

Leveraging Blended Finance

to maximize the Impact of
India's Healthcare Spending

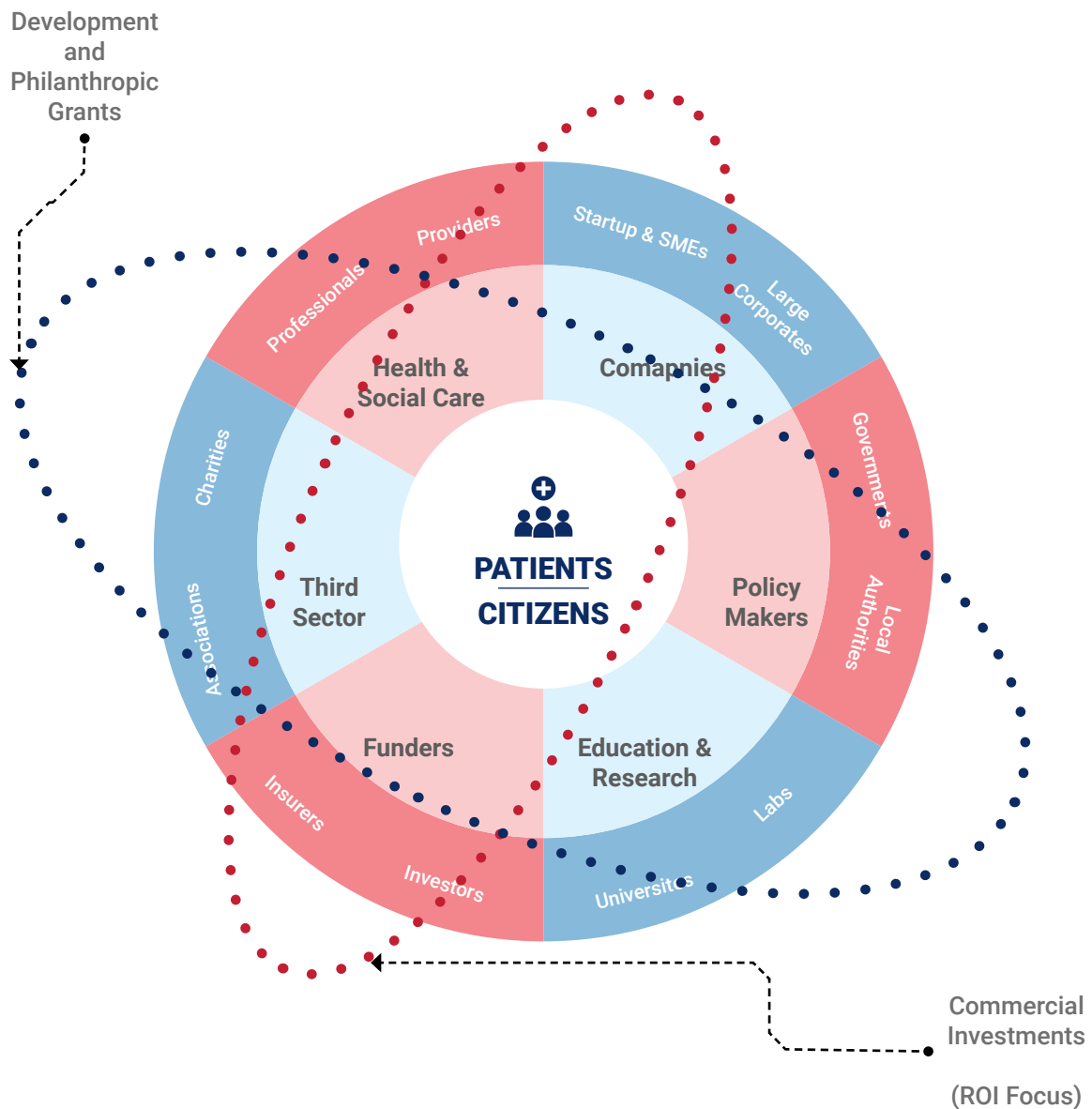


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01 Need for Private Sector Participation in India's Healthcare Sector

The limited availability of affordable, accessible and good quality healthcare is in many ways one of the most critical social challenges faced by India today. Despite the nation's sustained economic and technological progress over the past few decades, India's healthcare system continues to be plagued by a broad range of issues ranging from poor hospital infrastructure, shortage of qualified doctors and nurses, to higher out of pocket healthcare expense at a household level.








Source: ECHalliance

Furthermore, even though the Healthcare sector - growing at a CAGR of 22% since 2016, employing 4+ Million people directly¹ - has evolved into one of the largest components of India's economy with multiple stakeholders (refer graphic above), the sector is constrained in its ability to provide quality healthcare to an expanding population with a rising proportion of lifestyle diseases. With public healthcare expenditure of only ~1% of GDP as of 2022 (by comparison, the US was spending 8.6%, Brazil 4% and China 2.9%)², there is an immediate need for affordable capital to scale high-impact health solutions to complement public health spending and mainstream private sector innovations, to enable equitable access to quality care.

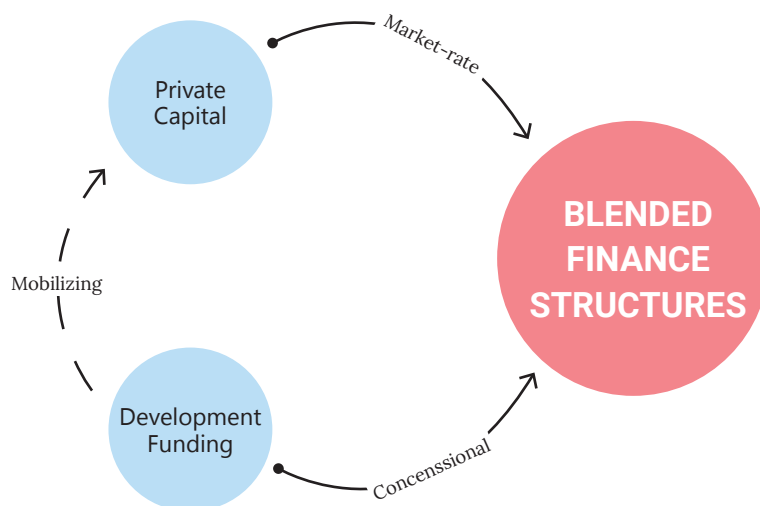
To address access, affordability, and quality healthcare, it is estimated that under a business-as-usual scenario the funding requirement for the healthcare sector is USD 156 billion³. Clearly, the need of the hour is to look beyond traditional models of economic development and embrace more sustainable and innovative models of financing equitable growth. Greater participation between the private sector, philanthropic sector and the public sector can not only unlock new pools of capital to strengthen health systems but also align investments towards achieving national healthcare priorities.

Table 1: Interventions to Increase Private Sector Participation in Healthcare

Interventions to increase private sector participation		Potential types of interventions
Supporting innovations and critical research & development through grants		Grand Challenges, Innovation Grants, Incubation/Acceleration
Conducting enterprise capacity building through technical assistance		Incubation/Acceleration, Business Advisory
De-risking private investments through blended finance models, including credit guarantees and pay for success instruments		Credit Guarantees, Development Impact Bonds, Blended Finance Pooled Facilities such as SAMRIDH, REVIVE
Increasing participation of large corporations through shared value partnerships		Shared Value Partnerships such as Project Kirana, Corporate TB Pledge
Creating supportive regulatory and policy environment for help private enterprises and investors to thrive		Policy and Regulatory Engagement with GOI, Engagement with Industry Bodies

Source: USAID Analysis

02 Leveraging blended finance for Social Impact



“Blended finance is the strategic use of development finance from public and philanthropic sources to mobilise additional capital from the private sector towards sustainable development. Typically, grant funding is blended with other sources of capital such as debt or equity to maximize funding and social impact capacity.”

- India Blended Finance Collaborative (IBFC)

In the healthcare sector, there is a higher perceived financial risk and lower return profile for private investments in comparison to those in other sectors, making it difficult to attract higher volumes of return seeking capital. These perceptions stem from factors, such as

- longer gestation period of health solutions with prolonged lead times for return,
- capital intensive nature of investments needed,
- inherent supply and demand side financing challenges,
- nascent markets for new products/technology

Therefore, investments and financing in the healthcare sector have relatively unfavorable terms such as demands for high collateral and/or with higher interest rate, that make access to affordable capital difficult for health enterprises and organizations.

Given these challenges, blended finance has the potential to minimize the risk associated with private investments in the sector. A diverse set of instruments can be deployed using relatively small amounts of philanthropic capital to balance the risk profile of the business/intervention.

These instruments include:



CONCESSIONAL FUNDING

(e.g., grants, debt, equity)



SUPPORT MECHANISMS

(e.g., technical assistance)



RISK MITIGATION

(e.g., guarantees, insurance, securitisation, derivatives)



RESULT-BASED INCENTIVES

(e.g., impact bonds, performance-based contracts)



Concessional Funding:

Concessional funding encompasses the universe of catalytic funding from development organizations with the intention of bearing below-market returns and/or absorbing higher investment risk.

Junior Equity	Flexible Debt	Market Rate Debt & Equity
Subordinate position absorbs highest risk	Favourable terms shift risk-return profile	Demonstrates viability and promotes investors comfort
<p>CAPITAL STRUCTURE</p> <ul style="list-style-type: none"> Debt Equity Junior Equity 	<p>CAPITAL STRUCTURE</p> <ul style="list-style-type: none"> Senior Debt Flexible Debt Equity 	<p>CAPITAL STRUCTURE</p> <ul style="list-style-type: none"> Debt Equity Debt Equity



Support Mechanisms:

These come in diverse forms such as technical assistance facilities, design stage grants, project preparation facilities etc. They aim to strengthen the quality, efficiency and sustainability of development projects and improve the financial viability of Blended Finance transactions by increasing the probability of financial close.



Risk Mitigation Tools:

Such tools function as a form of insurance for commercial investments into social impact. Unlike concessional capital that is often deployed hand-in-hand with commercial capital, risk mitigation guarantees a portion of future losses on an investment. In effect, they help augment market efficiency because capital is only used to cover losses when they actually occur.



Results-based Financing:

Results-based Financing is an innovative, outcomes-oriented, or pay-for-success approach that incentivizes providers, and the investors providing their working capital, based on achievement of agreed-upon, measurable performance targets. Such structures are unique because capital is not deployed to satisfy the cost of inputs but to reward the achievement of desired outcomes by end beneficiaries.

Some of the notable models which can be used to mobilize private sector capital in the healthcare sector are covered in the next chapter. It is important to iterate that greater capital is not the only measure of impact and blended finance can help drive innovation, scale as well as expansion and development of new markets.



Maximise funding available from commercial sources and expand the overall capital to support SDG interventions of critical scale and size.



Incentivize Innovations by providing capital and de-risking investment towards path breaking innovations and technologies.



Generate Sustainable Returns with greater efficiency and accountability of the limited pool of philanthropic capital.



Reach New Markets by building capacity and de-risking entry for small businesses and deepening local financial markets.



Yet, Blended Finance is not a panacea for all problems, and it can play a catalytic role in critical niche areas of the eco-system to expand accessibility and affordability to quality care for vulnerable populations. Depending on the maturity of sub-sectors and focus areas, certain instruments are better suited for more novel, emerging areas of healthcare such as mental health, while some are better suited for mature areas such as diagnostics.

03 Blended Finance in Healthcare: Analysis of Key Opportunities

Healthcare sector development plays a central role in ensuring productivity and well-being of the country's population while safeguarding and reducing the cost and risks associated with health ailments and diseases. It is estimated that 70% of all outpatient visits, about 58% of all inpatient episodes are provided by either for-profit or not-for-profit private providers⁴, which shows the role of non-government players in servicing healthcare needs of a growing population. Despite the improvement made in improving healthcare outcomes over the past few decades, there are stark differences in health outcomes between states.

Several policy initiatives have been launched to strengthen India's health system towards providing Universal Health Coverage and the Government has established ambitious targets under the National Health Policy 2017⁵, to strengthen the healthcare sector. These include:

- increase health expenditure as a percentage of GDP from 1.15 to 2.5 by 2025
- increase state health spending to at least 8 per cent of their budgets by 2020
- develop mid-level service providers, such as nurse practitioners and public health personnel
- ease the manufacture of drugs and medical devices
- greater collaboration and engagement with private and not-for-profit organisations.

A mapping of the Indian healthcare sector against the WHO Health System framework⁶ highlights key areas of support and action which can strengthen the delivery and achievement of healthcare goals. The framework provides six building blocks for understanding healthcare capacity and identify key challenges-



Service Delivery

Improve Infrastructure, Reduce rural-urban divide in quality of care, service availability.



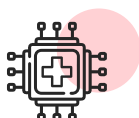
Health Workforce

Improve doctor and nurse population ratio, Workforce skilling and training enhancement.



Health Information Systems

Improve access to data, enhance data reliability, strengthen capacity for management and analysis.



Medical Products & Technologies

Build indigenous capacity to manufacture and distribute technologies at low cost and scale.



Healthcare Financing

Reduce out of pocket expenditure by increased public spending on health, enhancing insurance penetration.



Leadership & Governance

Strengthen governance mechanisms at different levels (state, central), enhance accountability via outcome monitoring.

Source: IIC Analysis, Samridh Analysis



Service Delivery -

Despite significant improvement in achievement of healthcare outcomes, access to health systems continues to be a challenge with infrastructure development lagging behind required levels. For example, India has 1.3 beds per 1,000 population as against the WHO minimum norm of 3.5⁷. The challenge of service delivery is starker in rural areas. As per estimates, while 65% of India's population resides in rural areas, only 30% of the available health infrastructure is located in rural India. The high reliance on the private sector infrastructure is also evident in data of hospital visits with 70% of all outpatient visits reported in private health facilities, and 66% of all inpatient stays in private hospitals⁸.



Health workforce-

Regional disparities in the availability and skill of healthcare professionals, especially in poorer states such as Chhattisgarh, Uttar Pradesh, Madhya Pradesh and Jharkhand have impacted the quality of the health services in these areas. There is health workforce shortage at different levels from non-clinical staff like technicians to doctors and super specialists. The number of doctors and nurses per 1,000 population is low compared to developed countries with need for greater skilled and available personnel to meet the needs of a growing population.



Medical Products & Technologies-

There has been increased focus on building indigenous capacity to manufacture and distribute varied medical products and technologies. Start-up initiatives provide an enabling environment to develop, test and adopt novel innovations in medical devices, diagnostics and digital health though affordability, adoption and scale of technologies continues to be a challenge.



Healthcare Financing-

The predominant financing model in India is out-of-pocket expenditure. Health insurance penetration as well as public spending on healthcare is low leading to sub-optimal achievement of healthcare outcomes. Also, while Healthcare sector has seen a significant increase in FDI investments over the past years, this inflow has been directed towards hospitals & health centres, pharma companies, and medical equipment manufacturing serving majority of urban consumers.



Health Information Systems-

The Ministry of Health and Family Welfare (MoHFW) uses a Health Management Information System (HMIS) to monitor the performance of programs across states through a large network of rural and urban health facilities. Operational issues around data use in India include the relative difficulty of accessing data, data reliability, lack of capacity for management and analysis of data, constitute major stumbling blocks for using data as a tool for policy and decision-making.



Leadership & Governance-

Health management capacity can be strengthened via enhanced monitoring and accountability among different stakeholders. Greater accountability in the context of digital healthcare adoption is essential to ensure data privacy, fair and equitable access, grievance redressal.



For the scope of this paper, we focus on the following core subsectors with the **potential to drive greater private sector participation and scalable impact through blended finance**.

1. Healthcare service delivery including digital healthcare in rural areas and
2. Indigenous medical products and technologies.

Indigenous Medical Products and Technologies

India is the fourth largest medical devices market in Asia, with the size of the market estimated to be approximately \$12 billion. The medical devices industry in India is divided into four segments: consumables and implants, diagnostic imaging, instruments and appliances, and patient aids⁹. India heavily relies on foreign suppliers, with medical device imports accounting for more than 80% of the country's needs. This dependence is particularly high for advanced equipment such as cancer diagnostics, medical imaging, etc.

Most local production is concentrated in the lower end of the technology value chain. Indian manufacturers primarily focus on developing affordable medical devices for the lower and middle-income segments of the Indian market. The start-up ecosystem in India's medical devices sector is emerging with a focus on innovation and development of new technologies and presents a significant opportunity for the country to become a major player in the global supply chain of medical devices.

Diagnostic technology is a critical aspect of the healthcare industry as it supports medical professionals in validating, precisely diagnosing illnesses. Accurate diagnosis is critical to choosing the right therapies to cure disease. In the Indian context, portable Point-of-care (POC) diagnostic devices have immense potential to enhance medical capabilities of healthcare professionals in remote and underserved areas. These devices eliminate the need for specialized equipment, trained personnel, or proximity to testing lab facilities while also reducing the cost of diagnosis for low-income populations.

Despite opportunities to scale up indigenous manufacturing, challenges faced by local enterprises include high capital requirements, lengthy gestation periods, and a shortage of trained professionals to adopt innovative technologies. The high cost of financing further impedes domestic medical device manufacturers with the cost of manufacturing higher by 12%-15%¹⁰, vis-a-vis competing economies, primarily on account of lack of adequate infrastructure, inadequate domestic supply chain and logistics, high cost of finance and power.

Key segments within medical devices

- Consumables & Disposables: Needles, Syringes
- Diagnostic Imaging: MRI, X-Ray, Ultrasound
- Dental Products: Dentures, Braces
- Orthopedics & Prosthetics: Knee Implants, Artificial Joints
- Patient Aids: Hearing Aids, Pacemakers

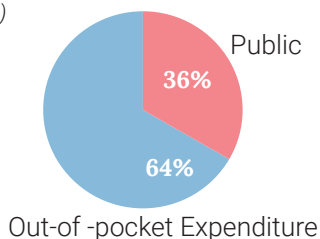
Healthcare Service Delivery in rural and underserved areas

Ensuring access to equitable and quality primary care can help identify and diagnose health conditions earlier and reduce the burden on tertiary and quaternary care providers, reducing the financial impact of seeking healthcare. Given the low presence of doctors in semi-urban, rural and remote areas, many Indians have limited access to healthcare facilities.

While private health infrastructure appears to address the gap, its focus is largely restricted to tertiary or quaternary care; and it remains inaccessible and unaffordable to the larger percentage of population residing in rural or peri-urban India. With the cost of hospitalization in a private hospital up to seven times higher, many Indians are impoverished each year due to high out-of-pocket medical expenditure.

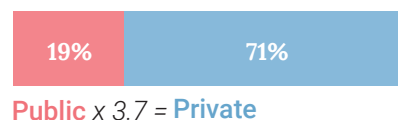
OOPE accounts for 64% of the Total Health Expenditure

OOPE as % of the Total Health Expenditure (2014)
(% of the total)



Private Clinics Dominate Service delivery over Government PHCS

Spells of ailment treated at public vs. private clinics
(% of the total)

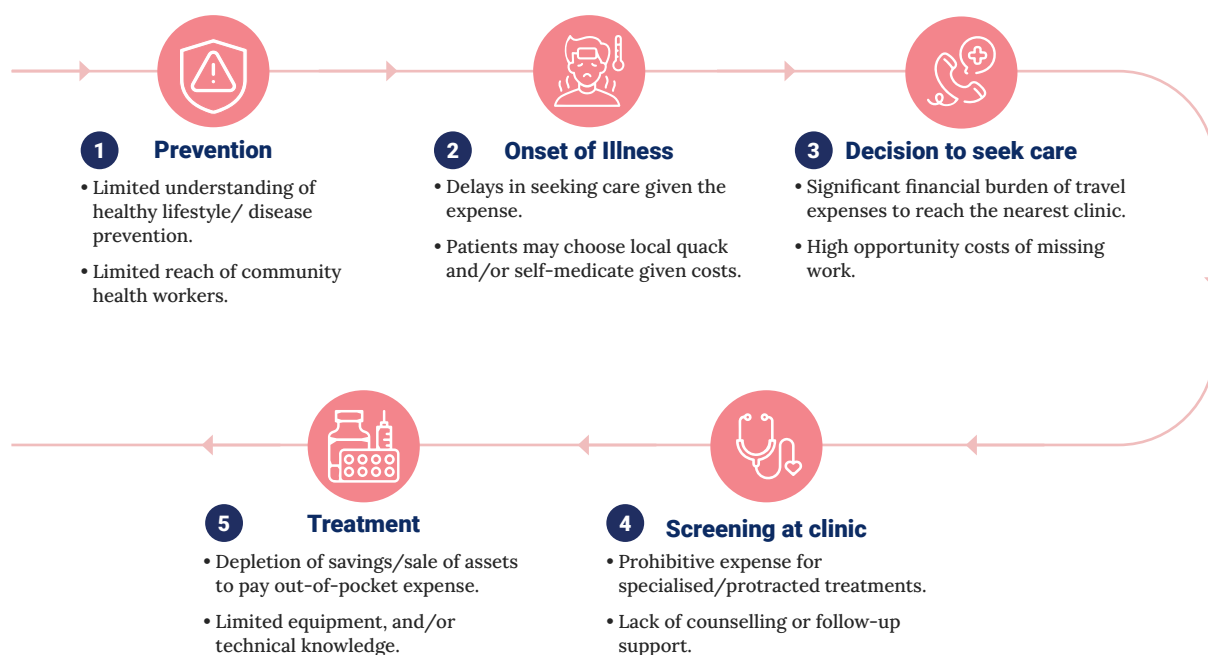


Source: NSS 71st Round, Ministry of Statistics, India; Household Health Expenditures in India (2013-14), National Health Systems Resource Centre, Ministry of Health and Family Welfare, Government of India.

Across both private and public health, there are cross-cutting challenges, including

- inadequate skilled human resource capacity
- fragmented supply-chain that impacts reliable supply of essential medicines and commodities
- lack of data-driven approach to effective and efficient care.

Apart from the cost of accessing healthcare, pain-points along the healthcare value-chain make it difficult for patients to access quality and timely primary care.



Source: KOIS Analysis

Opportunities exist at different points in the patient journey and different business models including low-cost brick and mortar clinics, mobile medical units, point of care diagnostics are some of the solutions being developed and tested. Despite the broader potential for impact, some of the risks or issues that remain in mainstreaming these models include (a) low patient-volumes; (b) lack of reliable infrastructure (power & connectivity) (c) increased reliance on government-spending or donor contributions due to the capital-intensive nature of the solutions; (d) working capital challenges due to insufficient or delayed payments.

The telemedicine market valued at \$1.10 Bn in 2022 and estimated to grow at a CAGR of 21.2%¹¹ is also another model which can help bridge some of these gaps.

With extensive smartphone penetration and improved mobile connectivity, digital health adoption is increasing among both clinicians and patients. The National Digital Health Mission (NDHM) launched in August 2020 has provided a digital infrastructure to create innovative healthcare solutions. For instance, 80% of tele-consultations were from first-time users, and 44% were from non-metro cities¹². Furthermore, the eSanjeevani telemedicine service launched by the Indian Health Ministry has facilitated over 12 million teleconsultations, connecting patients with doctors and enabling doctor-to-doctor consultations¹³. However, the adoption of telemedicine is still in its early stages, particularly in Tier-3 cities, towns, and rural areas with a lack of awareness and concerns around trust and adoption.

Financing structures which can enable greater capital are dependent on the type of solution as well as the stakeholders involved. Financial structures that enable more patient capital, flexible repayment terms, and higher risk-taking ability are key to leveraging blended finance that can “crowd in” private capital and allow for greater innovations in service delivery. Opportunities and models in which blended finance can be applied across sub-sectors include:

Indigenous Medical Products and Technologies

01. Build local manufacturing capacity especially for innovative technologies.

PROBLEM

Innovative technology driven companies in healthcare often struggle in their early stages to raise capital and grow. Their balance sheets are weak and the cost of capital for such untested models is very high.

SOLUTION:

Help seed or scale domestic manufacturing capabilities. Demonstrate market potential, support upgrades to facilities and business practices to achieve regional or international quality standards

FINANCING NEED/ GAP

- High up-front costs for R&D & prototyping
- Cashflow and working capital

MARKET READINESS/MATURITY

Low Maturity
(e.g. Blackfrog Technologies, Transforming Equity and Access for MedTech-TEAMFund, India Health Fund)

RELEVANT INSTRUMENT

- Catalytic Grants / Technical Assistance with or without co-investment requirements
- Bridge Funding enabling debt / equity capital raise

02. New Markets and expanding reach of innovative products and technologies.

PROBLEM

Increase in manufacturing capacity and geographic expansion is limited by long working capital cycles, high up-front costs for manufacturers.

SOLUTION:

Incentivize high impact enterprises which have the potential for scalable impact. This, in effect, creates a way for these enterprises to monetize their impact creation potential.

FINANCING NEED/ GAP

- Reduce cost of capital
- Access to growth capital

MARKET READINESS/MATURITY

Mid-high Maturity
(e.g. Caspian Debt, Samridh, Global Health Investment Fund, HealthQuad)

RELEVANT INSTRUMENT

- Concessional Capital / Interest Subvention / Partial Credit Guarantee
- Social Success Notes to incentivize impact while also creating financial discipline

03. Development of low-cost point of care diagnostic devices

PROBLEM

74% of existing labs are primarily concentrated in urban areas with low presence and coverage of rural areas.

SOLUTION:

Support high impact enterprises providing Point-of-care (POC) diagnostic devices that integrate technology and analytics, to deliver faster and more precise diagnostic results.

FINANCING NEED/ GAP

- Upfront costs for R&D & prototyping
- High fixed costs at scale
- Working Capital

MARKET READINESS/MATURITY

Mid-high Maturity
(HealthCube, Waferchips Techno Solutions, Prantae Solutions)

RELEVANT INSTRUMENT

- Collateral free capital / Interest Subvention /
- Results Based Financing

Healthcare Service Delivery in rural and underserved areas

01. Healthcare facilities in rural and underserved areas.

PROBLEM

Low patient volumes from healthcare provider perspective. High cost of primary healthcare for low-income population groups.

SOLUTION:

Enable primary care providers to manage their cash-flows, particularly as they await repayments (from the government), insufficient payments due to low patient volumes, or subsidized costs to address primary healthcare needs of low-income population groups

FINANCING NEED/ GAP

- Working Capital and operating cost management
- Funding or community outreach programs

MARKET READINESS/MATURITY

Low Maturity (e.g. Anamaya: Tribal Health Collaborative, NISHTHA: Transforming Comprehensive Healthcare in India, Utkrisht Impact Bond)

RELEVANT INSTRUMENT

Concessional Capital / Outcome linked grant / Technical assistance, Impact Bonds

02. Low cost integrated tele-medicine services.

PROBLEM

Cost and availability of specialized doctors in rural areas. Patients incur lost wages and high costs in travel to secondary centers. Enterprises providing telemedicine services have attracted venture capital but have not yet established profitability and are primarily focused on urban areas.

SOLUTION:

Low-cost basic care to target lower-income patients. Connect to regular / specialist doctors via teleconferencing facilities.

FINANCING NEED/ GAP

- High capital required to launch and setup
- Scale-up financing (e.g., product validation, marketing, customer acquisition)

MARKET READINESS/MATURITY

Low-Mid Maturity (e.g. Karma Healthcare, Gramin Health Care, MedCords)

RELEVANT INSTRUMENT

Concessional debt / Outcome linked debt instruments / Convertible debt, subordinate equity

03. Development of low-cost point of care diagnostic devices

PROBLEM

Patients delays obtaining medical help due to lack of awareness. Lack of knowledge to objectively identify specialists.

SOLUTION:

Value added services by non-profit organizations to drive patient education, including diagnosis camps, dedicated helplines to identify centers and doctors

FINANCING NEED/ GAP

Financing to maintain and scale up regular operations / programs

MARKET READINESS/MATURITY

Low-Mid Maturity (e.g. Swasth Digital Health Foundation, Samanvay Foundation)

RELEVANT INSTRUMENT

Outcome-linked grants, Impact Bonds

The opportunities to leverage innovative financing mechanisms in India are immense. However, to ensure effective utilization of its potential, a collaborative approach between the public and the private sector along with enabling regulatory ecosystem is required. The next section provides learnings from previous blended finance transactions in the healthcare sector which can be a practical guide for how blended finance can be incorporated in programs. We have selected four case studies for review, and these case studies were selected to encompass a variety in blended finance tools deployed, type of participating partners/investors, and type and level of impact provided.



04 Learnings from Blended finance transactions in the Healthcare sector

Case Study I:

SAMRIDH's portfolio enterprise, Critical Care Hope Pvt Ltd

Investment Managers: HDFC Bank & IPE Global

Developmental Funder: USAID via SAMRIDH Healthcare Blended Finance Facility

Launch Year: 2022 | Sector: Healthcare

Total Investment Size: USD 1,114,200 | **Loan from bank:** USD 714,000

Outcome Based Financing from SAMRIDH: USD 428,000



Executive Summary

India has 95,000 ICU beds for a population of 1.3 billion (6.8 beds per 100,000 population) and less than 5000 trained intensivists in the country, mostly concentrated in large tertiary care centers in urban areas which implies that a large part of the Indian population does not have access to proper critical care facilities. Especially in rural regions, there is not only a lack of healthcare infrastructure but also a lack of trained manpower to manage major health emergencies and operate ICUs as per advanced critical care protocols. Since ICU generally accounts for almost 10% of inpatient care, due to the scarcity, most people from rural areas are unable to get any treatment and succumb to their illness. This gap was further exacerbated during the delta wave of Covid19 pandemic when lack of ICU beds and oxygen led to treatment delays and deaths.

Critical Care Hope introduced a tele-ICU Hub & Spoke model. Under this model, the entity has established a dedicated Command Center (Hub) based out of Jaipur, called as HOPES (Health Outcomes Focused Preventions and Evaluation system) to effectively manage critical care patients across multiple spokes across Rajasthan.

As of April 2021, Critical Care Hope successfully managed 100 ICU beds from the command center. The 'Tele-ICU' platform is an innovative technology model which allows an intensivist to actively manage the needs of 60-80 ICU patients across multiple locations, monitoring from a command center, as against 10-12 patients in the existing scenario, with the intensivist at the patient bedside. This model not only increases the number of ICU beds that an intensivist can reach in a timely and cost-

effective manner but also deploys automated warnings and diagnostic assistance to provide high-quality care to critically ill patients, thereby improving patient outcomes.



Financial Structure

Under the support offered, SAMRIDH facilitated a loan of USD 714 ('000) offered by a financial institution covering the capital expenditure for setting hub and spoke model to manage more than 100 ICU Beds in tier 2 & 3 towns. SAMRIDH supported the entity by covering the viability gap funding of USD 428 ('000) to meet the initial operational costs, paid in tranches, through a results-based financing approach.

SAMRIDH's Technical Support Unit housed at IPE Global also provided technical assistance and business advisory to the entity and supported its business growth and geographical expansion across tier 2 & 3 towns. This support shall enable the entity to offer better quality services to patients, especially from marginalized communities, thereby ensuring the scale-up and sustainability of the model beyond the period of support.



Key Insights / Learnings

While Critical Care HOPE had established and demonstrated the tele-ICU hub & spoke model and was managing 18 sites across Rajasthan, the entity was facing various challenges as listed below to fund its expansion and scale-up.

High initial set-up and operational costs

While the Hub & Spoke, tele-ICU model which the entity operates is cost-effective in comparison to setting up full stacked ICUs that has been the norm traditionally. However, during the initial period of expansion, the entity had to incur a large sum towards financing for capex which included expenses relating to the purchase and installation of machinery and medical equipment to set up the ICU beds at newer locations. The entity also had to incur high operational costs to manage its Spokes, whilst managing the operations of the Hub

SAMRIDH has assisted by covering the viability gap funding of USD 428K covering the initial operational costs, paid in tranches, through a results-based financing approach. Post SAMRIDH's support Critical Care HOPE has been able to raise \$714K in Debt Capital to cover capex for setting 12 spokes & technology upgradations of Command Center from a leading Bank in the country. The entity has also been able to optimize its cost & effectively allocate resources (45% less than tier-1 cities) to carry out its operations.

- **Training costs & manpower support for clinical & operational management**

The entity must establish standardized training programs and protocolized care and undertake critical care training for its medical staff. Additional activities such as: communicating the need for telemedicine as a service, particularly during the post-COVID-19 pandemic era is required.

SAMRIDH's technical support and assistance has enabled the enterprise to optimize its operations and its business growth across tier 2 & 3 towns. This support will enable the enterprise to provide higher quality services to patients, especially those from marginalized communities.

- **Limited availability of commercial capital from Financial Institutions**

Given that Critical Care HOPE was recently established, the entity had a limited business trajectory and track record. In addition to the business niche and stage, the perceived credit risk by the financial institution was high, and the banks needed additional comfort and support in covering the viability gap for the first 12 months.

While SAMRIDH supported in covering the viability gap, post its intervention the enterprise has witnessed increase in the access of commercial capital. They have leveraged 1.5 times beyond the SAMRIDH funding support and are also offering a commercial return of approximately 10% per annum to the financial institution that provided the loan.



Potential Impact

With SAMRIDH support, the proposed solution will scale up into 5 new states, namely Rajasthan, Haryana, Punjab, Uttar Pradesh, and Madhya Pradesh, and benefit approximately 3,000 additional critical patients located in the remote areas. To measure and assess the project performance, a detailed Monitoring & Evaluation plan for performance monitoring and impact assessment has been developed. While the project is still ongoing, some of expected/ impact created so far include:

- Reduction in out-of-pocket expenditure for critical care patients
- Improvement in patient health outcomes
- Improvement in reduction of mortality rates
- Improvement in availability and accessibility of critical care services
- Proven business model for immediate scale-up of intensive care

Case Study II: Menstrual health and hygiene (MHH) Impact Bond

Launch Year: 2022

Instrument(s): Impact Bond

Target Geography(s): Ethiopia

Target Sector(s): Healthcare, Gender

Target Financial Size: USD 3,000,000

Key Stakeholder(s) + Role(s): AFD (Outcome funder), BNP Paribas (Social Investor), CARE International (Implementing partner), Pro Pride (Implementing partner), ITAD (Independent evaluator), KOIS (Structurer)



Executive Summary

Half of the world's population experiences menstruation, yet, for many, it still brings about shame, medical issues, and even influences school performance. Due to lack of awareness, many girls adopt unhygienic practices, which can have negative impacts on their health. Girls also feel less confident because of the lack of sanitary facilities at schools and unavailability of better sanitary products. This impacts their ability to attend school or work in appropriate conditions. Ultimately, it perpetuates stigma and gender inequality.

MHH management involves action on multiple levels. From raising awareness, to creating access to sanitary products, to building toilets and disposal services. The intervention program led by CARE International focuses on three key pillars:

- Awareness-raising and advocacy to improve MHH knowledge, create demand for sanitary products and advocate for support to women and girls from the government and communities.
- Production and distribution of sanitary products to strengthen local markets and ensure supply of a variety of sanitary products – meeting different needs and capacities to pay.
- Construction and maintenance of water and sanitary infrastructures adapted to MHH in living areas – particularly in schools.

The clinical and operational context for MHH is similar in India and in Ethiopia; therefore, the learnings are transferable in the Indian context and environment.

Financial Structure

The program is structured as an impact bond with BNP Paribas as the social investor providing upfront capital, and AFD acting as the outcome funder repaying pre-financing based on pre-aligned payment milestones with up to 5% returns on investment. Care Ethiopia, and Pro Pride act as the on-ground implementation partners led by CARE France, the programme coordinator, working directly with Ethiopian communities and target beneficiaries, including community members and schoolgirls.

As results-based financing mechanism, DIBs aim to increase projects' focus on outcomes, as opposed to activities and inputs or outputs, and require the implementation of a robust evaluation methodology. Therefore, they have the potential to generate rigorously measured outcome-based evidence and contribute to learning about what works. They allow outcome funders to externalize financial and execution risks associated with innovative programs to social investors, thereby only paying for successful and efficient initiatives. For social investors, impact bonds generate meaningful social impact alongside attractive financial returns and allow to diversify their investment risk, by investing in a financial product that is uncorrelated with traditional asset classes. They increase accountability of service providers by introducing rigorous impact evaluation frameworks, create incentives to enhance projects' performance and provide a greater flexibility in delivery.

Development Impact Bonds (DIBs) are results-based contracts in which one or more private investors provide working capital for social programs, implemented by service providers (e.g., Social Enterprises), and one or more outcome funders (e.g., public sector agencies, donors, etc.) pays back the investors their principal plus a return if, and only if, these programmes succeed in delivering results.





Key Insights / Learnings

The DIB is still in its first year of implementation and while the intermediary evaluation results have not been published yet, the key learnings so far include:

- Lack of robust evaluation and data on the impact of similar interventions, a challenge that this project intends to contribute addressing, complexified during the structuring phase, the setting of targets for the DIB;
- Need for flexibility have already proven to be key to adapt program of intervention to reach targets, following publication of baseline results or due to external factors such as inflation and the increase in the cost of raw materials;
- Hence, strong governance mechanisms need to be put in place to facilitate coordination of DIB stakeholders, decision-making and conflict resolution;
- The cross-cutting nature of MHH interventions requires coordination with a diverse set of sectorial local stakeholders and government bodies (education, health, sanitation, women's empowerment).



Potential Impact

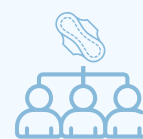
Payment metrics for the outcome funder have been directly linked to the impact of the program on beneficiaries. A few key metrics include - increased mobility of women & girls during their menstruations, increased knowledge of communities about menstruations, menstrual health and hygiene (MHH) needs met of women and girls, % of schools with MHH-friendly infrastructures, % of vouchers converted into reusable sanitary pads purchases.



Beneficiaries: 325,000 community members (girls, women, boys and men) to be sensitized to MHH issues through media channels



60 schools to be targeted with a 'whole school approach' covering the three MHH pillars



39,000 schoolgirls aged 7 to 17 to gain increased MHH knowledge, access to MHH products and adapted sanitation facilities.

Case Study III: SAMRIDH Healthcare Blended Finance Facility

Launch Year: 2020

Instrument(s): Concessional Funding, Partial Risk Guarantee, Returnable Grants, Social Success Notes, Interest Subvention, Results Based Financing for market expansion, Viability Gap Funding & Bridge Funding

Target Geography(s): India

Target Sector(s): Healthcare

Target Financial Size: USD 250+ Million

Key Stakeholder(s) + Role(s):

- **Philanthropic Donor** - United States Agency for International Development | The Rockefeller Foundation
- **Fund Hosting Entity** - Indian Institute of Technology, Delhi
- **Technical Support Unit** - IPE Global
- **Technical Partners** - Atal Innovation Mission, NITI Aayog | National Health Authority | Principal Scientific Advisor to the Government of India | NATHEALTH
- **Debt Financing Partner** - Axis Bank | IndusInd Bank | Caspian Debt



Executive Summary

SAMRIDH, supported by USAID and implemented by IPE Global, was initiated amidst the pandemic to drive greater investments in enterprises to scale-up high impact health solutions. Within two years of setting up, SAMRIDH has established high-level multi-sectoral partnerships with apex government bodies, development agencies, philanthropies, financial institutions, industry associations and academia. Today, SAMRIDH is a \$250 million healthcare blended finance facility, mobilizing affordable capital for healthcare enterprises in the form of grants, equity, debt, and other financial structures. In addition, it adopts a “capital plus” approach and provides business advisory services and mentorship for process and product improvements, to ensure financial viability and sustainability of health solutions.

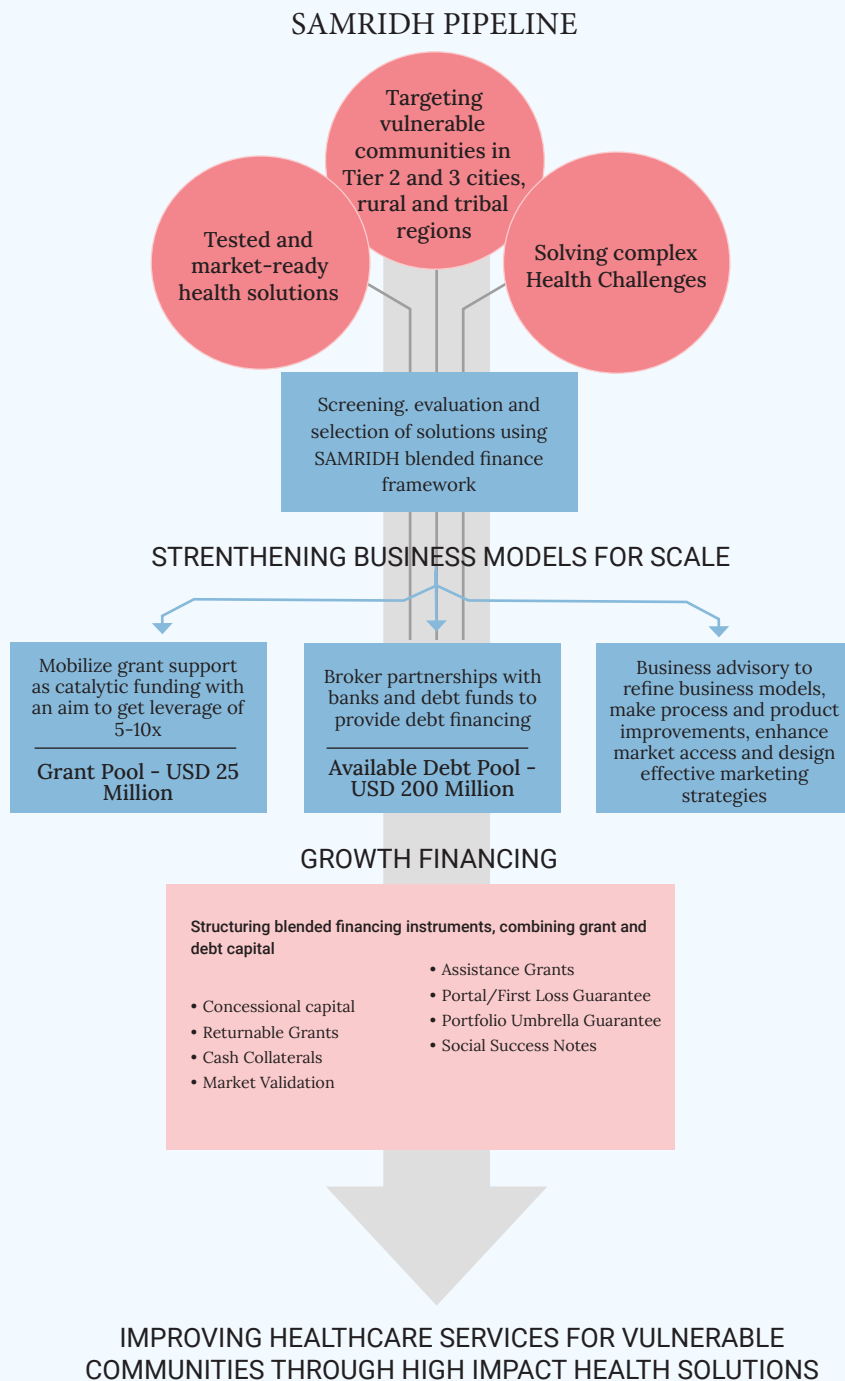
SAMRIDH was set out with an immediate goal to bridge the supply-side gaps in emergency health services and accelerate India's response to COVID-19. However, in long-term, it aims to strengthen comprehensive health services to improve access to affordable and quality healthcare for vulnerable communities and build resilient health systems to effectively respond to future health emergencies.



Financial Structure

SAMRIDH combines commercial capital with public and philanthropic funds to mitigate barriers to private investment in healthcare. To execute these “blended” transactions, its financial structure consists of two pools of capital – grant pool and debt pool.

The 'grant pool' is housed under IIT Delhi, recognized as an Institute of Eminence by the Government of India. The 'debt pool' comprises of commitments by financial institutions.



The funds are mobilized to healthcare businesses through blended finance solutions, wherein the philanthropic capital or 'Grant pool' is used to secure/de-risk commercial/debt investments and provide quick and low-collateral blended loans. The two pools of capital are managed by a Technical Support Unit (TSU) housed at IPE Global. The TSU manages the grant pool, and facilitate debt capital through its partner lending institutions, which provides debt as per their respective rules and procedures.



Key Insights / Learnings

- **Templatized models and portfolio level approach are potential pathways to scale blended finance**
Designing blended finance models are complicated due to their multi-stakeholder nature, fragmented landscape, and inherent complexities in the regulations to create structures that use different sources of capital. This leads to high transaction costs and long timelines in structuring blended solutions. Therefore, having transaction templates that meet regulatory requirements and are assessed for impact and cost-effectiveness can play a significant role in scaling the adoption of blended finance. Moreover, creating portfolio-level structures that can be executed with multiple partners has proven to be time-efficient, allowing multiple transactions to go through a systematic approach.
- **Better measurement frameworks can enhance uptake of blended finance in donor community**
Limitations to demonstrate social impact results has been a key barrier for philanthropies, CSR funds, and family offices to participate in blended finance. To unlock these and new pools of capital, the ecosystem needs to adopt standardized and globally aligned frameworks to strengthen the impact management and measurement practices. This will help communicate the advantages of using blended finance and build greater credibility for the approach.



Impact to Date

- **Unlocked credit lines of USD 200+ Million** through partnerships with leading banks and financial institutions to scale high impact health solutions.
- **Raised USD 25 Million grant** to use as catalytic capital for de-risking commercial investments in healthcare.
- **Over USD 10+ Million committed from grant pool in 25+ high impact healthcare solutions**, across the healthcare landscape including infrastructure, diagnostic products and services, IoT and medical devices, telemedicine, vaccine supply and delivery systems, training and capacity building, Information, Education and Communication (IEC).
- **Through the blended financing solutions**, SAMRIDH has so far achieved leverage of USD 74 million+ on development funding mobilized from development agencies, philanthropies and corporates.
- SAMRIDH has reached out to **1200+ healthcare facilities; 15000+ medical staff, CHWs, nurses and reached 23 million people** through its partners.
- Created opportunities for **market access, technical collaborations, and fundraising** to ensure sustainability of many SAMRIDH supported healthcare businesses.

Case Study IV: Utkrisht Impact Bond

Launch Year: 2018

Instrument(s): Development Impact Bond

Target Geography(s): India

Target Sector(s): Healthcare

Target Financial Size: USD 10 million

Key Stakeholder(s) + Role(s):

- **Investor:** UBS Optimus Foundation
- **Outcomes Funders:** USAID and MSD for Mothers
- **Service Providers:** Hindustan Latex Family Planning Promotion Trust (HLFPPT) and Population Services International (PSI)
- **Outcome Evaluator:** Mathematica
- **Performance Manager:** Palladium



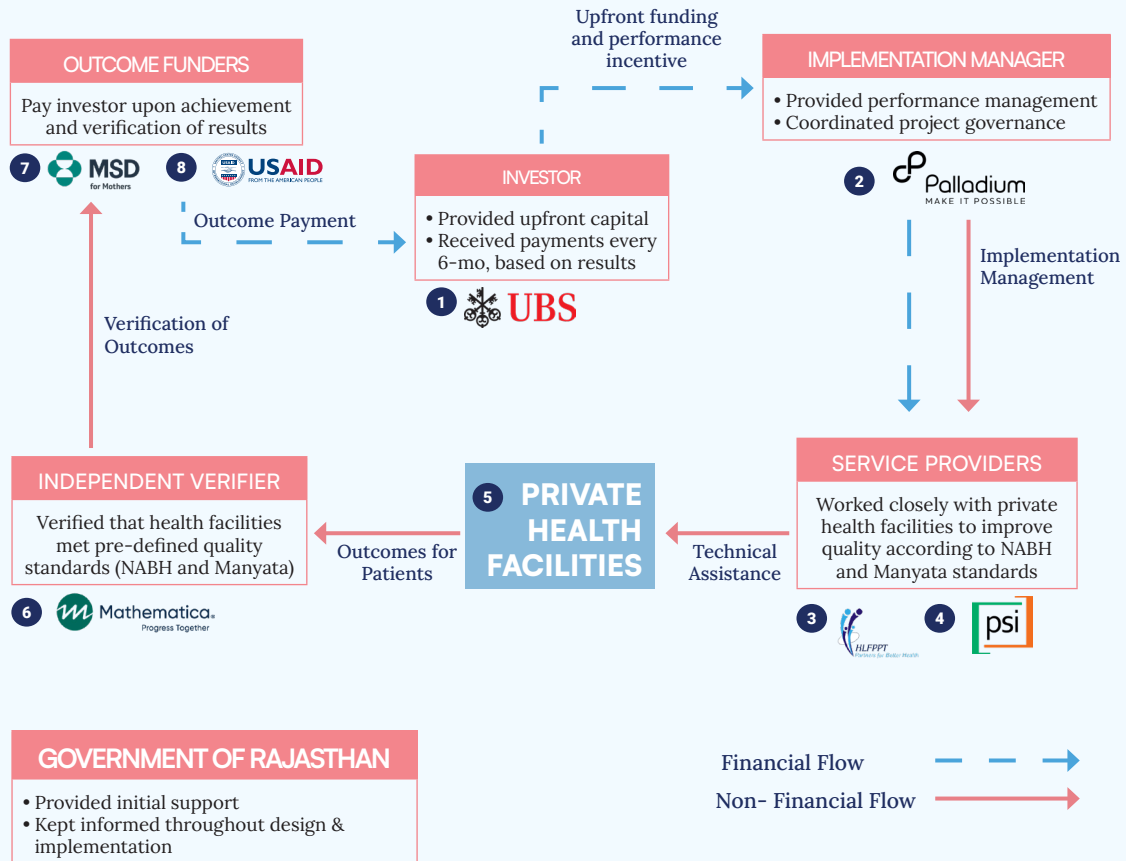
Executive Summary

With more than 70 percent of the population living in rural areas and low level of health facilities, India has one of the highest newborn mortality rates in the world. The maternal mortality rate in Rajasthan is 47 percent above the national average. And an estimated 80,000 babies die every year in Rajasthan. One of the biggest challenges pregnant women in rural Rajasthan face is access to quality mother and child healthcare. 25 percent of women of all socio-economic backgrounds in Rajasthan choose private facilities for their deliveries. However, private healthcare is costly, and facilities are often unregulated and the quality of care provided varies widely. Improving the quality of care in private facilities is key to reducing maternal and newborn deaths in Rajasthan.

The Utkrisht Development Impact Bond (DIB) was an innovative, successful, outcomes-based funding program to improve quality of maternal and newborn health in the private sector of Rajasthan, India. After three years of implementation, the program improved the quality of maternal and newborn care in 405 small private healthcare facilities throughout Rajasthan, improving the delivery of care to an estimated over 450,000 mothers and newborns. The Utkrisht program judged quality based on two standards, namely, the NABH (National Accreditation Board for Hospitals and Healthcare Providers) and FOGSI (Federation of Obstetric and Gynaecological Societies of India) standards. Consistent with its DIB design, the Utkrisht program also delivered a financial return for both its investor and implementation team, in addition to results above and beyond the baseline target. Final results will be released at UNGA in September 2022.

Financial Structure

Utkrisht Impact Bond used innovative social financing to draw together several partners for the purpose of improving the quality of maternal and newborn healthcare in private health facilities in Rajasthan, India, with the ultimate goal of reducing maternal and newborn deaths.



Key Insights / Learnings

- **The freedom of the impact bond approach** allowed the implementation team to adapt approaches to achieve results as it saw fit and allowed the team to quickly adapt to the unforeseen COVID-19 pandemic.
- **Uniting the strength of each partner.** Utkrisht's success was built on USAID's understanding of the Indian health system, MSD for Mothers' expertise in quality improvement, UBS Optimus Foundation's experience in structuring and managing impact bonds, as well as Palladium's commitment to effective project governance and performance management.

- **Effective performance management.** More proactive performance management within the financial parameters could have led to expansion to more facilities, thus further reducing the price per unit of outcome thereby achieving more impact.
- **The higher-level health impacts (e.g., mortality) of the program intervention cannot be established with certainty.** The ultimate impacts are often highly complex, longer term, and influenced by a myriad of factors beyond the scope of a single intervention.

Impact to Date

The Utkrisht program was designed to improve the quality of maternal and newborn care provided in small private healthcare facilities in Rajasthan. The program achieved both its quality improvement and financial objectives. It also delivered a financial return for both its investor and implementation team based on the achievement of the below health results.

Health Results for Mothers and New-Borns



405

Facilities meeting quality accreditation standards



13,000

Estimated lives saved over 5 years



450,000+

Mothers and new-borns improved care



6000+

Health workers trained



Payments for Improved Quality Care



\$7,500,000

Outcome payments



\$1,500,000

Financial surplus after costs



8%

IRR for Investors



\$522,000

Outcome payments above the base case performance

05 Recommendations for scaling Blended finance in Healthcare sector

The learnings and case studies shared demonstrate that Blended finance can be a positive tool for creating investment opportunities and promoting tri-sector collaboration between public, private, and philanthropic organizations toward scaling impact for development. Blended finance can be an effective way to address the financing gap in the healthcare sector, especially in developing countries like India and while the case studies serve to highlight some common attributes of successful blended finance structures, there is still limited evidence of scale-up. This has often been attributed to the increased complexity or cost of blended finance transactions, the low number of available and viable deals or partners, or challenges in the enabling environment. Recommendations below are based on feedback received from multiple stakeholders as well as blended finance experts on key solutions which can help mitigate these risks and scale up blended finance transactions:

1 Establish partnerships and share learnings:

The healthcare sector in India is complex, with multiple stakeholders involved. To execute blended finance transactions successfully, it is essential to establish partnerships with stakeholders such as private investors, philanthropic organizations, and government agencies. Further limited knowledge and understanding of the different transactions and market for blended finance limits the understanding of potential participants.

2 Create templated models and standard operating procedures (SOPs):

Designing blended finance models can be time consuming due to their multi-stakeholder nature, and inherent complexities in the regulations. Creating transaction templates that meet regulatory requirements and are assessed for impact and cost-effectiveness can play a significant role in scaling the adoption of blended finance.

3 Use right kind of blended finance instruments to bring in private capital:

Different instruments in blended finance are suited for different contexts based on the level of development of the sub-sector, market readiness of solutions and the availability of commercial capital. Moreover, creating portfolio-level structures that can be executed with multiple partners can also pool capital and mitigate risk.

4 Support capacity building and market creation:

Apart from capital, capacity building of enterprises which includes providing them strong technical and business advisory support, training on impact measurement, etc. is also needed. Market creation and education is important for newer and

innovative healthcare solutions. Bringing together smaller and mid-size healthcare enterprises and providing market building support and capital via collaborative platforms can help scale such innovative solutions.

5 Prioritize impact measurement:

Impact measurement is an essential component of blended finance transactions. In the healthcare sector, impact measurement should focus on both financial returns and social outcomes such as improved health outcomes, increased access to healthcare, and reduced healthcare costs. Further, various stakeholders also need to collaborate, and the share knowledge, best practices and lessons learned in blended finance transactions.

6 Creating a supportive regulatory and policy environment:

Blended finance utilizes both public and private capital to tackle global development challenges, but its effective scaling requires regulatory reforms. Due to the involvement of multiple stakeholders, financing layers, and investment types, blended finance transactions can be intricate and hinder investor participation due to regulatory constraints. By implementing regulatory reforms that are tailored to the specific needs of blended finance, governments and regulators can create an enabling environment that encourages greater private investment in sustainable development. To unlock private capital, enabling regulations like provision to use Corporate Social Responsibility (CSR) funds as risk capital or outcome funding could potentially scale up the use of blended finance structures in India. Similarly, issuance and investment in debt instruments by different categories of impact funds, Section 8 companies needs greater regulatory clarity and legal reform to extend credit to entities involved in outcome funding or blended finance transactions.

Globally, blended finance is entering the mainstream, wherein traditional policymakers and grant-making agencies are adjusting their perspectives and exploring opportunities that can be leveraged to revolutionize the development finance sector. The diversity of blended finance opportunities within the healthcare sector showcases the potential to mitigate risk and better structure opportunities which can accelerate access and quality of healthcare with scalable impact. Catalytic financing from the development sector supported with commercial capital can lead development of a broader investment ecosystem in healthcare sector.

06

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