Bridge Financing for Select Vaccine Products

This brief provides background information to the GAVI Board as it deliberates on how to sustain the gains that have been made through the introduction of new vaccine products. It focuses exclusively on the financing challenges associated with the introduction of new vaccine products and proposes a new concept for Board consideration called bridge financing. With regard to Hib vaccine, other critical areas such as recognition of local disease burden, documentation of the impact of vaccine introduction, and trends in future vaccine supply and price are discussed elsewhere in the Board agenda.

Starting conditions and initial assumptions: Among other aims, GAVI was formed to accelerate the introduction of new and underused vaccines that could yield important improvements in the health of children today and adults in the future. Recognizing that a key reason for the under-utilisation of existing vaccines was their relatively high price, GAVI—through the Vaccine Fund—offered to provide vaccines free to eligible countries for a catalytic, five year period. These have included monovalent HepB, DTP-HepB, DTP-Hib, DTP-Hep B-Hib, and Yellow Fever vaccines. Vaccine Fund support for the introduction of new vaccines was originally structured as a maximum of five years of support with no subsequent option to apply for additional funding for the same products.

This strategy was based on two fundamental assumptions:

1) Prices of the newly introduced products would decline by the end of the initial funding period, reflecting a combination of increased demand, increased competition in supply and the capture of economies of scale in manufacturing. This assumption was based on historical vaccine price trajectories; and
2) Both governments and donors would observe the cost-effective improvements in health associated with the introduction of new vaccines and would then be willing to make significant additional allocations to the immunization program at the national level to sustain those benefits.

Although these assumptions were based on the best thinking at the time, no guarantees or commitments were obtained from any decision-makers. Vaccine manufacturers were not required to commit to lowering prices over time; government officials within Vaccine Fund recipient countries were not required to commit to increasing their spending on immunization or health (or even present a plan for doing so until well after the decision to introduce a specific product had been made), and officials within donor agencies were not asked to make a commitment to increasing allocations for immunization programs or the health sector more broadly.

Assumptions revisited: With 4 years of experience with GAVI and recent documentation from the Financial Sustainability Plans from 21 countries, it is now possible to examine the initial assumptions. Vaccine prices for several products have increased— not decreased— over the initial GAVI/VF period and significant increased donor support for immunization and health overall has not transpired. Reflecting both the lack of dramatic price declines and the lack of substantial new resources allocated to immunization, many countries that introduced the more costly vaccines are facing a financing crisis as the end of the current round of Vaccine Fund support approaches.

Near-term prospects for financial sustainability: Preliminary analyses from national FSPs suggest that countries will be able to sustain the costs of "mature" products such as monovalent Hep B and possibly Yellow Fever vaccines. For other products, some countries are making substantial strides towards sustaining new vaccine products and taking advantage of a number of different financing strategies from increasing domestic spending to accessing debt relief and loans/credits. However early findings suggest that—for newer and more immature products where the prices have not decreased as expected—few governments and their partners will be able to fully finance these new vaccines immediately after GAVI/VF support ends. With increasing and competing demands on limited health budgets and in addition to their on-going requests for additional partner support, countries are exploring selecting less expensive vaccine presentations and, in a few cases, proposing to drop Hib-containing vaccines altogether.

Principles for a solution: Recognizing that assumptions on price declines and donor resource mobilization have not transpired, and that based on current data, future financing is a major problem in many countries, it is important to explore how to ensure that program improvements—that yield significant health benefits—are sustained in the most cost-effective manner while focus is maintained on improving and expanding national immunization programs.

Recognizing further that any strategy for additional financing should provide clear and positive incentives for all actors in moving toward long-term sustainability, the FTF explored with the partners options and implications for further financing. Among the options discussed: provision of an additional 5 years of full funding, a transitional period of co-financing, and no further financing of current products whatsoever. There was unanimous agreement that awarding additional years of full support for current products would undermine both the principles of GAVI/Vaccine Fund and the major strides countries have made towards sustainable financing to date. The group agreed further that providing no further support would result in some countries inappropriately dropping new vaccine products from their programs, thereby thwarting gains that have been made in child health to date. The consensus and preferred direction for on-going evaluation is a co-financing transitional arrangement "bridge financing" among national governments, national partners and GAVI/Vaccine Fund.

Although much work remains to be done, one promising strategy calls for all countries and their partners to provide the estimated "mature" or "fully competitive market" price, with the Vaccine Fund covering the difference between the market price obtained by UNICEF and the estimated mature price. Prior to making recommendations to the GAVI Board, the FTF proposes to support analyses of total and annual costs of bridge financing; impact of bridge financing on vaccine market and pricing, and on national programs and decision-making. In addition, there are broader questions as to how bridge financing would be applied (globally or on a country by country basis), negotiated, agreed to, and monitored.

Request to GAVI Board: At this time, the GAVI FTF requests GAVI Board guidance on the merits of continued and additional analyses of bridge financing with a view to a full proposal and budget implications for GAVI/Vaccine Fund to be submitted for Board consideration in December 2004. No additional resources from the GAVI budget are anticipated for this analytical work.