



## Buy-Downs

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### What are they?

A buy-down (also called a “credit buy-down” and a “loan buy-down”) uses grant funding to do one of three things: reduce the amount of a loan, reduce the interest rate of a loan, or pay off a loan completely. The buy-down is triggered by the achievement of defined results or targets.

The concept is that a poor country receives a loan for a specific project related to health system strengthening, along with an assurance that if the project is successfully implemented the donor will cancel or reduce the debt.

Such results-based buy-downs have been implemented in Pakistan and Nigeria and have been supported by the World Bank, the United Kingdom, the United Nations Foundation, the Bill & Melinda Gates Foundation and Rotary International. Donors have provided a total of more than \$100 million for buy-downs, facilitating health projects of about \$190 million.

Potential flows from scaling up this mechanism depend on donor and recipient country interest.

A new buy-down would take 8 to 16 months from project identification to the start of implementation. Buy-downs for existing types of projects are expected to take 3 to 6 months less. Actual implementation is expected to take 2 to 4 years, depending on the project’s time frame.

Establishing of a multi-donor fund to support results-based buy-downs could help create a generic platform for buy-downs, and potentially reduce preparation time.

### Why is the Taskforce supporting it?

Buy-downs increase countries’ accountability and, because financing is linked to results, a buy-down can be linked to results that especially benefit the poor.

Buy-downs for health systems may be an effective incentive for senior government officials in poor countries to allocate resources to health systems, and to invest resources to achieve certain results.

The buy-down proposal relies on existing channels and therefore would not increase the complexity of the aid architecture for health systems.

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