

Multiyear financial commitments from donors have enabled GAVI and The Vaccine Fund to create a grants program with results

We now have evidence that GAVI and The Vaccine Fund is capable of improving global immunization efforts and saving lives. With the resources delivered to countries to date, more than *36 million children* have received vaccines that were previously unavailable to them, and more than *8 million children* who were previously unreached by any vaccines have now been protected. It is estimated that GAVI has averted half a million deaths; this number will likely rise exponentially as country programs transition from start-up phase to full-scale implementation.

Long-term funding commitments to immunization can improve the efficiency of global immunization efforts

Long-term funding gives countries the opportunity to conduct better planning, improve vaccine introduction and adoption, and a more reasonable time horizon to take on the responsibility of vaccine procurement (which currently ranges from 5-8 years). Moving to 15 year commitments, for instance, would significantly improve the credibility and efficiency (in terms of vaccine supply, vaccine introduction and vaccine delivery) of the global immunization system.

Capital market mechanisms for immunization could pave the way for innovative financing of developing country health programs. A number of ideas are being explored including:

- **Securitization** The securitization concept allows an entity to convert likely future cash flows into resources that can be used today. The Vaccine Fund might be able use this tool to help finance scale-up of current in-demand vaccines, and the introduction of new vaccines such as rotavirus or pneumococcal conjugate vaccines, and even upstream products such as HIV and malaria vaccines. The goal would be to ensure more rapid adoption of these vaccines to save lives today, and speed product maturation, so that prices come down more quickly.
- **Project Finance** Project finance structures allow a sponsor company or enterprise to create a “project company” solely for the purpose of pursuing a specific business project. A project finance vehicle could be used to generate support for any vaccine development enterprise, such as the Meningococcal Vaccine Project, the Malaria Vaccine Initiative or a new HIV vaccine enterprise. If The Vaccine Fund were to enter into a credible off-take agreement with any of these initiatives (given the current state of product development, an off-take agreement for a meningococcal conjugate vaccine starting in 2007 seems feasible), the vaccine development initiative could create a specific project to accept the contract and raise private or IFC resources to execute remaining vaccine development, production, and introduction tasks. In this case, donors would only spend resources through a supported off-take agreement – and only when an appropriate product is ready for introduction in the developing world.

- **Put Options** The put options concept works to create a “pull effect” in a manner similar to a purchase fund. If The Vaccine Fund were to sell put options to one or more pharmaceutical companies, the companies purchasing the options have effectively secured for themselves a guaranteed market of known price and quantity. As with the creation of a purchase fund, the expected effect of guaranteeing a market is that the companies will be able to financially justify investment in R&D, clinical development, and manufacturing capacity.
- **World Bank IDA buy-down.** The World Bank is currently working with its partners to explore how best to expand the use of IDA buy-downs. This new mechanism allows the World Bank to prepare and issue a normal IDA credit for a project. In cases where additional concessionality is justified, this IDA credit can be purchased and the debt bought-down and cancelled by a donor once the project is successfully concluded. The “buy-down” can be linked to performance indicators if appropriate. The IDA buy-downs mechanism has been piloted for three polio eradication projects---projects with obvious global public goods characteristics that justify additional concessionality.

Five years is not enough

The five-year commitments made by GAVI and The Vaccine Fund to countries are an improvement over the year-by-year commitments made by many international aid programs. But longer-term commitments are needed to increase the amount, timeliness and predictability of resources available to support governments in introducing and sustaining priority new vaccines. Long-term financing may also play an important role in reducing the uncertainty of vaccine uptake thus encouraging industry to accelerate the development and access of these priority products in the developing world.