World Health Organization
European Region

Scaling up impact investment: an innovative solution to tackle key health and development challenges

Chih Hoong Sin
Expert Adviser on Impact Investment and Outcomes Contracting

Public spending is under pressure across high-, medium- and low-income countries. Many policy-makers and experts are of the opinion that public health spending will have to be tightened over the coming years.

As we emerge from the COVID-19 pandemic, the scale of challenges confronting the health sector appears even more daunting. Entities such as WHO and United Nations Educational, Scientific and Cultural Organization highlighted a 200% increase in youth mental health conditions, alongside a 41% decline in physical activity as a result of the pandemic *(2)*. The impact of COVID-19 overlaid, and often exacerbated, existing inequities, with a disproportionately adverse impact on poorer areas, minority groups, and more.

Under such a constrained fiscal backdrop, looking at public health spending as expenditure may result in the retrenchment of services due to a perceived unsustainable burden on governments. To do so would expose us to greater inequity, leading to further erosion of resilience and leaving those with the least capacity to bear the brunt of health sector reforms.

Seen through the lens of investment, reducing health inequities requires optimization of the conditions for well-being across the life-course of all citizens. Yet, there are significant structural barriers to aligning resources with outcomes. For example, annualized public budgeting systems skew the focus onto activities and outputs, rather than on outcomes that often take longer to materialize.

While policy rhetoric extols early intervention and prevention, this does not always translate into reality. Unfortunately, virtually every health system in the world is built around sickness care rather than health care. The financial model underpinning health expenditure focuses on high-cost services for crisis management, partly due to prevailing commercial provider models but also because of the inability of governments to reconfigure budgets away from acute care while double running services to test or scale preventive models.

Existing provision, while well-intentioned, is often delivery driven rather than outcome focused. Standardization optimizes efficiency while unwittingly exacerbating inequities under ostensibly equal treatment.

Against this context, it is unsurprising that increasing attention is being paid to impact investment – defined as investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.

In terms of scale, 2022 was the first year in which the Global Impact Investing Network's estimate of the global impact investment market topped the US$ 1 trillion mark *(3)* – a figure widely regarded as an underestimate. Impact investment has been growing at an impressive rate and may hold the key to scaling up sustainable financing for tackling health inequities.

In terms of geographical spread, impact investment can be found in both emerging and developed markets. It continues to evolve in ways that are context sensitive, for example, in the involvement of family offices in Asia *(4)* and the synergies with Islamic finance in parts of the Middle East *(5)*. Its adaptability allows it to play to each ecosystem's strengths.

In terms of purpose, impact investment is distinguished from other forms of investment by intentionality and not by the asset class (e.g. loan, equity). Tackling health inequity requires financing that seeks purposively to achieve positive outcomes rather than merely to avoid harm.

In terms of overcoming the stickiness of the status quo, impact investment can be a powerful disruptor of conventional ways of doing health care through outcome-led mechanisms for driving effectiveness and efficiency that are underpinned by evidence. It operates free from the constraints of siloed budgets and annualized budgeting, giving it greater flexibility and agility in directing resources and innovation towards things that make a real difference. In its quest for impact (and, hence, financial returns), it eschews slavish adherence to prescription and instead embraces people-centredness.

There are already emerging examples of impact investment being harnessed towards:

- health infrastructure – for example, the University of Virginia Health System leveraged impact investment to fund the construction of a new outpatient facility in Charlottesville (United States) *(6)*, thereby providing a wide range of medical services, including primary care and specialty care;
- health sector innovations aimed at underserved communities and/or areas – for example, the Cameroon Ministry of Public Health and partners utilized impact investment to demonstrate and scale a model to reduce neonatal morbidity and mortality in a low-income country context, including rural areas where access to neonatal care can be a challenge *(7)*;
- health policy – for example, several local authorities in the United Kingdom drew upon impact investment to help to test models of social prescribing as part of the wider development of a social prescribing framework *(8)*; and
- health-care provider development – for example, Big Society Capital (the world's first wholesale social investment bank) and partners utilized impact investment to support 12 startups aimed at improving people's mental health to better secure and diversify their revenue streams *(9)*.

It would, however, be a mistake to look to private capital on its own as a panacea, just as it would be to place all expectations on governments to solve the problem. For capital to be drawn down sustainably and at a scale in which it can make the most difference requires genuine partnership. Tackling health inequities successfully requires us to see impact as a collective responsibility. In this vision, innovative financing is a means to help to secure our positive futures and is not an end in and of itself.

References[1]

1. Transforming our world: the 2030 Agenda for Sustainable Development. New York: United Nations; 2015 (A/RES/70/1; https://sdgs.un.org/2030agenda).
2. Fit for life: sport powering inclusive, peaceful and resilient societies. New Delhi: United Nations Educational, Scientific and Cultural Organization; 2022 (https://unesdoc.unesco.org/ark:/48223/pf0000381913).
3. Hand D, Ringel B, Danel A. Sizing the impact investing market: 2022. New York: Global Impact Investing Network; 2022 (https://thegiin.org/research/publication/impact-investing-market-size-2022/).

4. Global Impact Investing Network, Intellecap. The landscape for impact investing in Southeast Asia. New York: Global Impact Investing Network; 2018 (https://thegiin.org/research/publication/landscape-southeast-asia/).

5. Kuanova LA, Sagiyeva R, Shirazi NS. Islamic social finance: a literature review and future research directions. J Islam Account Bus Res. 2021;12(5):707–28. doi: 10.1108/JIABR-11-2020-0356.

6. Wood CS. UVa, backed by highest possible credit rating, sells $250 million in bonds. UVAToday. 16 April 2009 (https://news.virginia.edu/content/uva-backed-highest-possible-credit-rating-sells-250-million-bonds).

7. Cameroon kangaroo mother care (KMC) DIB. Lessons from outcomes based delivery. London: Social Finance; 2021 (https://www.socialfinance.org.uk/insights/cameroon-kangeroo-mother-care-dib-lessons-from-outcomes-based-delivery#).

8. Dayson C, Fraser A, Lowe T. A comparative analysis of social impact bond and conventional financing approaches to health service commissioning in England: the case of social prescribing. J Comp Policy Anal Res Pract. 2020;22(2):153–69. doi: 10.1080/13876988.2019.1643614.

9. Connecting research and ventures to improve mental health: programme learning and Insights. London: Big Society Capital; 2019 (https://bigsocietycapital.fra1.cdn.digitaloceanspaces.com/media/documents/Report_Wellcome_Mental_Health_Research_to_Venture_Programme.pdf).

1 All references were accessed 7 March 2024.

This piece is part of a compilation of pieces from leading experts, nongovernmental organizations, politicians and practitioners on signposting ways to steer a new direction for our economy to deliver better lives and healthier societies for all. This compilation was developed by the WHO European Office for Investment for Health and Development (WHO Venice Office) as background to the WHO event “Reimagining an economy for resilient and healthier societies that leave no one behind”, Venice, Italy, 9 April 2024.