

# **Innovative Financing** Unpacked: **A Practical Overview**

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Webinar series on Innovative Financing

Dr. Christoph Benn

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After years of rising international health investments, **alarming signs of reversal** are emerging. A **combination of factors** now threatens global health progress at a time when **sustained investment** is essential to counter both new and persistent threats — many exacerbated by **climate change**.

# The international financing **crisis** in context

## Global **crises** and **challenges** are on the rise

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Climate change and conflict are driving up the number of crises and emergencies, increasing the burden social welfare systems, international aid, and development budgets.

## Public **capacity to invest** is severely constrained

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The cost of responding to competing crises affecting communities and ecosystems while stimulating economic development has stretched governments' budgets — many severely affected by the COVID-19 response and inadequate fiscal policies\* — with an increasing number experiencing debt distress.



\* Six decades of ODA: insights and outlook in the COVID-19 crisis (2023), OECD

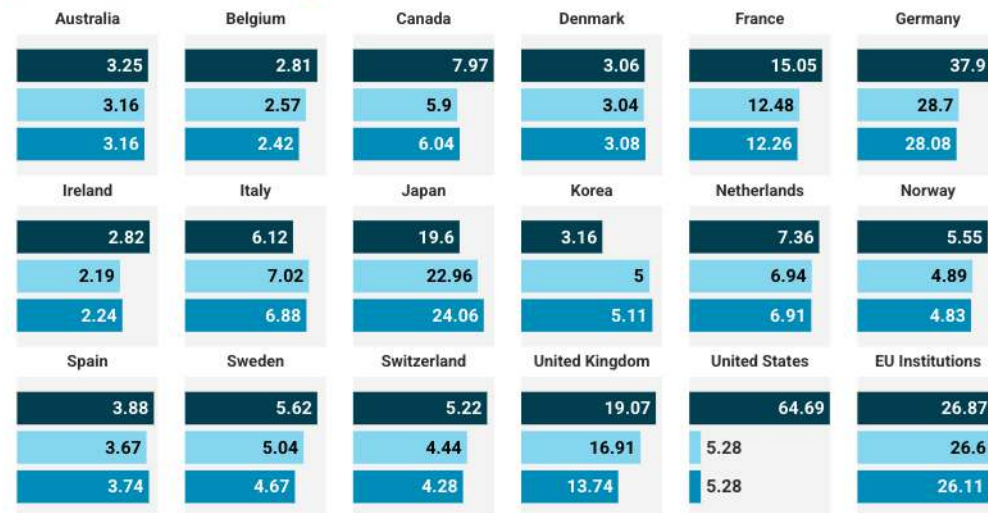
# International aid is declining despite the growing need of investment

- A considerable number of “traditional” donor countries are **scaling back their international commitments** due to rising geopolitical tensions and domestic political crises, hindering international solidarity and multilateralism.
- Projections by SEEK’s Donor Tracker suggest that ODA from donors that are part of the OECD’s Development Assistance Committee (DAC) will **fall by a total of US\$74.02 billion in 2025**.
- Small **increases** have been announced or are expected from **Japan, South Korea, and Italy**.

## Projected ODA by donor

US\$ billion, 2023 constant prices, grants equivalents

■ 2023 ODA ■ 2025 projected ODA ■ 2026 projected ODA



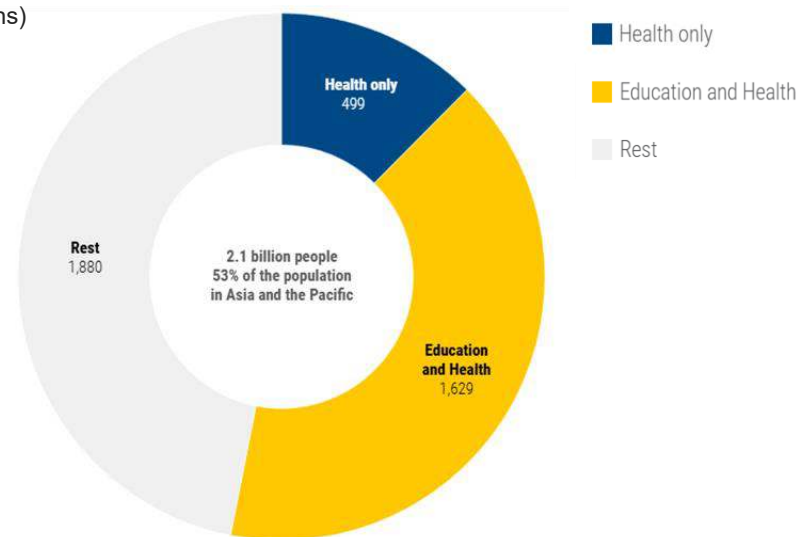
Source: 2023: OECD DAC1. 2025-2026: ODA projections based on OECD, IMF, and government sources. Projected GNI is calculated by using forward-looking GDP growth rate figures from the IMF applied to GNI levels. The estimates of GDP are based on the latest IMF World Economic Outlook update. A future shock to GDP and/or GNI would cause a divergence in the estimates.

## Debt & other economic factors are limiting LMICs capacity to invest

- Low and Middle Income Countries (LMICs) are still grappling with **inflation** and the **budgetary consequences of the COVID-19 pandemic**, severely constraining their ability to provide and expand essential health services, while responding to emerging threats and climate disasters.
- According to UNDP, **165 million people fell into poverty between 2020 to 2023** as debt servicing crowded out social protection, health, and education expenditures.
- Currently, **40% of the world's population lives in countries that spend more on debt service than on health or education** — in Asia and the Pacific region, this counts for over half of the population, up to 2.1 billion people (Figures for 2019-2021).

**People living in countries where net interest payments are higher than spending on education or health**

(in millions)



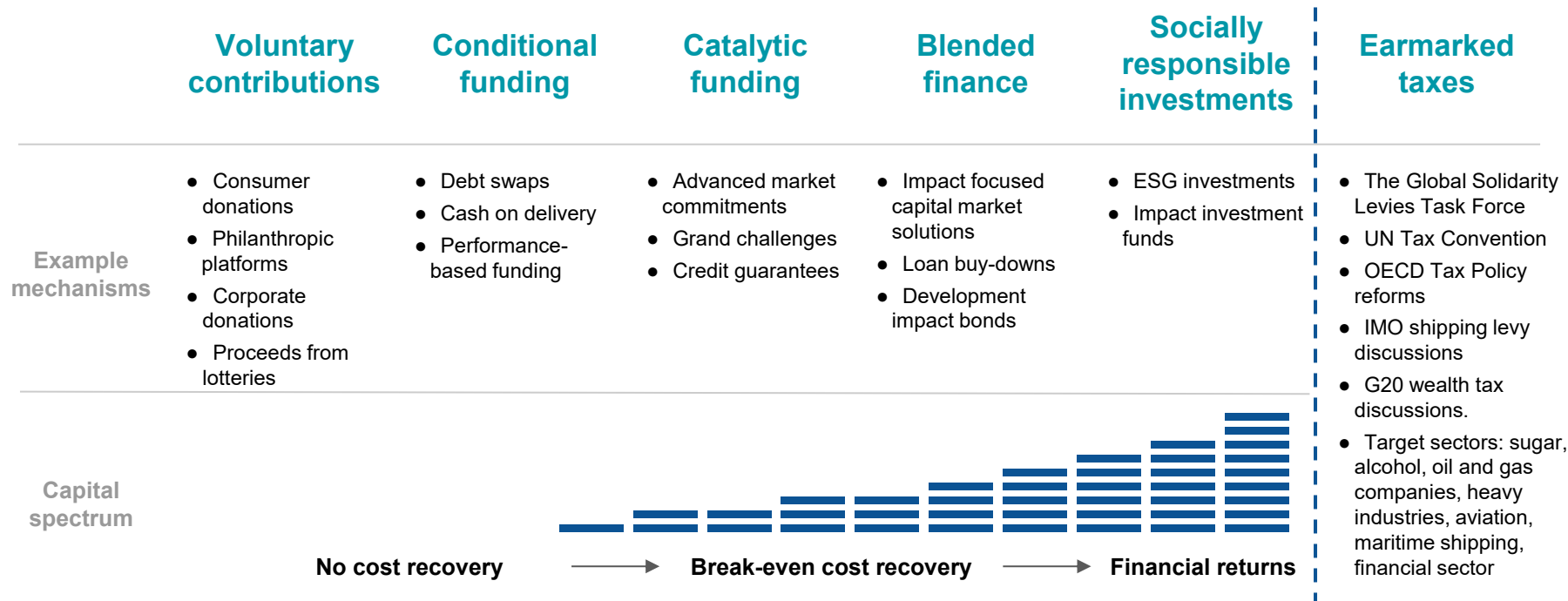
Graph elaborated by UN Trade and Development (UNCTAD)

Source: UN Global Crisis Response Group calculations, based on IMF World Economic Outlook (April 2023), IMF Investment and capital stock database and World Bank World Development Indicators database. Figures for 2019-2021.

**Traditional funding models** are increasingly unable to meet the growing demands of critical sectors like global health.

**Innovative financing** is a **complementary approach** to unlock capital, leverage private sector investments, and drive long-term health outcomes.

# Leveraging innovative finance mechanisms & taxes



# The **Debt to Health (D2H)** experience



Debt management proposition that combines **debt reduction** with an **increase in domestic funding** for health.



**Debt swaps** have been used by official creditors since 1990 for claims covered by a restructuring agreement, on a bilateral and voluntary basis for low-income countries. **Currently often used to spur climate and nature investments.**



Launched in 2007, D2H turns debt repayments into funding for measurable activities with health impact through **established health programmes** at the Global Fund.



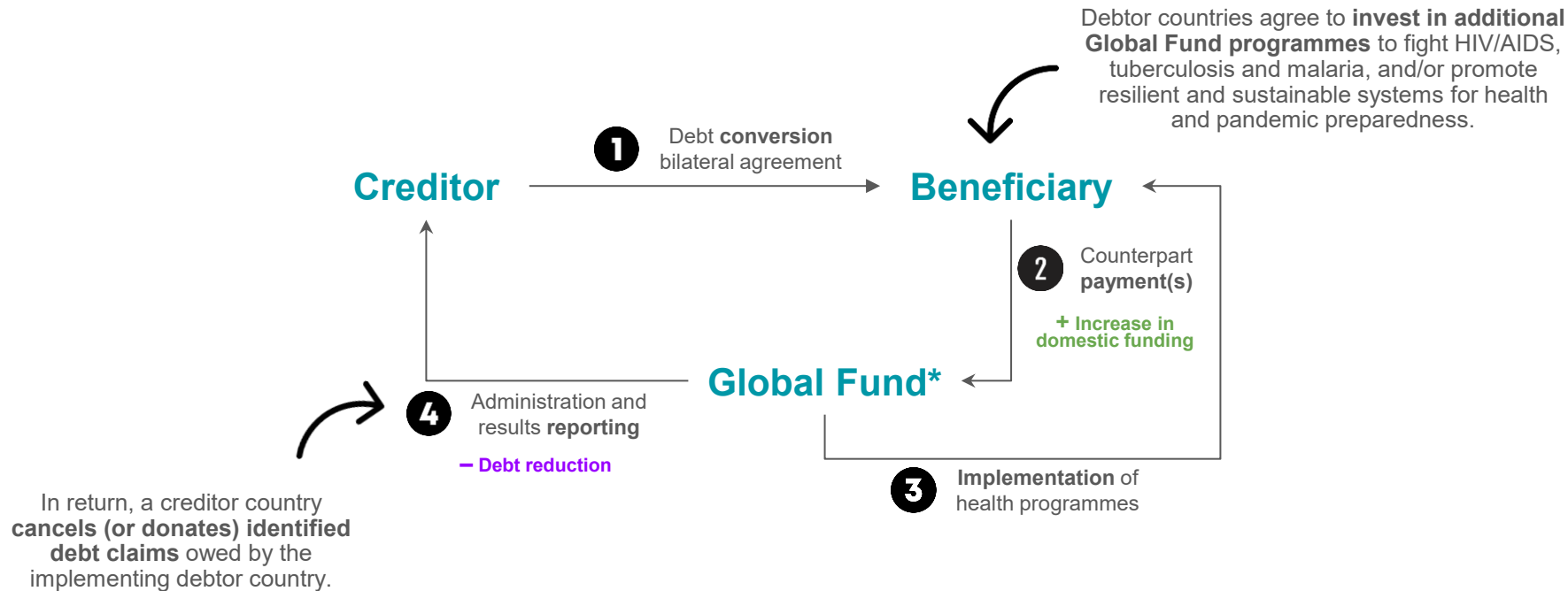
To date, the Global Fund has conducted **14** transactions, generating **US\$330 million in health funding for 11 debtor countries**, and almost US\$0.5 billion in debt canceled through D2H swaps since the program began.



**Australia, Germany, and Spain** have participated and converted debt into health investments with Cameroon, Democratic Republic of Congo, Egypt, El Salvador, Ethiopia, Indonesia, Ivory Coast, Jordan, Mongolia, Pakistan, and Sri Lanka.



## Debt to Health (D2H) : how does it work?



\*Other global health organizations and initiatives could also be considered as **vehicles for implementing D2H**.

## Debt to Health (D2H) : how does it work?

### ✓ What is D2H?

- A **bilateral** agreement between a creditor country and a debtor country.
- A **debt conversion** mechanism rechanneling debt payments to domestic investments in health.
- One tool for **debt distress prevention** and directing additional resources to critical health investments.
- **Flexibility** regarding deal size and structure, conversion ratio, maturities and repayment schedule.

### ✗ What is not D2H?

- A **multilateral** agreement.
- A **debt restructuring** or cancellation mechanism.
- Not a solution to the **debt crisis**.

## Beyond debt swaps: **D2H's value**

- Creates fiscal space for debtor countries to **increase domestic funding in health (in local currency)**, encouraging also bolder and broader investments in health.
- Bolster **country ownership** of domestic health investments.
- Creditors can pair D2H with **other measures that encourage countries to invest in health**. For example, Australia, Germany and Spain have offered debt discounts in accordance with their respective regulations.
- Debt converted into health investments can be **counted as ODA** for creditor countries.
- **No need to set up new governance structures** by using established mechanisms to execute and monitor health programmes (such as those managed by the Global Fund).
- The health programme implementer (e.g. the Global Fund) ensures **quality, alignment, transparency and accountability**.
- Investments in healthier populations have **significant returns beyond health**.

# Advancing a new generation of **global levies for development**

A number of international initiatives on **taxation** are gaining traction given the urgent need to mobilise domestic and international financing for climate and development. Implementing them at a **global scale** is critical for success.

## UN Tax Convention

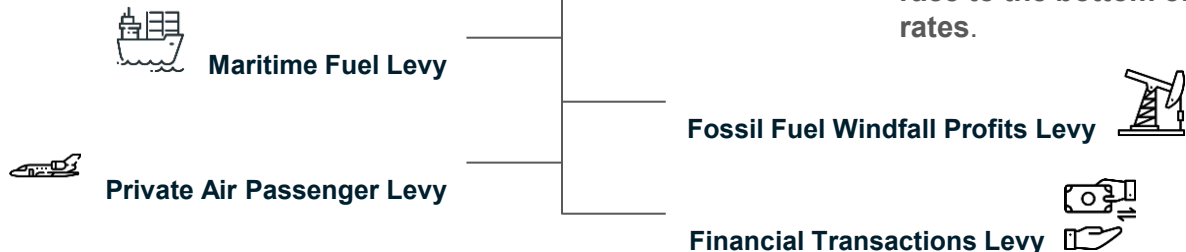
It aims create a system of **international tax cooperation** to close gaps in existing tax systems that prevent many countries from collecting much-needed tax revenues.

## Global Solidarity Levies Task Force

International task force set up by Barbados, France, Kenya and other countries to identify and propose options for implementing **progressive levies** to support climate and development action.

## OECD's Global Minimum Tax

It seeks to ensure that large multinational enterprises pay a minimum level of tax on their income in each jurisdiction where they operate, thereby reducing the incentive for profit shifting and placing a floor under tax competition, bringing an **end to the race to the bottom on corporate tax rates**.



# Reinforcing the case for **global public investment**

- **The traditional aid paradigm is falling short of expectations.** While increasing international aid remains vital, it is equally important to recognize that some public goods transcend borders and require capacity-based collective financing — through regional or even global mechanisms.
- The [\*Lancet Commission on Investing in Health\*](#) underscores “*greater international collective action is needed to **generate (and finance) global public goods***”, identifying antimicrobial resistance, pandemic prevention and preparedness, and access to new health technologies as areas that should be treated as global commons within the health sector. Biodiversity and tropical rainforest conservation are other key examples of global public goods.
- The **Global Public Investment (GPI) principles** offer a foundation for developing international public financing mechanisms for public goods that deliver shared global benefits.

All countries contribute their fair share



All countries are involved in decision making



All countries benefits from investments in global public goods



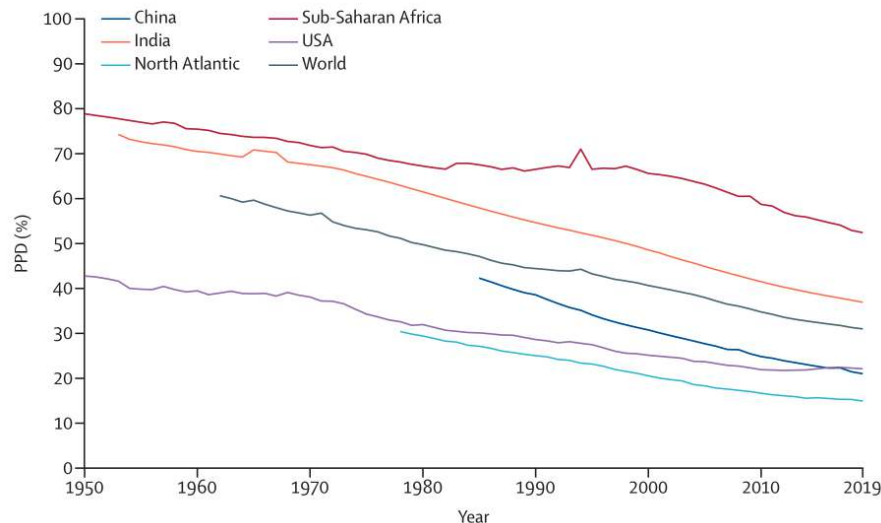
**Global cooperation and financing** have been instrumental in achieving **major milestones** that today make our world healthier and more secure than ever before.

# Halving premature death is **within reach** by 2050

- A recent report by **The Lancet Commission on Investing in Health** highlights the world could reduce by 50% the probability of premature death (PPD) — dying before age 70 years — from the levels in 2019 by 2050.
- Since 1970, **37 countries halved their PPD in 31 years or less**, including 7 of the world's 30 most populous countries — among them China.
- The report highlights investment is needed across **15 priority areas**, noting infectious diseases, maternal services, and health system strengthening should be prioritised for countries with high PPD.
- Such an achievement would have **profound implications beyond health** — alleviating poverty, growing economies, and improving human welfare.

## Time for PPD to decrease by 50% in selected regions & countries

Sub-Saharan Africa did not halve its PPD in this timeframe but has been included as a comparator



**Source:** Jamison, D. T., Summers, L. H., Chang, A. Y., Karlsson, O., Mao, W., Norheim, O. F., Ogbuonji, O., Schäferhoff, M., Watkins, D., Adeyi, O., Alleyne, G., Alwan, A., Anand, S., Belachew, R., Berkley, S. F., Bertozzi, S. M., Bolongaita, S., Bundy, D., Bustreo, F., ... Yamey, G. (2024). Global health 2050: The path to halving premature death by mid-century. *The Lancet*, 404(10462), 1561–1614. [https://doi.org/10.1016/S0140-6736\(24\)01439-9](https://doi.org/10.1016/S0140-6736(24)01439-9)

# Global health challenges & opportunities

*The world's response to the COVID-19 pandemic and other health-related crises have also pointed out some of the most crucial and promising areas of work and collaboration.*



Contributions to **primary health care (PHC)** and others leading to expanding **universal health coverage (UHC)** are considered investments in the world's first line of defense against disease.



The COVID-19 pandemic evidenced the challenges to ensure **equitable access** to life saving medical countermeasures during health emergencies. Investments in **global health R&D**, regional **vaccine self-sufficiency**, and **distributed manufacturing** are essential in achieving this goal.



As the effects of climate change intensify, investments in **disease surveillance** and **resilient health infrastructure** will be critical to prevent health emergencies and ensure access to health services during and after climate disasters remains in place. Investments paired with **One Health** and **Planetary Health** approaches could also bring additional benefits beyond human health.



**Digital health and AI** have opened new paths to increase access to health services, create new ones, improve the quality of existing ones, foster efficiency, and potentially reduce costs.



## Conclusions & takeaways

- Global cooperation and financing have been instrumental in achieving major milestones that today make our world healthier and more secure than ever before.
- However, further **progress is fragile** because of multiple concurrent challenges including climate change, conflicts, debt crisis and international aid declining.
- **Without urgent action, these factors will endanger millions of lives and weaken global security and stability.**
- As governments and societies navigate these shifting realities, global health and financing experts must advocate for **a new paradigm of cooperation** — one rooted in **sustainable and equitable approaches**.
- **Global Public Investment** has been established as a framework to facilitate the participation of all countries in financing Global Public Goods.
- Leveraging **innovative finance mechanisms**, using **blended finance** of public and private sources to scale up funding, advancing a new generation of **global solidarity levies**, innovative **debt operations** that earmark development funding are viable mechanisms to explore.

**Thank you**