

## INNOVATIVE FINANCING MECHANISMS FOR HEALTH AND DEVELOPMENT

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) launched at the MDG Summit in September 2008.

Whilst traditional funding through ODA must continue to make an enormous contribution to meeting global poverty and health goals (including malaria), in order to deliver long term progress and results requires a new, sustained and predictable funding approach. Donors must continue their commitment to seek out new and innovative funding mechanisms, as reflected in the creation of a new high-level Taskforce on Innovative International Financing for Health Systems at the MDG Summit, to be Co-chaired by the World Bank and the UK Prime Minister that will report to the G8 Italian Summit in 2009. These efforts need to be focused on increasing predictability, flexibility and aid volumes.

The EU commits to work with other donors to support existing health initiatives and to step up efforts to find new innovative financing mechanisms as outlined in the Council Conclusions of 27 May 2008 (*"The EU as a global partner for development: Speeding up progress towards the Millennium Development Goals(MDGs)"*) and in the EU MDG Action Plan.

The need for innovative financial mechanisms to fill funding gaps is required at a time when the global community is feeling the full fallout of the international financial crisis. This must not, however, be a reason to lose political momentum to meet existing donor commitments and seek out innovative financial mechanisms for additional resources to fill the funding gaps. Both the UN Secretary General and the European Commissioner for Development and Humanitarian Aid have urged governments not to allow the financial crisis to undermine aid pledges or efforts, nor be an excuse for inaction.

With a series of key meetings on aid effectiveness and financing for development being held in 2008<sup>1</sup> and the EU internal process of the annual monitoring of the "Monterrey Commitments", **EAAM urges EU leaders to:**

- **Maintain strong global partnerships on health and financing for development and to implement their existing funding commitments**
- **Build on the political momentum reached in Accra and New York on health MDGs in order to include health as a tracer sector for Doha**
- **Encourage all EU countries to join and contribute through a multi-year budget commitment to existing health innovative financing mechanisms such as UNITAID and Debt2Health**
- **Support the immediate implementation of the AFFORDABLE MEDICINES FACILITY FOR MALARIA (AMFm)**

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<sup>1</sup> including the Accra High Level Forum on Aid Effectiveness, September 2008; the UN MDG Summit, September 2008; and the UN follow-up Conference on Financing for Development in Doha, December 2008

### 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. This is achieved by ensuring lower prices of quality medicines and diagnostics which are still too expensive for these countries, and speeding up their availability and delivery in the field. UNITAID is essentially based on a stable, predictable "innovative" form of funding provided by the airline ticket levy. Some 82 percent of UNITAID funds come from this tax, with a few donors also providing a multi-year budget commitment.

At present, the tax is already implemented in the 8 following countries: France, Chile, Côte d'Ivoire, Congo, Republic of Korea, Madagascar, Mauritius, and Niger. Norway affects part of its tax on CO2 (kerosene) to UNITAID as well.

15 countries (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.

UNITAID does not administer the distribution of drugs itself but rather seeks partnerships with other organizations, providing only the resources for the purchase of the drugs needed.

#### ***Main achievements of UNITAID include;***

- Anti-retroviral treatment with a price reduction of 40 percent 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 to treat 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 treatment for malaria - artemisinin-based combination therapies (ACTs) - available and affordable to more of those who need it. Currently ACTs treatment is too expensive or simply unavailable to the 60 percent of patients who buy antimalarial medicines in the private sector.

The AMFm will, by promoting the use of ACTs, also help to drive out ineffective monotherapies from the market by firstly reducing consumer prices to affordable levels through price negotiations and a co-payment and secondly by ensuring the reduced prices benefit those suffering from malaria. 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 the less effective and currently cheaper anti-malarial drug chloroquine.

The Global Fund has agreed in November 2008 to host and manage the AMFm. The pilot phase will cover up to 11 countries (Kenya, Tanzania, Uganda, Rwanda, Nigeria, Senegal, Benin, Cambodia, Madagascar, Niger and Ghana). The UK is the only country which already pledged £40 million contribution to support the initiative.

#### ***Expected outcomes include;***

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

## DEBT2HEALTH- Global Fund Debt Conversion Mechanism

The Debt2Health Initiative aims at freeing up domestic resources in developing countries through debt relief that can be invested instead into 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 GF-approved programme. This counterpart payment is made to the GF and in return, the creditor cancels the debt amount as specified in the agreement and the GF then disburses funds.

***Main achievements include;***

- In 2007 Germany agreed to convert €200 million of debt until 2009 at a discount of 50 percent for the beneficiary. Indonesia has had \$50 million debt cancelled and will contribute \$25 million to the GF in restricted funds to be used in Indonesia.
- Kenya, Pakistan and Peru are also in negotiation with the German Government and GF.