

# Global South Explores Innovative Solutions to Address the Health Financing Crisis Amid Mounting Aid Cuts

Over the past year, many low and middle-income countries (LMICs) have faced growing domestic and external pressures on health financing. The abrupt reduction in external aid, estimated at up to 30% below 2023 levels, has strained resources for health service delivery (WHO, 2025). At the same time, most LMICs have very limited fiscal space to increase domestic health spending due to rising debt, the deprioritization of health in national budgets, and continued reliance on out-of-pocket payments.

To counter this growing crisis, health experts, government leaders, and development partners convened for a webinar titled *“Innovative Financing for WCAH: Leveraging Social Impact Bonds to Strengthen Domestic Resource Mobilization”*, to examine how Social Impact Bonds (SIBs) can help strengthen health systems across low- and middle-income countries (LMICs).

*“This conversation speaks directly to a core question, how do we finance progress for women, children, and adolescent health (WCAH) in a very complex world, a world that is much more complex than it was a year ago or two years ago”* said Domenico Gerardo Iala, Technical Lead at Partnership for Maternal, Newborn & Child Health (PMNCH).

Chipo Chimwanda, UNFPA's Nairobi Hub Manager, emphasized the urgency, *“In order for us to reach our mandate and targets, we can't do it with only official development assistance (ODA). We really need to accelerate, and to accelerate means we need to crowd in private capital.”*

## **Social Impact Bonds: A Proven Alternative**

Social Impact Bonds offer a results-based financing mechanism that links repayment to measurable health outcomes. By bringing together governments, private investors, and service providers, SIBs create accountability structures that ensure programs deliver tangible results before investors are repaid.

South Africa's Innovation Impact Bond delivered striking proof of concept. The program, carried out in 14 schools to address sexual and reproductive health for adolescent girls, achieved 40% pre-exposure prophylaxis (PrEP) coverage among sexually active participants

and 62% contraception uptake. "These are results that we haven't seen elsewhere," said Prof. Fareed Abdullah of the South African Medical Research Council.

From the government's perspective, SIBs represent both an opportunity and a learning curve. The country's National Treasury emphasized the importance of building institutional knowledge to scale these mechanisms effectively.

*"This SIB has been valuable for Treasury, not only for the outcomes achieved, but also the learning it generated"* said Jonatan Daven from National Treasury. *"If we are to take on more SIBs, we really need to start gradually building up institutionalization and documenting standard practices."*

Dr. Anban Pillay from South Africa's National Department of Health framed SIBs as strategic tool for resource-constrained governments: *"This SIB comes at a time when we face significant economic challenges and budget cuts. Governments need to ask: what programs are you battling to achieve good outcomes on? Maybe some of these programs would be ripe for a SIB intervention to understand what would work, and once you've got that answer, you may want to adopt such an intervention at scale."*

The participation of private financial institutions proved crucial to the South African model's success. Investors brought not only capital but also performance management expertise.


*"It's not about spending the cash that you've been allocated, it's about spending it efficiently to achieve the outcomes you've committed to,"* said Beth Rivett-Carnac of Rand Merchant Bank, which financed the South African SIB.

### **Colombia's Decade of Learning: What Works at Scale**

Colombia's 10-year journey with SIBs, from adolescent pregnancy prevention to workforce development, offers crucial lessons for countries looking to scale.

Angelica Palma of Instiglio Colombia emphasized rigorous performance tracking: "Strong performance management is needed across all stakeholders, especially service providers, so that performance is trackable and outcomes are evolving over time based on evidence."

But technical capacity alone isn't enough. *"It requires a lot of political will,"* Palma noted. *"It usually requires champions willing to take the risk that these mechanisms require, and that is very powerful in mobilizing all the other stakeholders you need for implementation."*



As traditional donor funding contracts, innovative financing mechanisms like Social Impact Bonds are moving from experimental pilots to serious policy discussions. The webinar identified critical success factors: strong data systems for outcome measurement, political buy-in, and realistic expectations about transaction costs and timelines.

Watch the recording here: <https://www.youtube.com/watch?v=WQAJ7xPsG9k>

