

**Workshop on  
Lessons for Development Finance from Innovative Financing in Health**

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**Part of the OECD Global Forum on Development**

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Ladies and Gentlemen,

Let me first welcome you here in Paris, and let me thank you for attending this OECD Global Forum on “Development on Lessons for Development Finance from Innovative Financing in Health”. I would like to thank all speakers for accepting to contribute to this workshop which, I believe, is bringing together a quite unique and perfectly qualified range of experts on the topic. I want to thank you all for making yourselves available, in a very busy period for the development agenda - I’m thinking of the Annual Meetings of the World Bank and the IMF next week end - and I would like to express my particular gratitude to our colleagues from Rwanda, Mali, Nigeria, Costa Rica and Guinea who will provide critical partner-country experience and voice in our discussion today. Let me, last but not least, express my gratitude to the Brookings Institution, the IESE Business School of the University of Navarra and to the Gates Foundation which have played a key role in the making of this event.

I’m particularly delighted to introduce this workshop today. The discussion which we are starting now sounds very promising to me. The topic is in itself a very stimulating one - how to address development goals and improve people’s life through new funding approaches and partnerships.

This discussion today is also very timely. I hope that we will be able to build on the recent outcomes from the Third High-Level Forum on Aid Effectiveness and UN session in New York to make these lessons from currently developed innovative financing mechanisms even more useful for our partner countries and development impact. I’m sure Nicole Gesnot, my colleague from the DAC, will talk more about this, but Accra, for instance, laid out important commitments to deepen the Paris

Declaration on key issues such as ownership, predictability of aid or use of country systems that are relevant for this discussion today. I hope our meeting will also bring out useful ideas and lessons in light of the forthcoming Doha meeting on Financing for Development and future debate on Development Finance.

The topic of Innovative Financing takes us to new territories and it's critical to understand why and how they have been developed. I look forward to hearing more, this morning and at lunch time, about the rationale and motivations for promoting new, additional and sustainable sources of funding for development through a range of initiatives and partnerships. What are the problems that innovative financing aims to address?

Innovative financing, through a various range of possibilities, forces us to think ahead, to imagine how effectively new partnerships bringing together stakeholders with different cultures and languages can operate. In doing so, we should keep on asking ourselves: "What is really innovative financing ? Does "innovative" necessarily mean " useful"? What are the transaction costs of being innovative and how to measure the impact of innovative financing in countries and on the global aid architecture? In the context of developing countries which are in critical need for more and better aid, what does innovative financing mean and how sustainable are innovative financing mechanisms? Tackling the issue of innovative financing forces us to think out of the box, to collectively think of solutions with real added value, in order to achieve the internationally agreed goals.

The fact that the health sector has thus far attracted most, if not all, international innovative financing is also something worth reflecting upon. I'm confident that the first sessions of the workshop will demonstrate why and how this sector which is

critical for development and yet already complex in nature has attracted such a range of innovative financing mechanisms. Today, we'll hear more about mechanisms such as earmarked solidarity levies collected in donor and recipient countries which aim to produce a steady flow of revenue for scaling-up access to and reduce the cost of drugs. We will hear about front-loading of future aid flows which has been piloted on immunisation in order to accelerate coverage and to secure better pricing through higher predictability of funds. We will learn about the contributions and challenges for Product Development Partnerships that have been benefiting from the mobilisation of public and private entities and also contribute to address market failures in the area of drugs accessibility in developing countries... We will need to extract from all this experience useful guidelines for the future of innovative financing in other sectors than health.

Innovative Financing for Development is an area which is in permanent evolution. This is an area which will benefit from open assessment, lessons sharing and permanent dialogue. Facilitating this frank and fair conversation is the objective of this meeting and the Global Forum on Development of the OECD seems to me the right place to achieve this, precisely because it's meant to foster an informal and open dialogue between a wide range of stakeholders, coming from both developing and developed countries, and from the public and the private sector. For instance, throughout the past year, the GFD has been bartering an agreement between donors, partners governments and CSOs about "ownership", a fundamental principle of effective aid. Also, in January 2008, a Roundtable on "Banking on Development" brought together governments with the private sector to exchange views on how aid might catalyse private finance flows to developing countries.

So this workshop features very well in the OECD continuous work on development finance, on cooperation and development assistance and on health as a tracer sector to monitor progress in aid effectiveness. My colleague Nicole Gesnot, who is Vice-Chair of the Development Assistance Committee, will develop probably these points more particularly in a minute.

Here, I would like to stress that beyond the fact that OECD countries have been at the forefront of innovative financing for health in developing countries, what will be discussed here today is also relevant in the context of OECD countries' reforms and challenges for health financing. Even if high-income countries such as OECD countries spend in health around a hundred times more on a per-capita basis than low-income countries do (and even more after adjustment for the cost of living), innovation in health financing and coverage arrangements has been necessary to address coverage and accessibility issues in OECD countries. OECD are addressing these challenges in different ways, with lessons you might want to reflect upon.

In Mexico for instance - where coverage of health care cost is unequal and excludes about 50 per cent of the total population - the so-called "Seguro Popular" program has provided, since 2004, the uninsured population with the prospect of coverage for a basic basket of health-care benefits. The Seguro Popular is voluntary. People have been enticed to pay a small premium to obtain cover because the Seguro Popular offers an improved (albeit still incomplete) package of health services. For each new insuree, both the state and the federal governments provide additional new financing. This helped to channel new health finances in the poorest and underfunded part of the country. To date, the Seguro Popular enrolled nearly half of its target population, with a goal of achieving universal coverage by 2010.

Turkey's recent reforms to introduce universal, publicly funded social health insurance can offer another model for countries with a similarly large informal sector. Since 2003, an ambitious health reform brought all schemes under a new Social Security Institution and expanded social health insurance to all citizens.

Of course, scaling-up coverage can be expensive and this requires concerted government action. In Mexico, expanding the Seguro Popular will require additional public funding of the order of  $\frac{1}{2}$  to  $\frac{3}{4}$  percentage points of GDP. Tax reforms are critically necessary to ensure a more sustainable and predictable funding for health care. In Turkey, moving to universal health insurance may well have a modest cost in the short to medium term. But this depends upon the ability to pursue important reforms to extract efficiency savings.

In a country like France, the introduction of publicly financed coverage of cost-sharing for the poor and uninsured people (Couverture Maladie Universelle/CSG) has considerably reduced a pro-rich bias in access to services but it also imposed a large cost on the public budget and contributed to a growing deficit in the social health insurance system.

Switzerland and the Netherlands have developed a universal mandatory private health insurance system with regulated competition across multiple insurers. In Switzerland, the government subsidises premia to help people buy mandatory health insurance which has reduced inequities across individuals with different income levels. But the cost of the average public subsidy is over half the average premium.

As we know, OECD countries have also attempted to slow the growth of health costs through a range of more or less innovative combination of budgetary and administrative controls over payment, prices and supply of services. But, ultimately, increasing the efficiency of health systems may be the only way of reconciling

rising demands for health care and access to innovative drugs with the constraints on public financing. Reforming in that sense is a complex task and it requires the right incentives.

Incentive is also a key word for the discussions today in the context of finance for development and I would like to suggest that this be one prominent question you are addressing through the different sessions of this workshop.

What are the incentives for countries – donors and partner countries – to design and implement innovative finance? What are the incentives for the various partners of innovative finance - coming from the public and the private sector - to work together and finalize good deals? What are the incentives for consumers and users to participate in innovative approaches ?

The good thing about innovative financing is that, if it is well done, we can leave it to market mechanisms but in order to do that, we definitely need the right incentives.

Innovative financing, as we will see, bears transaction costs and it can only work if it is a win-win situation, if it regularly demonstrates its added value to contribute to the successful achievement of our objectives and mutual commitments for the benefit of our partner countries. Looking at the agenda of the workshop and at this audience here, I look forward to a rich discussion that brings out useful lessons and thoughts on a topic which has now developed as a key feature of development assistance.

Thank you.