Glossary

Key finance and development-finance terms for a health-systems reader

(with help from Claude Opus 4.8 based on authors' text)

The terms below are arranged by theme rather than alphabetically, so they track the logic of the piece — from the core idea of blended finance, through the structure of a fund, to governance and the institutions involved. Definitions are written for a public-health policy reader rather than a finance specialist.

The core idea

Blended finance

The use of public or philanthropic money (from donors, foundations or development banks) to attract — "crowd in" — private investment that would not otherwise come on its own. The public money typically absorbs some of the risk so that commercial investors are willing to participate. In health, the aim is to stretch scarce concessional funds further, though the track record on scale, targeting and genuine additionality is contested.

Concessional finance / concessionality

Money offered on terms more generous than the commercial market would give — below-market interest rates, longer repayment periods, structurally subordinated terms (see Mezzanine (Finance/Tranche below) or grace periods. The "concessionality rate" measures how generous. Donors and development banks provide it; declining concessionality means this generous money is becoming scarcer and more expensive.

De-risking

Designing a deal so that private investors face less downside, usually by having public or philanthropic money take the first hit if things go wrong. Tools include first-loss capital, guarantees and grants. Critics note that de-risking uses public money to subsidise private profit, so it should come with transparency about who bears risk and who keeps the upside.

Additionality

Whether the public money actually caused something new to happen — investment that would not have occurred otherwise. If private capital would have flowed anyway, the public subsidy added nothing and may simply have boosted private returns. A central test for judging whether blended finance is worthwhile.

Crowding in / crowding out

"Crowding in" is the goal: public money pulls in additional private investment. "Crowding out" is the danger: poorly designed private or donor financing displaces or weakens domestic public funding for health rather than complementing it.

Catalytic capital

Patient, risk-tolerant money — often philanthropic — provided specifically to unlock other investment and demonstrate that a model works, rather than to earn a competitive return. Often sits in the first-loss position.

How a Fund is built/funded: the capital stack

Capital stack

The layered structure of how a fund is financed, ordered by who gets paid first and who absorbs losses first. Typically (from highest risk to lowest): equity at the bottom, then mezzanine, then senior debt at the top. The structure determines how risk and return are shared among the different funders.

Tranche

A distinct layer or slice of financing within the capital stack, each with its own risk level, return and repayment priority. French for "slice." Investors choose the tranche that matches their appetite for risk and their risk/return tradeoff.

Equity

Ownership capital that sits at the bottom of the stack. It earns a return only after everyone else is paid, and is the first to absorb losses — the highest risk, highest potential return position. In a blended health fund, donors and foundations are well suited to this layer.

First-loss capital

Money positioned to absorb the very first losses, shielding investors above it. By taking the initial hit, it makes the higher tranches safer and so attracts more cautious, commercial money. Usually provided by donors or philanthropy.

Mezzanine (finance / tranche)

The middle layer, between equity and senior debt — more risk than senior lenders accept given that they will be repaid after the senior lenders but safer than equity. It earns a higher **return** than senior debt to compensate. The article identifies development banks as the natural providers here. **Return** in this context is defined as a combination of financial return (e.g. interest and fee) and non-financial return(e.g. achieving health goals)

Senior debt / senior secured debt

The safest, top layer of the stack. Senior lenders are repaid first and, if "secured," have a claim on specific assets as collateral. They accept lower returns in exchange for lower risk and will only invest on familiar, disciplined terms. This is where most private commercial money sits.

Coupon

The interest rate paid to a lender or bondholder — the regular return on debt. "Raisable with the right coupon" means private capital is available if the interest rate offered is attractive enough.

Deal terms and guardrails

Guardrails

The rules and limits built into a fund to keep it disciplined and credible — eligibility criteria, concentration limits, reporting standards. They reassure private investors and protect the public-interest mission.

Conditionalities / earmarks

Strings attached to money. "Earmarks" restrict funds to specific uses; "conditionalities" impose requirements on how money is used or what the recipient must do. The article argues donor and foundation money should enter without these so it can play its catalytic, first-loss role flexibly.

Concentration limits

A cap on how much of a fund can be exposed to any single investment, sector or borrower, to avoid over-reliance on one bet. A standard risk-control measure that private investors expect to see.

Eligibility (guardrails)

The pre-agreed criteria defining which investments a fund is allowed to make. Clear eligibility rules give investors confidence; open-ended flexibility tends to drive commercial lenders away.

Underwriting

The work of assessing and pricing the risk of a loan or investment before committing — deciding whether, and on what terms, to back it. The article notes that underwriting credit risk for start-up manufacturing in developing-country settings is genuinely difficult.

Credit risk

The risk that a borrower fails to repay. Central to deciding whether and how to lend, and especially high for new, pre-revenue ventures.

Bankable

An investment is “bankable” when its risks and returns are clear and acceptable enough that commercial financiers will fund it. The article notes manufacturing becomes bankable only once predictable, pooled demand exists for the duration of the loan.

Ticket (size)

The amount of money put into a single investment. “Tickets too small to matter” describes spreading a fund so thinly across many priorities that no individual investment is large enough to make a difference.

Matching money to the job

Cash-flow mismatch

When the timing of an investment's repayment demands does not fit the asset's ability to generate cash. The article's example: lending short-term debt to a factory that won't earn revenue for years sets the deal up to fail.

Pre-revenue

A venture that is not yet generating income — for example, a manufacturing plant still being built. Such assets need patient, long-term capital, not short-term debt.

Pooled procurement

Combining the purchasing of many buyers (countries, facilities) into one large, predictable order to secure better prices and reliable demand. Predictable pooled demand is what makes local manufacturing investable.

Trade finance

Short-term financing that bridges the gap between ordering goods and paying for them — used here to support pooled procurement of health commodities at regional scale.

Bridge facility / warehousing

A temporary financing arrangement that holds ("warehouses") early investments until permanent, longer-term financing is arranged ("refinanced"). It lets a fund start investing before the full capital stack is assembled, without penalising the early junior investors.

Refinancing

Replacing existing financing with new financing, often on better terms or once a fund's structure is complete — for instance, moving early investments off a temporary bridge facility once senior lenders commit.

Governance

Capture

When a fund meant to serve the public interest is steered instead toward the narrow interests of a particular state, institution or investor. Independent governance is the safeguard.

Fiduciary duty

A manager's legal obligation to act in the best financial interests of those whose money they manage (the investors). This can pull against a fund's public-health mandate, creating the "mandate-versus-fiduciary tension" the article flags — which should be resolved and documented up front.

Mandate

The mission and objectives a fund is created to pursue — for a health fund, advancing health-system goals. Tension arises when the mandate and the fiduciary duty to investors point in different directions.

Convener

The body that brings partners together and hosts or sponsors the fund. The article warns that a convener which is itself politically aligned struggles to act as a credible, neutral referee.

Risk-mitigation instruments

Guarantee (partial / full credit guarantee)

A promise by a third party (often a donor or development bank) to cover some or all of a lender's losses if a borrower defaults. By sharing the downside, guarantees make lenders willing to finance riskier but valuable projects. "Partial" means only a portion of the loss is covered.

First-loss facility

A dedicated pool of money set aside by the first loss provider (donor) to absorb initial losses across a fund's investments: the structural form first-loss capital takes. Since the first loss is a critical component of these structures, it is important that other participants (providers of Mezzanine/Senior tranches) know that this money will be available before they will spend time and effort in working on the structure. A prerequisite, the article argues, for a fund that actually closes rather than circulating endlessly as a concept note.

Instruments and modalities mentioned

Debt-for-health swap

An arrangement in which a portion of a country's debt is cancelled or restructured in exchange for the government committing the freed-up resources to health spending. Explored systematically under Brazil's G20 Presidency.

Structured product

A financial instrument built from multiple risk tranches packaged together — the kind of multi-layered investment private banks and investors routinely handle. Keeping a health fund's terminology consistent with structured-product norms helps attract these investors.

Leverage the balance sheet strength of development banks

Using a development bank's financial strength to support or expand financing — for example, to fund procurement of essential health commodities — without the bank putting up all the cash directly.

Institutions and acronyms

UHC — Universal Health Coverage

All people having access to the health services they need without suffering financial hardship. The lens through which the article judges every financing instrument.

WHO — World Health Organization

The UN agency for international public health, which under its renewed health-financing mandate aims to give countries intelligence, tools and norms on financing for UHC.

ODA — Official Development Assistance

Government aid designed to promote economic development and welfare in lower-income countries — the “donor” money now contracting sharply.

DAC — Development Assistance Committee

The OECD forum of major donor governments that sets standards for and tracks aid (ODA). Its reported funding fell more than 23% in 2025.

MDB — Multilateral Development Bank

A development bank owned by multiple member states (for example the World Bank or AfDB) that finances development. Identified as the natural home for mezzanine financing.

DFI — Development Finance Institution

An institution, often government-backed, that invests in private-sector projects in developing countries to advance development goals — a frequent player in blended finance.

AfDB — African Development Bank

The regional multilateral development bank for Africa; co-proposer, with the Gates Foundation, of the Africa Medicines and Equipment Facility.

Africa CDC – Centres for Disease Control and Prevention

The Africa Centres for Disease Control and Prevention — the continental public-health agency, a partner in the discussions referenced.

UNCDF — United Nations Capital Development Fund

The UN agency providing finance to the least-developed countries, a partner in the Africa Health Sovereignty Fund discussions.

AMA — African Medicines Agency

The continental regulator intended to harmonise medicines regulation across Africa. A "functional AMA" supports the regulatory reform that makes local manufacturing viable.

WHS — World Health Summit

An international health-policy conference; the Nairobi gathering referenced is where the Africa Health Sovereignty Fund was discussed.

G20 – Group of 20

The forum of twenty major economies; under Brazil's presidency it systematically examined debt-for-health swaps.