

INNOVATIVE FINANCING MECHANISMS BRIDGING THE FUNDING GAP TO ACHIEVE THE MDGs

Innovative Financing mechanisms were originated to cope up with the challenge of the Millennium Development Goals (MDGs) and their financing. The unlikely capacity to bridge the funding gap for the MDGs on the basis of current ODA, in the agreed timeframe, required the development of additional ways of mobilizing resources.

Innovative funding initiatives offer a unique opportunity to promote poverty reduction in development countries and environmentally sustainable development in tandem. Such initiatives are easy to implement, can make an impact in the short term and can be implemented without waiting for universal participation.

In the past decade, the malaria landscape has been transformed due to greater and innovative funding, collaboration and scaling up of control efforts. There is now strong and solid evidence that demonstrates malaria efforts are delivering remarkable improvements in reducing illness and death by more than 50 percent, as outlined in the Global Malaria Action Plan (GMAP), presented at the MDG summit in New York on September 25th.

This paper outlines some innovative funding mechanisms in the field of health, which have proven their added value in providing stable and predictable resources in a coordinated manner or are currently being developed.

UNITAID- air-ticket solidarity levy

UNITAID is an international drug purchase facility established to improve access to treatments against HIV/AIDS, malaria and tuberculosis for the populations of developing countries, by getting lower prices of quality medicines and diagnostics which are still too expensive for these countries, and speed up their availability and delivery in the field. UNITAID is essentially based on a stable, predictable "innovative" form of funding: the airline ticket levy. 82% of UNITAID funds come from the tax. Some donors also contribute through a multi-year budget commitment. UNITAID is not administering the distribution of drugs itself but seeks partnerships with other organizations. It will then only provide the resources for the purchase of the drugs in question.

Main achievements:

- Anti-retroviral treatment (achieved price reduction: 40%) for 100,000 AIDS-infected children in 34 Asian and African countries by the end of 2007
- Funding of the treatment for 150,000 children suffering from Tuberculosis
- Funding of artemisinin-based combination therapies against Malaria in 19 countries

AFFORDABLE MEDICINES FACILITY FOR MALARIA (AMFm)

The Affordable Medicines Facility for malaria (AMFm) has been developed as a financing mechanism to make the most effective medicine for malaria, the artemisinin-based combination therapies (ACTs) available and affordable and to delay resistance to the artemisinin active ingredient. Currently, ACTs treatment is too expensive or simply unavailable to the 60% of patients who buy antimalarial medicines in the private sector.

The AMFm will promote the use of ACTs and thereby drive out ineffective monotherapies from the market of malaria endemic countries by 1) reducing consumer prices to an affordable level through price negotiations and a co-payment and 2) ensuring the reduced price benefits those suffering from malaria by introducing in-country supporting interventions. The objective is to subsidize ACTs to the extent that the price of USD 0.2-0.5 per treatment is comparable to the price of chloroquine.

The Global Fund Board agreed in principle to host and manage the AMFm. This decision is subject to final approval at the 18th Board Meeting early November of a policy framework and implementation plan, which will offer practical solutions to remaining technical issues. The launch of the AMFm will be phased, starting with a group of pilot countries (e.g. in the Tanzanian districts Kongwa and Maswa until 2008) which will be selected according to criteria developed by the Global Fund Secretariat and agreed at the 18th Board Meeting.

Expected outcomes

- AMFm will reach a significant 60% of patients accessing treatment through the private sector within five years, up from less than 5% today,
- This price reduction will more than triple ACT usage to a projected 360 million treatment courses per year. In turn, this will reduce purchases of less effective treatments.
- Up to 300,000 lives will be saved per year,
- UNITAID willing to contribute to it

DEBT2HEALTH- Global Fund debt conversion mechanism

Debt2Health Initiative aims at freeing up domestic resources through debt relief that can be invested in urgent public health needs. Creditor countries forgo a portion of their claims on the condition that the beneficiary country invests an agreed upon amount in health through a Global Fund-approved programme. This counterpart payment is made to the Global Fund. In return, the creditor cancels the debt amount as specified in the agreement. The Global Fund then disburses the counterpart funds through the same mechanisms and on the same principles as other funds.

Main achievements:

- In 2007, Germany agreed to convert €200 million of ODA debt until 2009 at a discount of 50 percent for the beneficiary. The first country to succeed in this effort is Indonesia which has had \$50 million debt cancelled and will contribute \$25 million to the Global Fund in restricted funds to be used by Indonesia.
- Kenya, Pakistan and Peru are also in negotiation with the German government and the Global fund to develop similar proposals.