Possible sources of finance

Fostering the development and rational use of new antibiotics: how a product development partnership could promote innovation and responsible access to new antibiotics

Technical consultation jointly hosted by the Drugs for Neglected Diseases initiative and the World Health Organization
8 - 9 December 2014

John-Arne Røttingen
Norwegian Institute of Public Health
University of Oslo
Harvard University
The Bank!

tbc
A «bath tub problem»

Global governance failure
Classic collective action problem

Global market failure
Underprovision, overprovision and insufficient innovation
Interconnectedness

Global Public Goods (GPGs)

Innovation of Antimicrobials

Universal Access of Antimicrobials

Appropriate Use of Antimicrobials

Externalities (regulation)

Solidarity
Global policy options

Global Public Goods (GPGs)

- Partnership based innovation models
- Capacity building and Access
- Managed markets and utilization
- Externalities (regulation)

Solidarity
Less Ambitious Global policy options

Global Public Goods (GPGs)

Guidelines, Standards and Norms

- Solidarity
- Technical Support
- Surveillance and Response System

Externalities (regulation)
**Goal:** The development of effective, safe, quality, suitable, and affordable health technologies that existing market mechanisms & public policies fail to deliver

**Member States**

- **Goal:** Development of effective, safe, quality, suitable, and affordable health technologies
- **Goal:** Existing market mechanisms & public policies fail to deliver

**Seven Core Principles**

1. **Health needs-driven R&D**
2. **Shared public responsibility** for ensuring innovation and access through sustained public investments in transformative R&D
3. **Affordability** through de-linkage
4. **Effectiveness:** Health impact through innovative technologies
5. **Evidence-based** decision-making
6. **Efficiency:** Improved coordination, knowledge-sharing, and value for money

**Potential forms (following function):** 

- **Unified vs Network Model**
  - Re-/Transform existing organization(s)
    - WHO Secretariat
    - TDR
    - UNITAID
    - Others
  - Create new organization(s)
    - GFATM model
    - TDR-like model
    - IARC/CGIAR-models
    - CERN/EMBL-models
    - Others

**Governance and accountability**

- Multi-stakeholder engagement (government, private, and non-profit sectors) with appropriate management of conflicts of interest
- **Open access to information** via transparency policies
- **Oversight & monitoring** through regular reporting, evaluations & complaint mechanism

**Implementation Vehicle Options:**

- Global framework through e.g. R&D Convention, or other (non-)legally (non-)binding instruments
Financing options

• Donations
  – Countries
    • Mandated assessed contributions
    • Voluntary contributions based on a soft norm
    • Voluntary discretionary contributions
  – International taxation
    • FTT, airline etc
    • AB consumption
  – Innovative financing
  – Philanthropic

• Investments
  – Public, e.g. bonds
  – Private
    • For profit model

• Payments
  • Members vs. non-members
  – Service agreements
  – Licenses
  – Products
Funding from governments (1)

- Mandated assessed contributions
- Mandated assessed minimum contributions and additional voluntary contributions
- Voluntary contributions based on a soft norm
- Voluntary multi-year contributions
- Voluntary discretionary contributions
Funding from governments (2)

- Criteria based voluntary financing
  - Inclusion criteria
    - HICs
    - HICs and UMICs
  - Level
    - Proportion of GDP
    - UN assessment scale
    - Proportion of GDP adjusted for GDP per capita
Financing of Demonstration Projects

• The first four demonstration projects resulting from the CEWG follow up resolutions require an investment of USD 60 million.

• The CEWG report recommended that countries should contribute proportionally to GDP when it comes to financing health R&D for the specific needs of developing countries.

• Broad mobilization of funding including from non-traditional donors is one of the potential successes which the demonstration project process should be able to demonstrate.

• The following slides describe how different groups of countries could contribute if the CEWG norm of proportional contribution is to be utilized.
1. Proportional Financing By World Bank income groups

In this slide, GDP is aggregated to World Bank income groups. Then each groups’ percentage of total GDP is calculated (left). This percentage is then applied to USD 60m to determine a proportional financing responsibility for each of the income groups (over).

2. Proportional Financing By WHO regions

**Millions of US dollars to be paid for R&D, by WHO region**

<table>
<thead>
<tr>
<th>Region</th>
<th>USD millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>African Region</td>
<td>1.23</td>
</tr>
<tr>
<td>Eastern Mediterranean Region</td>
<td>2.80</td>
</tr>
<tr>
<td>South-East Asia Region</td>
<td>2.80</td>
</tr>
<tr>
<td>Western Pacific Region</td>
<td>15.27</td>
</tr>
<tr>
<td>European Region</td>
<td>18.25</td>
</tr>
<tr>
<td>Region of the Americas</td>
<td>19.64</td>
</tr>
</tbody>
</table>

In this slide, GDP is aggregated to WHO region. Then each region’s percentage of total GDP is calculated (left). This percentage is then applied to USD 60m to determine a proportional financing responsibility for each of the regions (over).

Notes: Based on GDP in 2012. Data retrieved from WHO: [http://apps.who.int/nha/database/Select/Indicators/en](http://apps.who.int/nha/database/Select/Indicators/en)
3. Dividing the costs between USA, Europe, BRICS and the rest of the world

In this slide, GDP is aggregated to four groups: BRICS, Europe, USA and the rest of the world. Then each groups’ percentage of total GDP is calculated (below). This percentage is then applied to USD 60m to determine a proportional financing responsibility for each of the groups (left).

Notes: Based on GDP in 2012. Data on European Region retrieved from WHO: [http://apps.who.int/nha/database/Select/Indicators/en](http://apps.who.int/nha/database/Select/Indicators/en)
Funding from governments (3)

• **Pragmatic/discretionary voluntary financing**
  – Political opportunities
    • PCAST – USA
    • O’Neill review – UK
    • Könberg report – Nordic countries
    • More….
  – Coalition of engaged countries
  – G7 and G20

• **Move it out of the ODA/DAH discourse**
  – Responsibility of MoHs
Funding sources – first steps (1)

• Establish the economic benefits of investments
  – First O’Neill report
  – World Bank study?

• Establish funding needs
  – Seed funding
    • $3 mill?
  – Start up needs
    • $100 million?
  – Longer term annual funding needs/goals?
    • 10-20% of current HIC market = around $1.5-3 billion
Funding sources – first steps (2)

• Establish a coalition of engaged countries and actors
  – > 3 HICs
  – > 2 MICs
  – > 1 LIC
  – NGOs and/or foundations

• Utilize EB and WHA in 2015