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Options for **Sustainable** and **Innovative HIV Financing**

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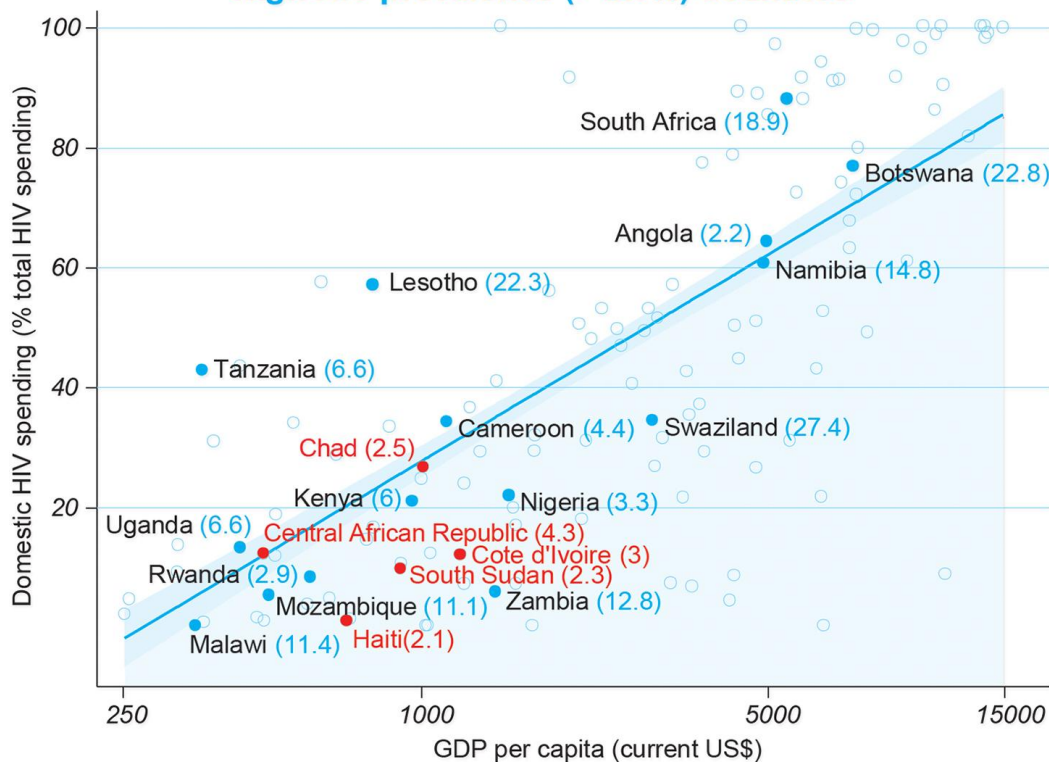
The World Bank

HIV financing is characterized by:

- High donor dependency—over 80% of resources for HIV are external in some high prevalence countries

Domestic HIV Expenditure as a Share of Total HIV Expenditure versus Income Per Capita

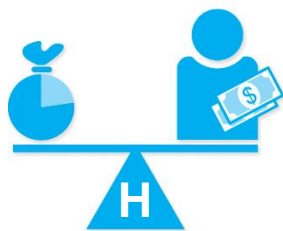
High HIV prevalence (> 2.0%) countries



Note:

- 1) X-axis log scale;
- 2) Domestic HIV expenditure shares are for the most recent available year from 2000 to 2013;
- 3) GDP per capita 2013;
- 4) HIV prevalence rates in parentheses;
- 5) Countries with fragile situation highlighted in red.

Source: World Development Indicators & WHO, 2014

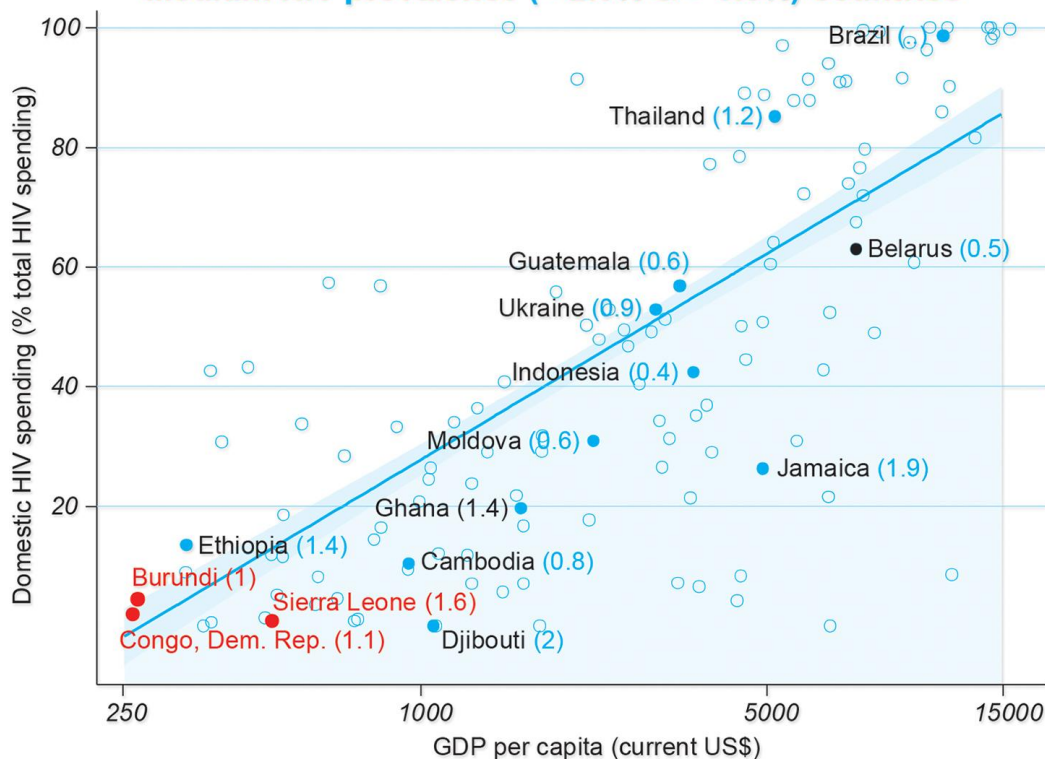
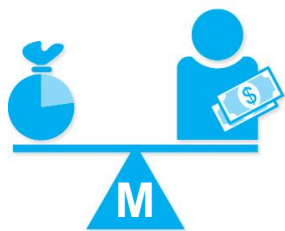


HIV financing is characterized by:

- High donor dependency—over 80% of resources for HIV are external in some medium prevalence countries

Domestic HIV Expenditure as a Share of Total HIV Expenditure versus Income Per Capita

Medium HIV prevalence (< 2.0% & > 0.5%) countries



Note:

- 1) X-axis log scale;
- 2) Medium HIV prevalence (< 2.0% & > 0.5%) countries;
- 3) Domestic HIV expenditure shares are for the most recent available year from 2000 to 2013;
- 4) GDP per capita 2013;
- 5) HIV prevalence rates in parentheses;
- 6) Countries with fragile situation highlighted in red.

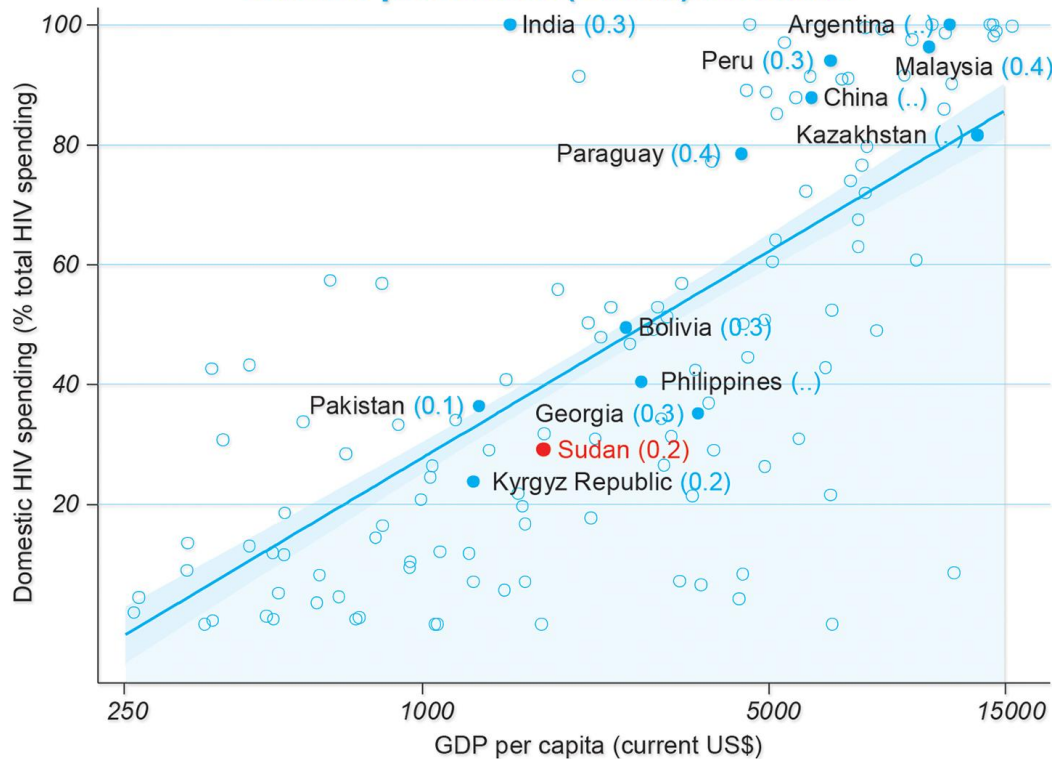
Source: World Development Indicators & WHO, 2014

HIV financing is characterized by:

- High donor dependency—over 80% of resources for HIV are external in some low prevalence countries

Domestic HIV Expenditure as a Share of Total HIV Expenditure versus Income Per Capita

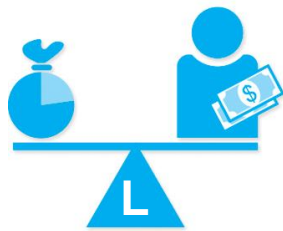
Low HIV prevalence (< 0.5%) countries



Note:

- 1) X-axis log scale;
- 2) Domestic HIV expenditure shares are for the most recent available year from 2000 to 2013;
- 3) GDP per capita 2013;
- 4) HIV prevalence rates in parentheses;
- 5) Countries with fragile situation highlighted in red.

Source: World Development Indicators & WHO, 2014



HIV financing is characterized by:

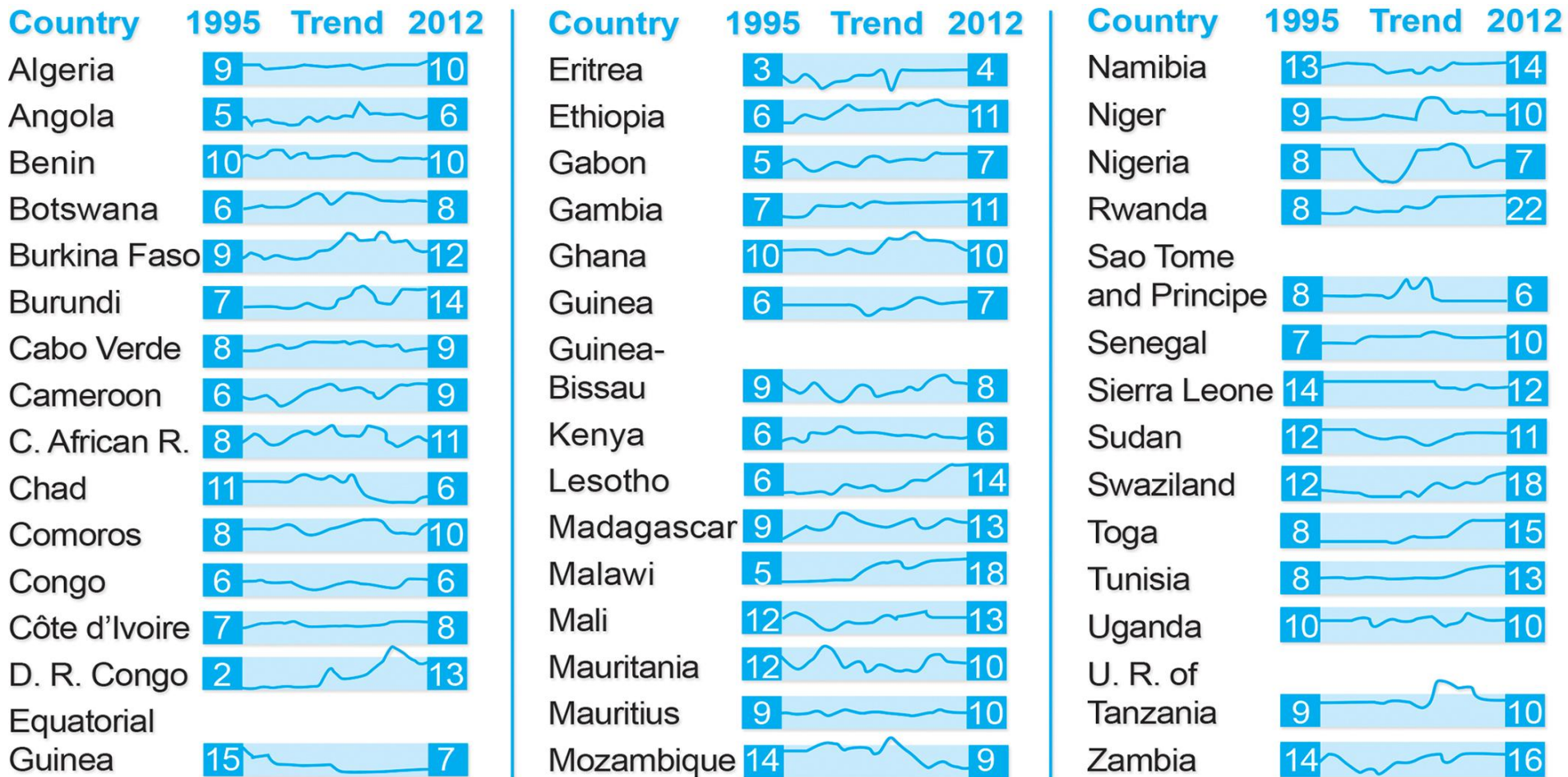
- Uncertainty about future international assistance, evidenced by flat donor funding

International HIV Assistance from Donor Governments
Commitments and disbursements, 2002 – 2012



Health budgets are volatile but AIDS treatment financing cannot be

Trends in the proportion of Government Health Expenditures (1995 – 2012)

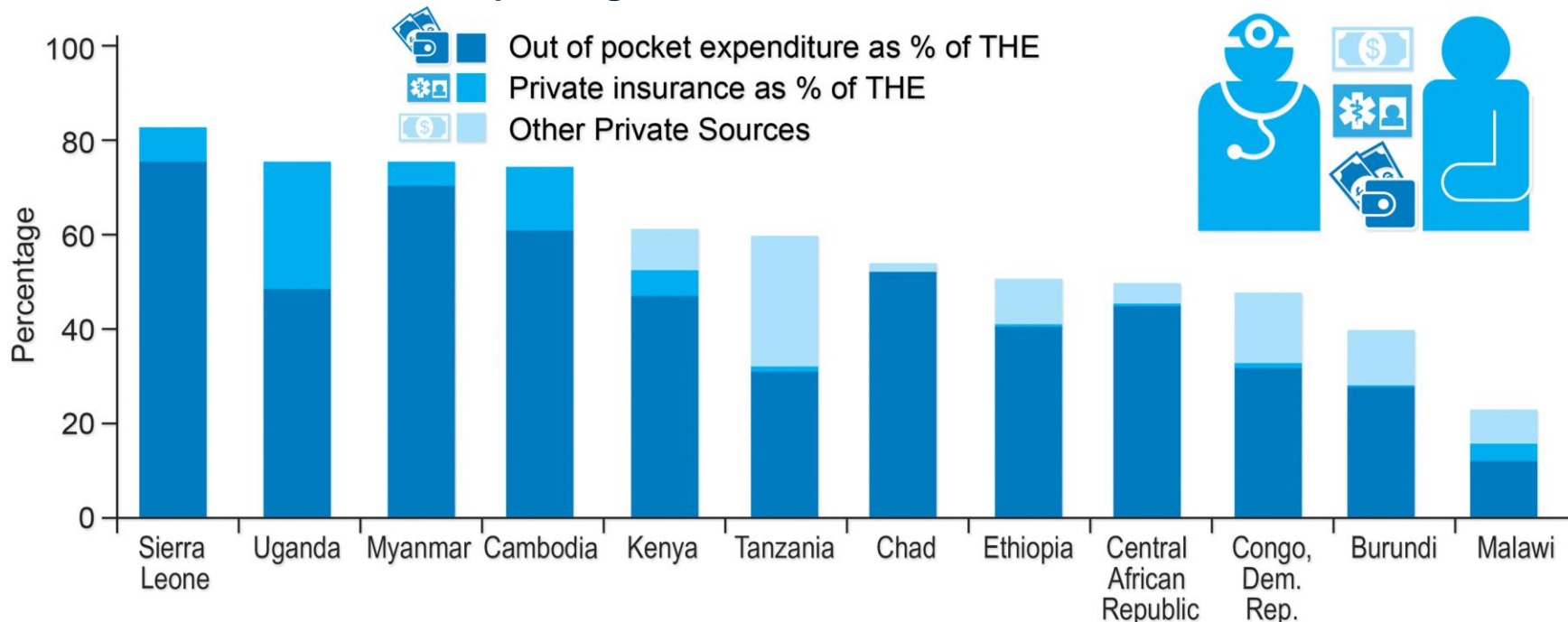


Source: WHO Global Health Expenditure Database, World Bank Fiscal Health Database

Private share of health spending

- Out-of-pocket spending (OOP) is a large source of health spending, which can lead to poverty through catastrophic health spending

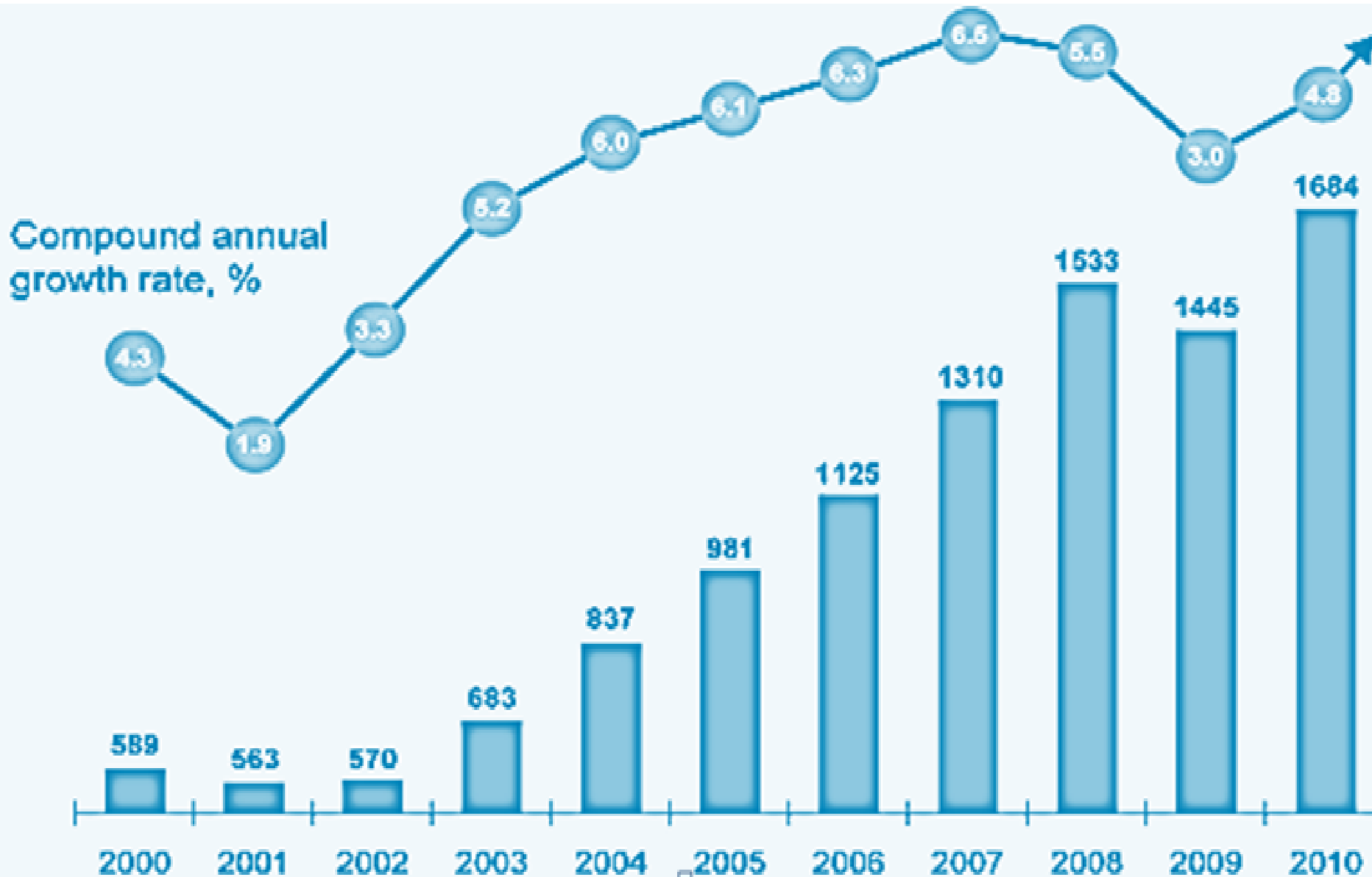
Share of Total Health Spending from Private Sources in Low Income Countries, 2012



Source: World Health Organization, National Health Account Database, 2014

Note: Other private sources include non-profit institutions serving households, resident corporations and quasi-corporations with a health services delivery or financing function

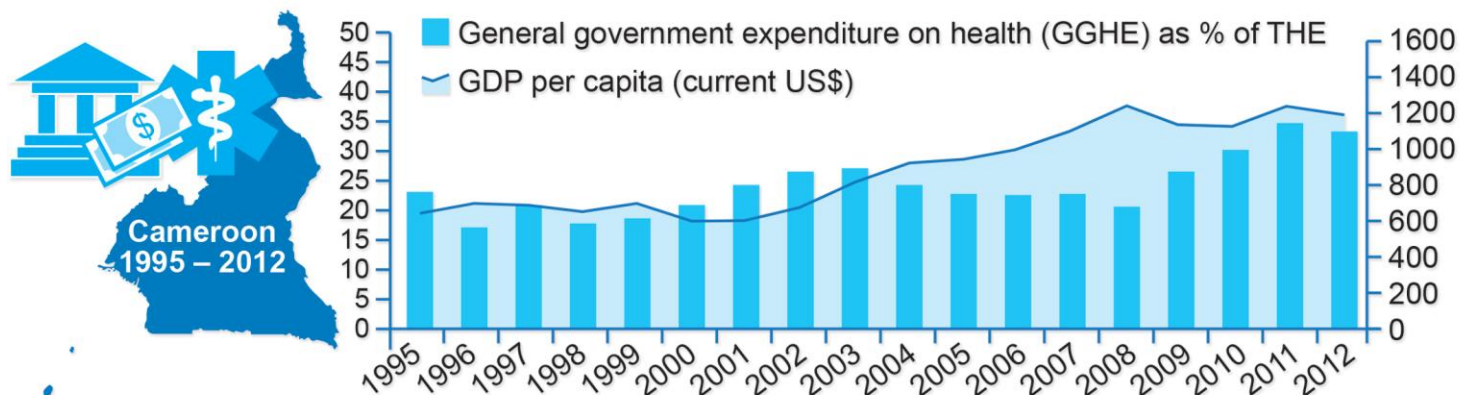
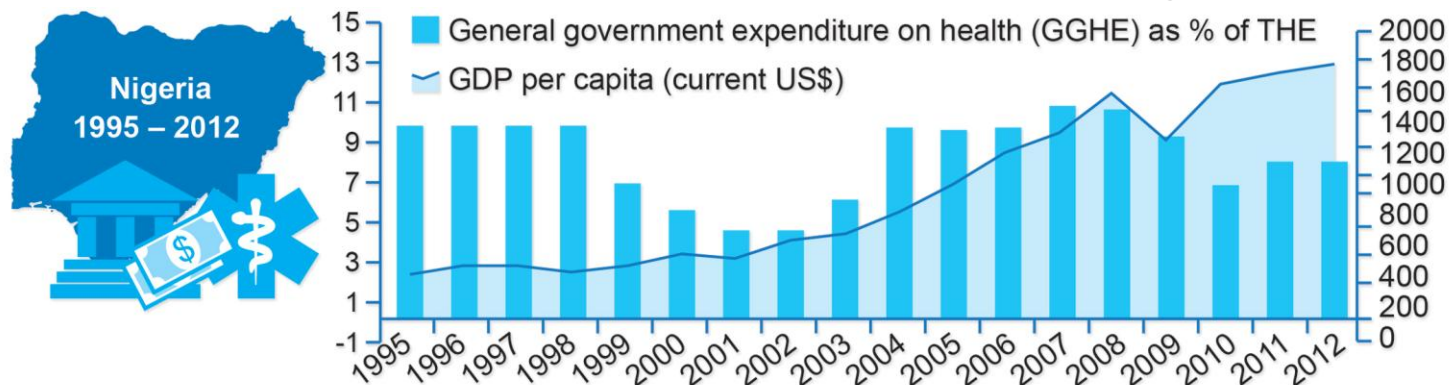
Africa's economies are growing rapidly



Health and HIV spending in Nigeria and Cameroon

- GDP growing, without commensurate increases in health spending

General Government Expenditure on Health as % of Total Government Expenditure (left scale) and GDP per Capita (current US\$, right scale)

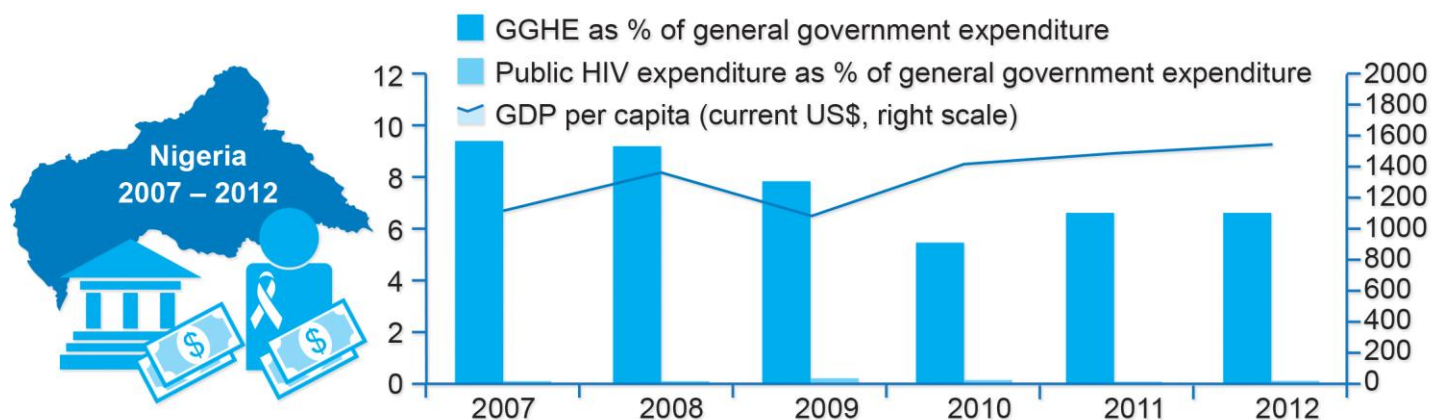
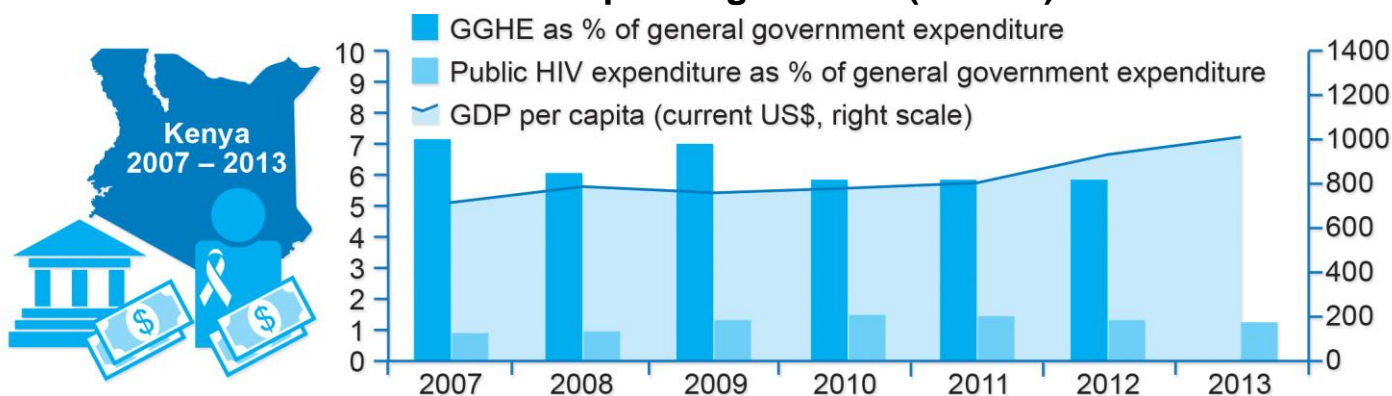


Sources: WHO, 2014; IMF, WEO April 2014 for GDP per capita

Health and HIV spending in Kenya and Nigeria

- Although it has increased, domestic HIV spending is <10% of total HIV spending

Trends in Domestic Health Spending and HIV (15 – 49) Prevalence



Sources: UNAIDS AIDSinfo online; WHO, 2014

What is innovative financing?

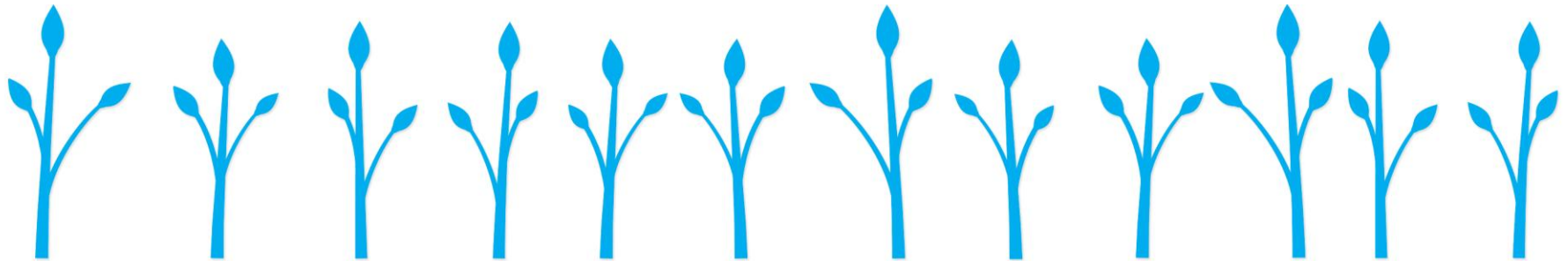
■ Several definitions (KFF report source):

- The World Bank: *“financing...that helps to generate additional development funds...enhance the efficiency of financial flows...[or] make financial flows more results-oriented”¹*
- The Leading Group on Innovative Financing for Development: *“[N]ew development financing [that] are closely linked to global public goods, and complements conventional...assistance”²*
- The High Level Taskforce on Innovative Financing for Health Systems: *“[N]on-traditional...overseas development assistance, joint public-private, or private mechanisms and flows that support fundraising by tapping new sources...or deliver financial solutions to development problems”³*



What is innovative financing?

- Common objectives⁴
 - Mobilize resources outside traditional donor assistance
 - Use self-replenishing resource pools to reduce donor-dependence and ensure long-term sustainability
 - Compliment, not displace or replace, traditional financing

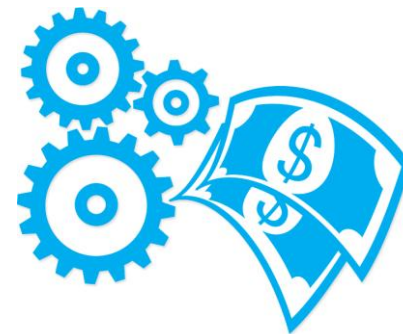


Types of innovative financing



- Taxes
 - Financial transactions tax
 - Resource taxes
 - Consumption (excise, VAT, luxury goods)
 - Income (personal, saving, business capital)
 - Financial transactions
 - Corporate
 - Wealth
 - Sector Specific (Trust funds)
- Solidarity mechanisms
- Investment of dormant funds
- Lottery

Types of innovative financing



- **Public to private mechanisms**
 - Public investment for private sector development
 - Matching programs: government and private corporations
 - Health bonds and loan financing
 - **Debt swaps**
 - Debt reduction development-contracts
- **Impact investing**
 - Loan conversion
 - Social/development bonds
- **Private sector participation**

Innovative financing—Financial transactions taxes



- Financial transactions tax
- *Used in Argentina, Brazil, Zambia*
- *India could raise US\$ 370 million per year from 0.005% levy and Gabon raised \$30 million for health in 2009 partly from a 1.5% levy on companies handling remittances from abroad*

Innovative financing—Resource taxes

- Resource taxes



- Botswana, Lao PDR and PNG impose resource taxes

Innovative financing—consumption taxes



- **Luxury Taxes:** *China, Bulgaria, Viet Nam*
- **Mobile Phones or Telecommunications:** *Philippines, Uganda, Gabon, Ghana, Republic of Congo and Senegal*
- **Tobacco and alcohol:** *many countries*
- **Sugary drinks:** *Iran, Hungary*
- **VAT:** *Ghana, Chile*

Innovative financing—consumption taxes

- **Value-added tax:** a broad-based consumption tax that uses income for consumption
 - Very popular, but can reduce incentive to work because it does not tax leisure
 - Because fees are passed down from business to consumers, depending on design, VAT can negatively impact low-income households



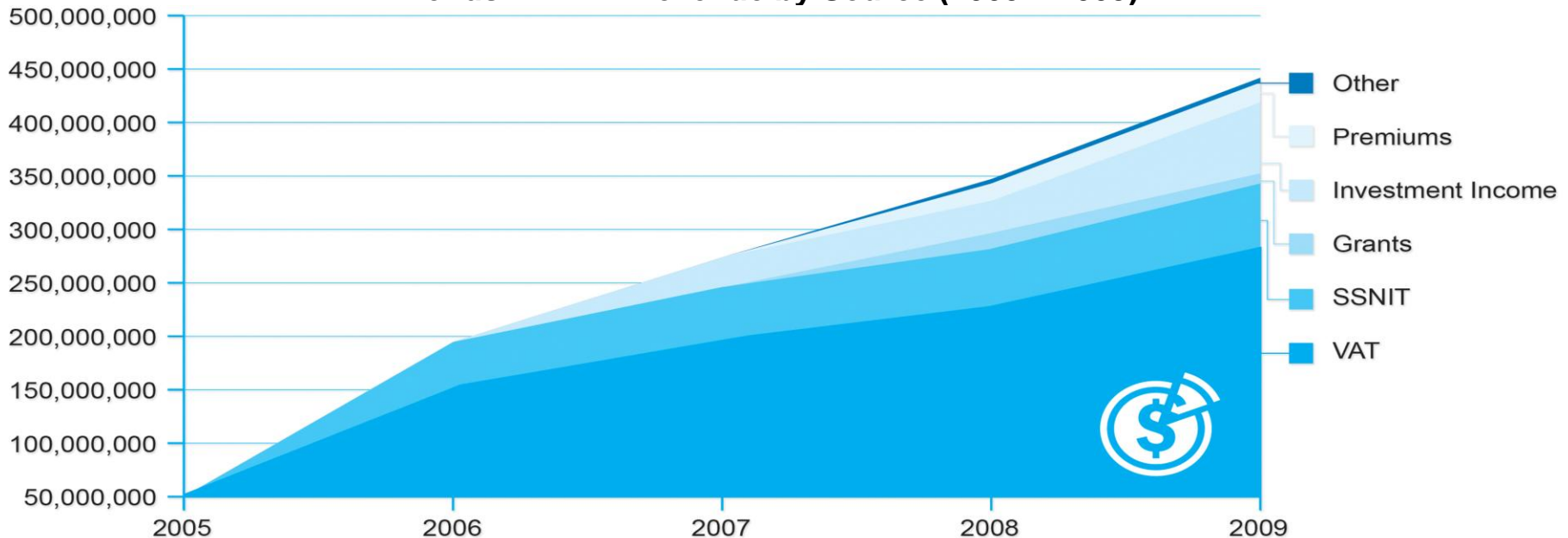
Innovative financing—consumption taxes

Ghana National Health Insurance Levy (NHIL)⁵

- 2.5% added to VAT
- Funds 70% of the National Health Insurance Scheme⁶, a pro-poor fund to reduce financial barriers to care



Trends in NHIA Revenue by Source (2005 – 2009)



Source: World Bank, 2011

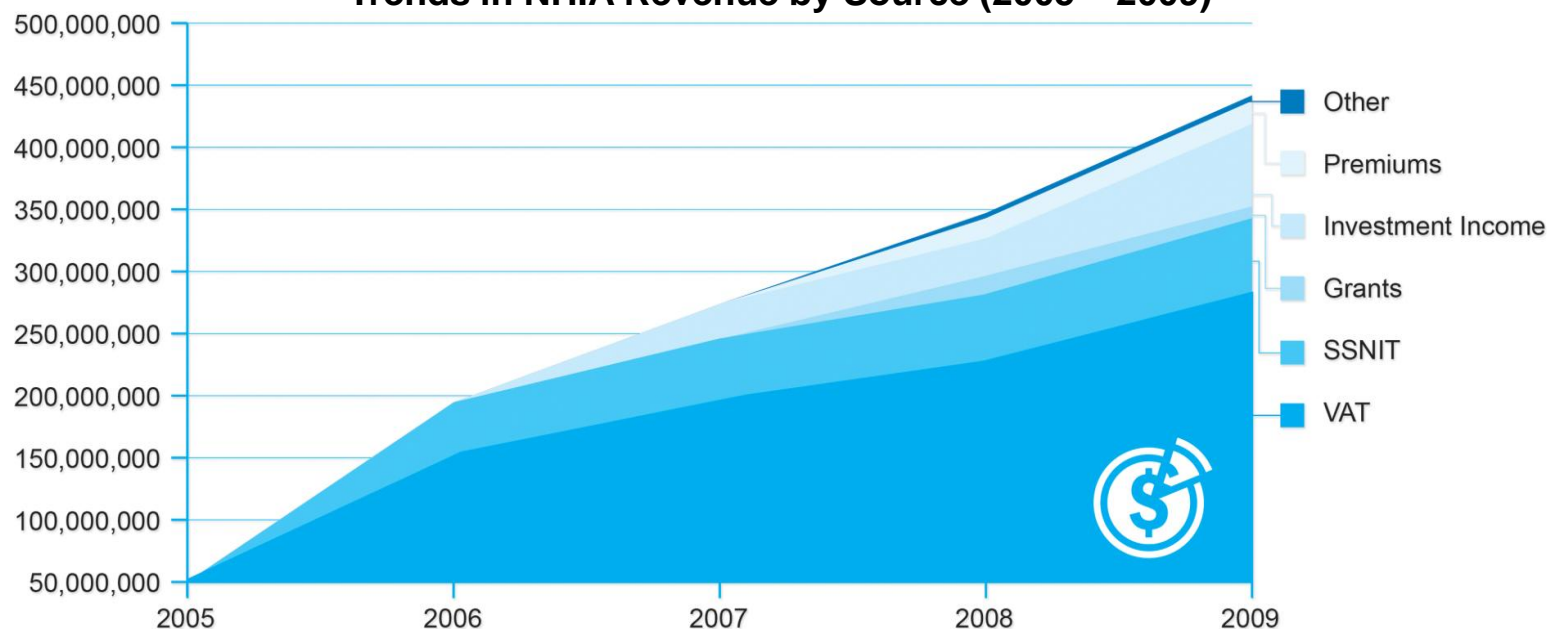
Innovative financing—consumption taxes

Ghana National Health Insurance Levy (NHIL)

- Generated 751,359,211 Ghanaian cedi (GHC) 2005 – 2009
- Considered progressive because many goods and services consumed by low-income households are excluded⁶



Trends in NHIA Revenue by Source (2005 – 2009)



Source: World Bank, 2011

Innovative financing—Excise “sin” taxes



- “Sin” taxes address “externalities” and focus on “bads” such as tobacco, alcohol, and junk food
- Common in developed countries, but growing in developing countries as chronic diseases increase

Innovative financing—excise “sin” taxes



- Can raise significant revenues in developing countries, but politically and logistically challenging
 - Resistance from affected industries
 - Unhealthy food hard to define
 - Difficult for lower-income countries to enforce
- Can be regressive as many of these items are consumed by low-income households

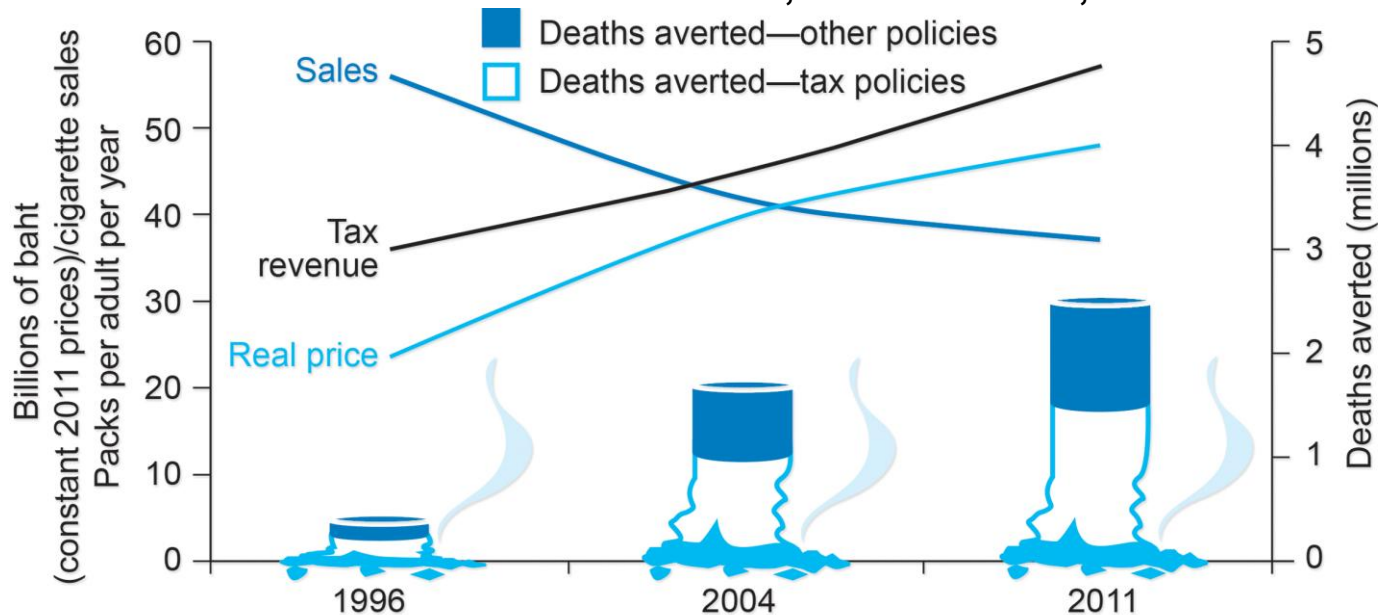
Innovative financing—excise “sin” taxes



Thailand tax on alcohol and tobacco

- 2% of taxes earmarked for Thai Health Promotion Foundation
- Revenue (2.32B Baht in 2005 = \$57.9M) spent on health promotion
- Argument that it is pro-rich, as many low-income spend on tobacco, though others argue that poor are more responsive with behavior change

“Win-Win-Win” in Thailand: New Revenues, Sales Decrease, Deaths Averted



Source: Health Care
American Cancer
Society, 2014

Innovative financing—trust funds and levies



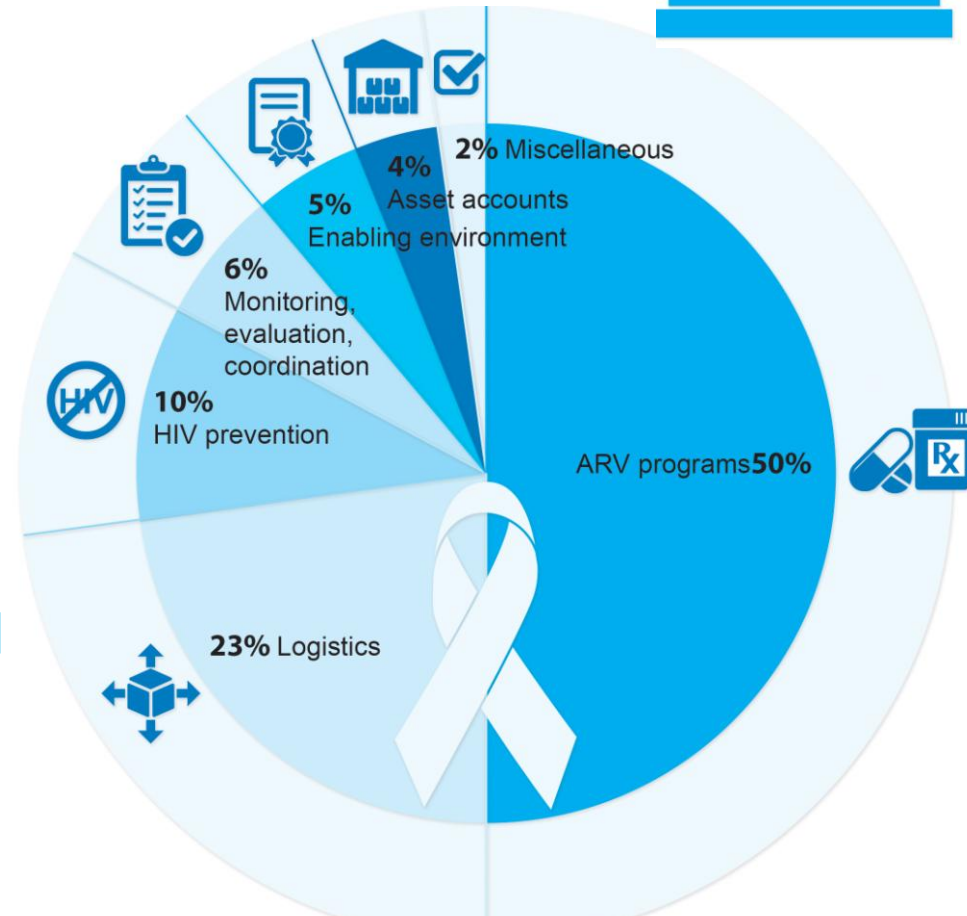
- Trust funds can be set up and managed in country, specific and protected for HIV/AIDS spending (Kenya, Tanzania, Uganda have or creating one)
- Kenya established a High Level Steering Committee for Sustainable HIV Financing to pool additional public and private resources
 - Allocation of 0.5 – 1% of government ordinary revenues to the Trust Fund
 - Will be financed by other sources, such as airline levy
 - Calculated to fill 70% of the HIV funding gap between 2010 and 2020, and 159% between 2020 and 2030

Innovative financing—trust fund and levy



Zimbabwe National AIDS Trust Fund (NATF)

- A 3% levy set up in 1999 fund the National AIDS council (NAC) and reduce external funding reliance
- Generated US\$2.6 billion between 2000 and 2006
- Raised US\$26 million in 2011
- Managed by NAC and funds channelled to different programs by NAC board



Source: International HIV/AIDS Alliance 2012; National AIDS Council 2011

Innovative financing—trust fund and levy



Zimbabwe National AIDS Trust Fund (NATF)

- Effectiveness and additionality of the AIDS levy largely depends on economic climate of formal sector
- Efficiency of collection process tied to government revenue collection agency – ZIMRA - and its efficiency in assessing, collecting, and accounting for revenue

Year	Total health budget (Z\$)	Total health budget (US\$ 2005)*	Health budget as % of total national budget	Amount generated by the AIDS levy (Z\$)	Amount generated by the AIDS levy (US\$ 2005)*
2000	9,272,051,000	118,085,214	9.2	793,904	10,111
2001	10,933,711,000	139,247,466	11.5	1,525,923	19,434
2002	22,459,863,000	286,040,028	9.5	2,835,887	36,117
2003	73,427,927,000	935,149,350	12.7	11,247,338	143,242
2004	701,209,680,000	8,930,332,145	9.5	86,197,430	1,097,777
2005	2,754,736,749,000	35,083,249,478	11	227,865,076	2,902,000
2006	8,110,431,506,000	103,291,282,552	9.33	2,234,114,867	28,452,813

Innovative financing—debt swap



- “Debt-2-Health” is a partnership between two countries: the creditor country cancels a bilateral debt in exchange for the debtor country to reinvest in health projects through the Global Fund
- As of Oct 2010, approximately \$210 million of debt from debtor countries has been written off by creditor countries⁸

Innovative financing—debt swap



- As of Oct 2010, there were four Debt-2-Health agreements among the Global Fund and several countries

Creditor country	Debtor country	Amount of debt canceled	Half of debt invested in
Australia	Indonesia	AUS\$ 75 million	National programs to combat TB
Germany	Cote d'Ivoire	\$27 million	National programs to combat HIV/AIDS
Germany	Indonesia	€50 million	National programs to combat HIV/AIDS
Germany	Pakistan	€40 million	National programs to combat HIV/AIDS
Germany	Egypt	€6.6 million	Malaria programs in Ethiopia

Source: http://www.aidspace.org/fr/gfo_article/debt-swap-agreement-between-germany-and-egypt-will-benefit-global-fund-programmes-ethiop
http://www.internationalhealthpartnership.net/fileadmin/uploads/ihp/Documents/Results_Evidence/HAE_results_lessons/Taskforce%20factsheet_-_global_fund_debt2health_initiative_EN.pdf

Innovative financing—loans and bonds



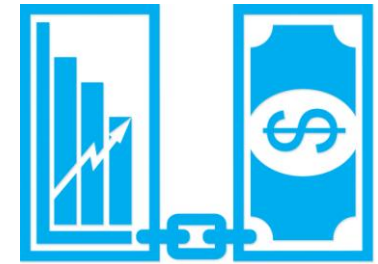
- Tied to results
- Loan conversion—a loan is provided to a developing country to implement a program. The credits are repaid if the project is successfully implemented
- Social/development impact bonds—results-based mechanism with financial returns for private investors on the basis of improved social and development outcomes
 - **Social impact bond**—the government repays investors
 - **Development impact bond**—international donors such as foundations or government agencies such as Britain’s Department for International Development (DFID) or the U.S. Agency for International Development (USAID) repays investors

Innovative financing—loans and bonds



- Loan conversion
 - Japanese International Cooperation Agency (JICA) to provide a 4.9 billion Japanese Yen (\$65 million) ODA loan to the government of Pakistan to support polio eradication efforts through 2013⁹
 - Gates Foundation will repay JICA if the project is successfully implemented⁹
- Social/Development impact bonds
 - DFID launched UK's first development impact bond in April 2014 to invest in prevention of sleeping sickness in Uganda by designing a bond to purchase drugs to treat infected cattle before the disease spreads¹⁰

Innovative financing—loans and bonds



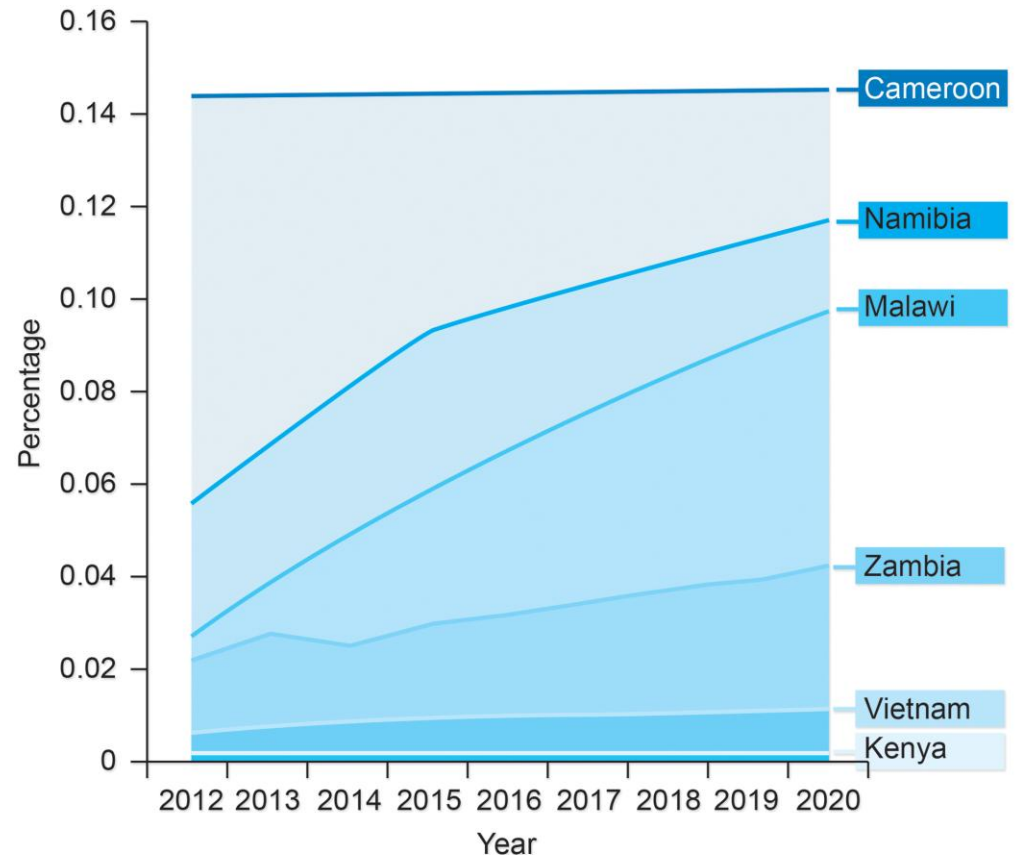
■ Social/Development impact bonds

- **Mozambique Malaria Performance Bond (MMPB)** is a development impact bond to address the funding gap for malaria interventions¹¹
- A partnership between the government, the development consultant group Dalberg, the South Africa-based restaurant chain Nando's and the mining company Anglo American¹¹
- If the malaria interventions reduce incidence rates by 30 percent or more by year three, the MMPB will repay investor principal with 5 percent interest¹¹
- If the interventions are ineffective, investors are repaid 50 percent of their principal, with no interest and funders no expected further commitment¹¹

Innovative financing—private sector



- In some high prevalence countries, business coalitions formed to strengthen private sector response
- Many businesses voluntarily initiating workplace programs¹²
- Variable between countries, but as much an additional 0.15% of GDP per annum could be raised from private sector mainstreaming



Innovative financing—private sector



- Corporate Social Responsibility (CSR)
- Mauritius has a law mandating registered companies to contribute 2% of their book profit to CSR, including health and AIDS
- Indonesia has passed laws requiring businesses to implement CSR programs inside and outside workplaces

Innovative financing—private sector



Indonesia: Mandatory CCSR)

Challenges

- Opposition in business community, who argue the law might deter investment, as an additional “philanthropy tax”¹³
- Compliance hard to regulate, as no specific amount or percentage spent on CSR activities or types of programs has been set
- Management, beneficiaries, or governance of the funds not specified

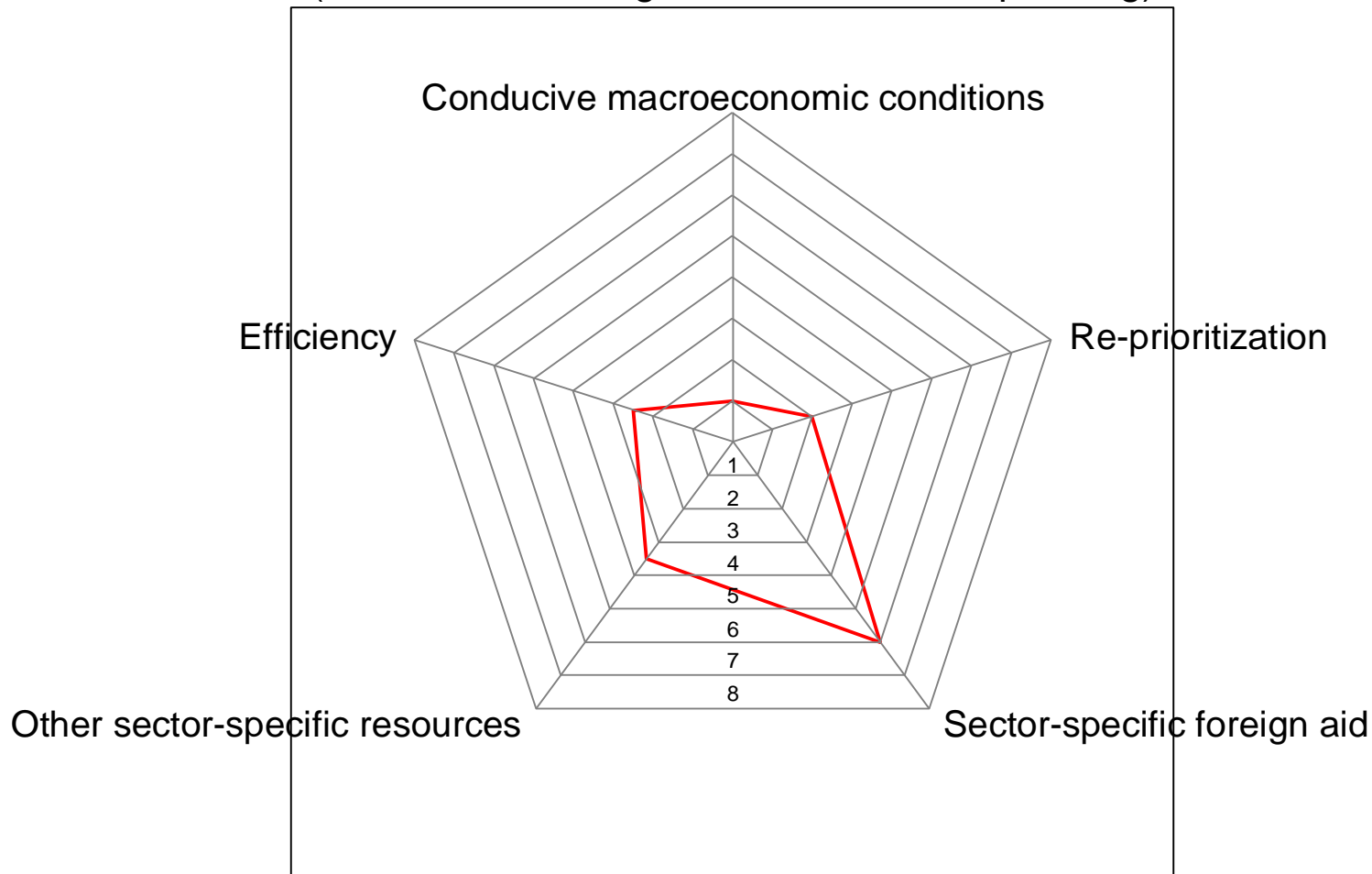
Innovative financing: caveats

- Sustainability
- Ring-fencing
- What will be prioritized?
- Displacement
- Substitution



Conclusion

Fiscal space for health
(increase as % of government health spending)





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Thank you



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