

**FINANCIAL
SUSTAINABILITY?
SOME SUGGESTED
METHODS TO
SUSTAIN FUNDING**

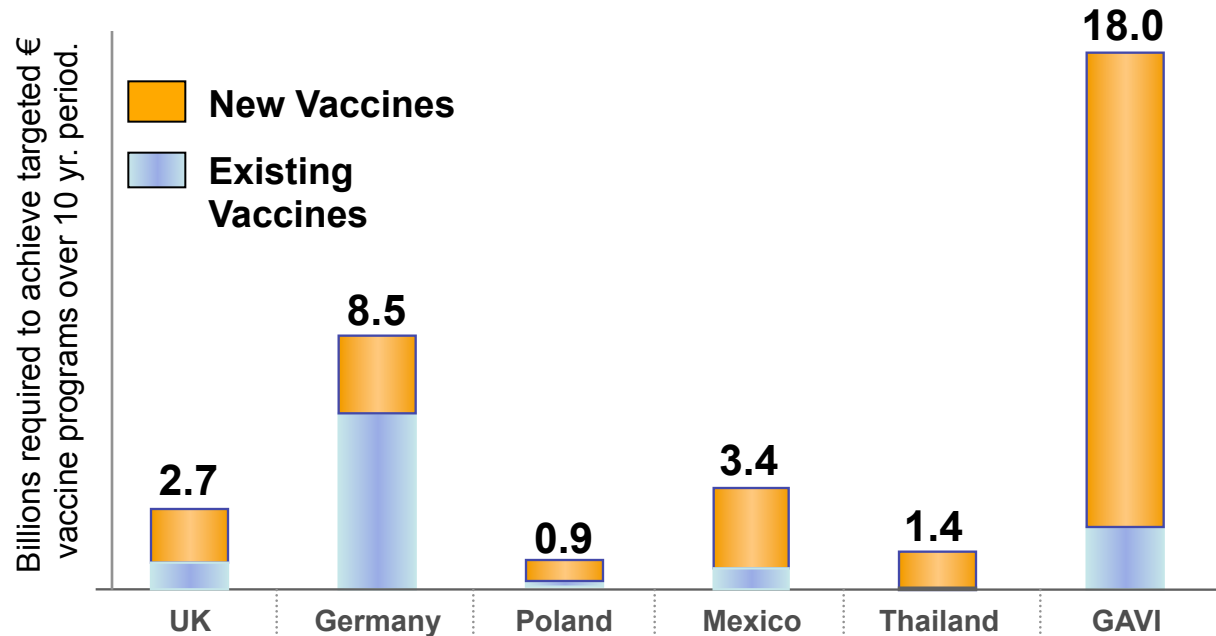
One recent slide...

“

- Many GAVI countries are highly dependent on external funds for immunization
- Adding new vaccines and expanding coverage drive total immunization costs higher
- Immunization funding is very vulnerable if/when GAVI resources end
- ...but of course we're not going to let them fail, and so here are the innovative financing instruments...

”

Vaccine Funding 2005-15



New Vaccines					GAVI New Vaccines
Conj. Men ACWY, Men B, HPV, MMRV					Men AC, HPV, Rota, TB, Malaria, Strep
+ Hib. MenC, Rota	+ Rota	+ Rota, TB	+ TB	+ Rota, TB, Dengue, Malaria	
<i>in UK</i>	<i>in Germany</i>	<i>in Poland</i>	<i>in Mexico</i>	<i>in Thailand</i>	

A prospective analysis in UK, Germany, Poland, Mexico, Thailand - Smart Pharma Consulting

GAVI financial sustainability

- “Although self-sufficiency is the ultimate goal, in the nearer term, sustainable financing is the ability of a country to mobilize and efficiently use domestic and supplementary external resources on a reliable basis to achieve target levels of immunization performance.”

GAVI Phase 2

- If current donors continue rates of commitments and IFFIm launches as planned, GAVI will **raise about \$6 billion** from now until 2015
- With current policies supported by GAVI including new support to systems and new applications for current vaccines, GAVI is projected to **spend about \$4 billion** until 2015
- **\$2 billion remains** for new vaccines

The gap

- \$2 billion available for new vaccines
- GAVI Executive Committee signaled its intention to finance new vaccines
- WHO GIVS estimates \$3.7 billion is needed for new vaccine introduction
- GAVI faces a **gap of at least \$1.7 billion** even with current IFFIm and regular donor commitments
- Bridging this gap will require new sources of financing

Overview, GAVI phase 2 finance

‘Innovative’ Financing Mechanisms

- Global Alliance for Vaccines & Immunization
 - The Vaccine Fund
 - Advanced Development & Introduction Plans
 - International Finance Facility for Immunization
- Other Funding Mechanisms
 - PAHO Revolving Fund
 - Vaccine Independence Initiative
 - ARIVAS (Appui au Renforcement de l’ independence Vaccinal en Afrique Sub-Saharien)
- ‘Advance Market Commitments’

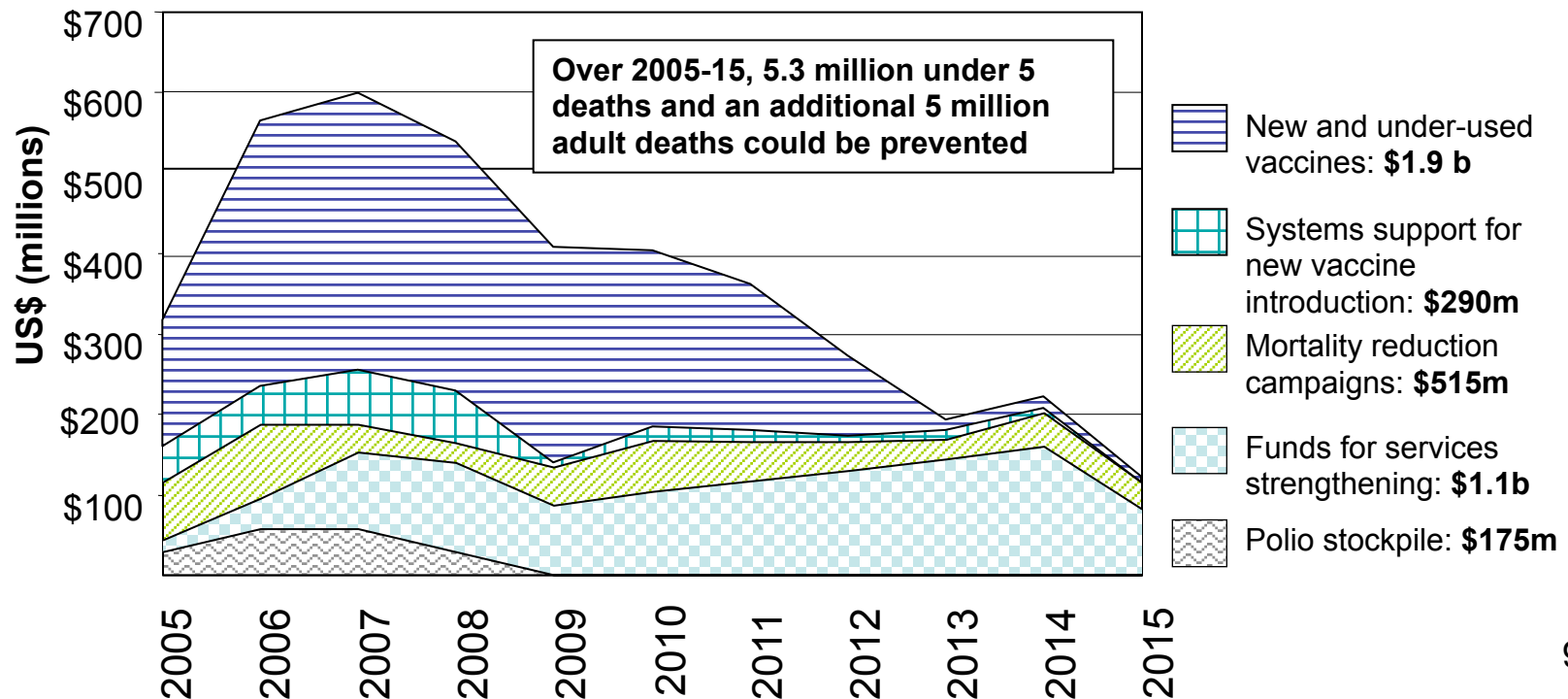
GAVI, IFF-Im, and AMCs represent \$5-10B worth of financing for immunization systems and new vaccines between 2006-2010

1. What is the IFFIm?

- An IFF for immunization (IFFIm) has been proposed as a pilot for the IFF mechanism
 - The IFF has been conceived as a large-scale US \$50 billion per year mechanism to double global aid and help meet the MDGs
 - On September 9th 2006 the IFFIm was launched in London with the five donors - UK, France, Italy, Spain, and Sweden: now Norway and Brazil have announced contribution as well; South Africa is considering a contribution
 - Estimated disbursable of \$3.2 billion before 2015
 - Ongoing effort to secure resources from additional donors to reach \$4 billion resource goal
- First bond issuance took place late 2006

International Finance Facility for Immunization

- IFFIm will raise additional funds for GAVI programs
 - Pilot of the UK-sponsored International Finance Facility to frontload immunization financing over 10 years
 - \$4 billion borrowed from the capital markets in the form of bonds

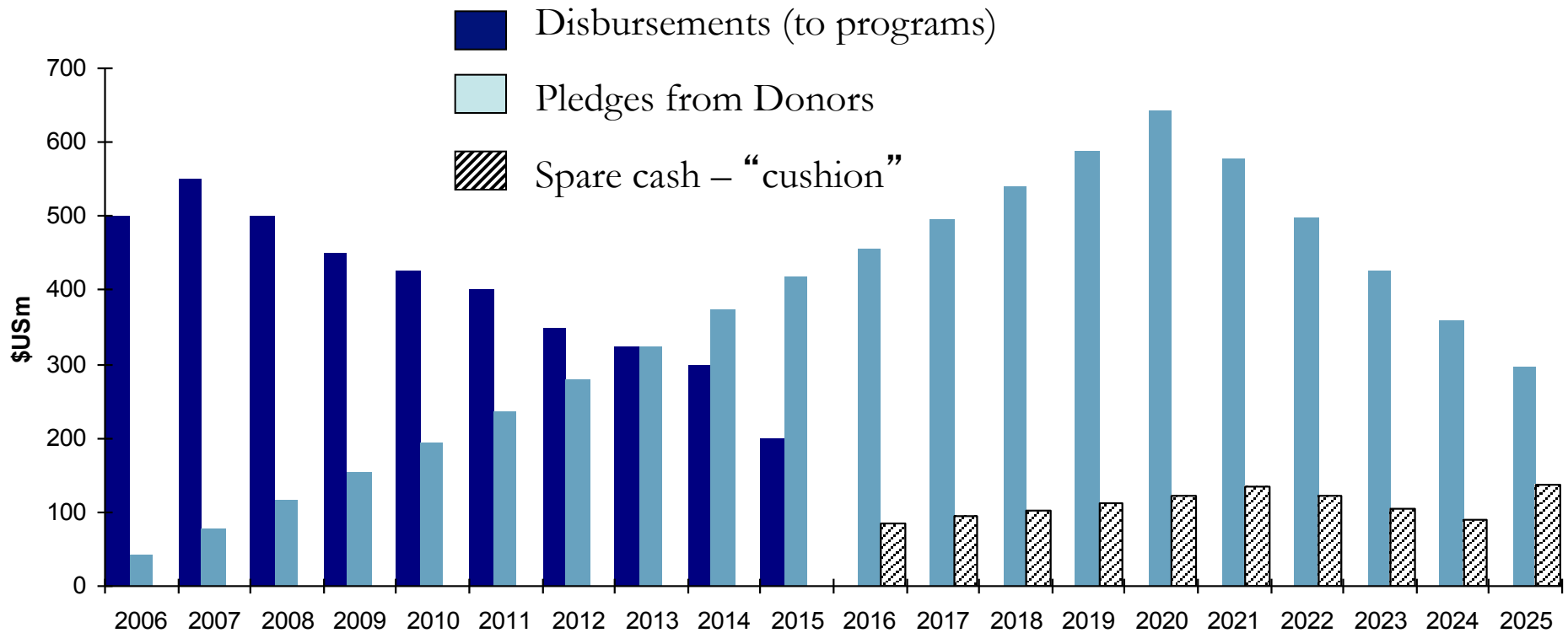


Components of the IFFIm

- Donors enter into 20 year legally binding commitments
- These commitments are leveraged in the bond market
- Proceeds distributed to countries and for supply procurement
- Resources nominally split 50/50 systems and vaccines

The IFF: Donor pledges

Long term commitments generate near-term resources



Implications of the IFFIm

- Influencing the market
 - Long-term predictable commitments allow longer-term planning for supply strategy
 - More flexibility for contracts with manufacturers with a potential to negotiate a lower price or accelerate supply through strategic use of long-term contracting
- Better planning and sustainability for countries
 - Commitments can be made to countries over longer-term allowing for better integration within national planning cycles and longer lead time to plan for country financing and eventual sustainability
- Additional financing & donors
 - Countries not previously contributing to GAVI attracted by innovative nature of IFFIm supplying additional resources
- But it all has to be repaid, and will phase out at a later date. Discuss.

Proposed benefits detailed

- Principal IFFIm benefits are claimed as:
 - Accelerating coverage of immunisation with traditional and new and under-used vaccines, and
 - ‘pulling’ the vaccine industry via predictable market, leading to increased industry capacity and lower vaccine prices
- Key claimed benefits are 5.3 million additional children’s lives saved over 10 years, (Africa 3.1 million, Asia 2.1 million and others 0.1 million)
- A further 5 million adult lives saved through HepB
- Estimated “financial cost” of IFFIm at 3.5% against IRR of accelerated benefits of 18%
- Discuss all this

PAHO revolving fund

- Procurement mechanism, supported by technical assistance and advocacy efforts
- Consolidates country requests to bargain for lower vaccine prices from manufacturers
- Countries pay the fund for the vaccines ordered
- Limited to countries with long-term program plans

What are Advance Market Commitments (AMCs)?

Problem:

- Small, risky and unpredictable markets lead to underinvestment in vaccines of importance to the developing world

AMC supposed to:

- Motivate additional private investment
- Focus on (and pay for) results
- Market based (not a prize)

How is an AMC supposed to work?

- Donors and manufacturers enter into a binding legal agreement
- Donors commit to pay an initial, high price for as long as AMC funding is available and countries demand the vaccine
- Manufacturers commit to provide a set number of doses at a long term lower price after AMC funds are depleted. Claimed will
 - Simulate the market conditions of pharma products in wealthy countries by ‘increasing the value and predictability of demand’
 - Incentivizes more private investments into R&D and capacity
 - Payments only ‘for results rather than inputs’
 - Reduces country risk of ‘unsustainably high long-term prices’

Funding the pipeline

Discovery & Research Clinical Development Licensure Capacity Investment Supply

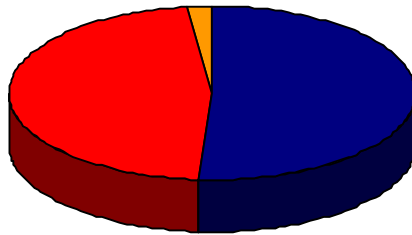


Medicines for affluent countries



Medicines for poor countries

Health R&D for affluent countries
\$106 billion

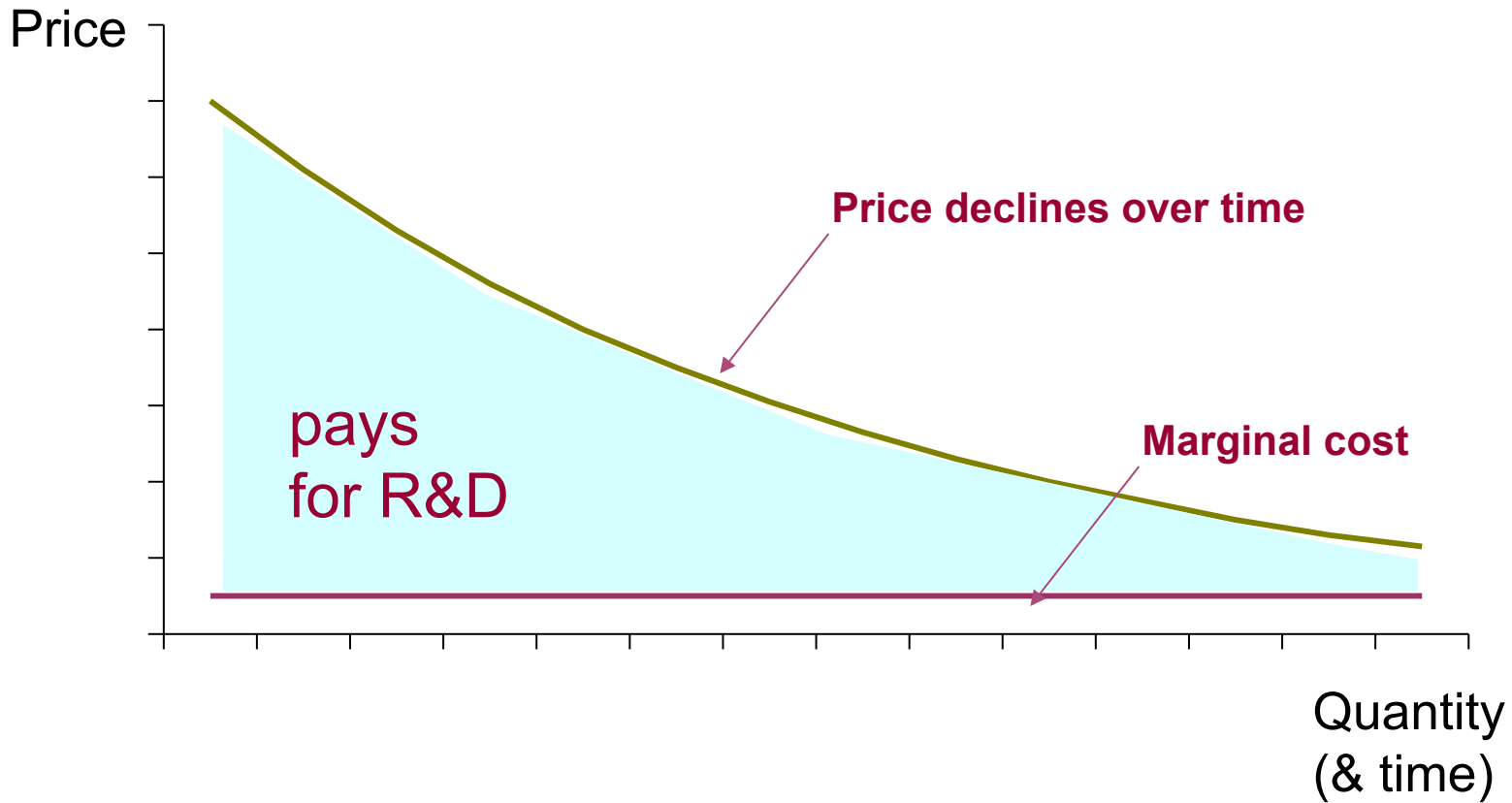


Health R&D for poor countries
\$8 billion

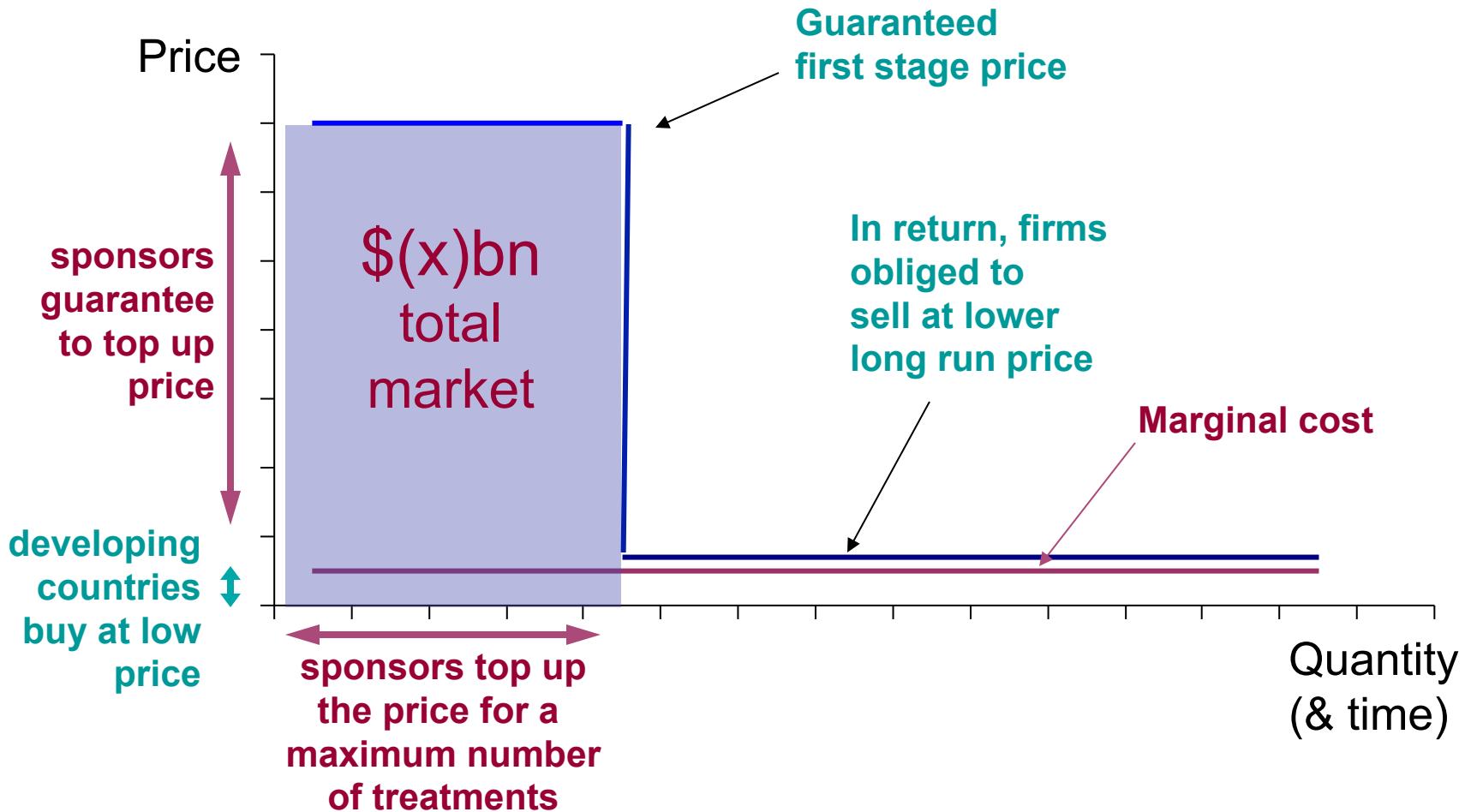


Private investment to complete the pipeline

Previous vaccine prices



Two-stage pricing



Conditions

- No quantity guarantee
- ‘Creates incentives to innovate and invest’
- Allows for less exhaustive technical specifications
- Firms still face some demand risk
- Allows developing countries ‘to choose’

Some Issues Though

- Are funds credible?
- Are funds sufficient to cover all risks and R&D costs?
- Can mechanisms deal with follow-on vaccines?
- Who 'polices' and rewards, etc.?
- Mechanisms have rarely not been much more complex to run in practice than theoretical models suggest
- On the ground market/systems/delivery failures that have to be accounted for in 'rewards'
- How to drive efficiency and stop prize turning into inefficient subsidy?
- How are these mechanisms different from procurement mechanisms? Would well-resourced competitive procurement mechanisms work better?

Vaccine Independence Initiative

- VII is a revolving fund that works through UNICEF
- Assists countries in paying for vaccines themselves
 - Payment in either hard or local currency depending on the absorptive capacity of the UNICEF country programs
- Encourages governments to gradually increase their share of financing