



## CLOSING THE DIGITAL DIVIDE:

# MORE AND BETTER FUNDING FOR THE DIGITAL TRANSFORMATION OF HEALTH

## The Role of Donors and Development Partners

The world's health systems are changing rapidly, driven by the introduction of digital technologies, artificial intelligence and the use of large data sets. The digital transformation has the potential to expand access to health care and accelerate progress towards the Sustainable Development Goal target of reaching universal health coverage by 2030. We have reached a stage in the digital health journey where we need to think beyond enhancing health systems through the introduction of individual digital technologies to instead consider the digital transformation of health systems in its broader sense.

While governments must be in the driving seat, donors and development partners have a role to play to support low- and lower-middle-income countries with the equitable, inclusive and sustainable digital transformation of their health systems. Based on Transform Health's report, *Closing the digital divide: More and better funding for the digital transformation of health*<sup>1</sup>, this policy brief explores the role of donors and development partners, with recommendations to guide their investments and action towards health for all in the digital age.

### **Current status of donor financing**

Over the past 20 years, there has been an increase in bilateral, multilateral and philanthropic investments in digital health in low- and lower-middle-income countries. This support ranges from providing policy and regulatory advice to governments to funding for developing telecommunication networks and broadband

deployment.<sup>2</sup> The three largest multilateral funders of health – the World Bank, the Global Fund to Fight AIDS, Tuberculosis and Malaria, and Gavi, the Vaccine Alliance – all are reviewing their investments in digital tools as part of their programme funding. Both the Global Fund and Gavi are developing tailored digital strategies, while Gavi is explicitly dedicating 3% of its health system strengthening funding for digital health investments.

<sup>1</sup> Transform Health. Closing the digital divide: More and better funding for the digital transformation of health. Basel: Transform Health; 2022. [bit.ly/digital-health-funding](https://bit.ly/digital-health-funding)

<sup>2</sup> ITU, "ITU Publications International Telecommunication Union Global Connectivity Report 2022"

There has similarly been an increase in development finance for digitalisation more broadly (including bilateral, multilateral, and philanthropic funding), which tripled between 2015 and 2019, from US\$ 2 billion to US\$ 6.8 billion. However, the levels of development financing for digitalisation that is channelled towards the health sector is low, only 3% of multilateral and 4% of bilateral funding, respectively.<sup>3</sup> Despite this, funding from donors still makes up the large majority - nearly three-quarters - of digital health funding in low- and lower-middle-income countries.

Given the significant role that this funding plays, it is vital that it is channelled effectively, including through better coordination and alignment, to have the greatest impact in supporting an equitable, inclusive and sustainable transformation. A lack of coordination among external investors and donors, as well as misalignment of investments to country specific needs, limits the overall potential impact of these investments.

## Closing the funding gap

*Closing the digital divide: More and better funding for the digital transformation of health* estimates that an investment of US\$ 12.5 billion is needed to support the digital transformation of health systems in low- and lower-middle-income countries over the next five years, or an average of US\$ 2.5 billion a year. This is based on funding for nine priority digital health investments areas in these countries. The true investment requirement will ultimately be determined country by country, based on costed plans, and will need to be complemented by additional investment to increase digital connectivity and usage among the population, as well as investments to address the wider enabling environment.

While approximately 60–70%<sup>4</sup> of this funding need should be able to be covered by domestic sources, the remaining gap (around US\$ 1 billion per year), would ideally be covered by bilateral and multilateral donors, development banks, existing global funding mechanisms, and private foundations.

International donor funding will be catalytic for areas that are difficult for countries to finance, like strategic planning, research, international expertise on good practice and preparations for legislative and policy work. It will also be important to support inclusive processes that engage all relevant stakeholders. Complementary international support can also be catalytic in shaping markets for commodities and incentivizing other investments, for example, from the private sector. Often, the availability of even modest resources from the international community provides an enormous incentive for low- and lower-middle-income countries to invest national resources and human capacity in developing and implementing national plans.

<sup>3</sup> OECD, "Development Co-Operation Report 2021 Shaping a Just Digital Transformation: Shaping a Just Digital Transformation."

<sup>4</sup> This is an illustrative estimate based on the proportion of domestic spending to international aid spending in low- and lower-middle income countries health spending from WHO Global Health Expenditure database, and domestic investment proportions from the Global Fund 7th Replenishment projection of available resources.

## Better coordination and alignment for more effective digital health investment

To ensure that the digital transformation of health systems is funded and supported in the most effective manner, coordination and alignment of international investments is necessary. International donors, together with national governments and civil society, should help identify the crucial missing elements in a country's digital journey and help finance them, while governments remain in the driving seat. They must also better coordinate to avoid duplication, competition and waste. This must be prioritised to avoid fragmentation, which is sometimes exacerbated by donor investment practices.

Coordination platforms, including at national level, should be strengthened and expanded to indicate investment pathways. The Principles of Donor Alignment for Digital Health,<sup>5</sup> which recognise the need for alignment, should be reaffirmed and adhered to. The Global Action Plan for Healthy Lives and Well-being for All (known as the SDG 3 Global Action Plan),<sup>6</sup> which brings together 13 multilateral health, development and humanitarian agencies to improve coordination, includes the Data & Digital Health Accelerator, as well as the Sustainable Financing for Health Accelerator, which could be leveraged to help improve the coordination of digital health investment. This would require a commitment from these partners, as well as stronger accountability around delivery against the Accelerator's goals and commitments.

<sup>5</sup> <https://digitalprinciples.org>

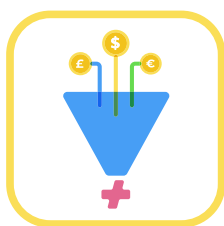
<sup>6</sup> <https://www.who.int/initiatives/sdg3-global-action-plan>

## Recommendations for donors and development partners

*Closing the digital divide: More and better funding for the digital transformation of health* outlines the amount, focus and nature of the investments needed to support the equitable, inclusive and sustainable digital transformation of health systems in low- and lower-middle-income countries. It calls on donors and development partners to strategically support governments' efforts to deliver a digital health transformation that addresses country specific digital health needs and priorities.



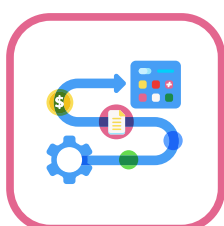
**Recommendation 1 - More investment.** International donors and development partners should prioritise investing in activities that support a digital health transformation that is equitable, inclusive, sustainable, and protective of people's interests, their right to health, their privacy, and their capacity to participate in its governance. They should encourage national stakeholders and other investors to make the catalytic investments into the necessary processes.



### **Recommendation 2 - Better coordinated and aligned investments.**

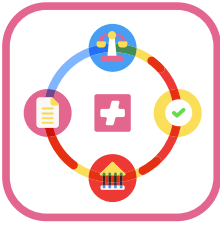
International donors and development partners should ensure that their investments are coordinated and aligned with national priorities. This should include identifying and strengthening systems and processes that improve the coordination of funding, including using existing platforms in countries to align their support with country-led priorities and goals while proactively steering away from siloed and programme-specific approaches. In designing and implementing digital health investment strategies, donors and development partners must adopt, adhere to and report on the Principles of Donor Alignment for Digital Health and to commitments through the SDG 3 Global Action Plan. Furthermore, they must be transparent about their investments.

Multilateral organisations, such as WHO, OECD, and World Bank, should support a coordination mechanism that bridges the gap between countries wanting additional external funding and potential funders. They must systematically collect and share data on financing gaps and needs and track international funding, for example, through a code or a marker in the OECD's aid reporting system.



### **Recommendation 3 - A costed digital health strategy and investment road map.**

International donors and development partners must technically and financially support the development of national strategies and associated investment road maps, while ensuring that governments remain in the driver's seat in the development of such plans.



**Recommendation 4 - A robust regulatory framework and policy environment.** International donors and development partners must invest in the processes to develop regulatory frameworks and a conducive policy environment. Additionally, they should assist in dissemination of good practices across countries and contribute to policy dialogues.



**Recommendation 5 - Mechanisms for meaningful multistakeholder engagement.** International donors and development partners must support and empower civil society, young people, women, and marginalised communities in their engagement at all levels of planning, strategy, execution and monitoring of the digital transformation by dedicating financial resources. They should also promote the engagement of civil society, young people, women and marginalised communities in national coordination platforms and processes.



**Recommendation 6 - Improved digital connectivity.** International donors and development partners must financially support efforts to expand digital connectivity in a coordinated manner in alignment with country plans and the national digital road map. In doing so, they should pay particular attention to the needs of rural and marginalised communities.