



SUSTAINABLE PRIVATE INVESTMENT CAN DRIVE BETTER HEALTH OUTCOMES: The Health Credit Exchange Model

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Health Credit Exchange Executive Summary

The launch of the Sustainable Development Goals (SDGs) at the UN General Assembly in September will once again challenge the international community. Yet, there remains broad consensus that official development resources are insufficient to guarantee genuine progress in the lives of the poor. As a result, new sources of capital and innovative models for doing business must be devised to meet these unprecedented challenges.

The importance of private sector financing for development is nothing new. Yet, up until a few years ago, donors and their corporate counterparts often struggled to see eye to eye. Recently, this dichotomy has started to shift. A critical mass of private companies have come to the realization that it is in their own best interest to contribute to the equitable development of the communities around them. As a result, old models of doing business are being disrupted as companies acknowledge that social and environmental sustainability are essential to driving shareholder value and retaining customer loyalty. Investments in human capital and supply chain accountability have demonstrated direct financial return through gains in productivity and efficiency, while support for social programs has accelerated economic growth –creating a wider consumer base and raising the prospects of entry into new markets. Good corporate



citizenship has come to be recognized as not just a moral imperative, but simply as **good business**.

With this convergence, it is vital that the private sector has the opportunity to fully contribute to the achievement of global and national development goals in a way that generates lasting impact in the lives of the poor. Successfully mobilizing these private resources will demand a radical re-think of how donors and implementing organizations engage the private sector and partner on development programs. In an effort to bridge this gap, GBCHealth, Total Impact Advisors and the MDG Health Alliance have built an innovative financing tool which will enable the private sector to direct investments toward improvements in global health in an accountable and impactful way. We are calling this tool the Health Credit Exchange (HCX).

Partners



THE **MDG** Health Alliance



Human Energy®

GBCHealth is dedicated to leveraging the resources and expertise of the private sector to meet today's most pressing health challenges. Founded in 2001, under the leadership of Ambassador Richard C. Holbrooke, GBCHealth has built a strong track record of mobilizing business action to address workplace and community health issues. Today, the organization works with a network of more than 300 companies internationally to catalyze sustainable investments in global health.

The Health Credit Exchange and Pay for Performance

The Health Credit Exchange supports the achievement of the MDGs and SDGs, and is aligned with global and domestic health policy, including the Global Strategy for Women's, Children's and Adolescents' Health, the Global Financing Facility in Support of Every Woman Every Child, and the Roll Back Malaria and Stop TB Partnerships. The HCX will mobilize substantial sums of private capital to reward best-in-class health programs and build sustainability for the successful achievement of specific metrics critical to improving global health. This 'pay for performance' model will complement existing donor funding and make it more effective, by focusing partners on outcomes rather than inputs and giving recipients greater discretion to engage in problem-solving. The exchange will also contribute to the immediate scaling up of evidence-based, equitable and locally-adapted health solutions by injecting funding at the end of a project's funding cycle in an effort to bridge gaps and jumpstart progress in new areas. Accountable reporting instruments are built into all programs so results will be transparent and can be made readily accessible to donors, shareholders and customers alike.

How does the HCX work?

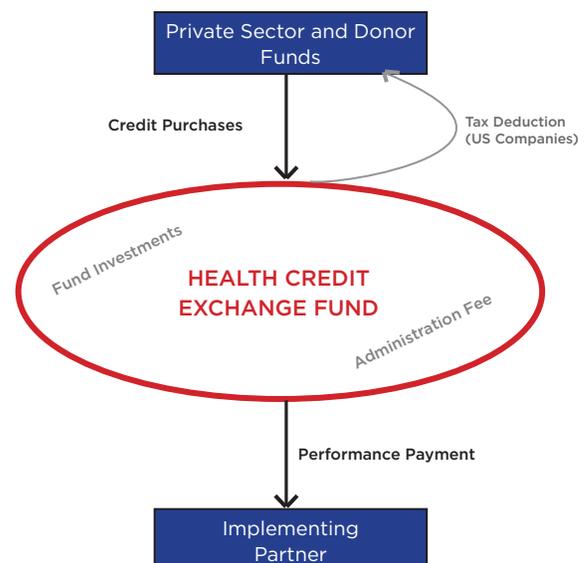


The Health Credit Exchange is committed to the following principles:

- **Accompaniment:** cooperation, local ownership, openness and humility
- **Accountability:** the application of evidence-based standards that offer best outcomes and result in the broad and transparent dissemination of knowledge
- **Sustainability:** long-term commitments to supporting partners with flexible capital
- **Innovation:** holistic, integrated solutions that engender local problem-solving

The HCX Fund

The HCX Fund is a donor-advised fund that aggregates small and large donations into a pool of resources that are held until performance metrics are achieved. While deposits are held in the fund, they will be invested in socially-responsible, publicly-listed securities. The initial investment and any return earned on the principle will be subject to an administration fee that will go to the fund's management partners. This fee will ideally cover the entire cost of the program and allow for its sustainable growth. As soon as performance metrics are achieved, funds will be paid to the implementing partner(s) within 30 days. If performance metrics are not achieved, the money is redeployed to other HCX initiatives.



Why we believe HCX will be a game-changer

For business:

- High value-for-money investment
- Coordinated approach to financing improvements in health
- Multiple initiatives and regions for investment to align with sustainability strategy
- Aggregation of small and large donations to multiply impact
- Impact reports to disseminate to shareholders and market
- Opportunity to leverage existing donor financing mechanisms and matching programs
- Alignment to national and global targets to ensure system strengthening
- Ability to make strategic investments and deliver results without the cost of developing, implementing, and monitoring own programs
- Influence priority programs through investment and metric creation

For organizations:

- Funding at the end of cycle to allow for immediate scaling of successful programs
- Space to innovate in program design and local adaptation
- Discretion over use of performance payments
- Focus on management and results
- Opportunity to build a track record of success with the private sector partners and donors

For donors:

- Crowding new domestic and global sources of private sector capital into existing development projects in a coordinated and targeted manner to drive results
- Opportunity to reward programs that are proven to work and are ready for immediate scale
- Increased efficiency, transparency and accountability in the use of donor funds
- Alignment with national health sector strategies and local ownership over payments
- Incentives for working cross-sector and across multiple organizations in support of overall health system strengthening and integrated delivery

Monitoring for Success

The HCX will engage respected third parties to audit the achievement of outcomes. As part of its performance payment monitoring, the HCX will be collecting data that will be disseminated to the broader development community and our private sector partners.

Partnerships

GBCHealth is actively expanding our partnership base to include companies, donors and implementing organizations to support key initiatives in the SDG agenda. Initial credits will be shopped to a select group of corporate sponsors and will provide initial capital to the fund to be distributed to implementing partners as performance payments. GBCHealth and its partners are also pursuing opportunities to

crowd additional sources of private capital into bond initiatives to reward high-performing local implementers and governments with critical funds to support the scale up of successful donor-funded health programs.

GBCHealth works with a network of more than 300 global companies to catalyze investments in global health. The organization has a strong track record of leveraging the assets and skills of the business community to drive progress in areas of greatest need. If you are interested in contributing to our vision or would like to become a program partner, please contact GBCHealth using the information provided.

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The Health Credit Exchange (HCX)

SAMPLE INITIATIVES



Breaking down the siloes through the integration of vaccines and nutrition-specific interventions

1.5 Million children under-five lose their lives each year to vaccine preventable diseases, while 165 million more are left stunted by malnutrition. The international community has developed robust product and service delivery systems to confront these challenges. However, without a systematic effort to provide incentives for improved coordination of these systems, children will continue to slip through the cracks and resources will continue to be wasted on redundant programs.

The primary goal of this HCX initiative is to incentivize greater integrated delivery of vaccines and the diagnosis and treatment of childhood malnutrition in populations with low vaccine coverage and high rates of stunting among children under-five. This approach can have a dramatic impact on child survival once a certain threshold of coverage is reached. By rewarding integrated delivery, the HCX will provide an incentive for multiple implementing organizations to collaborate to achieve better health outcomes for communities. In the case of integrated vaccination and nutrition programs, the reward payment would be triggered when 80% of the target population received the recommended additional vaccination and nutrition services, which might involve diagnosis and treatment on the spot with food supplements or referral to a health facility in the case of severe acute malnutrition. As an example, in a successful vaccination campaign targeting 6 million children, a reward payment of USD \$1 per child vaccinated might be paid if the campaign reaches more than 80% of all children with vaccines and the agreed to nutrition package. These contributions will be invested in the HCX Fund and will be paid out to implementing stakeholders upon achievement of identified targets for the specific initiative.

In this way, the HCX is able to build on investments into the existing programs and demonstrate excellent value for money to funders.

Increasing the size of the pot-crowding private capital into health bonds

The HCX allows additional private sector resources to be crowded into development programs by aggregating small and large contributions and putting them to work in service of pre-determined outcomes. Accordingly, the HCX is well-positioned to complement a bond, or other donor financing mechanisms by adding on a performance payment element. In this instance, the HCX would work alongside the donor to identify appropriate metrics and partners for which performance incentives could result in improved outcomes. The donor, in concert with local partners, would propose the appropriate size of the incentive payment. Once the money is raised and deposited in the fund, the donor could then offer to match or leverage the money to increase the overall size of the payment to the implementing partner. Funds could then be dispersed through the donor mechanism, paid to the government or go into a trust which would pay implementing partners directly. The effect of the performance payment could act as a buy down on the overall cost of the bond. This leverage model would offer a compelling rationale for the private sector, particularly in the project country, to invest in larger health-related projects for which evaluation criteria and a mechanism for measuring impact has already been developed.

