

## **Investing for Impact: A Conversation with Joe Wilson, USAID's Senior Advisor on Innovative Finance and Priya Sharma, USAID's Senior Advisor on Policy and Innovative Finance.**

**Bea Spadacini:** Hello and welcome to USAID Bureau for Global Health's podcast! My name is Bea Spadacini and I am a Senior Communications Officer to the Bureau for Global Health at USAID. In this episode, we are going to take a closer look at the emerging landscape of global health financing. Forty years ago, nearly \$3 out of every \$4 sent from the United States to the global South came in the form of Official Development Assistance or foreign aid. Today, we see just the opposite. Over 80 percent of resource flows from the United States to emerging economies, come in the form of foreign direct investments, or sources other than foreign aid. Additionally, domestic resources, both public and private, are experiencing unprecedented levels of growth and account for the largest source of development financing in many countries. In short, the landscape of development financing is changing and, along with it, the role of foreign aid and the strategic approach to financing healthcare worldwide.

Here, to talk about these trends, and their impact for global health investments, are Joe Wilson, Senior Advisor on Innovative Finance with USAID's Bureau for Global Health and Priya Sharma, Senior Advisor on Policy and Innovative Finance, also with USAID's Bureau for Global Health. Hello Joe. Hello Priya. So Joe, let me start by asking you a question. Can you tell us a bit about yourself and what brought you to the world of health finance?

**Joe Wilson:** You know, I actually took the circuitous route. I was in finance, straight out of college and then went on to pharmaceuticals and then had one of those scoofy, cliché moments where you are teaching English and math at a slum school in Kenya and you realize that you want to do something a bit more purposeful in one's life so that was the turning point for me. I actually ended up getting malaria when I was in Kenya so this long winding road that brought me to here.

**Bea Spadacini:** To USAID.

**Joe Wilson:** To USAID.

**Bea Spadacini:** What about you Priya? What has brought you to the world of global health finance? What's your personal story and journey?

**Priya Sharma:** Yeah, sure. So, I actually wanted to be a doctor when I was growing up and then I went to college and then realized that maybe medicine was not quite the right route for me. Then a friend told me about a community health class that she had taken and thought it was really interesting and I took it and ended up loving it. And at the time it wasn't something you could major in on its own, you had to double major with something else. In learning more about community health and global health, I realized that health and good health are about access to resources and who has access to what resources and economics is all about the efficient

allocation of resources and it kind of made sense to put the two together and that is sort of what got me started on this track and I, like Joe, also took a bit of a circuitous route to get to USAID. I started working on domestic health policy with a focus on children exposed to violence. Went to grad school and figured out that I liked the health financing angle of things and so studied that but then ended up getting a little side tracked by the pharmaceutical industry myself and worked for the British Pharmaceutical Trade Association and then decided that maybe it was time to try my hand at global health, which is something that had always been interesting to me and I ended up at the Center.

**Bea Spadacini:** Center for?

**Priya Sharma:** Center for Accelerating Innovation and Impact.

**Bea Spadacini:** So the Center for Accelerating Innovation and Impact has recently released a report entitled Investing for Impact. Joe, can you tell me a bit about why this report is relevant for global health and why is it significant for USAID to have put this out?

**Joe Wilson:** Sure, we can just go into the guts of the report. Investing for Impact really highlights four, huge mega trends. One is over the last fifteen years so since the turn of the century, we have seen a marketed increase in the amount of resources being dedicated to global health right? So at large so there is much more money going into the system so that is great. Two is that the charge is being led by domestic resources, right? So countries are developing rapidly and it varies to a great degree but they are developing rapidly and they are allocating more and more money to health care. The private sector is the third piece so we are seeing more money, both internationally and domestically being allocated to the provision of healthcare. And the fourth piece that we focus on is us. It is the donors. The international public funding streams you know, the case we are familiar with is ODA or Overseas Development Assistance. So, when you look at the totality of it, the piece that I think is really striking is when you see this small amount of funding that we have and this huge amount of funding in these other streams, it almost forces you to think creatively on how we are using our money to leverage these vast pools of resources outside. And the report talks a great deal about how much has been accomplished with that small amount of funding from halving malaria mortality to cutting new HIV infections by 35 percent and nearly halving child mortality in an approximate time frame so tremendous global health goals have been accomplished with a small amount of funding. So we are in a different funding environment right now, particularly USAID so our funding had plateaued, so it really forces us to think creatively on how to use our money in a catalytic ways to leverage those external resources and to continue to ensure that we are achieving results with the funds that we do allocate.

**Bea Spadacini:** Priya can you give us concrete examples of innovative ways that we have used these financial tools that are not traditional?

**Priya Sharma:** Yes and I think just one thing to preface that question is to say that none of what we are proposing in this report is new. USAID has been doing a lot of this work for a long time

and all the tools that are listed in there are tried and tested and have been deployed, not only across the health space but also other sectors across the Agency. What we are advocating for is maybe more strategic and purposeful use of these tools. So, I think a good example is the Grand Challenge for Development model and particularly I will talk about Saving Lives at Birth. So, very briefly, the Grand Challenges for Development model is a way of crowdsourcing for new innovations for old development challenges that we have been facing. In the case of Saving Lives at Birth, we are looking for new innovations, and I use that term very broadly not just technologies but new service delivery models, e-m-health models, new tools as well to really think about how we can save the life of the mother and the child around that 48-hour period between labor and delivery, recognizing that in many of the countries that we are working in this is the most critical time for most mothers and babies. We put out a call very specifically and narrowly defined around that challenge and crowd source for the best and brightest idea. It is an interesting way for USAID to deploy its capital because it is something we consider to be very catalytic so we provide small grants up front to help these innovators demonstrate proof of concept and get to the point hopefully, where an investor or an impact investor is interested to come in and actually help further develop the innovation and eventually take them to the product introduction and the scale side of things.

**Bea Spadacini:** I was just going to ask you, how does that generate more money but it is the seed money that then hopefully, when the idea is very good, it generates, there will be other investors right?

**Priya Sharma:** Absolutely so it is catalytic so the intention is to use a small amount of funding to catalyze additional investments but it is also an efficient use of our resources right. Rather than USAID investing in something from start to finish, we say all right, what is our role as a public sector investor upfront? How can we help seed the pipeline of these innovations that can get to a point where private sector or national governments or other donors, quite frankly, might be interested in taking them further.

**Bea Spadacini:** So, in the Saving Lives at Birth, can you give us an example of one particular innovation that generated a lot of interest and more investors?

**Priya Sharma:** So yes, the Odon device, which is one of the first innovations that we funded under Saving Lives at Birth, is a great example of this. So, the Odon device is one of the first devices for obstructed labor in a very long time so we had the forceps for hundreds of years and more recently we had the vacuum extractor but since then, the Odon device and not only USAID has been supporting but also WHO and, more recently, the med tech company Beckton Dickinson has taken this on. So, in early 2011, USAID provided one of the first seed grant to Jorje Oran at the WHO to do some small scale clinical trials of the Odon device. As a result of the safety and efficacy data that came out of that, and the high-level attention that the Saving Lives at Birth and USAID platform gave the Odon device, it actually came to the attention of Beckton Dickinson. They were very interested in building out their maternal and child health pipeline. They thought this was a really great product that they could come behind that would have dual market purpose and they are actually now in the process of continuing to develop

the product and hopefully will implement in many of the key countries where we would like to see this product get rolled out.

**Bea Spadacini:** Can you give us an idea of how much USAID invested in that? Approximately?

**Priya Sharma:** Yes, so USAID approximate seed funding to Odon device was \$250,000 and I unfortunately do not know how much Beckton and Dickinson has put on but it would be in the millions of dollars. It has not been rolled out yet but there are still need to hapopen to the tool and then there will still be clinical trials that have to happen and all of these are the more expensive parts of the research and development process and this is where comparative advantages and efficient allocation of resources really come to play. We do not have the resources to put behind the clinical trial of a specific device like this but a company like Beckton and Dickinson can. This is what they do. This is how they operate. This is their business model. So, there is a very natural hand off between us and some of these other larger companies to say, OK we have put in and have demonstrated proof of concept and now it is your turn to take it all the way to product introduction and hopefully to scale.

**Bea Spadacini:** So, the report gives a lot of different tools and there is also a toolkit in this report, toward the end that allows people to see where they operate, what they want to achieve and then consider which of these financial tools would be best for them. Joe, what criteria should a development practitioner consider when choosing a financing tool?

**Joe Wilson:** We don't want to suggest the use of all of these tools without providing any sort of guidance as to how best and when to use them. That said, there is no yellow brick road for what is right. To say that this a little bit of art and science would probably be correct, right? So, some tools, I think, are more akin to development specific activities, others are better at pulling in perhaps private capital where there is an opportunity for a market solution for instance, but each one of these is unique and complex and I think one of the main take-away from Investing for Impact, and one of the motivations for creating it, was to be a conversation starter and nothing more right? We have a lot of busy folks in our Missions and across the world, who frankly, do not have the time to become deep technical experts in each one of these tools. What we want to do, is make them aware of them, give them the opportunity to connect with people who can tell them more about it, who actually have the technical expertise or even the operational expertise to lead on something like that, connect those folks and then have a conversation about what might be right for them. That is more the ground floor, I think. You know the exciting piece, you will probably recognize these terms from the last couple of years but USAID has been pushing this concept of a grand convergence for health right? And recognizing the economic transition that is taking place in many of our countries, is more money out there. That does not mean that every project is going to get funded but there is more money out there so it is promising as we see countries kind of evolve or grow along that trajectory, they tend to allocate more money toward health. Health in itself is inelastic right? And so it is promising, at least aty a meta level, that we are going to continually be more funding available for health it is just a question of matching it with those who need it most.

**Bea Spadacini:** Thank you! So how do we compare to other donors Priya when it comes to these non-traditional financing tools?

**Priya Sharma:** Yes, so as I mentioned earlier, USAID has been applying these tools for a long time. Nothing that Joe or I are talking about is new in any way. I think that means we have a lot of experience and strong understanding of how these tools work, what some of the potential market distortions could be, what some of the negative impact could potentially be from using the wrong tool in the wrong country at the wrong time. And I think that certainly, it makes us a big candidate for really kind of thinking through how do we apply these more systematically, how do we build you know, on our current knowledge base and our current experience using these tools to do more to improve the efficiency of the funds that we already have and leverage more to help us achieve our health goals. So, I think it is more our wealth of experience using these tools already and our history and our understanding of how they operate that gives us a comparative advantage over other donors.

Bea Spadacini: You were telling me before about, before the recording of the podcast, about the DCA, can you expand a little bit on this?

Priya Sharma: Yeah, the development Credit Authority guarantee and as far as donors go, it is actually something unique that USAID has. There are very few bilateral donors like USAID that have them. I think in fact only Swedish SIDA comes to mind. So a DCA guarantee is basically a tool that we can use to unlock private capital for development projects, so it operates by de-risking lending with a commercial bank, for the most part, to enable them to feel comfortable to lend to sectors where they may not have much experience lending in so health for example, education and agriculture. These are all sectors that are traditionally ignored by private institutions, private lenders, because they do not understand the sector. It is not easy to understand how the money is going to be used and how the loan is going to be repaid. So by de-risking lending to the private sector, it enables them to feel comfortable to lend to entities they might not necessarily how to lend to or how to experience lending to and as a result, we not only achieve our health outcomes by helping these businesses to grow and to provide better quality services and better care to patients but then we also help to overcome a market failure which is that these banks now understand that this is actually a good place to be lending to.

**Bea Spadacini:** So, let me ask Joe another question then. What does the future of health financing look like? You have seen some changes over the last twenty years and what might be new ideas that already exist out there or in the process of developing that we, as a donor, might latch on to, and add more tools in the future to this already exciting landscape?

Joe Wilson: I think USAID is still an aid organization. Its DNA is that of an aid organization. We are not a development finance organization and by that I mean that the vast majority of our funding goes out in traditional grants based way, for humanitarian assistance and reasons all the like. That model, still works very well in some countries but it does not in others so if you

are looking out into the future, in fifteen or twenty years, how many of those countries are going to look more like Indonesia like you do, fill in the blank country, who is a bit more further down in terms of economic development. As that transition occurs, USAID is going to have to probably transition along with these strategically and operationally to respond to the needs that the market presents and a big part of what presents the foundation of Investing for Impact is saying that there are a lot of people out there doing great work, not just the public or the NGO side but also the private sector and so, how can we be more catalytic in nature, to ensure that those resources are being allocated.

**Bea Spadacini:** So, what about impact bonds, can you give us a sneak preview of anything, can we be a player in that sector?

**Joe Wilson:** I think we can. I think impact bonds have been a very highly touted mechanism in development that is still very experimental and needs to be systematized in a way that lowers the transaction cost so they can proliferate and be used because right now they are very ad hoc and we have only seen a few dozen development and social impact bonds in the world so we need to be a bit better at coordinating efforts to make it go but I think the important piece is about pushing the entire development agency and the development community as a whole toward a focus on outcomes. It is a really, exciting space.

**Bea Spadacini:** I think it is great that the Agency as a whole is exploring this space and daring to come in and like Priya said, we have already been doing some of these things so thank you so much for putting this report together and for starting the conversation, as you said before, and getting everyone throughout this Agency but also beyond to be part of the conversation.

**Joe Wilson:** My first podcast, thank you Bea.

**Priya Sharma:** Yes, thank you!

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