



Independent observer
of the Global Fund

Global Fund invests \$40 million to facilitate \$400-million World Bank loan to India

The Global Fund describes the \$41.6 million in funding awarded to India in April as an innovative approach that will catalyze significant additional funding for the fight against tuberculosis. The award includes \$40.0 million to buy down a portion of a \$400.0-million loan from the World Bank over five years.

This is the first time that the Global Fund has invested in a ‘pure’ loan buy-down.

Loan buy-downs, sometimes referred to as ‘blended finance’, are one of the innovative financing mechanisms that the Global Fund has been exploring as a way of increasing domestic financing and program sustainability and, in the process, of scaling up HIV, TB and malaria services in low- and middle-income countries.

The idea is that buying down (i.e. paying down) a portion of the principal makes the loan more affordable for India. The hope is that it will also incentivize the government to make additional investments in TB or in the health sector more generally. (See discussion of loan buy-downs in [GFO 323, November 2017](#), and [GFO 339, July 2018](#).)

The \$41.6 million award was part of the 19th batch of funding approvals (see [article from GFO 355](#), May 2019). The source of the funding was \$250.0 million made available in 2018 by the Audit and Finance Committee, for portfolio optimization to fund high-impact interventions from the Register of Unfunded Quality Demand (UQD).

In addition to \$40.0 million for the buy-down, the award includes \$1.6 million to cover administration and prepayment premium costs.

Context

When the Grant Approvals Committee (GAC) recommended the award to the Global Fund Board, it said that TB in India is an urgent issue and a public-health imperative.

In 2017, India accounted for 27% of the total estimated number of people with TB globally, 24% of the people with drug-resistant TB, and over 25% of the people dying from TB.

India has an estimated TB incidence of 2.74 million people. The GAC stated that each year, about one million TB patients in India are not 'notified', which represents a quarter of the missing TB cases globally. India represents 31% of the TB burden in the Global Fund portfolio and it accounts for about a third of the service-delivery targets for TB in the Global Fund Strategy 2017-2022.

Although case notification for both drug-sensitive (DS) and drug-resistant (DR) TB has been rising in India in the last few years, India nevertheless tops the list of countries with missing people for DS- and DR-TB. The GAC said that the Government of India, in collaboration with development partners, needs to make an intensified effort if India is to achieve its targets related to the Sustainable Development Goals and the End TB Strategy.

The World Bank loan is expected to finance four priority areas: scaling up private sector engagement; scaling up patient management and support interventions; strengthening surveillance, diagnostics and treatment for multiple-drug-resistant TB; and strengthening management capacity and information systems. Table 1 below describes the expected results for each area.

Table 1: Priority areas and expected results of the World Bank loan

Priority areas	Expected results
Scaling up private sector engagement	<ul style="list-style-type: none">• Increase in annual private-sector notification from the baseline of 268,000• 61 percentage-point increase by the end of the loan disbursement period in the proportion of TB patients notified by private providers
Scaling up patient management and support	<ul style="list-style-type: none">• 59 and 60 percentage-points increase by the end of the loan disbursement period in the proportion of TB patients receiving financial incentives from public and private sectors respectively
Strengthening surveillance, diagnostic and treatment of DR TB	<ul style="list-style-type: none">• 30 percentage-point increase by the end of the loan disbursement period in the proportion of pulmonary TB patients with known Rifampicin susceptibility
Strengthening management capacity and information systems;	<ul style="list-style-type: none">• Improved surveillance and prevention• Reductions in missing cases• Sustainable impact beyond the national TB program

Source: Global Fund Observer, from the Grant Approvals Committee report

The buy-down

The Global Fund Secretariat believes that the loan buy-down “is a strong example of country-led financial innovation that could change the trajectory of the TB burden in India.”

The GAC said that the investment aligns with both the guiding principles of the Global Fund’s Structured Approach for Innovative Finance ([Board paper GF/B40/18](#)) and the operational criteria that the Secretariat developed jointly with the Audit and Finance Committee to guide joint investments in blended finance. (The document describing the Framework for Investments in Blended Finance is an Audit and Finance Committee document and not in the public domain.)

“This is a strong example of country-led financial innovation that could change the trajectory of [the] TB burden in India.”

– GAC Report

The Global Fund contribution will be disbursed into a Single Donor Trust Fund administered by the World Bank in accordance with the terms of an administrative agreement signed by the two organizations in May.

The GAC said that the buy-down will enable India to leverage increased resources from the International Bank for Reconstruction and Development (IBRD), a member institution of the World Bank, at a lower cost. This is because the Global Fund pays a contribution towards the partial payment of the principal of the loan, towards the prepayment premiums and some of the management and administrative activities of the bank.

The loan agreement between the World Bank and the Government of India is a result-based instrument, and the administrative agreement between the Global Fund and the World Bank references the results-based financing triggers included in the loan agreement.

The GAC said that the buy-down will create an incentive for the government to scale up TB services now and will allow the Global Fund to make inputs into the performance-based indicators for the World Bank loan, catalyzing the impact of its investment by a factor of 10 — for every dollar the Fund invests, the program receives 10 dollars from the World Bank.

The agreement between the Global Fund and the World Bank provides for \$1.0 million to cover the Bank’s costs for administering the Single Donor Trust Fund. An additional \$0.6 million is provided to cover the prepayment premiums arising out of the execution of each individual buy-down transaction (the buy-down of the principal will occur in tranches, aligned with each individual disbursement to India under the loan, rather than in a single transaction at the end of the loan period). The World Bank has waived its standard Trust Fund fees for these transactions.

“For every dollar the Fund invests, the [TB] program receives 10 dollars from the World Bank.

– GAC Report

The World Bank loan project is for five years, plus an 8-month period for final verification of results and disbursements of the loan amount. Although the three-year allocation utilization period for the India TB grant ends on 31 March 2021, and all funds will be disbursed by the Global Fund to the Trust Fund by that date, the agreement with the World Bank provides for continued engagement between the Bank and the Fund, and financial and programmatic reporting to be provided to the Fund, throughout the period of the

loan.

OIG oversight

The Office of the Inspector General (OIG) will have only restricted access to the records of the World Bank related to this loan. The restrictions are similar to those which exist for U.N. entities that receive funds from the Global Fund (i.e. the 'single audit' principle). Because money from the Fund will not flow beyond the Bank, the Secretariat and the Board will be fully reliant on the Bank's own audit and investigation arrangements for financial assurance on the use of funds.

However, the Secretariat and the OIG will continue to have access to the national TB program's monitoring and evaluation systems under the existing TB grant, for which the principal recipient is the Government of India. Thus, the Fund will be able to independently verify any programmatic results reported under the India TB grant as well as under the World Bank loan.

Administrative agreement and other documents

The Administrative Agreement for the loan buy-down was undergoing internal clearance at the World Bank when the GAC report was published; the agreement was signed on 13 May 2019.

The Audit and Finance Committee (AFC) has endorsed a [Structured Approach to Innovative Finance](#), a paper prepared for the 40th Board meeting in November 2018.

The GAC report lists several supporting documents that have been made available to the Board, including (a) a detailed analysis of the buy-down against the Innovative Finance Framework's guiding principles and operational considerations; and (b) a summary budget. These supporting documents have not been made public.

Further reading:

- [India Health Fund provides platform for domestic financing and innovation to combat TB and malaria](#), GFO 352, 20 March 2019
- [Blended finance: A fresh breath of innovation for the Global Fund](#), GFO 323, 8 November 2017
- [India plans to transition away from Global Fund Support over the next nine years](#), GFO 332, 7 March 2018
- [Update on Innovative Finance](#), paper prepared for the 39th Board meeting in May 2018.
- [Structured approach for Innovative Financing](#), paper prepared for the 40th Board meeting in November 2018
- [The Global Fund opens consultations on innovative finance mechanisms](#), GFO 339, 31 July 2018
- [The Global Fund explores the use of impact bonds and social success notes](#), GFO 340, 21 August 2018
- [The Global Fund explores innovative finance instruments to help unlock financial flows from private and public sources](#), GFO 341, 4 September 2018

Most of the information for this article was taken from Board Document GF/B40/ER09 ("Electronic Report to the Board: Report of the Secretariat's Grant Approvals Committee"), undated. This document is not available on the Global Fund website.

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