

# Health Finance

## Development of a strategic framework and project opportunities

### Terms of Reference (DRAFT)

October 2020

## 1 Introduction

FSD Africa wishes to contract a reputable firm, individual or consortium (“the Consultant”) to develop a strategic framework and project concepts for the organization’s future engagement in advancing and supporting the role of the financial sector in improving healthcare in Africa.

This assignment and its deliverables are critical input and support for FSD Africa’s technical teams to develop and implement projects and partnerships in the health sector for and during the financial year 2021/22.

## 2 Background

Universal Health Coverage (UHC) is a key element of sustainable social and economic development in Africa. It requires strategic and impactful change in aspects such as access to healthcare (and related services, e.g. sanitation), health risk management, quality of healthcare and expertise of healthcare providers/staff, (long-term) investment in healthcare infrastructure, and others. Funding, financial management and financial risk transfer in healthcare are key challenges for governments and international agencies (public stakeholders), as well as households and healthcare businesses (private stakeholders). Therefore, we believe that FSD Africa must contribute to addressing and resolving these challenges.

FSD Africa is a specialist development agency funded by UK aid from the UK government. We are building and strengthening financial markets across Sub-Saharan Africa. Our ‘market systems development’ approach aims to address the structural causes of poverty by improving how financial market systems function. As a result, we expect to spark large-scale and long-term change. We cooperate with governments, business leaders, non-profit organizations, research institutions, regulators, and policymakers to develop more inclusive financial systems. We believe that financial systems have the potential to play a major role in enabling inclusive growth and ensuring access to basic services while assuring a sustainable future.

Since 2020, FSD Africa implements a new strategic approach that re-orientes financial sector development towards much greater real and social sector impact, thereby supporting the achievement of the SDGs. We pursue the following real and social sector outcomes: (1) access to basic services, (2) new and protected jobs, and (3) a sustainable future. We assess that work and impact at the intersection of finance and health will contribute significantly to these outcomes.

FSD Africa’s work in the health sector has been very limited until to date. We have supported the development and implementation of hospitalisation (micro)insurance and COVID-19 related social/health impact bonds. Our understanding of the specific finance constraints, proven and

emerging roles of the finance sector in healthcare, specific initiatives and potential partnerships is limited. We intend to take a more deliberate and structured approach to health finance and the subsequent implementation of impactful and transformative programmes. We perceive that the complex and wide-ranging theme of “health finance” needs to be divided into specific technical aspects and sub-systems to allow for this approach. Furthermore, our intention and urgency are informed by the exposure of the fragility and ineffectiveness of healthcare in Africa during the COVID-19 pandemic and the recognition that health and healthcare have a central role in equitable and sustainable economic and social development in Africa.

Against this background, and as a first step, FSD Africa wants to develop and adopt an organization-wide understanding of health finance and our role in this field. We also want to determine opportunities and requirements to develop partnerships and to begin developing a pipeline of future programmes and projects. The ambition is to build a substantial health finance portfolio within the next 12-18 months.

### 3 Objective

We set two main objectives for this assignment:

- The consultant shall develop a strategic framework to achieve a clear picture of how our instruments and interventions can address critical constraints in health finance and thereby contribute to systemic change at the intersection of the financial and health systems. Furthermore, the consultant shall develop a Theory of Change that describes clear pathways for our interventions and their outputs to achieve positive outcomes in health finance and, ultimately, to improve real and social sector outcomes.
- The consultant shall provide critical advisory, research and resources to the technical units’ work on developing and launching a portfolio of projects and partnerships during the 2021/22 business period. The technical teams intend to use the strategic framework and Theory of Change to make decisions on programmatic and partnership priorities.

### 4 Scope of work

FSD Africa intends to address two dimensions of health finance constraints:

- Financial sector inefficiencies and structural deficiencies that inhibit the optimal provision of, access to or funding for health care; and
- Health sector problems that inhibit financial markets, financial services providers or financial services to improve healthcare.

We understand the health sector to comprise aspects of:

- Provision of adequate healthcare by public and private healthcare providers, i.e. infrastructure such as hospitals and other healthcare providers, and also medical equipment and pharmaceuticals;
- Access to healthcare, i.e. physical, legal, social and financial access, as well as access to the relevant level and quality of care;

- Financing of healthcare, i.e. capital investments, operating expenses and working capital, human resources & skills investment, payment systems, public or private health insurance systems, public (tax-based) funding, other prepayment solutions (e.g. health wallets)

We intend to work with public and private stakeholders in the health system. Public stakeholders include ministerial departments, government agencies (incl. financing agencies), public healthcare facilities and research & training institutions. Private stakeholders include private health companies and healthcare providers, financial sector companies, NGOs, and others.

We understand the financial system to include the following:

- Policy and regulation, as set, implemented and supervised by government departments and regulatory agencies, and challenged and discussed by civil society organisations;
- Financial markets institutions and financial services providers, clustered in the sub-sectors of capital markets & investment, credit & banking, and risk management & transfer (insurance), and including private commercial or state-owned semi-commercial stakeholders;
- Financial services and products, including capital markets instruments (e.g. investment funds, commercial and social-impact bonds, debt and equity investments), banking and credit products (incl. microcredit), insurance and other risk transfer instruments (e.g. swaps, derivatives), payments services (e.g. bank transfers, mobile money services)

FSD Africa intends to use a combination of the following implementation modes in its projects and programmes:

- Financial Tools: Grants; Returnable Grants; Investment Capital (debt and equity)
- Non-financial Tools: Convening (to share insights and collaborate between stakeholders), Market Insights & Advocacy, Technical Assistance (by internal or external experts)

FSD Africa has committed to significant impact among fragile communities and states and to address gender issues as a cross-cutting theme in its programme and project portfolio. We perceive that there are significant opportunities to operationalise these commitments in our future work on health finance. The assignment shall give particular attention to opportunities and recommendations related to fragile communities and states, as well as gender aspects.

Also, while our mandate enables us to work anywhere in Sub-Saharan Africa, we prioritise specific geographies and countries and have a preference for multi-country or regional projects. Further information on our geographic priorities is included in annexes 1 and 2.

The assignment will implement the following work streams:

Work Stream 1 - Constraints and Opportunities in Finance for Health: Understanding and describing the constraints and opportunities for the financial sector to contribute to improving provision of, access to, and funding of healthcare in FSD Africa's target geographies;

Work Stream 2 - Health Finance Theory of Change: Formulating and agreeing a theory of change that connects FSD Africa's mandate and instruments to systemic change at the intersection of the health and financial systems and defines reliable impact paths towards real and social sector outcomes;

Work Stream 3 - Programmes and Partnerships in Health Finance: Identifying key programming and partnership concepts and opportunities, as well as key strategic initiatives, that would contribute to the operationalisation of the agreed Theory of Change

The detailed scope of work for each work stream is:

*Work Stream 1 - Constraints and Opportunities in Finance for Health:*

- Research and document a relevant selection of impactful and replicable models of partnerships and services/products in (primarily) Africa; particularly considering innovations and emerging trends and clearly identifying the constraints and unmet health finance needs of the stakeholders
- Identify and review existing relevant conceptual or strategic frameworks and/or Theories of Change
- Identify and prioritise finance-related constraints of key healthcare stakeholders; with constraints organised in at least the following dimensions
  - Formal and informal community initiatives <-> local, regional or national governments
  - Urban stakeholders and health systems <-> rural stakeholders and health systems
  - Formal sector institutions and patients <-> informal sector institutions and patients
  - Supporting the launch or pilot of new partnerships, services and institutions <-> supporting scaling-up of existing partnerships, services and institutions
- Take a view on the prospective impact of the COVID-19 pandemic on healthcare and healthcare finance constraints and trends in Africa, in particular over the medium- to long-term
- Identify and prioritise key partnership and coordination needs among and between health and finance sector stakeholders, with a particular view to regional or Africa-wide stakeholders
- Present synthesised findings and a recommendation of the “health finance” definition to FSD Africa’s Executive Committee and facilitate and document the subsequent discussion and adoption of an organisation-wide definition (and relevant background and explanatory documentation)

*Work Stream 2 - Health Finance Theory of Change:*

- Review FSD Africa’s 2020-25 Strategy and the MRM (M&E) commitments and interpret health finance in light of this framework
- Consult with FSD Africa’s technical teams and review their programmatic, partnership and strategic approaches in other sectors (e.g. climate finance) and, where possible, draw conclusions for their potential application to health finance
- Engage with key internal and external stakeholders to understand their views and experience on health finance and how this could reflect in FSD Africa programming and partnerships
- Develop a Health Finance Theory of Change on the basis of the overarching FSD Africa Theory of Change
- Present the (draft) Theory of Change to FSD Africa’s Executive Committee and facilitate a discussion that concludes with the adoption of a (revised) Health Finance Theory of Change (and relevant background and explanatory documentation)

*Work Stream 3 - Programmes and Partnerships in Health Finance:*

- Review the currently existing programmes and partnerships of FSD Africa’s technical teams and assess which of these could be leveraged for health finance

- Review health finance status, policy, market structure and needs, and identify programming and partnership needs and opportunities across selected regions and countries in Africa, with particular attention to the target geographies of FSD Africa
- Working with the technical teams of FSD Africa, identify and jointly document at least 10 programmatic/project opportunities (at least 2 per team) as well as partnerships that would operationalise the Theory of Change
- In collaboration with the technical teams, determine and summarise (in concept notes) at least five programme concepts that are prioritised for approval and implementation in the 2021/22 business period, and support technical teams in developing the necessary resources and partnerships in the period until March 2021

FSD Africa’s “Capital Markets Development” practice is currently commissioning a different consulting assignment that aims to identify potential capital markets initiatives for the long-term financing of health services. The assignment specified in this ToR document is expected to complement the capital markets focused assignment through appropriate coordination efforts. It is also expected to prioritise health finance programme and partnerships concepts (work stream 3) that are not covered by the capital markets assignment, so as to not duplicate consultants’ work and develop potentially conflicting deliverables.

## 5 Deliverable and timelines

<b>Deliverable</b>	<b>Due Date (from project inception)</b>
Inception Report (defining detailed work plan)	2 weeks
<i><u>Work Stream 1 - Constraints and Opportunities in Finance for Health</u></i>	
Draft slide deck on findings and proposed definition of “health finance”	5 weeks
Presentation and workshop with Executive Committee	7 weeks
Final slide deck (ca. 15 slides)	9 weeks
<i><u>Work Stream 2 - Health Finance Theory of Change</u></i>	
Slide deck on draft Theory of Change and its background & rationale	8 weeks
Presentation and workshop with Executive Committee	10 weeks
Final slide deck on Theory of Change (incl. explanatory notes)	12 weeks
<i><u>Work Stream 3: Programmes and Partnerships in Health Finance</u></i>	
Short outlines of 10 programme/project opportunities (1-2 pages each)	18 weeks
Concept notes on 5 potential programme/projects (4-5 pages each)	24 weeks

## 6 Logistics and Reporting

All work of the Consultant shall be carried out remotely. No travel is required. The majority of relevant stakeholders operate in African & European time zones.

The consultant will report to the Assistant Director (Risk) of FSD Africa. In addition, it is intended that the Consultant engages closely across the entire organisation, in particular with staff of the technical teams and of the Strategy & Advocacy team.

## 7 Invitation to Tender

Proposals are invited from suitably qualified consultants (individuals, firms, consortiums).

The proposal should contain:

- A description of the Consultant's understanding of the objective of the assignment as outlined in these terms of reference and their role in fulfilling this objective;
- A description of the Consultant's proposed approach to undertaking the work, including any suggestions on how to vary or supplement the identify tasks in order to ensure successful completion of the consultancy;
- A profile of the team lead and other key team members that will undertake the work, including explanation of their specific roles and responsibilities in relation to the assignment. This description should be supported by tailored CVs (in an annex, no more than 3 pages per CV);
- A short summary of relevant experience (tailored to the assignment) and referrals for similar work done in the last three years;
- A detailed timeline, including submission of key deliverables;
- An itemized activity-based budget for both professional fees and reimbursable expenses. The budget should include all applicable taxes.

Proposals should be submitted to the Assistant Director (Risk) by email ([thomas@fsdafrica.org](mailto:thomas@fsdafrica.org)) by close of business on 26 October 2020 under a subject line reading 'Proposal: 'Health Finance - Development of a Strategic Framework and Project Opportunities`.

Note: As per Kenya's tax law, FSD Africa will pay the Consultant after deducting the appropriate withholding taxes at the applicable rate between Kenya and the Consultant's country of tax residence, considering any tax treaties in force. It is the responsibility of the Consultant to keep themselves apprised of these applicable taxes.

## 8 Basis of Award

A contract will be awarded to the most economically advantageous tender based on the following mandatory qualifications and assessment criteria:

### Mandatory Qualifications

- Understanding of the current state of knowledge and practice in health finance
- Expertise in consulting within the field of health finance, evidenced by successfully completing relevant assignments within the last three years
- Experience working on market or product development, product/service management, strategy consulting, or other relevant activities in the financial and/or health systems of emerging economies

### Assessment Criteria

- Relevant technical capacity and qualifications (20%)

- Demonstrated ability and experience to deliver in the work area outlined in this Terms of Reference (evidenced by previous assignments, client references, publications, etc.) (40%)
- Quality of the proposal in response to the Terms of Reference (understanding, approach to the assignment, originality, relevance) (25%)
- Value for money (based on fee rates, inputs and total cost of the assignment) (15%)

## 9 Contact

Questions or comments in respect to these terms of reference should be directed to the Assistant Director (Risk) at [thomas@fsdafrica.org](mailto:thomas@fsdafrica.org).

## Annex 1: Background on FSD Africa

### About FSD Africa

We work to reduce poverty by strengthening Africa's financial markets.

Established in 2012 and supported by UK aid, FSD Africa is a specialist development agency working to build and strengthen financial markets across sub-Saharan Africa. We work to reduce poverty through a 'market systems development' approach, which means we aim to address the structural, underlying causes of poverty by improving financial market systems so that they enable systemic real sector change.

We believe that investing in building a financial system that is transparent, stable and accessible creates the conditions for a fair and sustainable future, where inequality is reduced, corruption is tackled, and where individuals, businesses and governments alike are able to prepare for future challenges, from climate change to political instability.

From our headquarters in Nairobi, our team of financial sector experts work alongside governments, business leaders, regulators and policy makers to design and build ambitious programmes that make financial markets work better for everyone. Depending on the project, we can provide a combination of grants, investment capital, market insights or technical assistance to ensure we achieve our objectives.

We focus our work where the need is greatest, and where we believe the potential for impact is the most significant. We have a specific mandate to invest in breakthrough, innovative ideas that we believe can have a transformative impact. By sharing risk with our partners, we're able to address more difficult, persistent, or higher-risk challenges, in more unstable or fragile geographies, than traditional development finance organisations.

Please find more details about FSD Africa on our website at [www.fsdafrica.org](http://www.fsdafrica.org).

### About FSD Africa's 2020-25 Strategy ("FSD Africa III") and FSD 2.0

FSD Africa III (2020-25) is the organisation's third strategic plan. The UK Government's Department for International Development (DFID) approved a new funding package to support its delivery in December 2019. DFID also provided new funding to eight other existing financial sector deepening programmes or 'FSDs', as well as four new FSD structures. This portfolio falls under a broader approach known as 'FSD 2.0'.

Both FSD Africa III and FSD 2.0 recognise that financial sector development in Africa faces new challenges, and that a fresh approach is required to lock in and accelerate the gains of the previous cycle. This fresh approach has three main pivots: operational, geographic and developmental.

#### *A new impact narrative*

To strengthen FSD Africa and the wider FSD Network's impact, existing theories of change will be recast to prioritise programming that focusses on jobs and incomes, access to basic services and goods, and sustainability. This shift will enable FSDs to focus on financial market building that tackles pressing development challenges in Africa (e.g. jobless growth, homelessness, climate change) as well as the global goals (e.g. the United Nation's Sustainable Development Goals). In doing so, the 'line of sight' between FSD programming and poverty reduction will become clearer.

Finance has never been an end in itself. As a result, there's a new consensus that FSD work will become systematically more sector specific. With their partners, FSDs will therefore work more intensively at the interface where finance meets important real and social sectors. Along with climate, housing, agriculture, and digital lending, healthcare is one of these high priority sectors.

Finally, FSD Africa's initial, strong progress in the long-term finance space will also be replicated by other FSDs, enabling finance to play a role in poverty reduction beyond the household and in economic transformation processes.

This is about finance that benefits poor people, not just finance for the poor.

#### *A new geography*

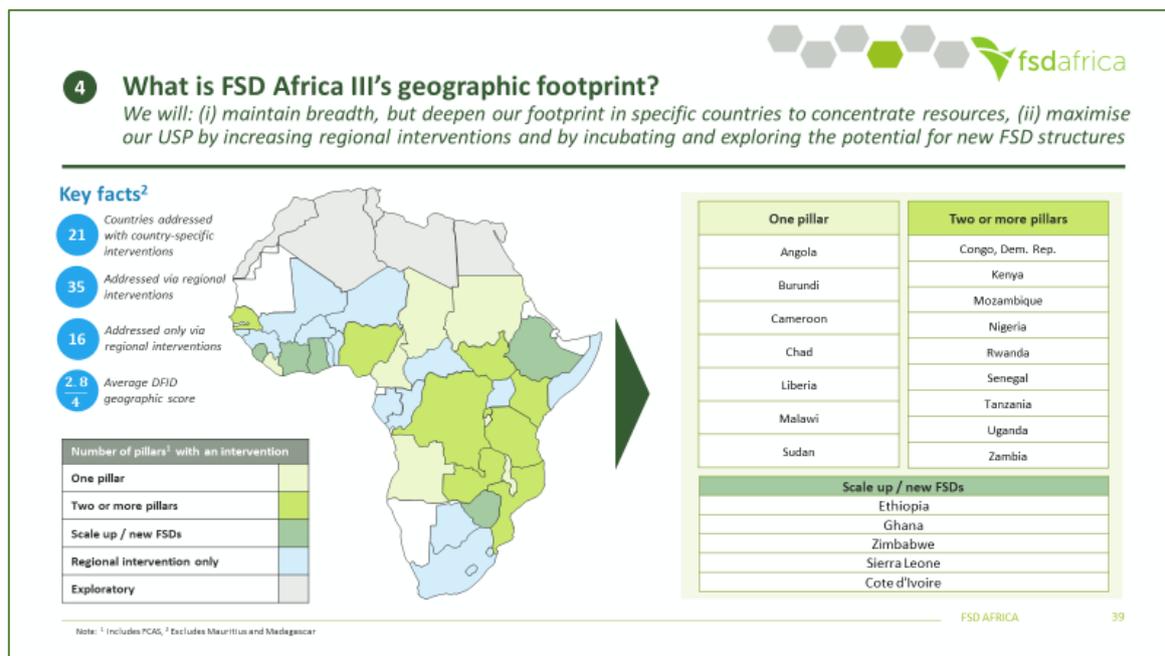
The FSD Network has a strong programming footprint of over 200 staff in eight country offices. And despite FSD Africa's regional reach into a total of 28 countries, even greater reach is required to fulfil a truly pan-African approach, especially in the fragile, marginalised states and communities where the need is often greatest. This is why a large proportion of the new funding will be allocated to the setup and growth of four new FSD programmes in Ethiopia, Ghana, Sierra Leone and the West African Economic and Monetary Union (WAEMU) region. DFID has also asked FSD Africa to assess the possibility of new FSD programming in North Africa and Malawi.

#### *A new delivery mechanism*

The new package delivers a step-change in the way DFID's centrally managed programming can work harder to meet Country Office objectives. The eight existing FSD programmes – each funded by separate DFID teams – will form a tighter coalition, where funding, results and policy coherence are managed from DFID's headquarters in London, but in-country DFID advisors continue to commit time to local decision-making, mainly through well-qualified independent Boards.

New FSDs (see Annex 1) will be incubated by the FSD Africa team to reduce inception timelines, a suite of shared back office services (such as measurement, communications, ICT etc.) will enable leaner and more effective management, and concessional development finance (DevCap) will be made more seamlessly available to all FSD Network members via the FSD Africa Investment team in Nairobi, Kenya. FSDs have also self-organised to enable joint decision-making and programming via a new FSD Network Council structure that will complement not compete with local Boards. A new FSD Network Directorate, located at FSD Africa will manage this new delivery mechanism.

## Annex 2: FSD Africa’s Target Geographies



**Figure 1: FSD Africa’s target geographies, based on the FSD Africa III Strategy**

FSD Africa’s target geographies are determined based upon a logic that weighs where assistance in financial markets is most needed (considered via financial development scores such as FDI) against FSD Africa’s ability to implement the programs and instruments at our disposal. To this end, our programming intensity is focused on tactical interventions when states are most fragile, the incubation of new FSD vehicles for middle-developed African nations, and for regional approaches for more developed nations.

Our direction of travel has set the following geographic priorities for our programmatic work: to focus on countries where the need is greatest, to reduce country-specific interventions (and work to primarily target those nations with one or more pillars intervening, as per Figure 1), to establish a model for regional and multi-country interventions, and to respond to our donors’ priorities (primarily DFID).

However, our programmatic work will be enabled by supporting the incubation of new FSD structures in five geographies: Ethiopia, Ghana, Sierra Leone, WAEMU, and Zimbabwe. Each of these new FSDs are being established through the first three years of the FSD Africa 2020-25 Strategy and will develop their own program design and delivery mechanisms, which will also require country-specific understanding of how the finance sector can support improvements in healthcare.