

2019 4TH ANNUAL HEALTH FINANCING FORUM

Exploring Frontiers of Resource
Mobilization for Health
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THEME 3, BREAKOUT 3 – TECHNICAL BRIEF

Financial Return vs. Development Impact:

Can private investment in health in LMICs really maximize both or is there a trade-off?

Investors looking to support impact-focused health investments face many challenges: institutional investors like pension funds who have enormous pools of capital to deploy often have very little flexibility in the level of return and risk they are allowed. On the other hand, investment funds putting their capital into country-level investment deals in service delivery, pharmaceuticals, etc., face other challenges of operating in high-risk environments with limited deal opportunities that are primarily focused on the better off populations without improving access for poorer populations. Development finance organizations are facing increasing pressure from donors to operate in a self-sustaining manner while simultaneously driving investment in some of the most difficult environments in countries with poor regulation and governance, or those that are fragile and conflict affected. LMIC governments also face trade-offs in incentivizing foreign and domestic private investment across sectors, with higher financial returns from large private sector infrastructure and energy projects that often generate revenue, vs. smaller private health investments that often require public subsidies to reach the poor.

This session will bring stakeholders across the investor spectrum together with donors, governments, multi-lateral and development finance organizations to discuss:

- The current challenges private investors face balancing financial return and impact on health outcomes for health investments;
- How governments manage the trade-off between incentivizing investment in social sectors such as health, versus others that are private investment-intensive, such as infrastructure, transport, etc.;
- The role of innovative financing solutions (e.g., blended finance, World Bank-GFF partnership for Sustainable Development Bonds for health and nutrition etc.) in de-risking/helping bridge the gap between risk-return profiles for investors, and whether this is feasible at scale;
- How impact is measured and whether there can be a shift over time among investor perspective to allocate value to impact results (not only financial return)

Key message 1

There are very high expectations for private capital to support achieving the SDGs and UHC. Donors, country governments and multi-laterals are increasingly considering private sector solutions and investments as a key part of their health strategies. But, is this a reasonable expectation? There are often questions as to whether private

investments in health can actually reach the poor in low- and middle-income countries, and there is also a broader and related question as to whether private capital can be made affordable enough for the health sector in these settings. Can private capital fulfill development objectives at scale in some of the most challenging environments, while also maintaining its mandate to be financially sustainable and make a return on investment? Various actors have roles to play in this issue, each with their own institutional mandate and challenges. Panelists will discuss the following questions:

- What are some challenges with balancing the need for private health investment in a development context to serve the poor, while remaining financially attractive to investors?
- What are some challenges with getting the impact investment model to scale?
- What are some strategies to manage the tensions for DFIs between financial return and social impact?
- What are some potential differences in structuring of financial products and in perspectives on financial products for health vs. other sectors?
- What is the decision process for governments between managing the needs for incentivizing private investment in health compared to bringing in large scale revenue-generating private sector/PPP projects?

Key message 2

What are possible solutions for ensuring that private capital can focus on health outcomes for the poor, while also being financially attractive for investors, and on a large scale? Panel will examine the instruments and solutions that investors, donors, multilaterals and country governments can leverage to bring in private health investment at scale and help direct it towards the people that need it the most. Panelists will discuss the following questions:

- Are there solutions that may help impact investors to expand to a much larger scale given current challenges?
- What is the role of governments vs. that of donors in enabling investors to overcome these challenges?
- How can DFIs play a role in getting donors to support blended finance at scale, while also bringing in other private investors alongside?
- Are there innovative financing solutions that have been developed that bring together the needs of private sectors and country priorities in a development context, specifically for health?
- What can country governments do to attract private investors to their health sector, especially to achieve impact amongst the poor and those living outside capital cities?

Panelists will also be asked the following forward-looking questions:

- What do you see for the future of private sector investment in health?
- Will investors begin to attach financial value to health outcomes, not just financial return?
- What role would you want your institution to play in shaping these investment trends for health?