



# Sustainable Financing for Health:

A User Guide for African Governments

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# Gates Foundation

# Glossary

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## Acceleration

a clause in a contract, typically a loan or a bond, allowing a creditor to request earlier repayment of the debt if a stated event occurs.

## Agent

the financial institution acting as a representative of the lenders under a syndicated loan. The agent's role is to administer the loan, make specified decisions on behalf of the lenders, provide the lenders with the necessary information for their decisions, and enforce the contract in the event of default.

## Arranger

the financial institution engaged by a borrower to facilitate the issuance of a debt in the capital market.

## Availability Indicators (AIs)

technical and operational measures that determine whether a health facility, or part of it, is available for use, which can affect availability-based payments under a PPP.

## Availability Payment

a payment made by a procuring entity to a private partner in a PPP project based on the facility or service being available for use at the agreed performance standards.

## Bilateral Debt Swap

a swap between two (sets of) parties, I.e. the debtor and the creditor (or a group of creditors).

## Blended Finance

the strategic use of international financial institutions and multilateral development banks for the mobilisation of commercial finance towards sustainable development in developing countries.

## Blue Bond

a debt instrument issued by a borrower to finance marine- and ocean-based projects with positive environmental, economic and climate benefits. The green bond concept inspires the blue bond.

## Bond

a tradeable financial instrument representing a debt, issued by sovereigns, state-owned enterprises or corporates in the capital markets.

## Call Option

an option to buy assets at an agreed price on or before a particular date, which can be included in the terms of a bond.

## Civil Society Organisation (CSO)

a non-governmental, non-profit group operating outside of government control, formed by citizens to advance shared interests, provide services, or advocate for social, economic or political causes.

## Climate Resilient Debt Clause (CRDC)

a contractual provision enabling the borrower to temporarily defer debt service payments (principal and/or interest) for a pre-agreed period when a predefined event occurs; also called a natural disaster or debt pause clause.

## Collateral

an asset that a borrower offers as a way for a lender to secure the loan.

## Commercial Debt Swap

is a transaction whereby private sector debt is replaced with a new instrument under more favourable terms (also referred to as a debt conversion).

## Contingent Liability

a potential liability which becomes an actual liability upon the occurrence of an uncertain future event.

## Contract Monitoring Regime

a structured system, processes and tools used by a procuring entity to track, verify and evaluate the private partner's performance against the obligations set out in the PPP contract.

## Country Coordinating Mechanisms (CCMs)

national multi-stakeholder bodies that coordinate, oversee and submit funding requests for global health programmes by bringing together government, civil society, affected communities, and development partners.

## Coupon

the periodic payment as paid to the holder of a bond.

## Credit Rating Agency (CRA)

an institution that provides investors with information and ratings about a borrower's ability to meet its obligations.

## Debt Conversion

is a transaction whereby private sector debt is replaced with a new instrument under more favourable terms (also referred to as a commercial debt swap).

## Debt Restructuring

a process where the debtor negotiates with creditors to reduce the loan's interest rate, extend its repayment term or reduce its balance to avoid default.

## Debt Sustainability

the ability of a government to meet its debt obligations without requiring debt relief or accumulating arrears.

## Debt Sustainability Analysis (DSA)

an assessment that evaluates a country's ability to meet its current and future debt obligations without incurring repayment difficulties or requiring significant policy adjustments.

## Debt Sustainability Framework (DSF)

a framework for analysing a country's borrowing decisions and assessing debt sustainability under baseline and stress scenarios.

## Debt Swap

a transaction in which a portion of a country's existing debt can be acquired at a discount and swapped for SDG/ESG-related goals or investments.

## Debt-to-GDP Ratio

the ratio of a country's government debt to its GDP, used to assess its ability to repay debt.

## Development Finance Institutions (DFI)

specialised institutions that raise funds to finance development projects or initiatives in developing countries.

## Discounted

debt trading in the secondary market for less than its par value.

## Eligible Projects

a list of projects to which the proceeds of use of proceeds bonds may be applied.

## Emerging Markets and Developing Economies (EMDE)

term used in economics to describe a group of countries that are in a state of rapid growth but still have lower levels of economic development than advanced economies.

## Environmental Social Governance (ESG)

the three central factors commonly used to evaluate the sustainability and ethical impact of an investment.

## Eurobond

an international bond issuance denominated in a currency not native to the country where it is issued.

## Event of Default

a condition defined in a loan or bond agreement that, if it occurs, gives the lender the right to demand immediate repayment.

## Export Credit Agency (ECA)

an institution acting as an intermediary between governments and exporters to issue export financing in the form of credit, insurance or guarantees.

## First-Loss Partial Guarantee

a credit enhancement mechanism under which a guarantor agrees to absorb initial losses on a financing up to a specified amount or percentage, reducing the risk exposure of other creditors.

## Framework

a document drawn up by the issuer outlining the green and/or social characteristics of projects financed by bond proceeds.

## Gross Domestic Product (GDP)

the estimated total value of all finished goods and services produced within a country's borders in a specific period.

## Global Health Institution (GHI)

an organisation that works across countries to improve health outcomes by providing funding, expertise, research or coordination on major global health challenges.

## Green Bond

a bond whose proceeds are used exclusively for environmentally sustainable projects (also referred to as a climate bond).

## Health Masterplan

a comprehensive, long-term strategic plan that outlines a country's health-care priorities, infrastructure needs, service delivery models and investment requirements.

## International Capital Markets Association (ICMA)

a global trade association that promotes well-functioning and sustainable capital markets by developing standards, guidelines and best practices for market participants.

## ICMA Principles

guidance published by ICMA on sustainable finance instruments, including GBP, SBP, SBG and SLBP.

## Independent Verification Agent (IVA)

an external party appointed to objectively assess and verify whether a borrower or issuer has met the pre-defined environmental, social, or performance targets set under a sustainability-linked instrument or similar agreement.

## Input-Based Spending (IBS)

funding that focuses on the resources used rather than the outputs or outcomes achieved.

## Intermediary

the middle entity in a trilateral swap, often performed by an SPV.

## Issuer

a legal entity such as a corporation, investment trust, government or agency that issues securities to finance operations.

## Key Performance Indicator

a measure of financial or operational performance used for monitoring and review.

## Liability Management

procedures and techniques used by bond issuers to buy back, exchange or alter the terms of bonds.

## Loan Market Association (LMA)

a trade body for the European, Middle East and African syndicated loan market that enhances market efficiency by developing standard documentation and providing guidance on best practices.

## Medium-Term Debt Strategy (MTDS)

a debt management strategy that guides a government's borrowing decisions over the next three to five years, outlining the preferred composition of public debt that balances cost and risk in line with the country's macroeconomic and financial objectives.

## Monitoring Results and Verification (MRV)

a system that tracks the progress of key performance indicators throughout the life of a sustainable finance instrument.

## Net Present Value (NPV)

the present value of a sum of money in contrast to its future value.

## Official Development Assistance (ODA)

government aid promoting economic development and the welfare of developing countries.

## Par Value

the face value of a bond repayable at maturity.

## Paris Club

an informal group of creditors whose role is to find coordinated and sustainable solutions to the payment difficulties experienced by debtor countries.

## Performance Indicators (PIs)

metrics used to evaluate the effectiveness of a health facility's operations and clinical services (where provided), where failure to meet PIs may trigger contractual consequences for the private partner.

## Premium

the excess value added to the price or cost of a financial asset.

## Private Sector

the part of the economy run by individuals and companies for profit.

## Private Sector Loans

loans granted by commercial banks or funds on specific terms.

## Procuring Entity

a government ministry, state department, state-owned agency, municipal authority or other public authority responsible for planning, designing, tendering and managing a PPP project.

## Public-Private Partnership (PPP)

a long-term arrangement where a private party delivers and finances public infrastructure or services.

## Public Sector

the general government sector plus government-controlled entities engaged in commercial activities.

## Public Sector Debt

the aggregate of central government and SOE debt.

## Quality Indicators (QIs)

metrics used to assess the overall quality of services, infrastructure, equipment or operations delivered by a health facility.

## Refinancing Risk

risk associated with an obligation that may not be refinanced or may be refinanced only at a higher cost.

## Request for Proposal (RfP)

an invitation to submit a proposal for a project or mandate.

## Return on Investment

a performance measure that evaluates an investment's profitability by comparing net profit to cost.

## Risk Allocation

a process of identifying the risks in a PPP project and assigning each risk to the party - public or private - that is best able to manage, mitigate or absorb it.

## Second Party Opinion (SPO)

an independent assessment confirming a sustainable finance framework or instrument's alignment with international standards such as ICMA and LMA Principles.

## Secondary Market

a market for the resale of already issued debt securities.

## Social Bond

a bond financing or refinancing of social projects that achieve positive social outcomes.

## Social Bond Principles (SBPs)

ICMA's Social Bond Principles provide guidelines on structuring, disclosure and reporting.

## Social Loan Principles

LMA's Social Loan Principles provide guidelines on structuring, disclosure and reporting.

## Sovereign

a government guarantee of the obligations of a third party.

## Special Purpose Vehicle (SPV)

a legal entity created for a specific purpose, often used as an intermediary in a trilateral swap.

## State-owned Enterprise (SOE)

a legal entity wholly or partially owned by a government for commercial activities.

## Sustainable Development Goals (SDGs)

a set of 17 interconnected global objectives adopted by the United Nations to guide countries toward ending poverty, protecting the planet and ensuring prosperity for all by 2030.

## Sustainability-Linked Bond Principles (SLBP)

ICMA's Sustainability-Linked Bond Principles provide guidelines on structuring, disclosure and reporting.

## Sustainability-Linked Bond (SLB)

a bond whose characteristics vary depending on whether the issuer meets ESG/SDG objectives.

## Sustainability-Linked Loan Principles (SLLP)

LMA's Sustainability-Linked Loan Principles provide guidelines on structuring, disclosure and reporting.

## Sustainability-Linked Financing

financial instruments, such as bonds or loans, where financial characteristics (e.g. interest rate or margin) vary depending on the issuer or borrower's achievement of pre-defined environmental, social or governance (ESG) performance targets.

## Sustainability Margin Adjustment

is a flexible interest rate feature in SLLs where the borrower's loan interest rate (margin) goes up or down (a "ratchet") based on achieving predefined ESG targets, known as Sustainability Performance Targets, linked to KPIs. Meeting targets earns a discount (lower rate), while missing them can trigger a premium (higher rate), incentivising companies to improve their sustainability performance financially.

## Sustainability Performance Targets (SPT)

measurable improvements in KPIs for sustainability-linked instruments.

## Syndicated Loan

a loan issued by a group of lenders with standard terms represented by an agent.

## Tender Offer

a public offer to buy securities from holders at a specific price at a particular time.

## Thematic Bond

a financial instrument allowing investors to finance specific themes such as climate, health or education.

## The Nature Conservancy

a global environmental organisation managing debt-for-nature swaps since the 1980s.

## Total Health Expenditure

the sum of public and private spending on health, including preventive and curative services, family planning and nutrition, but excluding water and sanitation.

## Trilateral Swap

a structure where an intermediary buys outstanding debt at a discount with new insured or guaranteed debt issued at par.

## Universal Health Coverage

a health system which aims to ensure equitable access, financial protection, and quality care for everyone, regardless of income, location, or social status.

## Use of Proceeds (UoP) Debt Instrument

a debt obligation where proceeds are earmarked for a specific eligible use.

## Value-Based Healthcare

an approach prioritising improved patient outcomes relative to resources spent.

## Value for Money

achieving the best balance between cost, quality and risk over a project's life cycle.

## Viability Gap Funding

a public financial support mechanism providing a capital grant to make a socially beneficial but financially unviable project attractive to private investors.