



Sustainable Financing for Health:

A User Guide for African Governments

Sustainable Financing for Health

A User Guide for African Governments

This user guide is based on research funded by the Gates Foundation. The findings and conclusions contained within are those of the authors and do not necessarily reflect the positions or policies of the Gates Foundation.

Gates Foundation

Executive Summary

Sustainable Financing for Health: A User Guide for African Governments (the Guide) is a practical resource designed to support African governments in financing priority health investments in a fiscally responsible and sustainable manner. It is written primarily for Ministries of Health (MoHs) and Ministries of Finance (MoFs) and is intended to strengthen collaboration between them as they identify health priorities, assess financing options, and structure transactions that align with national development plans and macro-fiscal frameworks. The Guide responds to growing demands from governments for clear, action-focused guidance at a time of tightening fiscal space, rising debt pressures, shifting donor support, and increasing health system demands.

The Guide does not introduce new instruments. Rather, by building on established global practices and African experiences, the Guide demonstrates how existing financing mechanisms can be applied effectively to health priorities. It examines debt-for-health swaps, sustainability-linked and use-of-proceeds instruments, public-private partnerships (PPPs), and credit enhancement tools, explaining how each can be structured, governed, and implemented within national legal and institutional frameworks. Through case studies, practical tools, and structured guidance, the Guide helps officials assess readiness, manage risks, understand documentation and process requirements, and adapt these instruments to country-specific fiscal conditions and health sector needs.

Why This Guide, and Why Now?

The timing of this Guide is critical. Many African countries are experiencing sharp reductions in Official Development Assistance, heightened debt burdens and lingering post-COVID fiscal constraints. Simultaneously, the continent faces significant

ant population growth, persistent health service delivery gaps, and a need to increase domestic health investments. Meeting these challenges requires not just more funding but smarter financing.

This Guide fills an important gap in existing resources by offering an Africa-specific, government-facing tool that brings together legal, fiscal, and technical dimensions. It seeks to enhance collaboration between MoHs and MoFs, and to foster a shared understanding of what instruments are appropriate, feasible, and impactful in various circumstances.

1. Key Features

- **Modular design.** The Guide is structured so that users can consult individual chapters or specific financing instruments as needed, depending on their context and role in the financing process.
- **Country ownership.** Emphasises country-led planning and health sector prioritisation as the foundation for any financing solution.
- **Capacity building.** Encourages institutional strengthening through embedded tools, guidance, and references complementary to ALSF and partner resources.
- **Legal clarity.** Outlines the relevant legal frameworks, documentation requirements, and workflow processes required to support each instrument and related transactions.

2. Chapters

The Guide is designed for use by cross-functional teams of policymakers, legal experts, and technical officials working across MoHs and MoFs. It walks users through:

- Key considerations when selecting financing instruments, including fiscal implications, regulatory requirements, and institutional capacity;
- Practical structuring pathways and steps to design transactions that deliver tangible health impacts;
- Decision tools to help with planning, negotiation, and implementation; and

- Risk mitigation and governance approaches to safeguard public interest and improve execution.

The Guide is organised into the following nine chapters.

1. CHAPTER 1: SETTING THE SCENE

This chapter establishes the context and rationale for the Guide. It outlines the structural pressures facing African health systems, including persistent underfunding, growing disease burdens, demographic change, constrained fiscal space, and evolving donor priorities. The chapter explains why governments must move beyond reliance on traditional budgetary allocations and external aid alone, and instead take a more strategic, coordinated approach to financing health. It clarifies the purpose of the Guide as a practical tool to support MoHs and MoFs in jointly identifying, assessing, and operationalising financing solutions that are aligned with national priorities and fiscal realities.

2. CHAPTER 2: FINANCING FOR HEALTH

This chapter provides the conceptual foundation for the rest of the Guide. It explains how health financing systems function, including revenue collection, pooling of funds, and purchasing of services. It examines the different sources of health financing, domestic public expenditure, private expenditure, and external assistance, and discusses their implications for sustainability and equity. The chapter also sets out the respective and complementary roles of MoHs and MoFs, highlighting the importance of coordination between sectoral planning and macro-fiscal management. By mapping the institutional architecture and key actors involved in health financing, the chapter anchors later discussions of specific instruments within the broader system in which they must operate.

3. CHAPTER 3: COMMON CONSIDERATIONS

Chapter 3 focuses on the cross-cutting conditions that must be in place for financing instruments to be effective and sustainable. It highlights the legal, regulatory, and institutional frameworks that shape health financing decisions, including public financial management systems, debt management rules, procurement frameworks,

and approval processes. The chapter underscores the importance of regulatory alignment, fiscal risk assessment, transparency, and inter-ministerial coordination. It also addresses institutional capacity, governance arrangements, and the need to tailor financing solutions to country-specific legal and fiscal contexts. This chapter serves as a readiness lens, helping officials assess whether the enabling environment can support the instrument under consideration.

4. CHAPTER 4: HEALTH FINANCE AND KEY PERFORMANCE INDICATORS

Chapter 4 links financing to outcomes. It begins by situating national health financing within the broader global health architecture, including the role of major international institutions and financing partners that support health investments across Africa. It then outlines the main categories of health expenditure and typical programmatic areas financed within the sector. The central focus of the chapter is the role of key performance indicators (KPIs). It explains how measurable indicators are used to connect financing to results, particularly in performance-based, sustainability-linked, and results-oriented instruments. By clarifying how KPIs are defined, monitored, and verified, the chapter provides the analytical bridge between financial structuring and measurable improvements in health outcomes.

5. CHAPTER 5: SUSTAINABLE FINANCE INSTRUMENTS

Chapter 5 aims to guide officials from MoFs and MoHs, as well as practitioners, on the design and implementation of sustainable financing instruments - specifically use of proceed and sustainability-linked bonds and loans, and impact bonds as mechanisms to mobilise public and private capital for health objectives. It explains core structuring elements, including the identification of eligible health expenditures or measurable KPIs and sustainability performance targets, and highlights the importance of credible monitoring, reporting, and verification systems aligned with market standards.

The chapter also addresses the supporting legal and transactional frameworks for such instruments, including the preparation of sustainable finance frameworks, external reviews, and the incorporation of binding use of proceeds, reporting, and performance related provisions in bond or loan documentation. It sets out enabling conditions, inter-ministerial coordination requirements, and includes practical

checklists and workflow processes to guide governments from preparation through issuance and ongoing compliance.

6. CHAPTER 6: DEBT-FOR-HEALTH SWAPS

This chapter explains the structure and rationale of debt-for-health swaps, under which a portion of external debt is cancelled, reduced, or restructured in exchange for a commitment to invest agreed amounts in priority health programmes. The chapter distinguishes between bilateral debt swaps, concluded between official bilateral creditors and debtor governments, and commercial debt conversions involving private creditors, often supported by intermediaries or credit enhancers. The chapter outlines the potential benefits, including fiscal space creation and targeted investment in health, as well as key risks such as complex negotiations, governance and fiduciary challenges, and possible implications for credit ratings and future market access.

In addition, the chapter sets out the transaction architecture and process steps required to operationalise a swap. It describes the preparatory phase, including debt stock analysis, identification of eligible obligations, stakeholder mapping, and alignment with national health priorities. It outlines the negotiation and structuring phase, including term sheet development, creditor engagement, and the design of governance and oversight arrangements for the health investment component.

Finally, the chapter highlights the legal documentation typically required, such as framework agreements, swap agreements, trust or fund arrangements, and implementation protocols, as well as monitoring and reporting mechanisms to ensure transparency, accountability, and measurable health outcomes. Practical process maps and checklists are provided to guide ministries through feasibility assessment, negotiation, documentation, and post swap implementation.

7. CHAPTER 7: THE USE OF PUBLIC-PRIVATE PARTNERSHIPS IN HEALTHCARE PROJECTS

Chapter 7 provides structured guidance on the application of PPPs in the health sector. Part 1 of this chapter clarifies the defining features of health PPPs, the policy objectives they can serve, and the circumstances in which they are suitable. It emphasises value for money, fiscal affordability, risk allocation discipline, and the need to

align PPP structures with national health priorities and public financial management frameworks.

Part 2 sets out the full PPP lifecycle, from project identification and screening through feasibility analysis, structuring, procurement, contract award, and long-term contract management. The chapter includes practical tools such as project screening criteria, feasibility and affordability assessment guidance, risk allocation matrices, procurement integrity safeguards, and contract management checklists. It also highlights the key legal considerations underpinning health PPPs, including enabling legislation, procurement compliance, contractual documentation, performance and payment mechanisms, dispute resolution provisions, and ongoing monitoring and reporting obligations. Together, these tools and process maps are intended to guide officials in structuring bankable, transparent, and accountable health PPP transactions.

8. CHAPTER 8: CREDIT ENHANCEMENT

Chapter 8 explains how credit enhancement can improve access to finance for health by reducing perceived risk and lowering the cost of capital. It sets out the main credit enhancement options used in practice, including partial and full guarantees, political risk insurance, liquidity facilities, reserve accounts and cash collateral structures, and other forms of risk sharing with development finance institutions and insurers. The chapter guides officials on how to select an appropriate instrument based on the underlying transaction, the risk being addressed, and the intended impact on pricing, tenor, and investor appetite.

The chapter also provides practical guidance on structuring and implementation. It outlines key questions for assessing feasibility, including the trigger conditions, coverage scope, claims process, and interaction with the base bond or loan terms. It highlights the main legal and governance considerations, including authority to issue or accept guarantees, approval and procurement requirements, disclosure and reporting obligations, and recording contingent liabilities in line with public debt and fiscal risk management frameworks.

9. CHAPTER 9: RECOMMENDATIONS

The final chapter provides recommendations aimed at strengthening the enabling environment for health financing transactions and improving decision-making. It

separates recommendations for MoHs and MoFs, focusing on planning, cross government collaboration, realistic budgeting, and stronger risk and contingent liability management.

Key recommendations at a glance

Recommendations for MoHs include:

- Advocate for fair and realistic allocations to health.
- Take a long-term, strategic view in financing health priorities.
- Build credible execution capacity and data-driven delivery.
- Collaborate closely with the MoF to design and execute health financing instruments.

Recommendations for MoFs include:

- Put blended finance tools at the centre of national borrowing plans.
- Ensure visibility over budget execution for the health sector.
- Standardise and improve health finance data.
- Establish a task force to mobilise credit enhancement for health funding.
- Build the capacity of the MoF and the MoH to jointly engage in innovative financing instruments.

Overall, the Guide supports governments to make better structured choices, grounded in law, public finance rules, and implementation capacity. It encourages early collaboration between health and finance teams, careful use of indicators and safeguards, and disciplined use of advisors and documentation so that financing decisions translate into deliverable health outcomes.