

Trends and fragmentation in official development finance (ODF) to health

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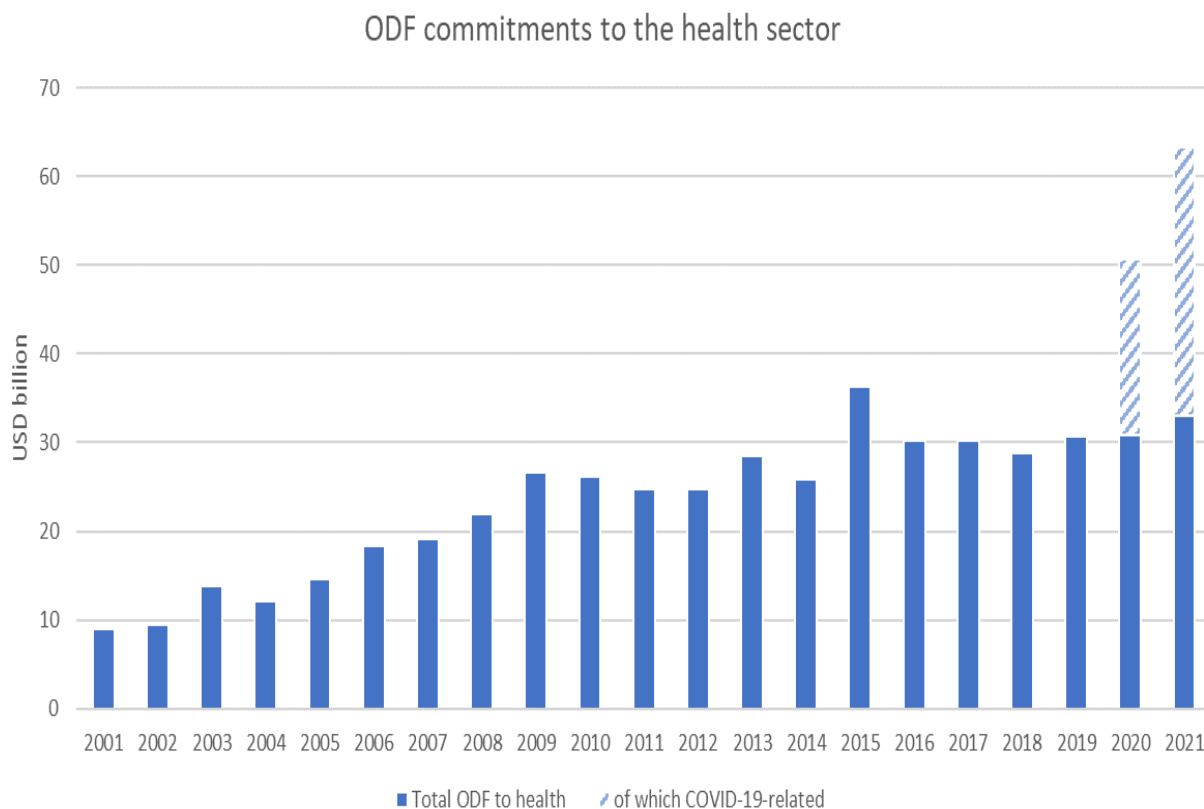
Outline

1. Recent evolutions of official development finance (ODF) to health
2. Role, trends and governance of the multilateral development architecture in support of health financing
3. Challenges specific to the health financing landscape

1. Recent evolutions of official development finance (ODF) to health

The COVID-19 crisis let to a rapid growth of ODF to health

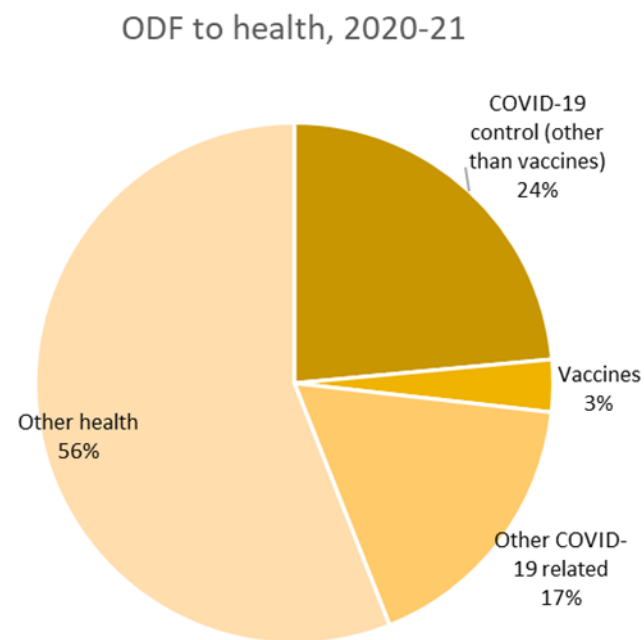
Fig 1. ODF to health rose sharply in 2020 and 2021, driven by COVID-19 related assistance



Note: includes DAC, non-DAC, foundations and multilateral outflows, 2021 prices.

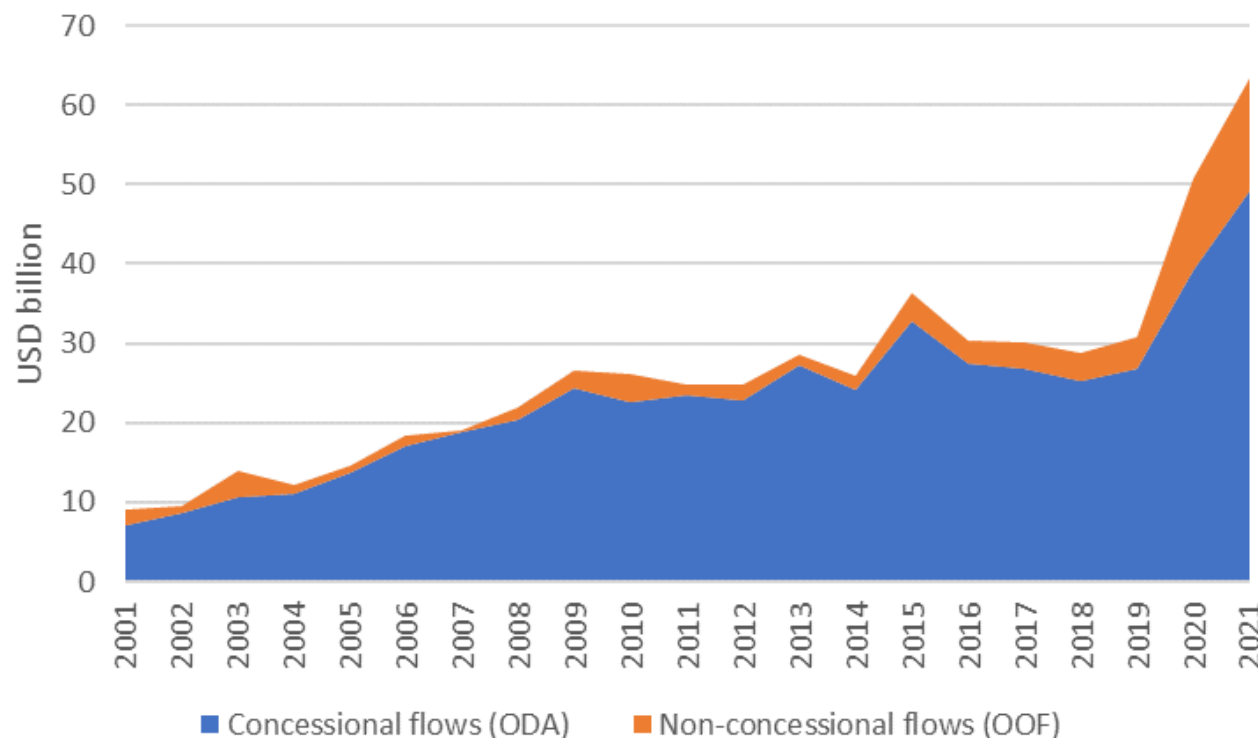
Source: OECD Creditor Reporting System.

Fig 2. COVID-19 related assistance accounted for 44% of ODF to health in 2020-21

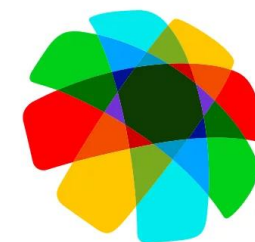


The growth of ODF to health could be short-lived as new demands on ODA emerge to address other emergencies

Fig 3. ODF to health showed exceptional patterns in 2020-21, including an increased use of non-concessional loans to finance the health sector



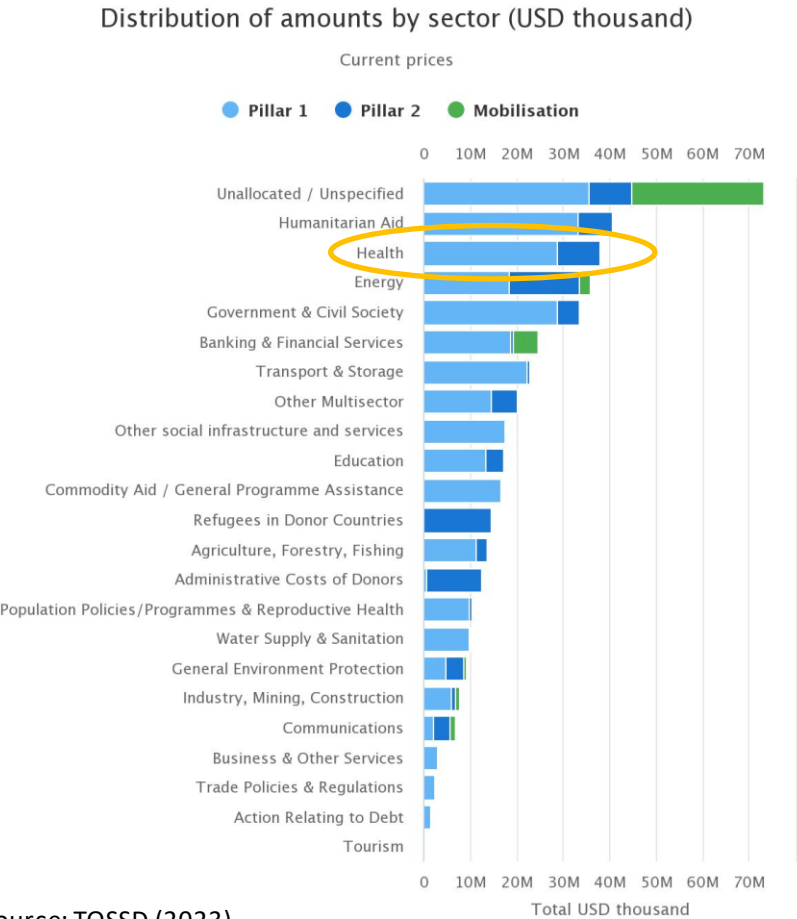
- Preliminary ODA data for 2022 points to a decrease of COVID-19-related assistance (-45%), incl. vaccines (-74%), and an increase of in-donor refugee costs and ODA to Ukraine
- However, consolidating the growth of ODF to health will be necessary to invest in new agendas (e.g. global health and pandemic preparedness)



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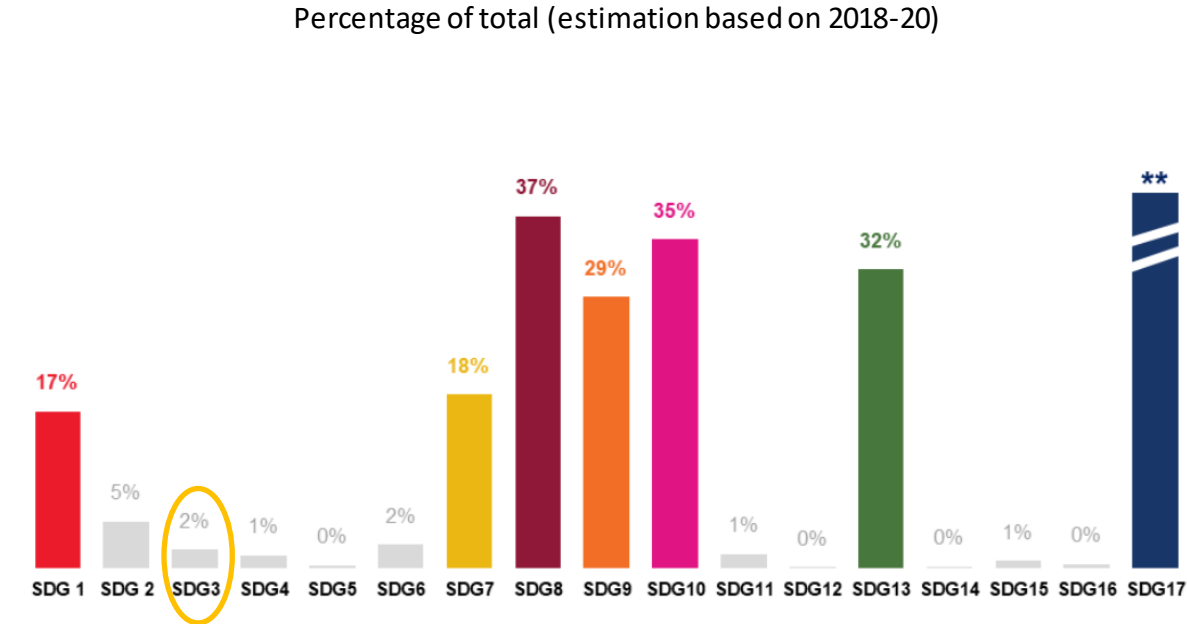
Other financing sources beyond ODA can be harnessed in support of the health sector

Fig 4. The health sector is among the largest recipients of total official support for sustainable development (TOSSD)



Source: TOSSD (2023)

Fig 5. Yet, only a small share of mobilised private finance is targeting social sectors, such as SDG 3 (good health and well-being, 2%)

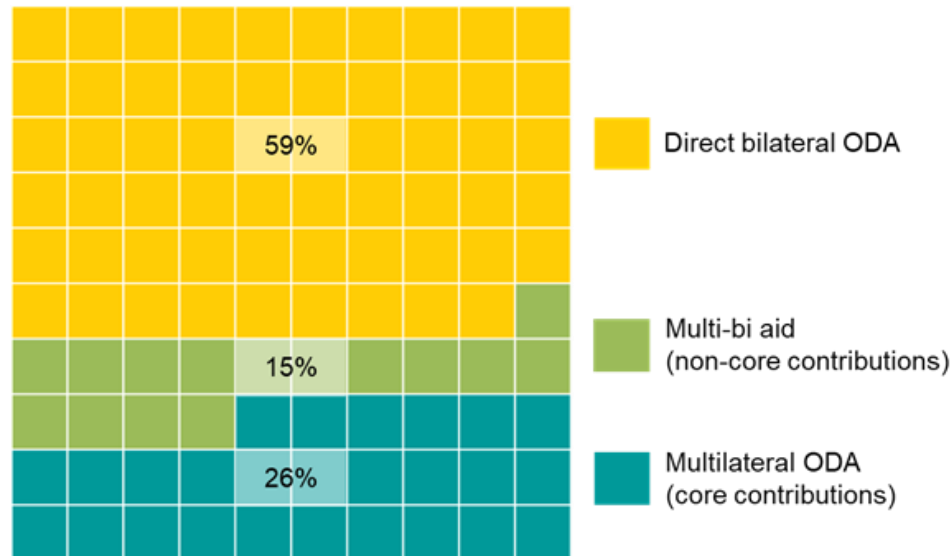


Note: The figure for SDG 5 is likely underestimated due to limited data quality, also related to confidentiality constraints of some providers.
**: All mobilised private finance, in principle, contributes to SDG 17 under target 17.3: Mobilize additional financial resources for developing countries from multiple sources.
Source: (OECD, 2022^[12]), (TOSSD, 2022^[13]) and complementary data submissions from DEG and FMO as well as authors' analysis.

2. Role, trends and governance of the multilateral development architecture in support of health financing

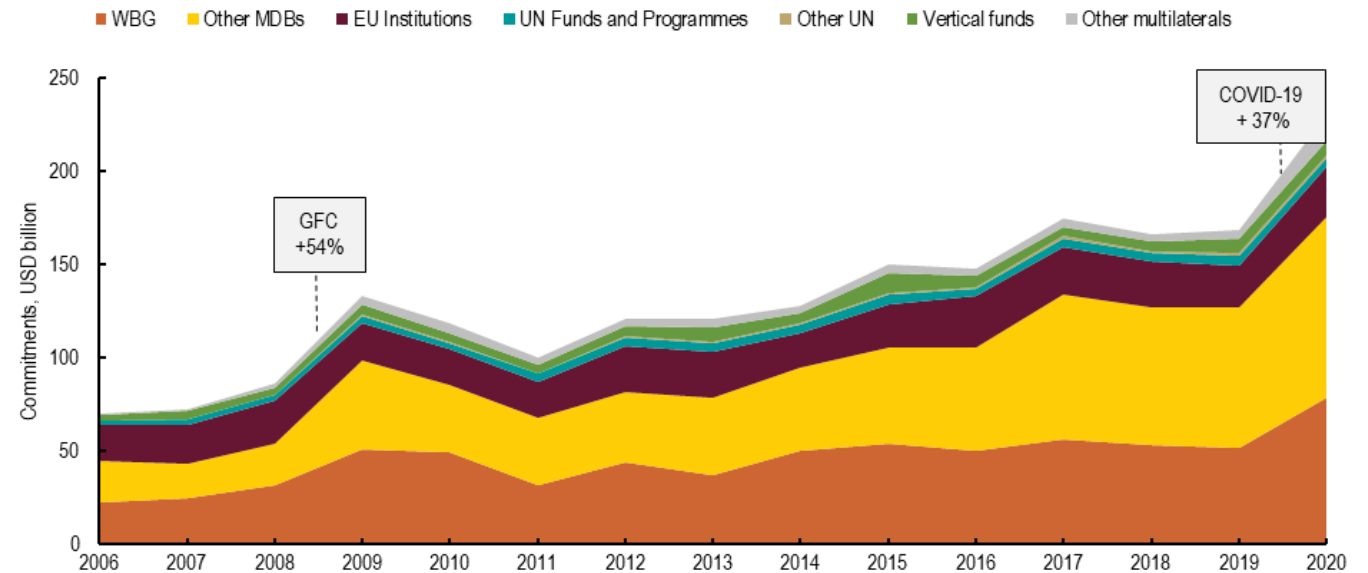
The multilateral development system played a key countercyclical role during the COVID-19 crisis

Fig 6. A large and growing share of ODA is channelled through multilateral organisations
→ 43% in 2020, up from 39% in 2015 (a growing share of which is earmarked)



Source: OECD Creditor Reporting System

Fig 7. Multilateral development finance keeps growing and was a core element of the response to the COVID-19 pandemic

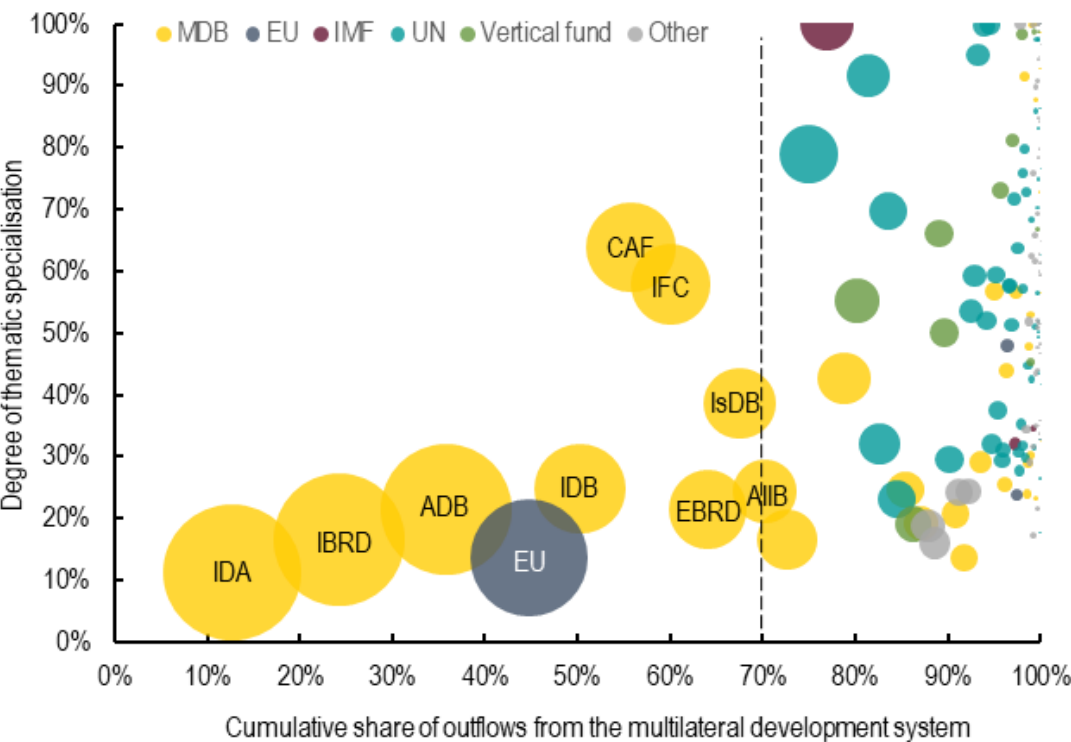


Source: OECD Creditor Reporting System

The growth of multilateral finance comes at the cost of:

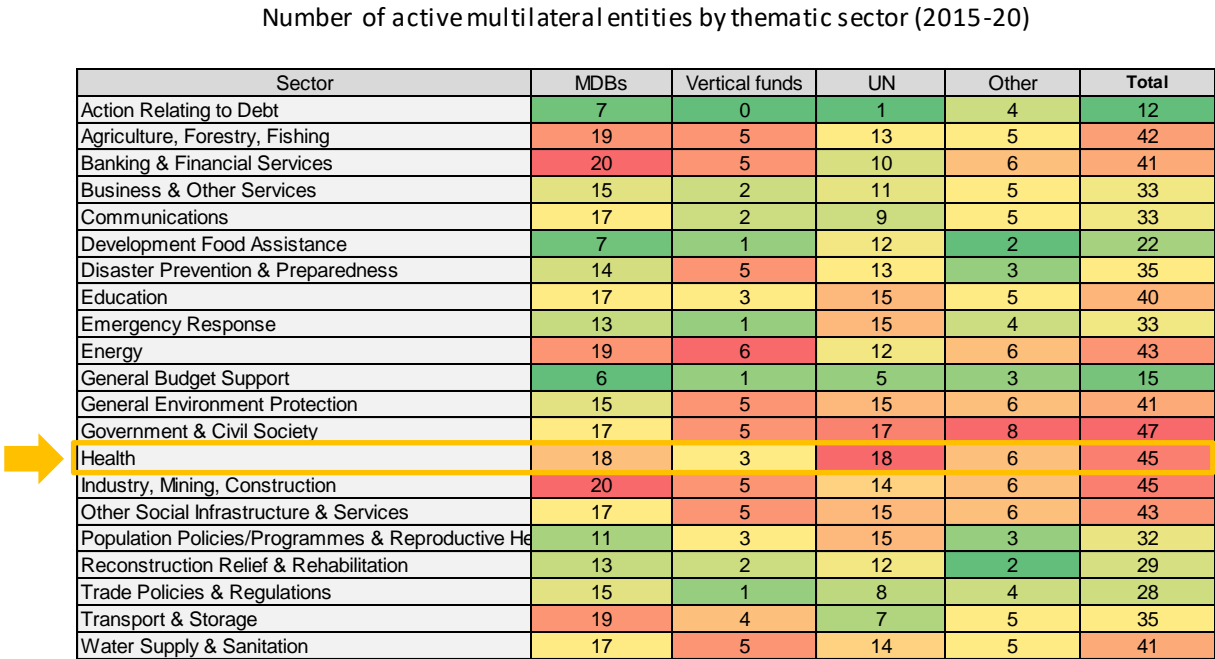
(i) increased fragmentation, lesser effectiveness and accountability

Fig 8. Ten organisation (out of 200+) account for 70% of total outflows from the multilateral development system



Source: OECD Creditor Reporting System

Fig 9. ... but the system is increasingly crowded, complex and fragmented (health sector in particular)

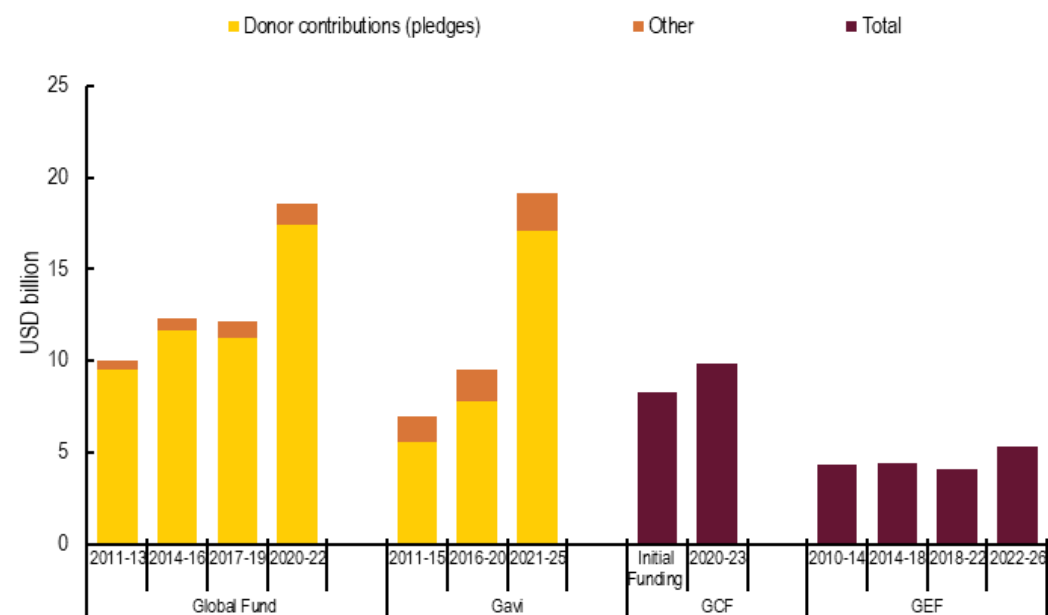


Source: OECD Creditor Reporting System

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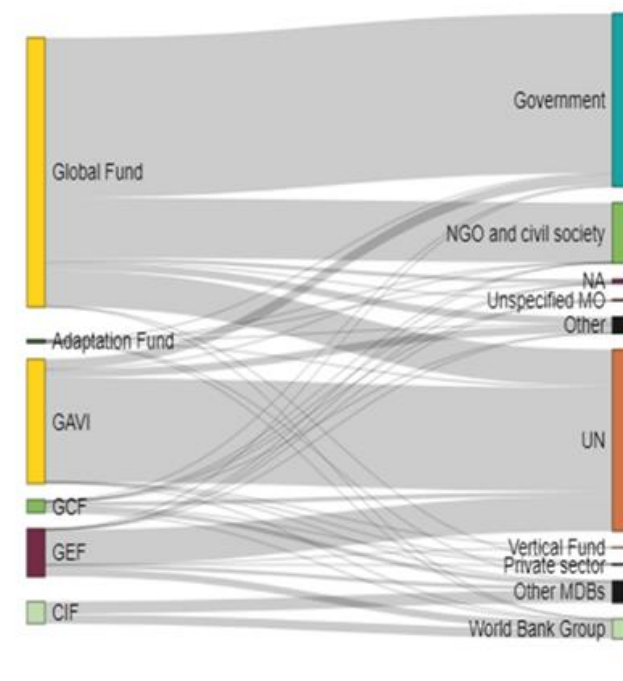
(ii) increased pressure on the traditional multilateral development system

Fig 10. Increased funding to vertical funds (e.g. Global Fund, Gavi) helps scale up multilateral development finance but risks exacerbating the pressures on the system



Source: Global Fund, Gavi, GCF and GEF replenishment data

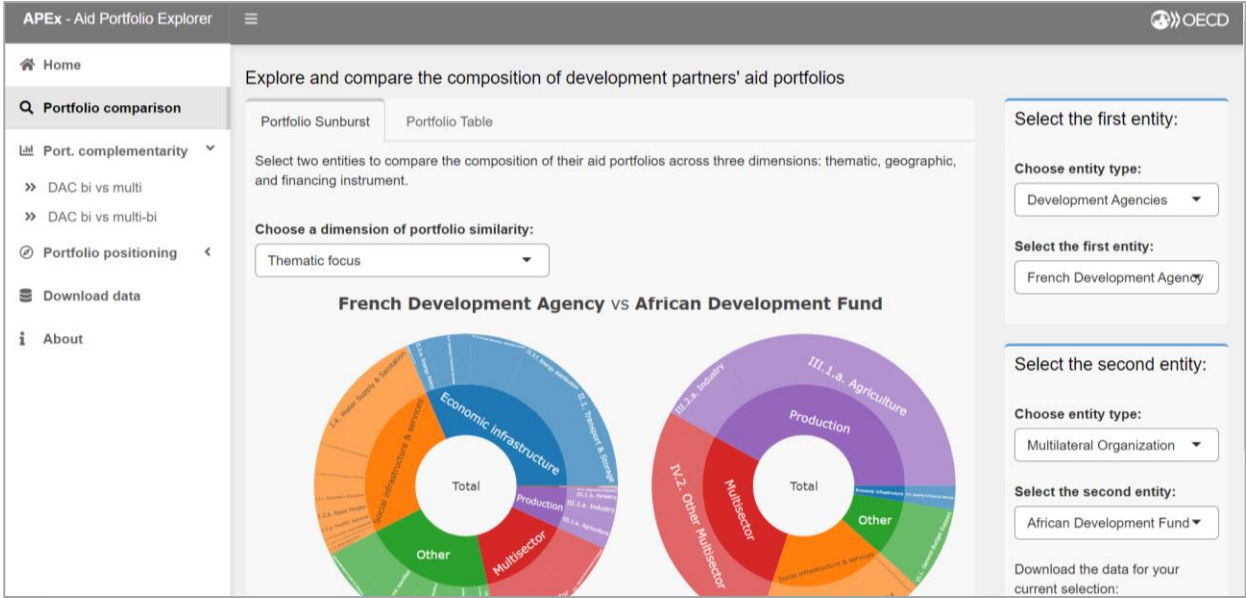
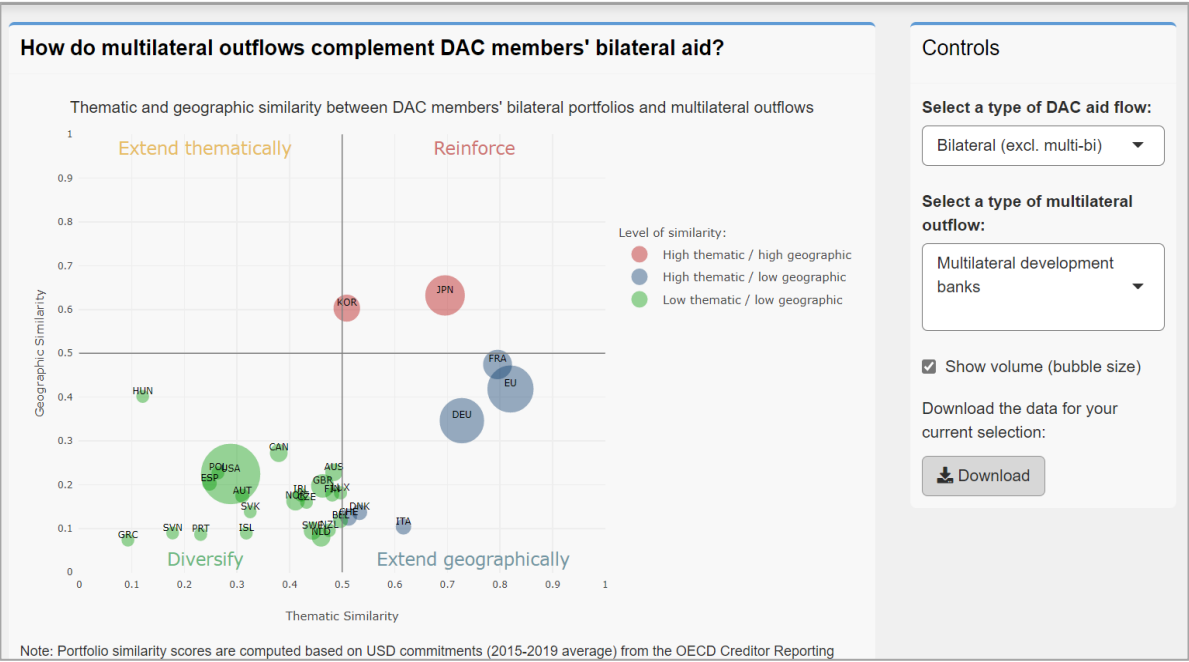
Fig 11. Most vertical funds rely on the implementing capacity of other multilateral organisations



Source: OECD Creditor Reporting System

The complex financing architecture requires innovative solutions to:

- Analyse how the aid portfolios of bilateral, multilateral and private actors complement or overlap each other
- Identify potential areas for co-ordination or knowledge exchange among the multiple actors



At the OECD, we are currently developing a **prototype tool to map, compare and analyse the aid portfolios** of bilateral, multilateral and private providers of development co-operation.

3. Challenges specific to the health financing landscape

Health financing patterns vary across development co-operation providers

Fig 12. Nearly half of Norway's ODA to health (47%) also contributes to SDG 17 (partnerships for the goals) and 11% to SDG 5 (gender equality)

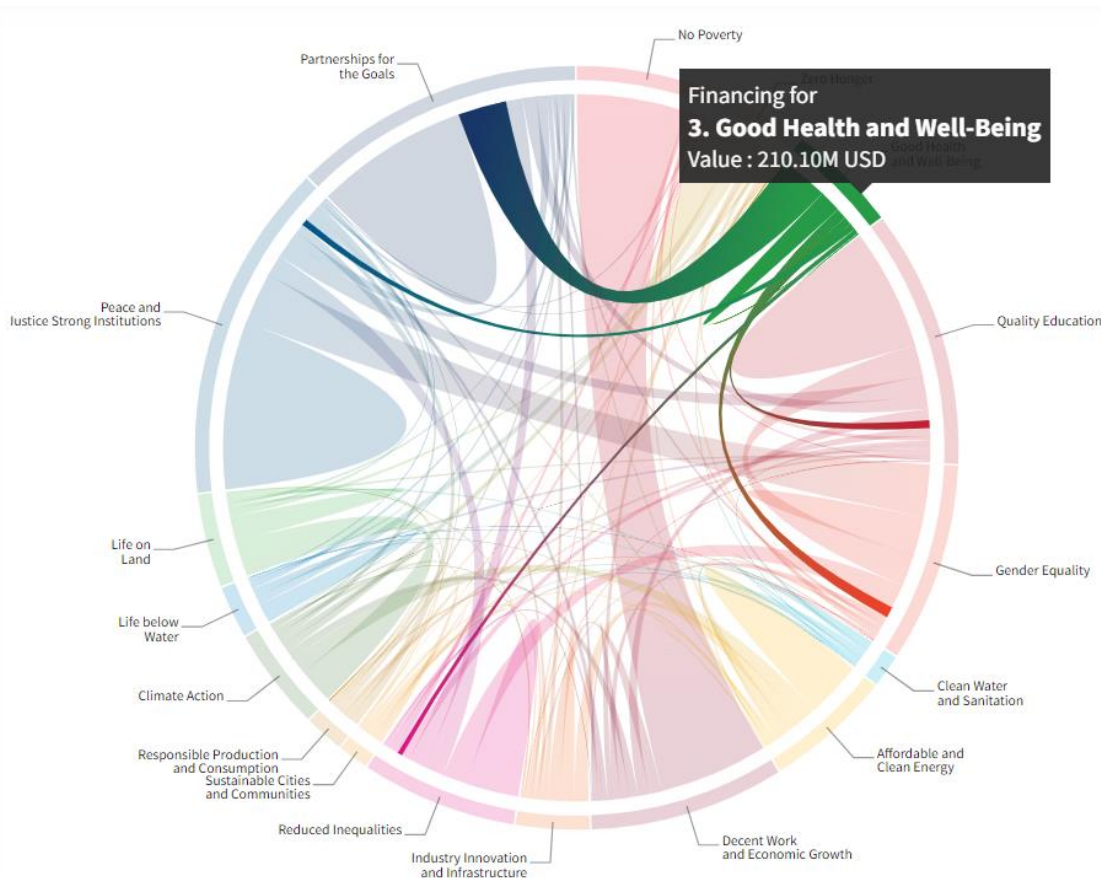
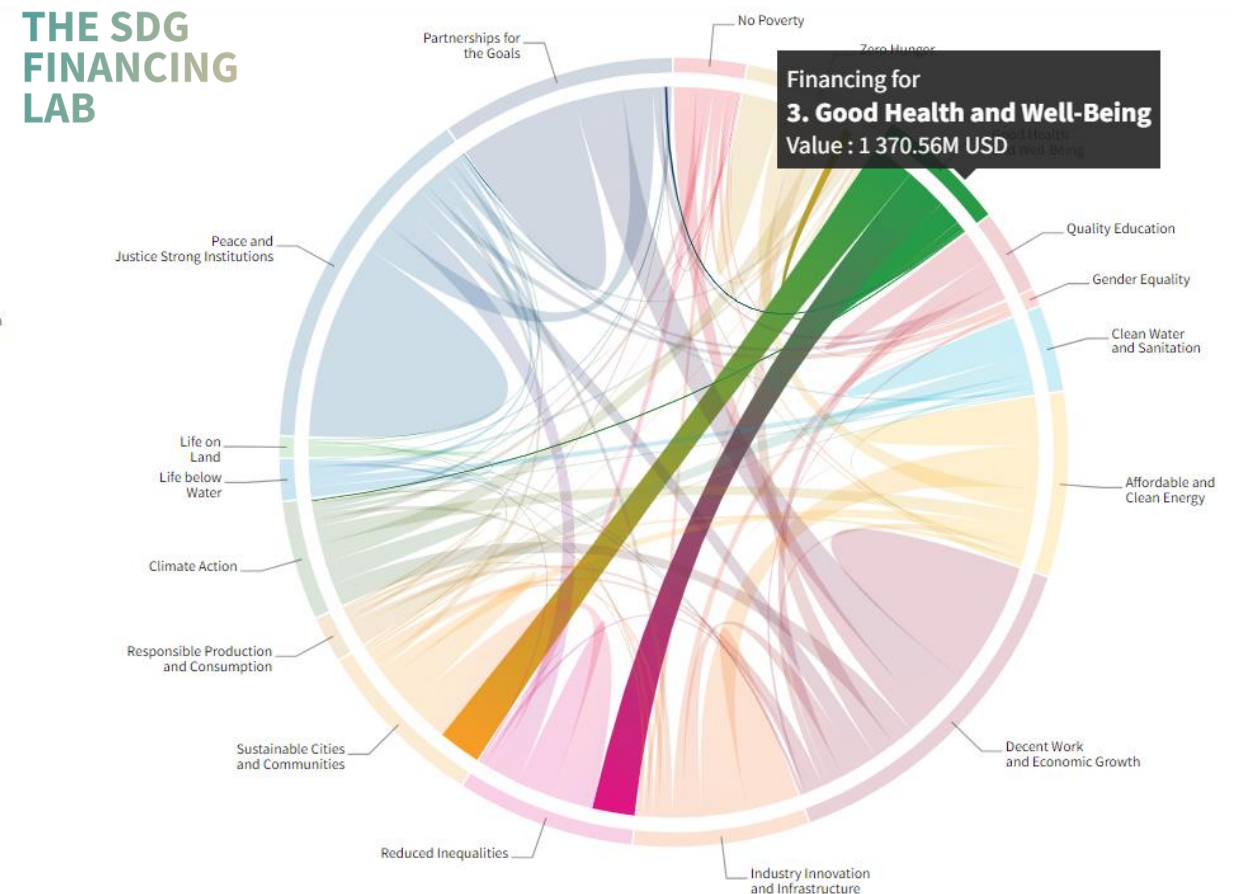


Fig 13. A significant and comparable share of EU Institutions' ODA to health (35%) also supports SDG 10 (reduced inequalities) and SDG 11 (sustainable cities & communities)



The composition of health expenditure evolves with a country's income level

Fig 14. At low levels of income, external development finance is an important financing source, but it is replaced by other sources as countries become richer

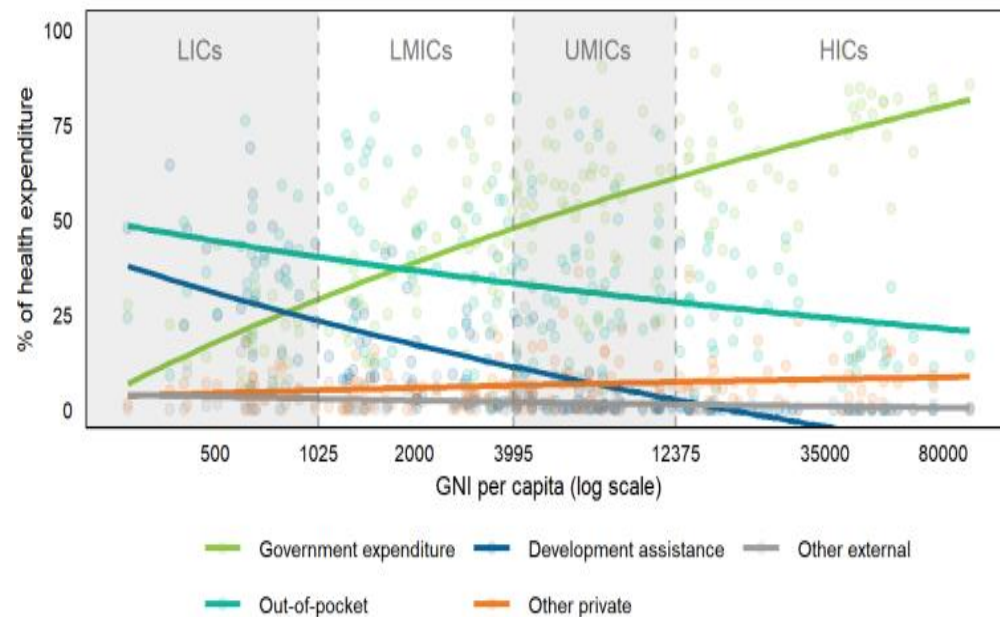
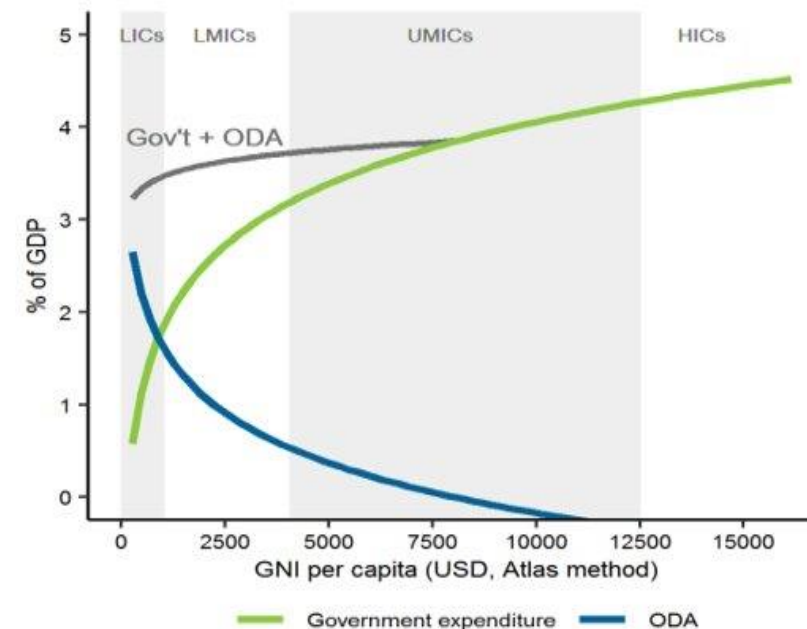
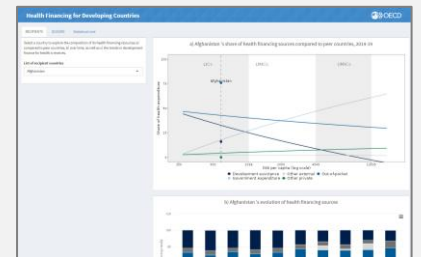


Fig 15. Government expenditures tend to grow enough to cover the fall-out in external assistance, but the transition is not automatic nor necessarily smooth



The health financing mix of individual countries can be traced in our online tool, the **OECD health financing dashboard** (<https://oecd-main.shinyapps.io/healthfinancingdashboard/>)



Source: OECD Creditor Reporting System.

How can the OECD and its members contribute to this agenda moving forward?

- **Ensure adequacy of health funding levels and ambitions/agenda beyond the short term**
→ e.g. through replenishments of multilateral funds and exploring innovative financing mechanisms
- **Foster greater systemic coherence and mutual accountability in the multilateral development architecture**
→ e.g. through analytical work on aid portfolios and through the development of principles for good multilateral donorship
- **Promote development effectiveness in health financing**
→ e.g. through analyses to ensure that country demand for health financing is matched with the right supply, taking into consideration:
 - (i) The country context (income level, structural characteristics, technical capacity, debt situation)
 - (ii) The need for greater co-ordination among actors in the health financing sector