

International Financing Mechanisms to Support Health Systems Strengthening (HSS)

UNITAID

What is it?

UNITAID's aim is to increase access to the *products* needed to strengthen HIV/AIDS, TB and malaria services. It attempts to do this by:

- helping create a sustainable and predictable market for drugs
- reducing prices so that more drugs can be purchased within tight budgets;
- improving the quality of drugs through the WHO drug pre-qualification programme which encourages manufacturers to invest in both new products and in niche areas;
- making available drugs that are better adapted to patient needs – for example, fixed-dose combinations; and
- delivering drugs faster to places where they are most needed.

UNITAID was established in 2006, is hosted by WHO and operates through a UN Trust Fund. It raises most of its funds through a levy on airline tickets - this currently accounts for around 82% of its revenue. The tax is currently being implemented in a number of developed and developing countries with others in the process of joining¹. Other countries such as the United Kingdom and Norway make direct budgetary contributions. Estimated funding for 2008 is around \$370m and the budget is expected to exceed \$500m in 2009.

The Board recently approved the introduction of a Voluntary Solidarity Contribution Scheme (VSC)². This gives some air travellers the option to make further voluntary contributions when they book their flights. It is estimated that this scheme could contribute up to \$2bn per annum. It will be piloted in 2009 and should be fully operational in 2010³.

Funds are spent exclusively on the purchase of drugs and diagnostics (with a focus on paediatric and second line ARVs, acceleration of PMCT coverage, expanding ACT coverage for malaria and treatment for TB). At least 85% of funds must be spent in low income countries. The programmes supported have been associated with significant reductions in the cost of drugs (from \$196 to \$60 for the fixed dose paediatric formulation of the ARV combination used by most adults; 25%-50% price reductions have been achieved for second line ARVs through bulk purchasing). Although it does not deal with issues of health system strengthening directly these cost reductions provide indirect support by freeing up government resources for other uses.

UNITAID's scale is limited by increase in air travel and levy per ticket and prospects for increased passenger travel, at least in the short term, appear weak⁴.

¹ France, Chile, Côte d'Ivoire, Congo, Republic of Korea, Madagascar, Mauritius, Niger currently contribute. Norway pays part of its tax on CO2 (kerosene) to UNITAID and the UK makes a direct contribution from its aid budget Benin, Brazil, Burkina Faso, Cameroon, Cyprus, Gabon, Guinea, Liberia, Mali, Morocco, Namibia, Central African Republic, Senegal, Sao Tome & Principe, Togo are currently in the process of implementing such a tax. Source: UNITAID website France employs a graded approach with the tax set at 1 euro for a flight within Europe in economy class and 10 euros in business or first class and 4 euros and 40 euros respectively for flights outside Europe. It allocates around 90% of the tax revenue collected to UNITAID. Other countries use different approaches e.g. a flat rate.

² This gives passengers the option to make further voluntary contributions

³ It will be established in the form of a Swiss Foundation with funds passed on to UNITAID

⁴ "The global economic turbulence clearly shows in the 0.8% drop in freight volumes compared to last year. Although the passenger demand grew by 3.8%, this is the slowest growth that we have seen since the industry was hit by the SARS

What does it add?

- **UNITAID has a broad developmental impact:** As well as raising money for health the method of raising revenue approach also has a positive environmental impact through its impact on air passenger numbers. The tax is also extremely equitable – it raises resources from a traditionally under-taxed sector which is mainly frequented by better off groups. The tax is also designed so that it does not undermine competition in the sector by distorting the market
- **UNITAID raises additional funding in an efficient manner:** Collection costs are met by the airlines so there are no costs to governments and donors. Funds are truly additional – they are paid for by individuals and not out of donors' aid programmes as is the case for most of the available aid instruments
- **The impact on health systems is unclear.** The extent to which the approach affects countries' ability to fund the measures needed to strengthen their health systems - is unclear. Whilst it may reduce the costs of existing products this may be partially or fully offset by providing opportunities to access products which would not otherwise have been available. Although the approach does seem to have contributed to reductions in the unit costs of health services there are questions as to whether resources have been channelled into areas – particularly HIV/AIDS - that are already relatively well funded. Such investment creates recurrent costs obligations which are likely to compete for limited available resources

Outstanding Issues and Options

UNITAID does not currently provide direct support for the strengthening of health systems. The Board has been keen to retain UNITAID's focus and not expand its activities into new areas. However, one option might be to consider the case for earmarking some part of the VSC revenue to health systems strengthening activities.