on bond principal), with insurance payout. 	<ul style="list-style-type: none"> ● Requires pay-back on bonds (and government support for such payment in IFF case) ● Frontloads available cash for purchase of insurance or use in pooled arrangement ● Can be used for up front capacity building or for pre-purchase agreements
Insurance	Uncertain. Depends on premiums. Payouts: \$7.75 m Haiti, \$6.3 m Turks and Caicos; \$1m to Dominica & St Lucia (WB operates \$20m reinsurance structure)	Caribbean Catastrophic Risk Insurance Facility (CCRIF)	<ul style="list-style-type: none"> ● Government supported mutual insurance company. Govt. premiums support insurance and reinsurance, and related investment. Premiums set on basis of risk and amount of coverage. ● Additional support to WB trust fund from Japan, Canada, EU, WB, UK, France, Caribbean Dev Bank, Ireland, Bermuda. ● Rapid financial liquidity post catastrophe 	<ul style="list-style-type: none"> ● Insurance fund supports longer term risk management ● Funds released against set criteria. ● Premiums based on country risk profiles ● Additional subsidies possible beyond individual countries
Loans – lines of credit	Costa Rica (\$65m); Guatemala (\$85m); Colombia (\$150m)	WB Catastrophe Deferred Drawdown Option (CAT DDO) (IBRD terms)	<ul style="list-style-type: none"> ● CAT DDO: Catastrophe driven loan release (saves good deal of time). Bridge financing until other sources of aid arrive. 	<ul style="list-style-type: none"> ● CAT DDO: Part of broader country risk management strategy. How to use funds in pandemic situation as bridge financing? Loan based.

Mechanism	Illustrative Annual revenue range projection (US\$ million)	Current examples	Characteristics	Issues
MECHANISMS TO RAISE FUNDS FOR IMMEDIATE & RECURRENT USE				
Levy on seasonal flu vaccines	Levy of \$0.01 to \$0.10 per dose x 500 million doses yields \$5m to \$50m/year	US National Vaccine Compensation Program	<ul style="list-style-type: none"> Nationally applied to support compensation \$0.75 per dose tax on <u>all</u> covered vaccines sold in US 2009: \$235 million raised 	<ul style="list-style-type: none"> International agreement needed How to collect and channel to pooled fund
Other solidarity levies	\$300m (UNITAID) \$35 m (Thai Health Promotion Foundation—national example)	UNITAID Thai Health Promotion Foundation Voluntary contributions via additions to service bills (e.g., UNICEF Check Out for Children; Millennium Foundation)	<ul style="list-style-type: none"> Airline ticket levy collected by national MOF and transferred to UNITAID; voluntary, long term contributions for other countries Market dynamic approach to reduce prices on meds and diagnostics WHO hosts UNITAID Thai national model: Portion of 2% excise tax on tobacco and alcohol sales used to generate \$35 m for health promotion efforts 	<ul style="list-style-type: none"> Identification of which levies and national government decision-making to participate; international agreement to support Mechanism to collect and channel to a pooled fund National applications? Transaction costs
Subscription	20 institutions @ \$100,000 per year = \$2 m 20 institutions @ \$10m/year = \$200 m	Network of Medical Councils (SEARO); Joint Commission on Accreditation of Healthcare Organizations; HINARI	<ul style="list-style-type: none"> Membership fee (or user fee) charged to participate and receive identified benefits. 	<ul style="list-style-type: none"> Identification of benefits and valuation of subscription fee Sensitivity to national income Industry participation



MECHANISMS/MODELS

Mechanism	Illustrative Annual revenue range projection (US\$ million)	Current examples	Characteristics	Issues
Global health initiatives	\$16 m (=1% of GAVI/GFATM generated revenue)	GFATM, GAVI	<ul style="list-style-type: none"> ● Largely public sector voluntary funded ● Additional sources of funding from private sector (e.g. Product Red) and innovative financing ● Country based applications; project oriented 	<ul style="list-style-type: none"> ● Fundraising strategies depend on voluntary donor funding and replenishments ● Operational business models proposal based ● Immediate implementation
Debt relief	<p>Country specific. Could be millions.</p> <p>\$316m for polio (2003-2009)</p>	<p>GFATM Debt2Health Other debt relief programs (e.g. HIPC)</p> <p>World Bank Investment Partnership for Polio</p>	<ul style="list-style-type: none"> ● Debt swap. Creditors forego portion of country debt in return for investment in domestic public health program ● Various other examples of debt for development swaps ● Polio: Gates Fdn and Rotary third party subsidy of total \$50 m ● Upon successful completion of program, outstanding WB IDA loan balance for country converted to grant. 	<ul style="list-style-type: none"> ● Specific to each country ● Time consuming and complicated ● Buy down: Requires third party financing. Limited to IDA-eligible countries. ● Clear result criteria required

LESSONS





**Finding innovative
solutions to public
health issues**

Common issues

- Champion
- Social movement, advocacy, media
- Evidence for need
 - Benchmark
 - Investment case
 - Trans-disciplinary knowledge
- Performance management
 - Evaluate, date, results, reporting
- Accountability
- Sustainability planning
- Innovation, creativity



Common issues (2)

- MoF buy-in
 - Budget envelope
 - Substitution effects?
- Understand development dynamics, politics
- Negotiation skills; agreements
- Regulation
- Governance issues/mechanism
- Eligibility issues
- Implementation mechanisms



Decision Points: stakeholders

- Purpose and scope
- Pooling or not
- Use existing fund mechanism/disbursement?
- Governance model?
- Eligibility of country applicants
- Application process?
- Normative/technical support?



	EXISTING (HEALTH) MECHANISMS	FUNDS ADMINISTERED BY AN INTERGOVERNMENTAL ORGANIZATION/INTERNATIONAL FINANCING INSTITUTION	NEW FUND*
Strengths	<ul style="list-style-type: none"> • High political buy in from participating governments towards existing mechanisms (e.g. GFATM, GAVI and UNITAID (WHO hosted)) • Existing mechanism/institution has its own legitimacy, brand & expertise • High capacity to advocate and promote STC (e.g. GFATM, UNITAID) • Capacity to implement quickly -- rapid start up • Some rely on innovative financing/solidarity levy sources of revenue (UNITAID) • Existing and proven governance systems; Broad governance constituencies • Multilateral institutions have built-in member state governance; also, country office presence • No creation of a new institution/organization • Very good capacity to report and communicate on use of funds to development community and general public • For multilateral institution managed mechanisms: built in privileges and immunities • Can link to or fund technical agencies (e.g. WHO) to technically support countries • Processes to request funding proposals and vetting. 	<ul style="list-style-type: none"> • High political buy in from governments • Multilateral institution status (and thus privileges and immunities) • Past experience with managing funds from multiple donors • Local fiduciary capacity and country office presence (World Bank; UN) • Existing networks • Early start-up • Linkages with UN Country Teams (UNDP) 	<ul style="list-style-type: none"> • High political buy in from hosting government • Adapted to launch STC as pilot with some founding early adopter countries
Weaknesses	<ul style="list-style-type: none"> • Purposes of mechanism not necessarily fully in line with STC use possibilities. If so, then how to integrate STC branding and purposes. • Existing governance may not be fully representative of all STC participating countries • Possible need for speedy and new processes required if the STC supports direct grants to NGOs • Can distract from mechanism/fund's core functions and priorities 	<ul style="list-style-type: none"> • Not health specific • Multiple governance layers (country and global) for some UNDP Trust Funds • High transaction costs (especially if several agencies involved) • Delays in disbursement • UNDP Multi-Donor Trust Funds generally limited to UN system • Limited governance representation (i.e. from NGOs) • Not specific to management of innovative financing • Purposes of mechanism not necessarily fully in line with STC use possibilities. If so, then how to integrate STC branding and purposes. 	<ul style="list-style-type: none"> • Needs start-up financing and business center • Transaction & set-up costs • Long set up time delays results • Does not conform to the Paris agenda as creation of a new institution • Potential nationalization of interests ? • Multilateral institution status is not guaranteed (i.e. privileges and immunities) • Legitimacy?
Opportunities	<ul style="list-style-type: none"> • Capitalizes on past experiences with financing • Maximize existing networks. • For institutions hosting mechanisms, capitalizes on host institution's past management and governance experience • For multilateral institutions, maximizes use of member state-based governing bodies • Technical expertise 	<ul style="list-style-type: none"> • STC could initially use existing MDTF (MDG Achievement Fund), but limited to UNCT • Use World Bank capacities and experience in fund management and county fiduciary 	<ul style="list-style-type: none"> • Can build upon past lessons learned of governance and public-private collaborations • Mechanism/organization specifically tailored to STC
Threats	<ul style="list-style-type: none"> • Introducing STC into an existing mechanism could create competition funds, or lead to substitution • Loss of STC identity and focus • Recipient countries' health priorities do not influence global mechanism decisions 	<ul style="list-style-type: none"> • Low visibility of results • Participating countries may not like "financing the UN" or World Bank 	<ul style="list-style-type: none"> • No brand, • Feasibility

Learnings for the future (1)

- **IF for health has resulted, for now, in the emergence of:**
 - Pooled, predictable, sustainable and additional funding
- **IF for health can only work if:**
 - Start-up is based on strong leadership and early adopter countries
 - Highly creative thinking
 - Working together – what did not work because of lone-thinking?
 - Use of WHO technical support / business models
 - Buy-in and involvement from new stakeholders: see IFFIm road-shows, role of the UNSG for Innovative Financing
 - Strong coordination & governance
 - Legal adaptations in National Law – and barriers to overcome: USA
 - Deliver of strong results and capacity to communicate these
 - Capacity to maintain systems in time
- **So far, fantastic results for Innovative Financing for Health but how sustainable are they?**
 - So far + US\$ 9 billion raised by the major systems producing key results
 - Focus on immunization and HIV/Aids/TB programs – MDG's 4,5 & 6
 - IFFIm frontloading
 - AMC market-shaping
 - UNITAID niche investments, market shaping, patent pooling
 - GFATM financing instruments: D2H, Exchange Traded Fund (ETF)



Learnings for the future (2)

- **How sustainable are the existing systems?**
 - IFFIm repayments in time – high back-loading, Keynes thinking
 - AMC product and tail price – relationship with industry
 - Low number of high yield air solidarity levies – who next to adopt?
 - Increased use for National priorities – no more pooling: de-tax etc
 - One-off operations: D2H
- **Increased recognition that Innovative Financing goes hand-in-hand with innovative spending**
 - Critical role of implementing organizations and their governance structures
- **Innovative financing a necessity**
 - September 2010 MDG summit highlights importance of Innovative Financing but also of the Private Sector
- **Impact of innovative financing on the infra-structure of health financing**
 - Do positive outcomes outweigh transaction costs
- **Innovative Financing has become a key component of National Health financing outside of the global & pooled context**
 - WHO World Health Report, November 2010
 - South-South innovative financing – do not need the Global Funds to function



Challenges for Innovative Financing for Global Health

- **National priorities**
 - Impact of financial crisis
 - Innovative financing for direct budget support, Health, Education, Climate Change, other ...
- **Complex environments & number of stakeholders**
 - Regrouping required – not to do or to attempt too much
 - Harmonization and Leadership on innovative financing for health - UNITAID, GAVI, other?
- **South-South Innovative Health Financing**
 - Now a reality – requires coordination with North-South approaches
- **Push for innovative financing confronts institutionalized funding gaps**
 - Funding targets not met for quite some time now
 - Why would it work now?
 - Future of WHO financing – question how far we can support



Private sector and Civil Society Role

■ **Private Sector**

- Public-private collaborations/partnerships
- Company wellness programs: employees, families, communities
- Principles for private sector actions. They should (WHO):
 - manufacture and provide affordable healthy products by reducing salt levels, eliminating trans-fats, decreasing saturated fats and limiting free sugars;
 - responsible market of food and non-alcoholic beverages to children
 - improve access to essential technologies and medical products at affordable costs;
 - implement work place wellness programmes that promote physical activity and healthy diets;
 - provide accurate and understandable information to consumers;
 - promote tobacco-free workplaces;
 - implement and promote programs to prevent harmful use of alcohol.

■ **Civil society**

- self-help, social mobilization
- political support for countries regarding NCDs
- patient support and education
- palliative care



SOLUTIONS

EXAMPLE: SOLIDARITY
TOBACCO CONTRIBUTION



The Global Solidarity Tobacco Contribution Concept (STC)

- **New concept**
 - Countries consider contributing a very small amount of national tobacco tax revenue to support global pooled mechanism for NCDs: "Global Solidarity Tobacco Contribution"
 - Dedicated to NCDs and tobacco control purposes in low/lower middle income countries
 - Purely voluntary for countries to consider contributing to a pooled mechanism
- **A WHO-developed concept**
 - Follows recommendation of the 2009 High-Level Task-Force on Innovative Financing for Health Systems
 - Builds upon existing tobacco excise systems in Member States
 - **Complementary** to need to increase national tobacco excise taxes (and **not a substitute for large increases in national tobacco taxes**)



Global Solidarity Tobacco Contribution (STC)

- **NCD response to the innovative financing challenge?**
 - Could raise in excess of US\$ + 7 billion additional revenue per year if applied in **all** the G20+ countries
- **How?**
 - **Part of larger tobacco tax increases in countries**
 - **For countries with high tobacco taxes, part of their normal increases**
 - **Example: A small amount can create significant revenue (either for national use or contributions to pooled mechanism):**
 - Additional **US\$0.05** applied in high-income G20+ countries would raise US\$ 4.3 billion
 - Additional **US\$ 0.03** applied in upper-middle income G20+ countries would raise S\$ 1.7 billion
 - Additional **US\$ 0.01** applied in the G20+ lower-middle income countries would raise US\$1.6 billion



Global Solidarity Tobacco Contribution (STC)

- **To have this adopted, requires..**
 - Several path-finding countries and key stakeholders (G20, BMGF, Bloomberg Philanthropies, Civil Society etc) take the concept forward, can pilot
 - STC requires "champions"-- as was the case for past successful launches of major innovative financing systems: IFFIm (UK), UNITAID (France), AMC's (Italy) etc ...
 - A pilot could generate an addition US\$ 300 million to US \$ 2 billion per year depending on the number of countries



Priorities for the Future

- Catalog innovative financing strategies as part of UHC
- Clear articulation of financing needs, intended results, investment cases, economic arguments, monitoring frameworks
- Unified advocacy arguments
- Stress national innovations, cross-sectoral funding experiments, south-south sharing



To recall ...

- Additional
- Complementarity
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 - Aim to:
 - **Increase** resources availability
 - **Diversify** the resource base
 - **Complement** traditional funding
 - **Maximise** the impact of ODA
 - **EQUITY, EQUITY, EQUITY**

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Thank you

