ACTaccelerator
ACCESS TO COVID-19 TOOLS

A Financing Framework for the 2021 ACT-A funding gap

3RD FACILITATION COUNCIL

14 DECEMBER 2020

ACT now, ACT together to accelerate the end of the COVID-19 crisis

An informal Financing Working Group was established to explore a broad range of potential funding mechanisms for an overall **ACT-A Financing Framework** that could be considered by the full Facilitation Council at its 3rd & 4th meetings

Financial Working Group Members

Chair: Norway

Members: Italy, UK, Germany, Indonesia, Mexico, South Africa, European Commission

Ways of working

Two working group meetings/week (5 to date)

Intersessional preps supported by the Hub

Review:

- Working Group: Finance/Treasury staff
- Economists: J. O'Neill, O. Blanchard, P. Romer
- ACT-A Principals: P. Sands, D. Peters, M. Pate, V. Dzau, J. Farrar

Deliverables

A proposed ACT-A Financing Framework

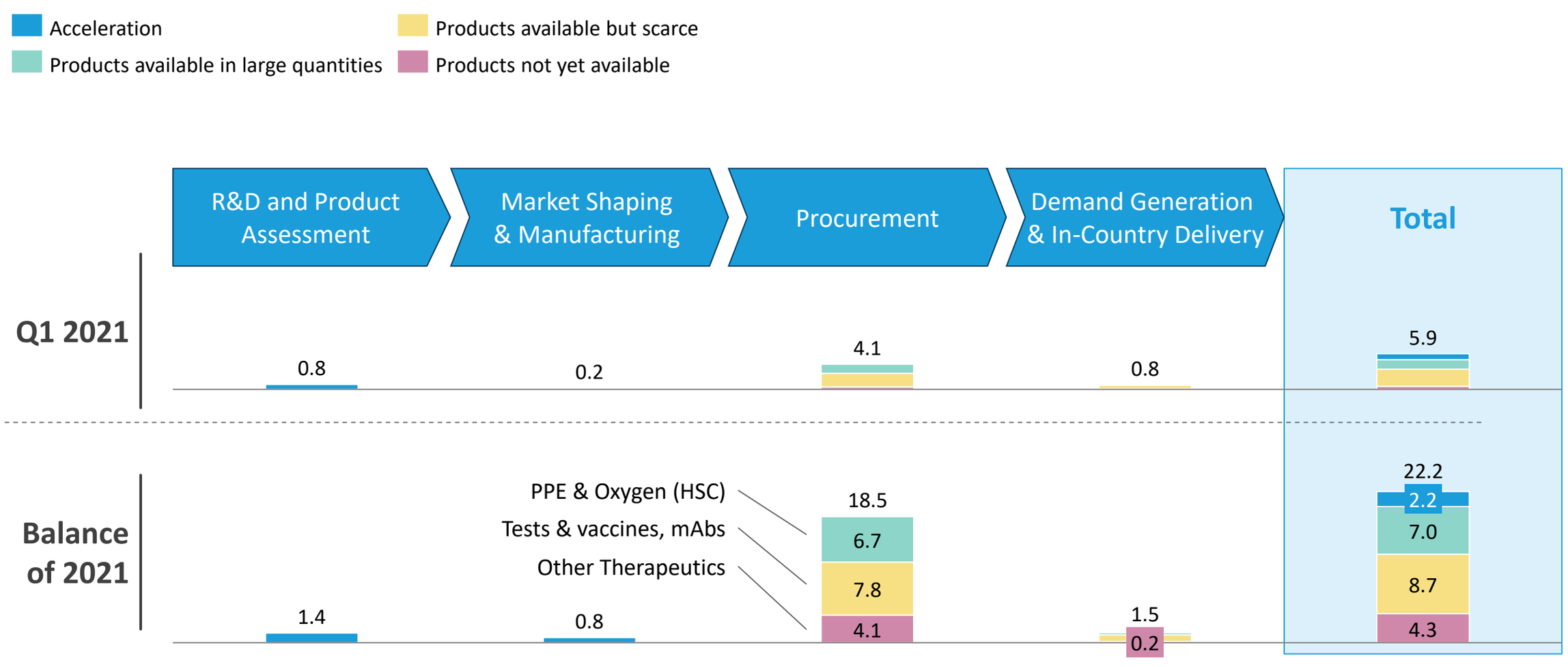
Supporting analyses, including:

- full landscape of innovative financing mechs
- deep dives on major funding mechanisms (incl. private sector review with ICC & GC)

ACT-A investments complement the overall COVID-19 response by increasing speed & equity in the development and delivery of both scarce & widely available essential tools

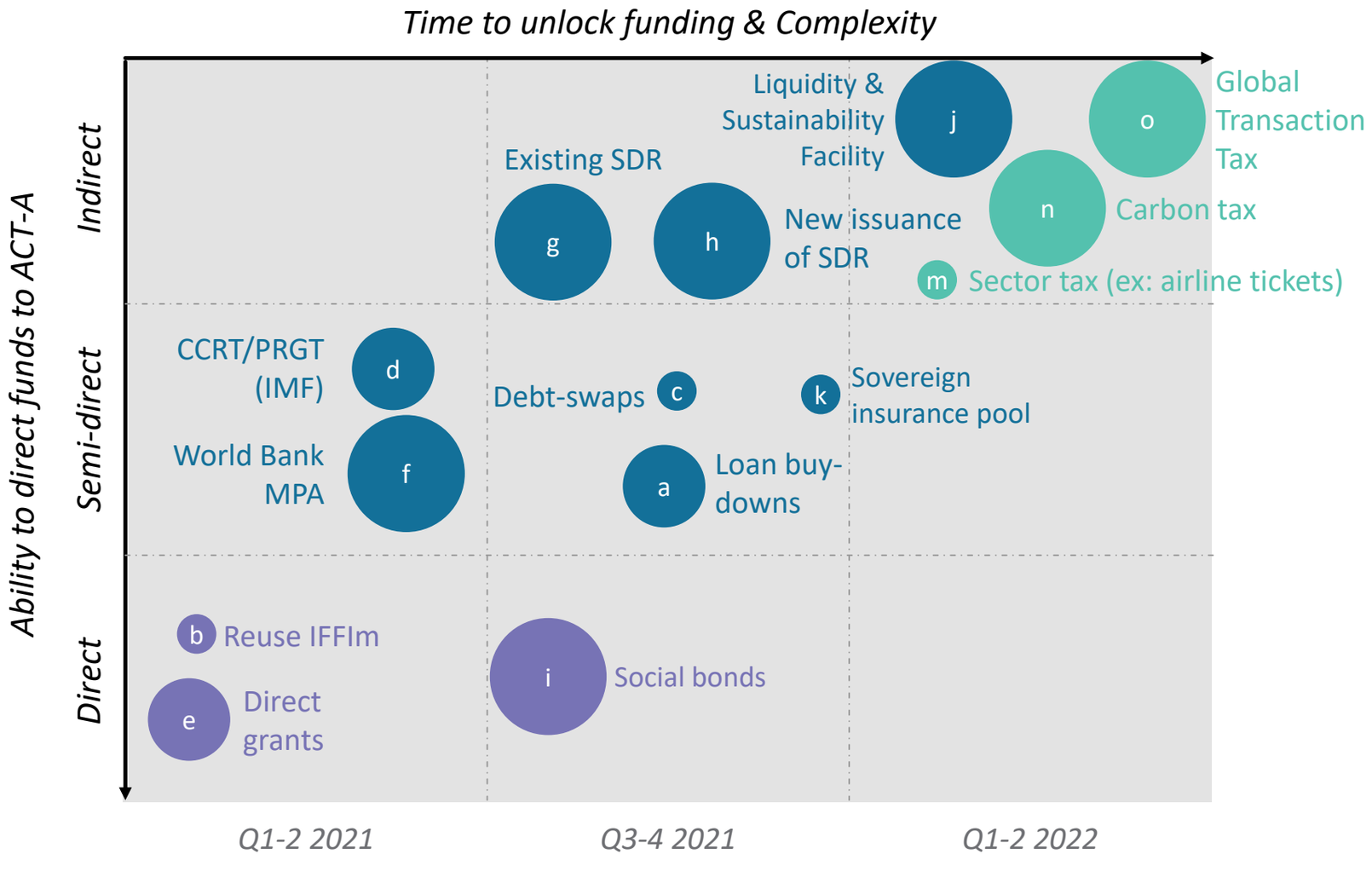
The ACT-A's $28.1b funding gap for 2021 is distributed across its value chain and over time; 80% of the current gap is for procurement

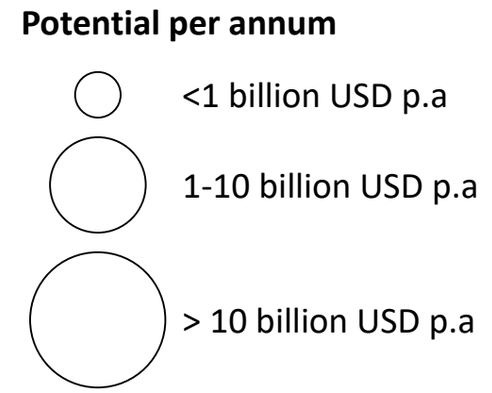
Total ACT-A funding gap by period – in USD billion



Financing options for ACT-A can be evaluated based on the complexity & time to set-up, the ability to direct the financing to ACT-A and size

Classification of potential ACT-A financing mechanisms by speed of funding, opportunity to earmark for ACT-A, and potential size – details in separate Annex





Category of financing

- Mechanisms for LICs/LMICs
- Mechanisms for HICs/UMICs
- New Public Revenue Streams for LICs, LMICs, UMICs and HICs

NOTE: Direct 'ACT-A funding' refers to mechanisms that earmark funds directly to ACT-A; Semi-direct funding refers to mechanisms that earmark funds to COVID-19 related health issues; Indirect funding refers to mechanisms that do not allow earmarking or with low earmarking & tracking possibility. 'Time to unlock funding' refers to how fast funds can be disbursed for development purposes
Source: Experts interviews; BCG analysis

Even with a mix of new financing mechanisms, there would still need to be a substantial increase in direct grants from HICs/UMICs & investment by LICs/LMICs to fully finance ACT-A

ACT-A Financing Framework to close the 2021 gap – in USD billion

			Feasibility & funding potential of different financing mechanisms for ACT-A					
ACT-A Goal	**1º financer**	*Gap*	**Feasible**	*Potential*	**Maybe**	*Potential*	**Not feasible**	
Speed	HICs/UMICs	$3 B	(A) Existing ODA	$3 B			New tax SDR	
Equity	HICs/UMICs	$16.5 B	**(B) Private sector grants** **(C) Social Bonds**	**$1.5 B** **$3 B**	IFFIm *(Vaccines only)* **(E) Exceptional additional ODA**	? **$12 B**	New tax SDR	
Common products	LICs/LMICs	$8.5 B	**(D) WBG MPA**	**$3 B**	**(F) MDB loans, buy-downs, SDR, LSF[1]**	**$5.5 B**	New tax Debt swap	
TOTAL		**$28 B**		**$10.5 B**		**$17.5 B**		

1. Liquidity & Sustainability Facility

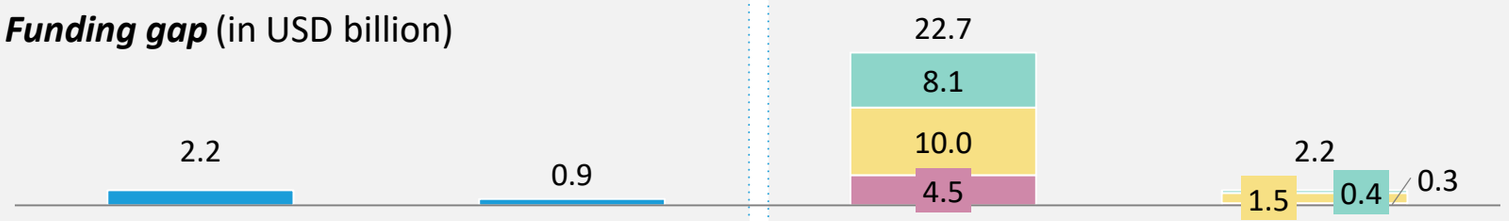
Framing ACT-A's value chain & needs in terms of its goals of 'Speed' (accelerated product dev.) & 'Equity' informs financing options

Investments to ensure **speed** would need to be primarily HIC/UMIC-financed[1]

$3.2b[1]

R&D and Product Assessment → Market Shaping & Manufacturing → Procurement → Demand Generation & In-Country Delivery

Funding gap (in USD billion)



Investments to ensure **equity** of scarce products for LICs would need to be HIC/UMIC-financed

$16.4b[2]

Investments for **common products available at fair prices** could potentially be LMIC/LIC-financed

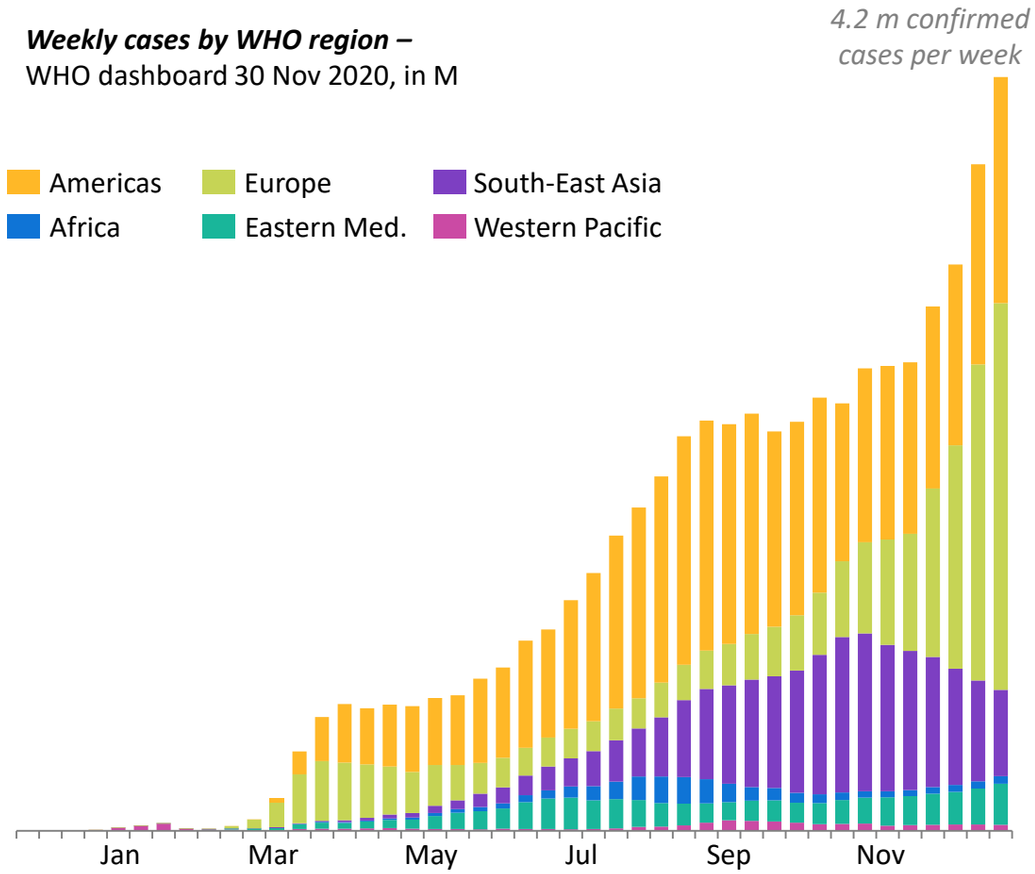
$8.5b[3]

1. These activities generate global public goods, primarily through multilateral and private sector investment;
2. This does not include domestic procurement of therapeutics already anticipated in the Tx investment case (80% of UMIC procurement, 40% for LMIC).
3. This does not include the domestic spending anticipated in the HSC investment case: $ 6.8 Bn on UMIC, LMIC and LIC products for PPE and Oxygen.

COVID-19 is an historical exception, that has triggered exceptional public spending and should be able to unlock **exceptional additional ODA**

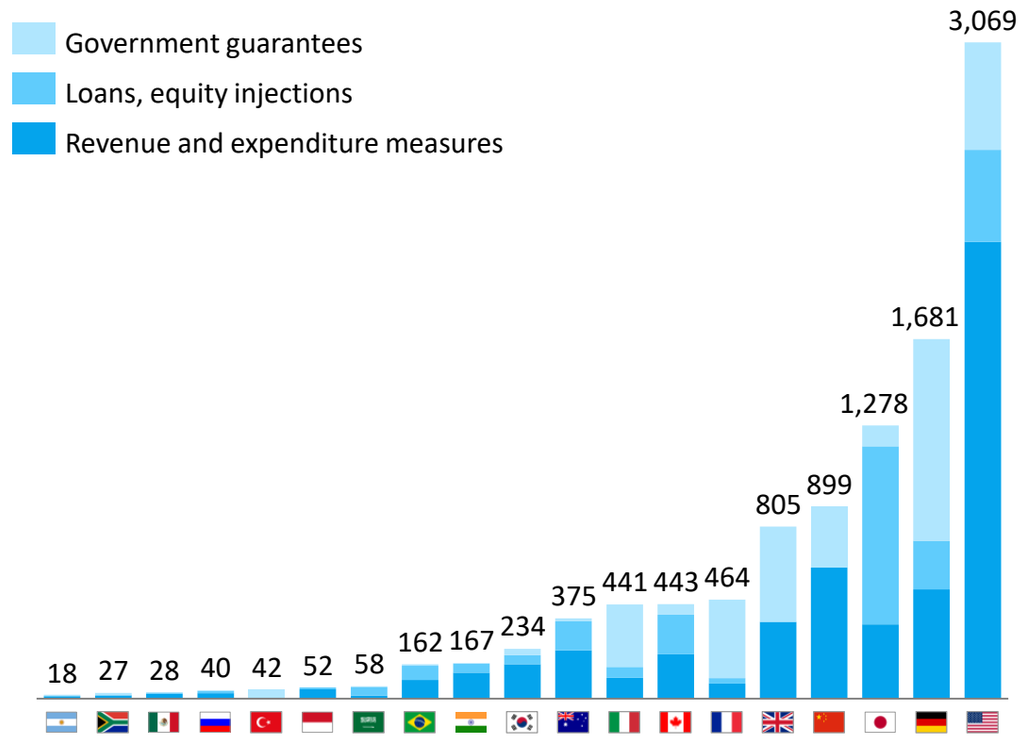
>1.5m deaths, with many countries going into a 2nd winter with uncontrolled COVID

Weekly cases by WHO region –
WHO dashboard 30 Nov 2020, in M



The >US$12 Trillion in fiscal stimuli dwarfs even the Global Financial Crisis of 2008-9

Size of stimulus package –
IMF covid-19 policy tracker, in $Bn



IMF World Economic Outlook Report (7 Oct) fully supports the ACT-Accelerator Investment Case

"…if medical solutions can be made available faster and more widely **relative to our baseline, it could lead to a cumulative** increase in global income of almost $9 trillion **by end-2025**"

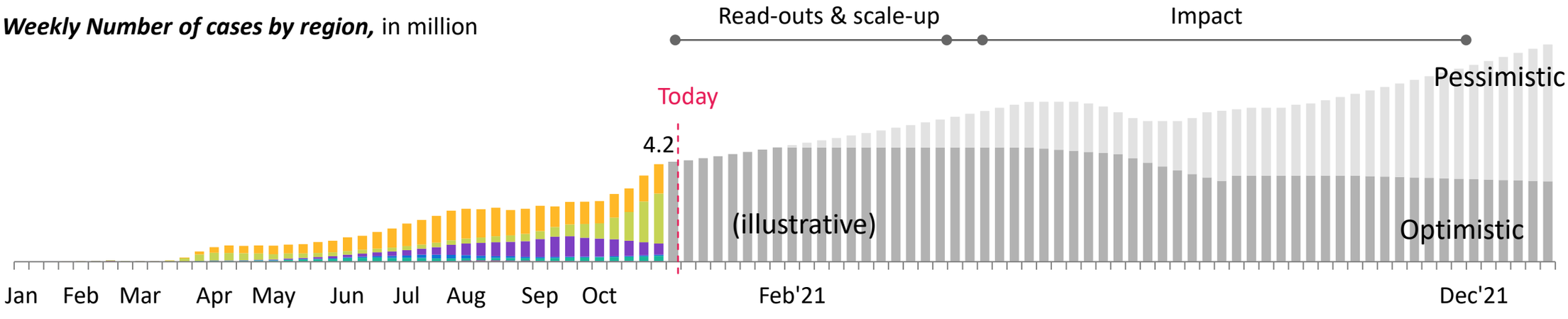
IMF World Economic Outlook, October 2020

Addressing ACT-A's urgent needs

=

*only **1 day** of that income and would save countless lives*

Weekly Number of cases by region, in million



Source: full report here and IMF blog here

ACT-A impact | Bridging the funding gap will help save 3,000 lives per day and restore the global economy

Direct Impacts

Vaccines
2bn doses delivered by end 2021, covering 20% of LIC/LMICs population

Therapeutics
245 million Therapeutics courses in LIC/LMICs by mid-2021

Diagnostics
500 million tests in LIC/LMICs by mid-2021

Health System connector
Strengthened health systems to deploy covid-19 tools in efficient way

Indirect impacts

Restore the global Economy
Fast & equitable access to Covid-19 tools could generate +$9 Trillion in global income by 2025[1]

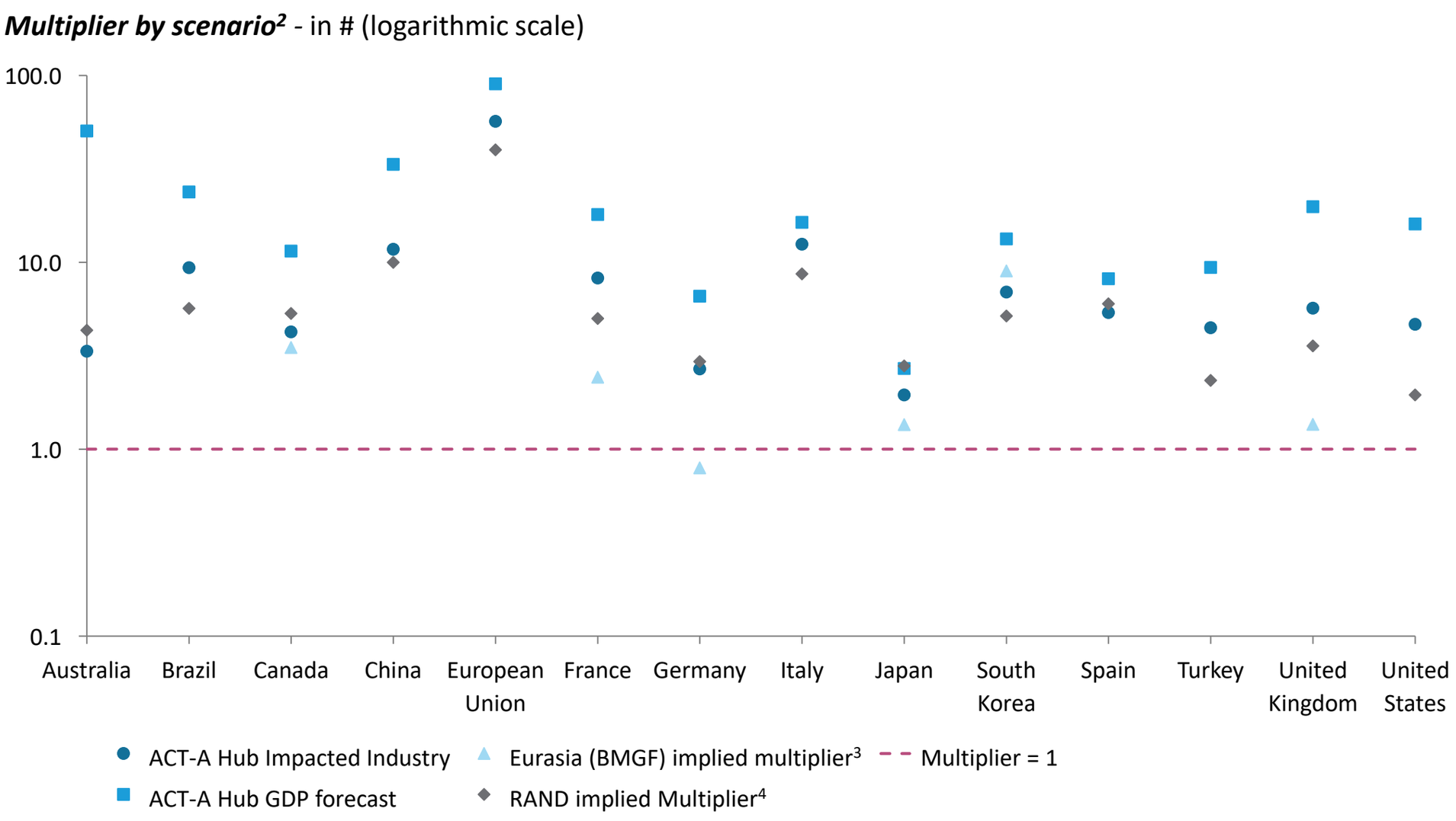
Resume Education
Help 320 million students who are out of school due to the pandemic resume their learning[2]

Avoid 3,000 deaths per day[3]
Significantly reduce global Covid-19 mortality through training & tools

1. Source IMF World Economic Outlook, Oct 2020; 2. As of 09 Dec 2020; Source UNESCO; 3. Assuming 80% of deaths of infected patients could be avoided from Q3 2021 onwards with mortality rate of infected patient of 2.28%, Source WHO covid-19 dashboard; BCG analysis

Return on Investment (RoI) for Selected Donor Countries

Different methodologies all show multiplier >1 across G20 countries



1. Country not represented on the graph are Argentina, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa; 2. Benefit of investing in ACT-A divided by 'Ask' by country as estimated by ACT-A Hub; 3. GDP potential savings divided by ask by country; 4. delta in GDP from baseline vs. scenario 4 divided by ask by country

What is in & out?

What is collective and what is self-financing?

ACT-A investments complement the overall COVID-19 response by increasing the Speed & Equity of the development and delivery of essential tools

	Multilateral	Domestic
ACT-A	Drive investments to deliver **speed** (e.g. R&D support) and **equity** (e.g. allocation mechs & prepare LICs delivery)	Co-financing of procurement and delivery Guaranteed **equitable access** through fair prices & reservations
COVID-19 Response & Recovery	Support investments in health systems strengthening Support implementation of ACT-A tools	Core structural investments in health systems Procurement for bilateral deals

Next Steps

1. Incorporate Facilitation Council feedback on the Financing Framework
   – *Co-Chairs*

2. Refresh each Pillar's strategy in the context of the 'vaccines era' (by 21 January)
   – *Pillars*

3. Update each Pillar budget accordingly, with a cost breakdown across the value chain & by quarter (incl. costs that may be incurred in 2022)
   – *Pillars*

4. Initiate a process to establish a social bond that can front load financing for the ACT-A needs
   – *Co-Chairs & FC Members*

5. Begin consultations to establish political buy-in & support for a 'refreshed' ACT-A Strategy & Budget for 2021 and a Financing Framework to support it
   – *Co-Chairs & FC Members*

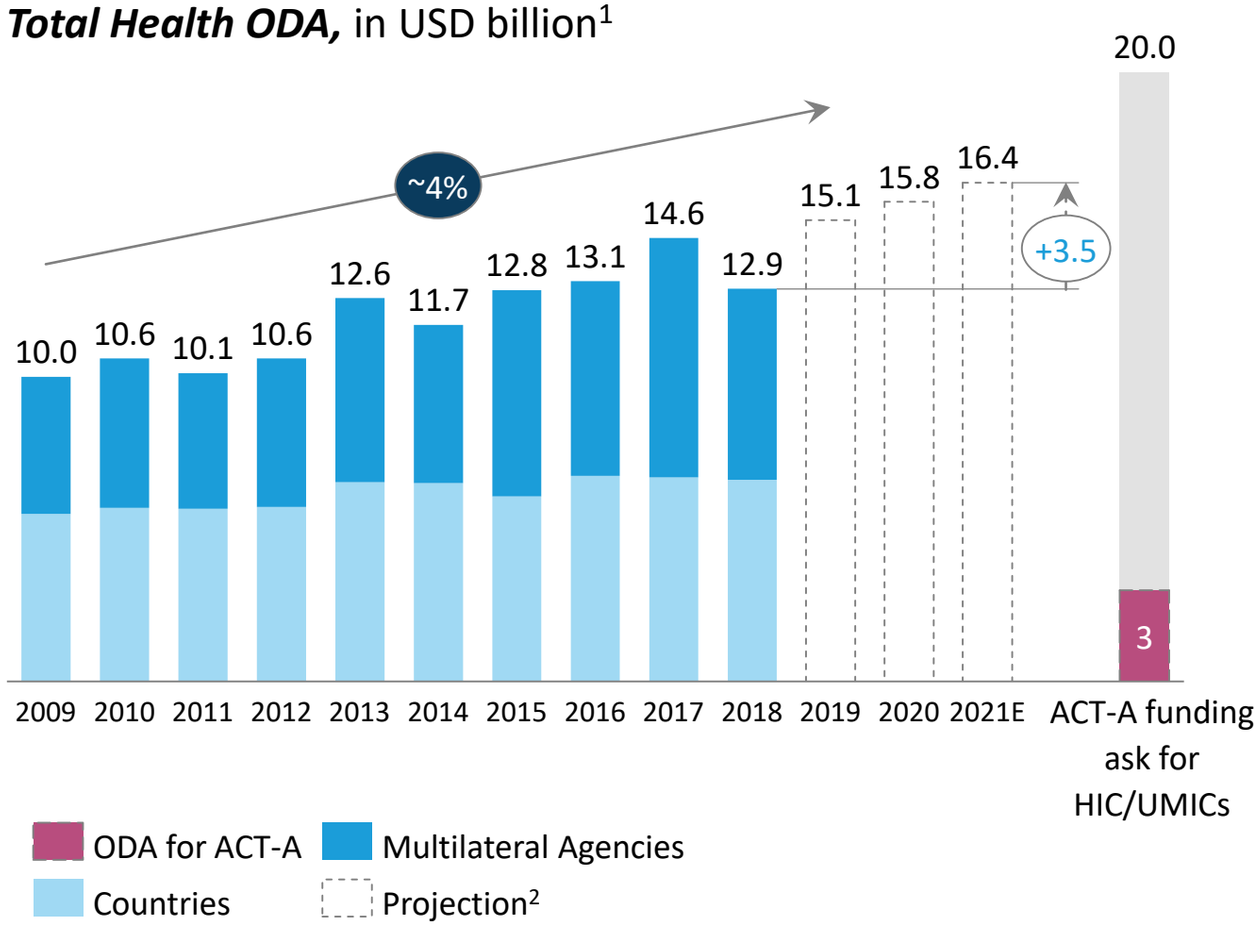
Appendix

Analysis of the feasibility & potential of the proposed financing mechanisms to close the ACT-Accelerator funding gap

Existing ODA | Although most ACT-A funding came from ODA in 2020, a realistic expectation from ODA financing in 2021 may be **$3 bn**

Total Health ODA disbursements were growing at the World GDP growth rate since 2009 *(+4% per year)*

Total Health ODA, in USD billion[1]



1. Disbursement in 2018 USD value, excluding private donors; 2. based on historical growth.
Source: OECD, World Bank, BCG Analysis

The historical trend and recent developments in ODA suggest that $3B may be a realistic expectation for ACT-A in 2021

Historical trend

- ODA is unlikely to maintain its historic growth rates over 2021 (and beyond)
- The ACT-A 'ask' should not result in a step back for other Global Health issues/priorities funding
- The variance in ODA over the last 5 years suggests a $3Bn opportunity for new initiatives
- A realistic (and yet optimistic) expectation for ACT-A from current 'health ODA' budgets is **US$3 Billion for 2021**

NOTE: Comparison with 3 major global diseases

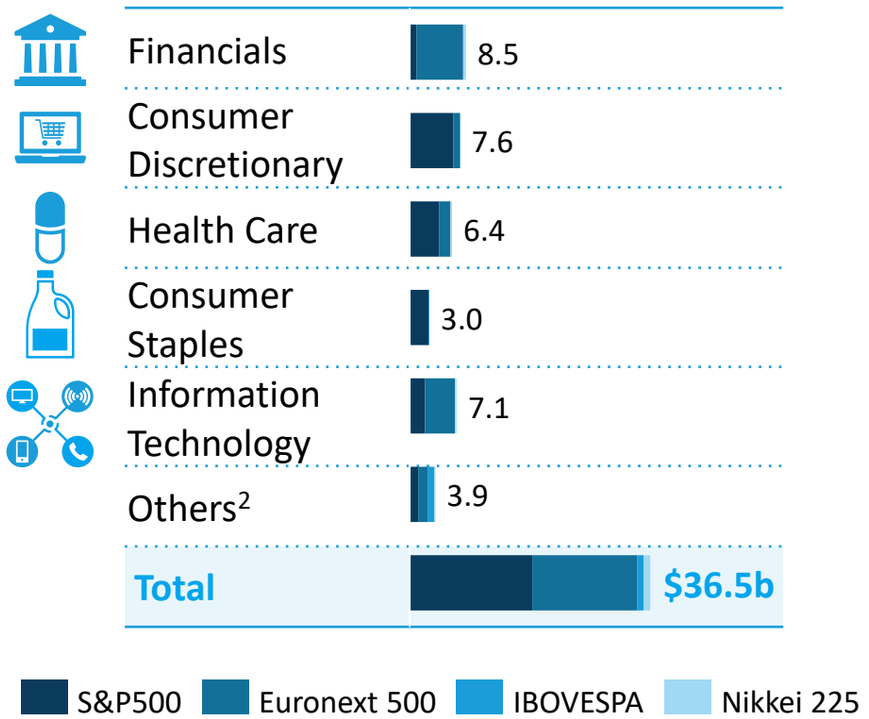
- HIV, TB & malaria are funded up to $9b per year

Private sector grants | Pandemic's impact analysis reveals a **US $1.5 bn** opportunity, with a mix of corporate & philanthropic donors

In Q2 2020, 92 companies generated +$36 Bn in additional EBIT[1]

Q2 2020 additional EBIT by sector and marketplace
- In $US billion

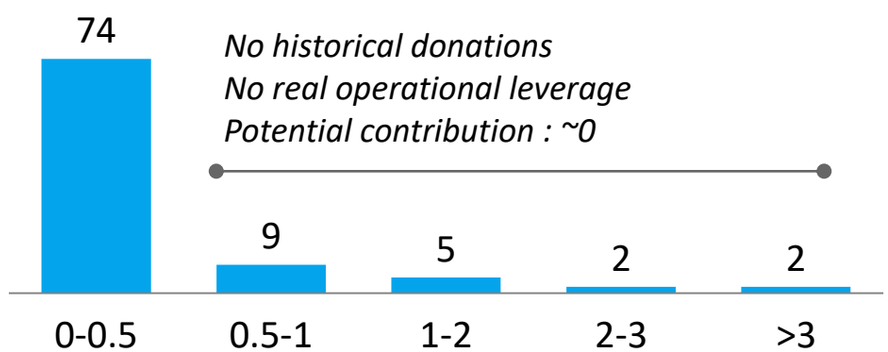
5 sectors cumulating 90% of add. EBIT



A deeper review of earnings & existing operational leverage suggests a target of $750 million

Distribution of companies by Q2 2020 additional EBIT
- In #

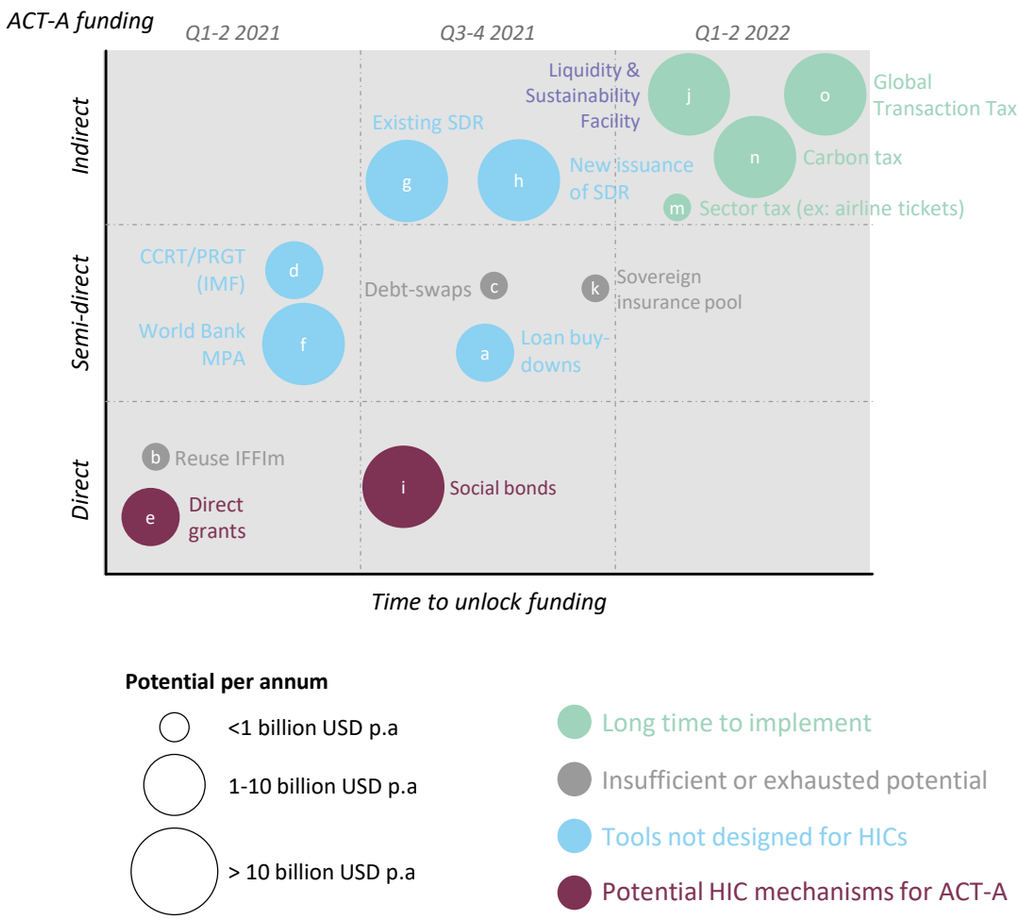
Opportunity: companies with <$500m in additional EBIT
e.g., 20% contributing $50m could = ~$750 m



1. Difference between actual Q2 2020 Earning Before Interest and Tax (EBIT) and Q2 2020 forecast, based on 5-year CAGR; Source S&P Capital IQ;
2. Others include: Utilities, Industrials, Real Estate, Materials, Home entertainment

Social bonds | Most financing mechanisms would not work due to complexity & time to implement; social bonds could raise **US $3 bn**

Assessment of specific financing mechanisms in terms of their suitability for closing the ACT-A financing gap



Social Bonds are the most appealing of the financing mechanisms explored, but still have limited potential

- There has been **strong recent market growth** on Social/Green/Sustainable bonds, fit for development organizations[1]
- Social Bonds require binding pledges over time[2] .
- The average social bond issue is ~**$600 m**[3]

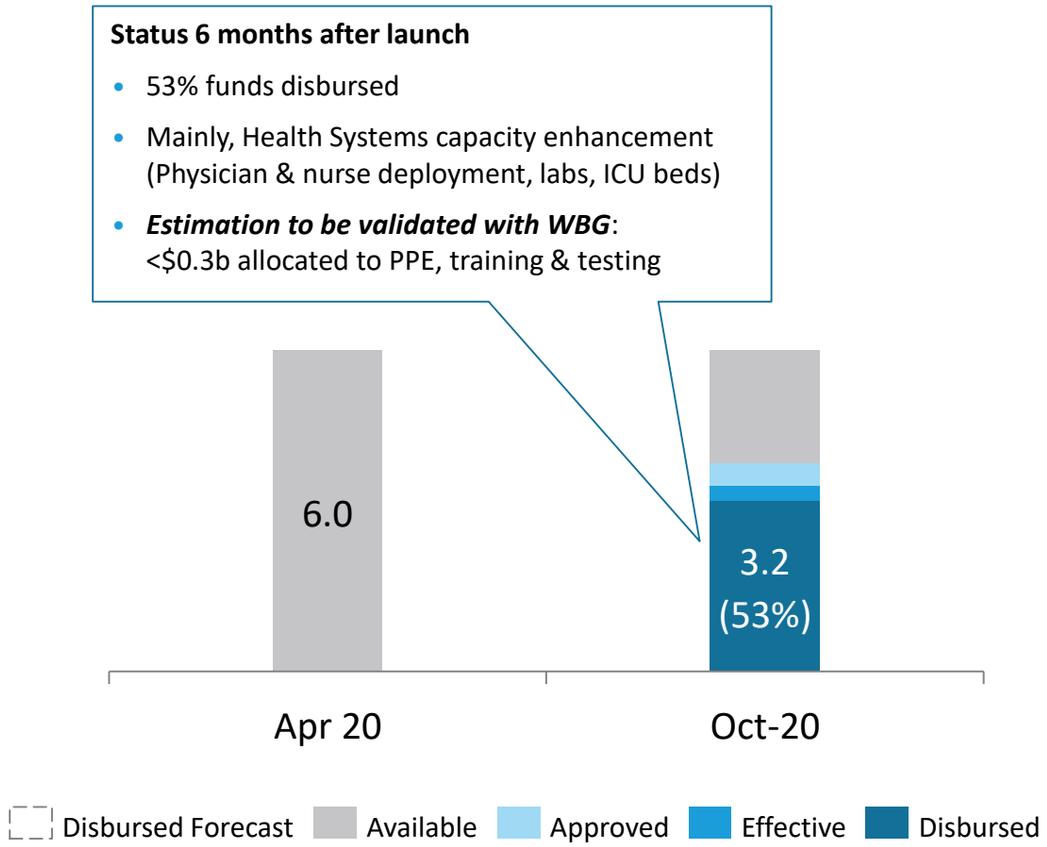
- If market size and deal size maintain the same recent momentum, Social Bonds could realistically lead to a **US $3 Bn opportunity for the ACT-Accelerator in 2021**

1. In 2014: $0.5B issued by InterAmerican Development Bank. In 2017-18 $2B from African Development Bank; 2.Donors issue social bonds explicitly to raise money for the global COVID-19 response, backed by firm pledges to bond-holders to pay over future periods, and provide the sum raised to countries or global health institutions as an upfront grant; 3. Source: Sustainable Bonds Insight 2020, Environmental Finance; iLab 2018 The Social Bond market: towards a new asset class? ITW with experts (incl. BMGF, Norway, Germany)

WBG MPA | Analysis of the last Multiphase Programmatic Approach suggests **US $1.5 bn** of the new MPA could be gap-reducing by Q2 '21

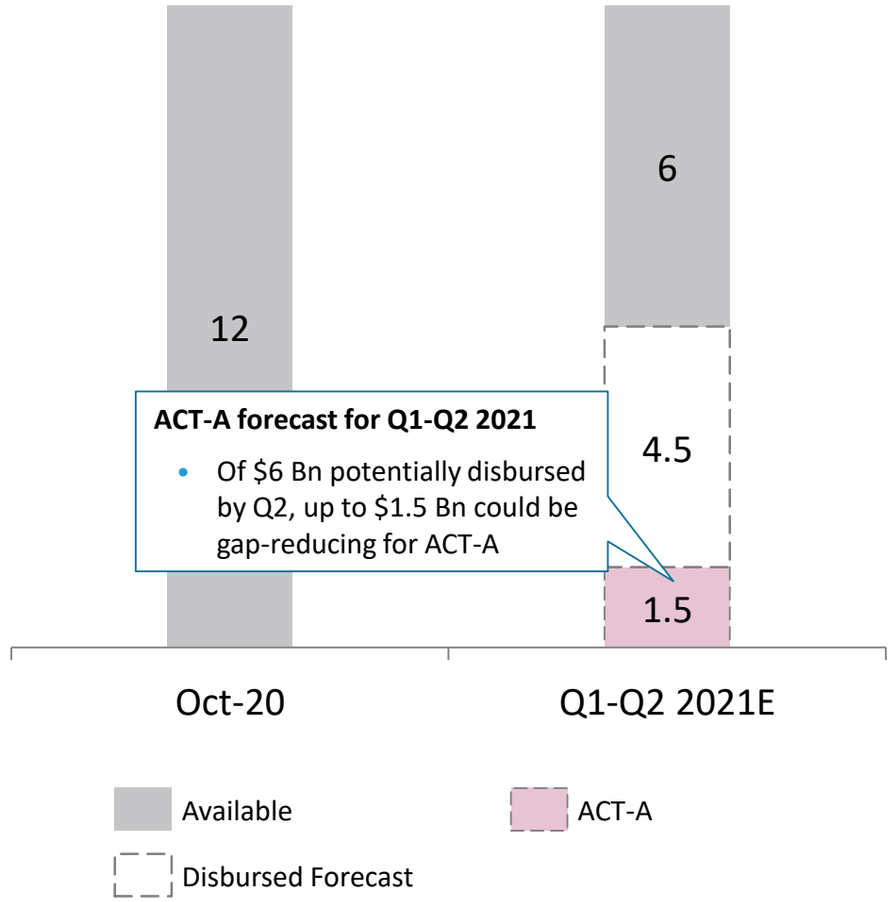
Rapid execution of the 1st MPA[1] showed disbursement of >50% of funds in <6 months

Analysis of the April IDA/IBRD MPA, in $US billion



With new products available (e.g. Vx, Dx, Dexa), we assume the proportion of MPA for tools will double

WBG new COVID-19 MPA, In $US billion

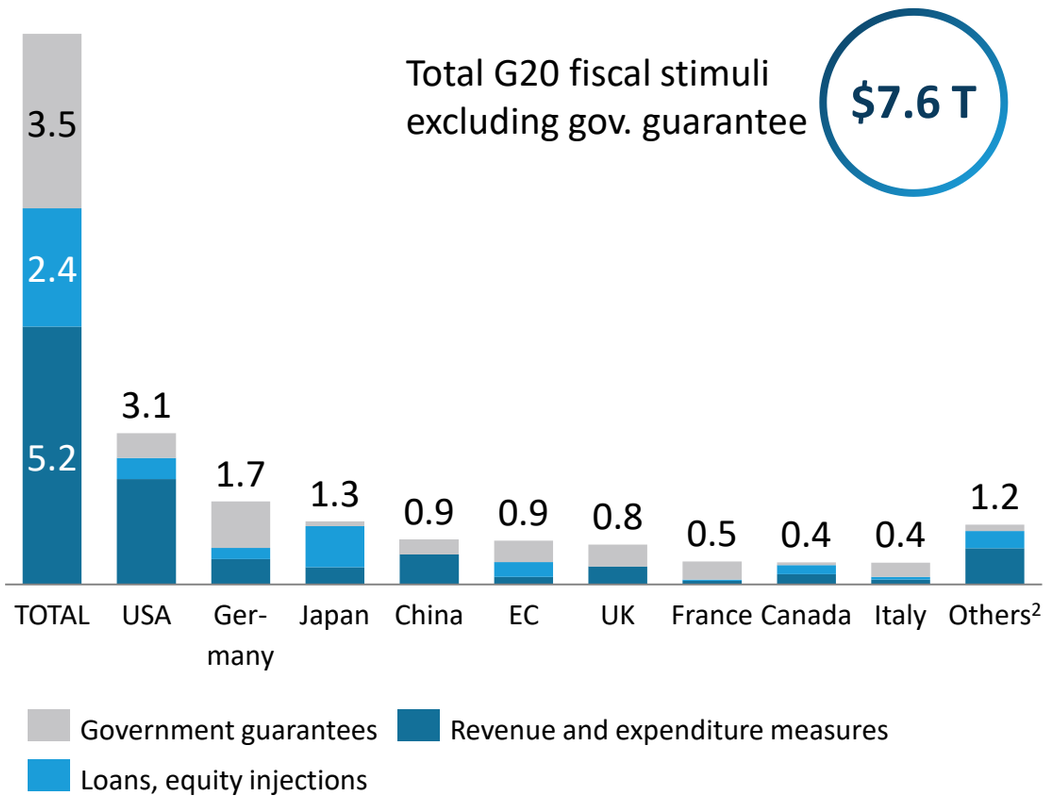


1. MPA: Multiphase Programmatic Approach;
Source: World Bank COVID 19 Response MPA and Beyond, 15 October 2020

Exceptional additional ODA | Fiscal stimuli will continue through 2021 and may be the most realistic funding avenue for sovereign donors

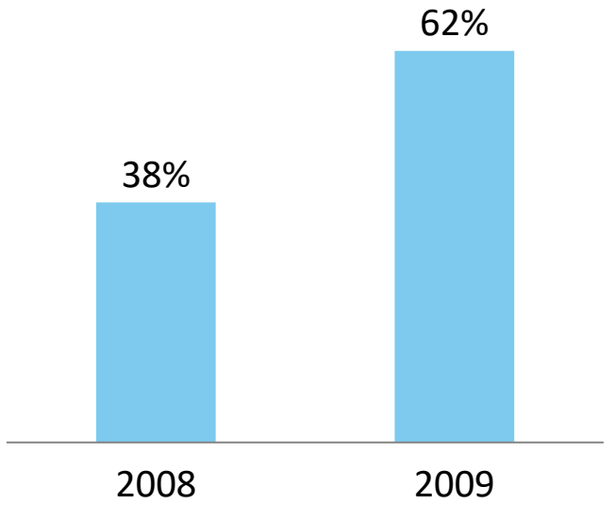
Of the US $12 Trillion in G20 stimuli since the start of the pandemic, US $7.6 Trillion was ‘cash’

Domestic Fiscal stimuli since start of pandemic
- IMF covid-19 policy tracker, as of Dec 2020, in USD trillion[1]



History suggests that fiscal stimuli could repeat in 2021, with a similar order of magnitude

Fiscal stimulus response in Global Financial Crisis
- International Labor Org., OECD , in % total stimulus package



1. in real 2020 USD as of Dec 2020; 2. Includes India, Brazil, Australia, Indonesia, Turkey, Russia, South Korea, South Africa, Saudi Arabia, Argentina, Mexico;

Other mechanisms for LICs/LMICs | Financial mechanisms could be re-assessed for supporting liquidity with low impact on long-term debt

	Access a large enough market	Disburse funds by Q3 2021	Can channel through ACT-A	Work for highly-indebted countries	Low/no impact on debt
New emission of SDRs	✓	✓	✗	✓	✓
Loan buy downs	✓	✓	✓	✓	✗
Debt swap	✗	✓	✓	✓	✓
Liquidity and Sustainability Facility	✓	?	✗	✓	✓

Key: is criteria met?

✓ Yes ✗ No ? To be further investigated