



## Leading Group Task Force on Innovative Financing for Health

### Terms of Reference

#### 1. Background

The UNSG's Global Strategy for Women's and Children's Health<sup>1</sup>, launched at the MDG summit in September 2010, identifies that among the 49 lowest-income countries in the world, the overall funding gap for the health MDGs ranges from between US \$26 billion per year in 2011 to US \$42 billion in 2015.

Historical trends show that the largest proportion of funds for health comes from donors' national budgets. In spite of best efforts, even with the most optimistic projections for economic growth<sup>2</sup> and assuming greater efforts will be made by countries to increase the proportion of government spending on health<sup>3</sup>, there will be a significant gap for many developing countries between minimum requirements and resources available.

Innovative financing offers a potential solution to this problem. The Global Strategy for Women's and Children's Health highlights the potential of innovative financing mechanisms to tap the 'enormous potential of the global community and increase the flow of money to women's and children's health' and thereby help bridge the health funding gap in the world's poorest countries.

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<sup>1</sup> <http://www.un.org/sg/globalstrategy.shtml>

<sup>2</sup> See analysis in WHR 2010

<sup>3</sup> Countries in Sub-Saharan Africa set themselves a target of 15% of government spending in 2001. Few have met this target and the current trend is negative ...also see WHR 2010

The health sector has already benefited, with great success, from a number of innovative finance mechanisms: the International Finance Facility for Immunisation (IFFIm) and the pneumococcal Advance Market Commitment (AMC), both hosted by GAVI with the support of the World Bank, the International Solidarity Levy on airline tickets benefiting UNITAID, RED and the Debt2Health initiative promoted by the Global Fund for Aids, TB and Malaria. It is also promoted by The World Bank, WHO and the United Nations. Innovative finance initiatives have had a considerable impact on global health by accelerating vaccine programmes in the world's poorest countries, on shaping vaccine markets, converting external debt into domestic resources, generating beneficial market impact on drug market, scaling up access to treatment and promoting and enhancing private public partnerships. Over \$5.5 billion of funding for health has been raised through innovative finance mechanisms so far. These mechanisms have proven to be essential to providing funding for health development, and should serve as an importance basis for new initiatives.

In light of these successful experiences, there are two essential conditions for success of further innovative financing for health: first, innovative sources should be additional to existing aid commitments. Second, any such additional funds should contribute to reinforce predictability, ownership, alignment and sustainability - key attributes for aid effectiveness, especially for the health sector.

In September 2009 a High-level Task Force on Innovative Financing for Health (HLTF) convened by the President of the World Bank and the former Prime Minister of the UK presented its report during the UN General Assembly. The HLTF synthesized a wide range of work to establish the size of the financing gap in health; assessed the potential of over one hundred different mechanisms by which innovative financing could be raised; and presented a series of recommendations organized around two key headings: more money for health, and more health for the money. Proposals for innovative financing reviewed included those with global scope as well as those that could be implemented by individual countries.

Additionally, several reports prepared by the Leading Group on Innovative Financing for Development have identified criteria and made proposals based on analysis of the use of the international financial system as a source of funding for development including the health

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sector. The criteria identified for assessing innovative financing options are: sufficiency, market impact, feasibility and sustainability and suitability. One recommendation coming out of the committee is the implementation of a broad financial transaction tax (FTT) which would be applied to all non-retail markets which include foreign exchange, exchange-traded and OTC derivatives. It is estimated that this FTT could raise between \$286 billion to almost \$1 trillion annually<sup>4</sup>.

## **2. Scope**

The Leading Group on Innovative Financing for Development held a side event to the MDG Summit on 21 September 2010 at which several countries and International organisations (including GAVI, UNITAID and The Global Fund to fight Aids, TB and Malaria) presented and highlighted the remarkable results of current innovative financing initiatives for health. With this in mind, the establishment of a new task force within the Leading Group concentrating on innovative finance for health is proposed.

The role of the Leading Group Health Task Force (LGHTF) will build on, enrich and take forward the work on health of the original HLTF. As part of its work, it will review mechanisms for allocating innovative resources within the health sector in the most efficient way.

## **3. Specific Tasks**

1. Conduct a rapid review of progress on innovative financing for health since the publication of the HLTF report and the most recent report. This will include a quantitative assessment of funds raised for health from the different mechanisms proposed by the HLTF, with a qualitative review of the extent to which funds raised are genuinely additional, and the extent to which they conform to the Paris/Accra principles of predictability, flexibility and use of country systems. The review should pay particular attention to progress within individual countries (where there is a growing body of experience), noting which of the measures recommended by the HLTF on health have been most widely adopted and which are amenable to more widespread application.

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<sup>4</sup> *ibid*

2. Based on the initial review, the Task Force will seek to identify lessons learned in order to focus on future innovative financing for health. In addition, the Task Force will identify potential sources of innovative finance that may have been overlooked by the HLTF, or which have subsequently become apparent.

3. A key issue within the health sector is competition for resources. The Task Force will review recent experience in this regard (including progress on the Health Systems Funding Platform) and make recommendations for an efficient allocation of resources helping countries to achieve MDGs 4, 5 and 6 and health improvements in general. Additional funding in health through innovative funding should not conduct to the creation of a new structure or organisation but enhance the actions of existing ones.

4. The innovative financing mechanisms that have the potential to yield the most significant amounts of money can benefit development as a whole. The health Task Force will work with other task forces established by the Leading Group to propose principles (and possibly mechanisms) that should govern allocation between different priorities.

#### **4. Next steps**

The LGHTF will be composed of different countries and organizations.

The LGHTF will report periodically to the leading Group on innovative financing for development on the actions and reflexions developed.

The LGHTF will provide a full report to the next plenary session in 2011