

SUBMISSION OF COMMENTS TO THE SECOND WEB-BASED PUBLIC HEARING OF THE EXPERT WORKING GROUP ON R&D FINANCING

INTERNATIONAL AIDS VACCINE INITIATIVE (IAVI)

On behalf of the International AIDS Vaccine Initiative (IAVI), thank you for the opportunity to provide input into this second consultation examining mechanisms to finance global health R&D.

IAVI has separately submitted our comments on the draft evaluation framework and the evaluation criteria. At this time, we would like to make a few points of clarification about the proposal for a Product Development Partnership Financing Facility (PDPFF) that is under consideration.

Collaborative effort

First, we would like to underscore that this proposal was developed in conjunction with other PDPs, it is not IAVI's concept alone. We have been working most closely with the Aeras Global TB Vaccine Foundation. We call attention to this not simply to give appropriate credit, but also to highlight that this concept is of interest to several PDPs, across many disease areas, and types of technologies.

Consultations with other PDPs and with potential donors

Second, since this proposal was first developed, IAVI and Aeras have been discussing this idea with other groups to further evaluate and strengthen the concept. We have reviewed this proposal with a number of other PDPs – across disease areas and across technologies (not just vaccines) – to ensure that the approach would make sense for broadly supporting global health R&D and PDP activities. At the same time, we have approached several governments as potential donors, and continue to have conversations about the merits of this proposal, as well as areas for improvement. Staff from the World Bank, which could have an important role as an intermediary in this proposal, have expressed interest in being involved in this process. In addition, representatives of the Bill & Melinda Gates Foundation are giving some consideration to how this approach could best support global health R&D.

In sum, since the initial development of this proposal, we have been exploring with other PDPs and potential donors how the concept could be improved, and ultimately, made a reality. Although the proposal is by no means perfect, we believe that it has a strong foundation for being a mechanism to successfully support critically-needed R&D for new health technologies.

We appreciate the opportunity to briefly highlight the key elements of this financing mechanism:

- Frontloading investments in global health R&D: The fundamental rationale of the PDPFF is to make available to PDPs today some of the economic and social value that their work will create in the future. This mechanism would provide new, long-term flexible

financing through the sale of donor-backed bonds in private capital markets, and would allocate revenues to support R&D. Bond debt would be partially repaid through revenues from the sale of newly-developed products, in both developed and developing country markets.

- PDP flexibility and stability: Longer-term and more stable financing would allow PDPs to continue (and expand) their R&D programs to accelerate progress toward critical health technologies for the developing world.
- Donor flexibility: The PDPFF expands the options available to donors seeking to support global health R&D. Donors can provide the initial loan guarantees, commit to paying premiums for new products, and/or continue to fund PDPs through traditional grant mechanisms.
- Pooling PDP risks: By creating a unified PDP financing platform and portfolio of R&D across diseases, the risks and uncertainties involved in R&D are pooled among participants focusing on different diseases and products at different stages of development. As such, success in one area serves to partially cross-subsidize continued efforts in another.
- Sharing donor risks: By pooling donor investments, both at the loan guarantee and premium stages, risks are shared across a wider range of actors. The pooling of PDP portfolios also enables donors to invest in R&D without having to “pick a winner” in advance, whether that be a particular disease area, a specific product profile or R&D project, or an individual PDP. Additionally, the longer time horizons involved in the mechanism may enable emerging economies (i.e. China, India, Brazil) to participate as new donors, for example by paying premiums when products come to market, thereby sharing the burden with current donors.
- Operational efficiency: We propose that the PDPFF work through the World Bank as an intermediary (for issuing bonds), thus not requiring a new or duplicative structure for its administration. In addition, we have proposed a simple and transparent governance structure for this mechanism.
- Stimulating PDP coordination and efficiency: Given that all participating PDPs have a financial stake in each other’s success, the unified financing platform will stimulate enhanced coordination and cooperation among PDPs, and may enable increased sharing of resources and knowledge across groups.

We thank you again for the opportunity to provide input into this important process and hope that this reiteration of key elements of the PDPFF is helpful in advancing solutions to address the significant gap in R&D funding for developing world diseases.

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