

Monday, January 26, 2009

## Terms of Reference

### Working Group II: Raising and Channeling Funds

#### High Level Taskforce on International Innovative Financing for Health Systems

##### A. Background

1. At the UN High Level Event in New York on 25 September 2008, world leaders announced a High Level Taskforce on Innovative International Financing for Health Systems (the Taskforce). The objective of the Taskforce is to contribute to filling national financing gaps to reach the health related Millennium Development Goals by providing recommendations on how best to mobilize additional resources, increase the financial efficiency of health systems financing, and enhance the effective use of raised funds.<sup>1</sup>

2. In a first phase, from November 2008 to June 2009, the Taskforce will be supported by two technical working groups that focus on health systems and innovative financing respectively.

Working Group I will: foster a better understanding of key determinants of well functioning health systems; analyze existing financing gaps including volume and types of funding required; identify the main constraints to scaling up health system financing in support of the health Millennium Development Goals at the country level and suggest ways in which to address those constraints.

Working Group II will analyze the range of existing innovative financing instruments to respond to the health systems constraints identified in Working Group 1. It will make recommendations on instruments that are ready for expansion as well as examine possible new or complementary approaches. As innovative international funding can only supplement domestic resources, the Working Group will take into account the broader discussion and emerging consensus among development partners on how to increase domestic revenue mobilization for health financing. The working group will also review the efficiency of the present channeling of international funds for health and what changes might be required for.

3. Both Working Groups will provide recommendations for consideration by the High Level Taskforce that will be used to compile a first Taskforce report in time for the G8 in July 2009; this is expected to focus on a few mechanisms, existing and new, that will attract the necessary political support for implementation. In a second phase, from

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<sup>1</sup> Financing gaps are being clarified in country compacts developed as part of the IHP+ and other initiatives to strengthen health sector commitments by national and international stakeholders. Health Millennium Development Goals refer to 1c, 4, 5 & 6. and 8 target E

May to October 2009, a group of “champions” will secure support for the final recommendations of the Taskforce through a broad based consultation and communications campaign. A final Taskforce Report will then be made in time for the UNGA in September 2009.

4. This paper outlines the Terms of Reference of Working Group II: Raising and Channeling Funds.

## **B. Terms of Reference**

5. Working Group II will focus on the international financing aspects of the work of the Taskforce. The objective of WG II will be to recommend international innovative financing mechanisms that can assist in meeting the identified financial gaps and that by their design can tackle some of the constraints to scaling up country health systems. It will consider a range of approaches including raising additional funds by focusing on previously untapped sources, financial engineering, and financial solutions for effective implementation.

6. The Working Group will analyze costs and benefits of existing and potential public and private sector financing approaches. While the analysis will be focused on health systems it will take into account experience with innovative financing approaches in other domains.

7. The Working Group will consider the implications of different approaches on the wider aid architecture. Any recommendations of the Working Group should seek to ensure that the architecture in the health sector serves to reinforce the commitments made by development partners in the Paris Declaration and Accra Agenda for Action. Examining how funding flows come together at the country level in support of national health priorities will be important in this regard.

8. Working Group II will work in close cooperation with Working Group I. Working Group II will need substantial input from Working Group I on the specific types of flows needed (e.g. capital, upfront investments, recurrent flows, funding predictability) to support the needs and levels of flows identified by Working Group I. Working from a mutually agreed foundation, Working Group II will review and assess a range of innovative approaches, as discussed at the first Taskforce meeting in Doha, to raising and delivering additional funding for strengthening health systems.

9. Working Group II shall;

### **1. Report on the range of feasible approaches that:**

- *provide additionality* in revenue raising and in securing long-term predictable funds, including, for example, innovative taxation, voluntary financing, and domestic sources of financing.

- ***increase efficiency*** in transferring funds through appropriate types of financing and possible financial intermediaries, financial markets, and by the use of financial engineering, for example matching the timing of funds flows with financing needs (i.e. frontloading or flexible flows) and managing the financial risks of the financing process in order to solve the key financial challenges linked to health systems strengthening ensuring predictability as well as sustainability.
- ***increase effectiveness*** in the delivery of funds and aid, by explicitly linking flows to achievement of concrete performance criteria or expected results.

**2. Based on the above review, an analysis of the political feasibility of wider support make recommendations on:**

- ***Which instruments might be suitable in which contexts*** based on
  - the costs and benefits of different approaches, including an understanding of the levels of financial risk,;
  - how to involve the private sector and private sector approaches in raising resources and channeling them to countries considering, and how to establish the right incentives for private sector actors;
  - how voluntary and philanthropic contributions can be captured best and integrated effectively and efficiently into existing financial flows;
  - how the additional financial flows expected should be linked to existing channels and aligned with domestic policy agendas,
- ***What adaptations of the existing international health architecture*** that are required in order for the Taskforce recommendations to be implemented in line with the recent Accra declaration on aid effectiveness<sup>2</sup>
- ***How to monitoring and evaluate*** the impact of existing and additional resources for health systems.

**C. Composition**

10. The Working Group “will be a virtual network of global experts chaired by a member of the international community. The Working Group participants will consist of individual experts that represent a balance of global views; able to commit dedicated time to the work of the Taskforce. They will be serving the Taskforce in their individual capacity and not as representatives of their government or agency.”<sup>3</sup>

11. The proposed members of Working Group II are:

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<sup>2</sup> 3<sup>rd</sup> high level forum on aid effectiveness: Accra 2-4 September 2008

<sup>3</sup> See Terms of Reference and Management Arrangements of the Taskforce

**Anders Nordstrom** (Head, SIDA), Chair

**Alice Albright** (Chief Financial & Investment Officer GAVI)

**Susan McAdams** (Director, Multilateral and Innovative Financing, WB)

**David Evans** (Director, health financing and social protection, WHO)

**Jay Naidoo** (Secretary General, Congress of South African Trade Unions)

**Rajat Gupta** (Ex-Management Director Mckinsy)

**Christopher Edgerton-Warburton** (Partner, Lion's Head Global Partners)

**Ismael Serageldin** (Director Alexandria Library)

**MoF representative** (TBC)

12. The Working Group will be supported by a virtual secretariat consisting of the IHP+ core team<sup>4</sup> and a small network of full-time staff based in development partners.

#### **D. Collaboration between the Working Groups in Phase One**

13. There should be a strong link between any innovative financing instrument with the financial needs (as concerns both size and financial characteristics) to strengthen health systems. This will, as outlined above, require close collaboration and regular information exchange between the two working groups of the first phase.

14. From the perspective of Working Group II, information on key quantitative and qualitative aspects of health systems and health systems strengthening is needed from Working Group I and other sources to assess and design innovative financing instruments. This includes, for example: Volume and period of time of funds needed; a detailed description of spending objectives; expected patterns of funding needs (e.g. frontloading or recurring costs); risks to the financing process including potential risks from unforeseen funding needs, country risks, and operational risks; entities involved and their incentives to deliver results; and market and government failures that need to be solved.

#### **E. Summary timelines**

**December 15, 2008.** First virtual meeting of Working Group II.

Introductory session, discussion and agreement on terms of reference, work-plan, time lines and initial responsibilities for the work, including how and where work can be commissioned.

**January 12, 2009 (London)** Face-to-face meeting of Working Group II

To clarify terms of reference and timelines for the Working Group, discuss current experience of innovative financing, the analytical framework to be used by the and draft outline of working group report. Allocation of work among participants.

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<sup>4</sup> The IHP+ core team works out of Geneva, Washington and Brazzaville, led by WHO and World Bank

**January – March 2009.**

Drafting of First Initial Report

**10 March 2009.**

Virtual discussion of First report of Working Group II.

**Late March/April 1-2, 2009, second meeting of the Taskforce at the G20**

**Meeting:** First report of Working Group II presented to the Taskforce.

**April – May 2009.**

Drafting of Final Report

**25-27 May 2009 (Stockholm)**

Face-to-face final meeting of Working Group II to complete the final report to the Taskforce.

**May 29, 2009:** Deadline for final report of Working Group II .

**F. Consultations and interactions**

**January 16:** Conference call with Taskforce Focal Points

**January 28-29 2009 ?** Interaction with Working Group 1

A series of **“mini” consultations** to be held with concerned parties such as:

- Experts on existing initiatives (as presented in Doha FFD)<sup>5</sup>
- Partner country representatives (Geneva, 4<sup>th</sup> February during IHP+ review)
- Major donors, EC and multilateral organizations (Brussels? 12 Feb??)
- US (Washington, Feb?)
- "Pilot Group" & Government of France (Paris, April 09)
- Private foundations (Washington??, 27 April??)

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<sup>5</sup> IFFIm, AMC, tax evasion, RED, Debt2Health, CO2 emissions, voluntary solidarities, Currency Transfer Tax, RH supplies coalition, major PPPs

**Addendum on Focal Point discussion of terms of reference:**

On 21<sup>st</sup> January the Focal Points agreed to the above version of the Terms of Reference for the Working Group, but requested that the following points be included as an addendum:

- The feasibility of different options should mainly be technical, with political aspects being left to politicians to consider. However, the working group should prepare recommendations that can be supported, even if final decisions are for the politicians. Important also to consider what is feasible within current economic climate.
- Major changes in the global health architecture are beyond the scope of the Taskforce, although new initiatives are likely to have some implications on existing architecture, and this should be considered in the Working Group recommendations, particularly if there is evidence that it would lead to greater effectiveness.
- Monitoring impact should use existing mechanisms and country systems, as has already been agreed as part of the IHP+ and the Paris Declaration and Accra AA.
- The work needs to capture the ambition and urgency expressed in the First Taskforce meeting in Doha.