

Pledge Guarantee For Health (PGH)

Women Deliver – UGANDA 2012:
Leveraging Innovative Finance to enhance outcomes

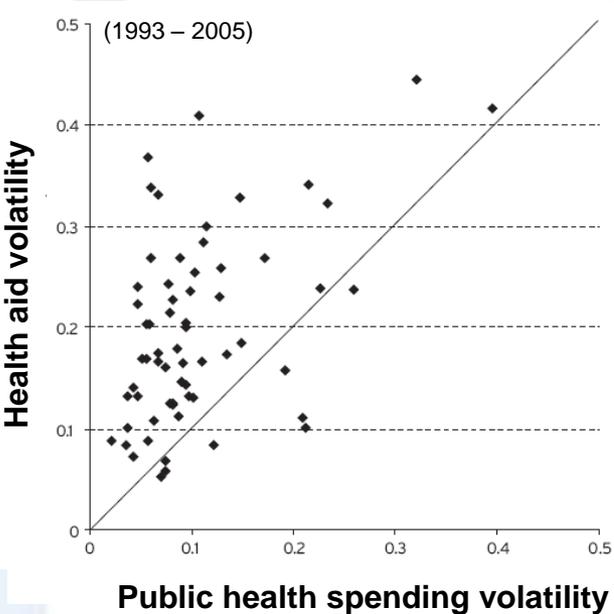
March 27, 2012



Health funding volatility in developing countries destroys value and has adverse impacts on the procurement system and end users



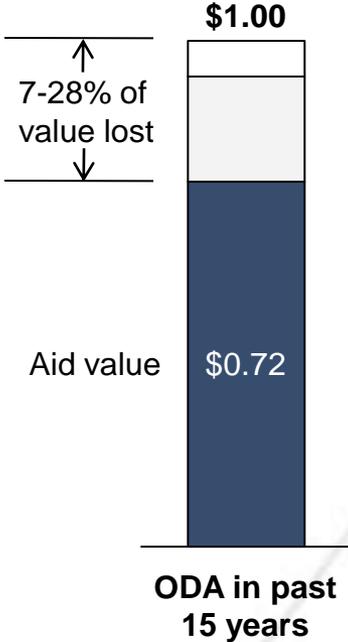
Volatility of health aid is higher than government health spending¹



Examples of negative impacts

- **Stock-outs:** Recipients run out of key health commodities or face dangerously low stocks while waiting for donor funding
- **Higher per item costs:** Delayed funding leads to acute shortages which reduces recipient bargaining power and often leads to supplier charging risk premiums due to payment and production uncertainties
- **Additional emergency costs:** emergency production and shipping fees to compensate for the time lost waiting for disbursement

Lost \$0.07-0.28 for every \$1 of aid due to the unpredictability¹

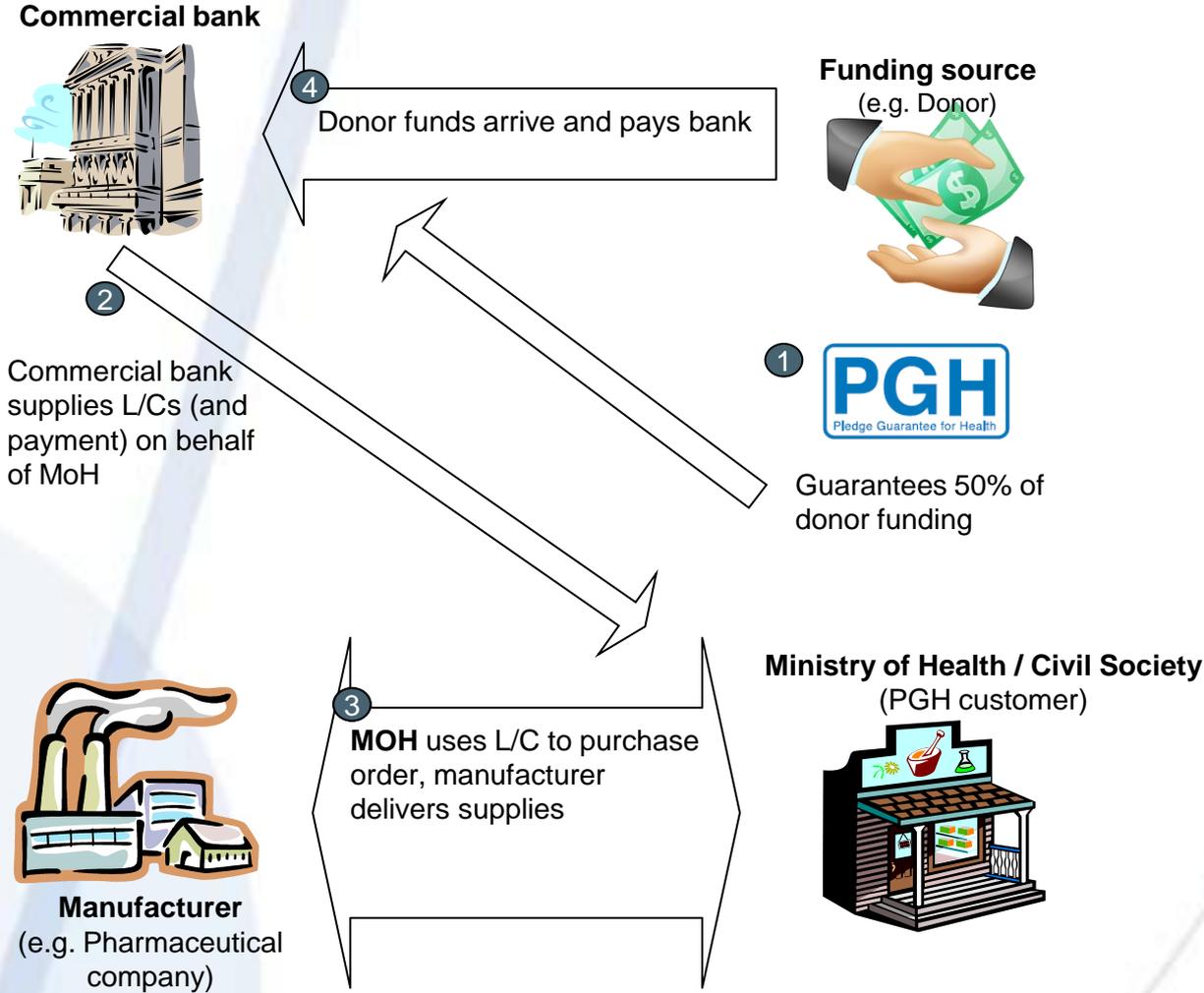


Lack of access to financial tools for recipients of donor financing to effectively manage volatility

(1) Source: P. 4, Brookings Institution. August 2008. "Smooth and Predictable Aid for Health – A Role for Innovative Financing?"; Dalberg analysis.



PGH increases access to health commodities by allowing donor recipients to leverage L/Cs to accelerate procurement



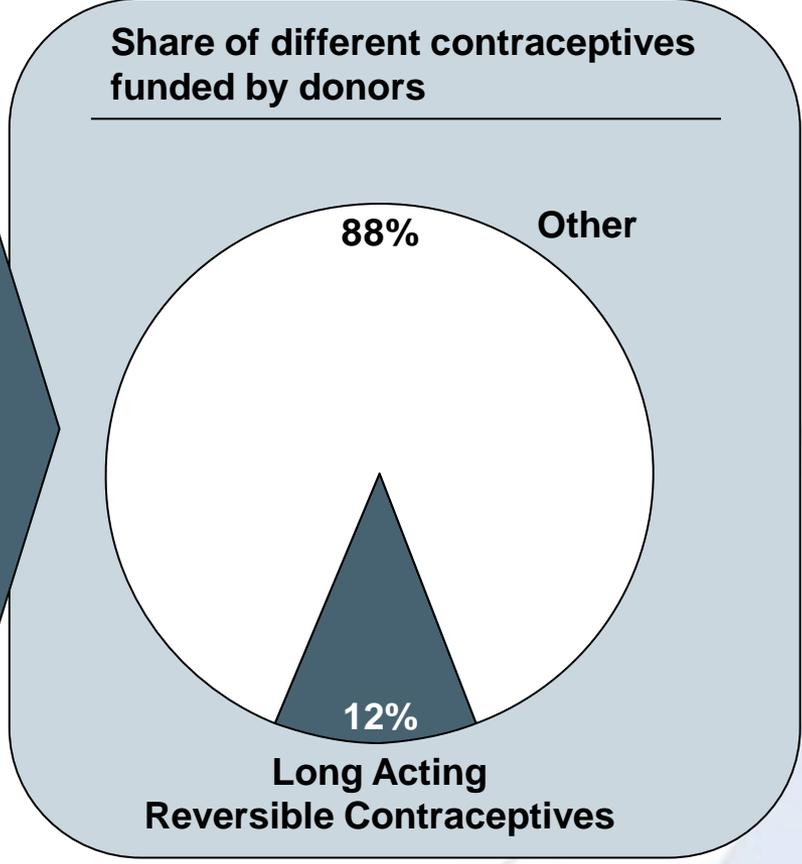
- PGH allow recipients of donor funding to use donor commitments (along with a PGH guarantee) as collateral for obtain low cost commercial financing to accelerate procurement

Situation: Even though implants are more cost effective, the higher unit price makes donors prefer to fund other methods

Even though long acting methods like reversible implants cover women over multiple years to give a lower per use price...

...Long Acting Reversible methods remain a small share of the contraceptives funded by donors

	Condoms	Implants
		
Unit price	\$0.03	\$20.00
÷		
# Uses	1 day / use	3 years (1,095 days/uses)
=		
Price per day/use	\$0.03	\$0.02



Opportunity: Manufacturer offers a challenge to the RH community if Implants sales reach 4.5 million, prices will be lowered ~10%

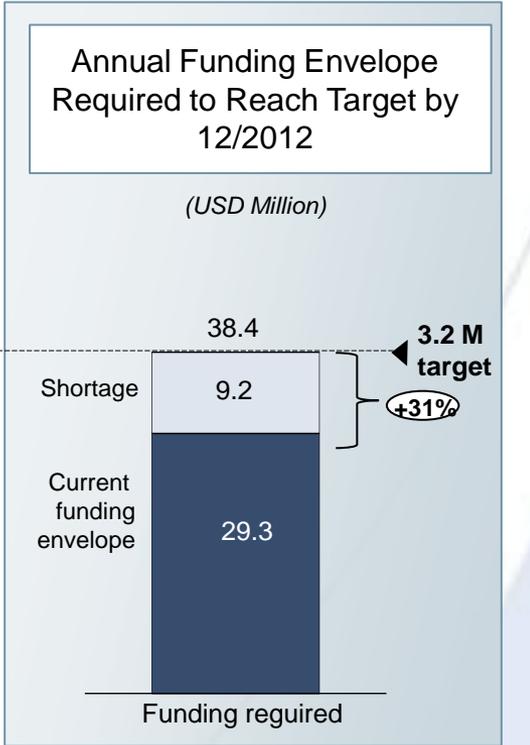
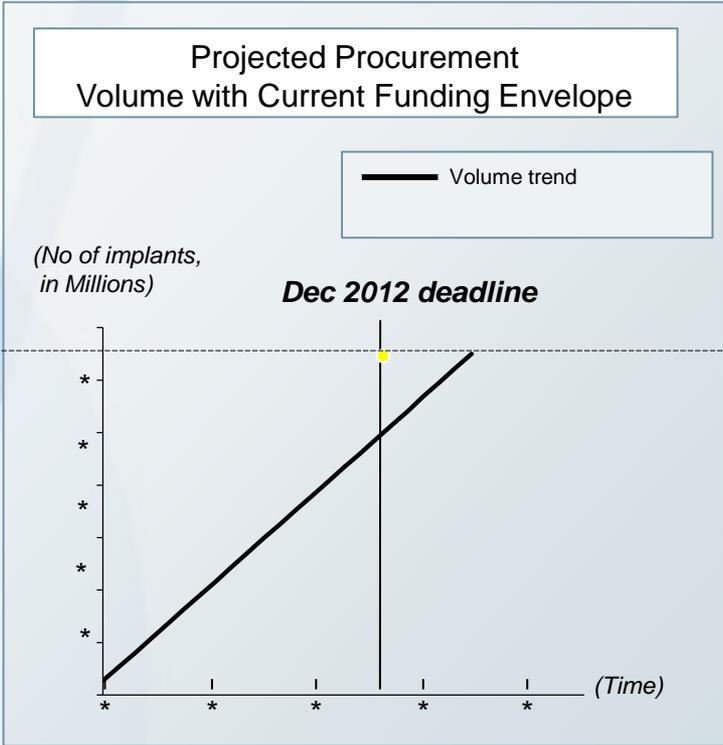
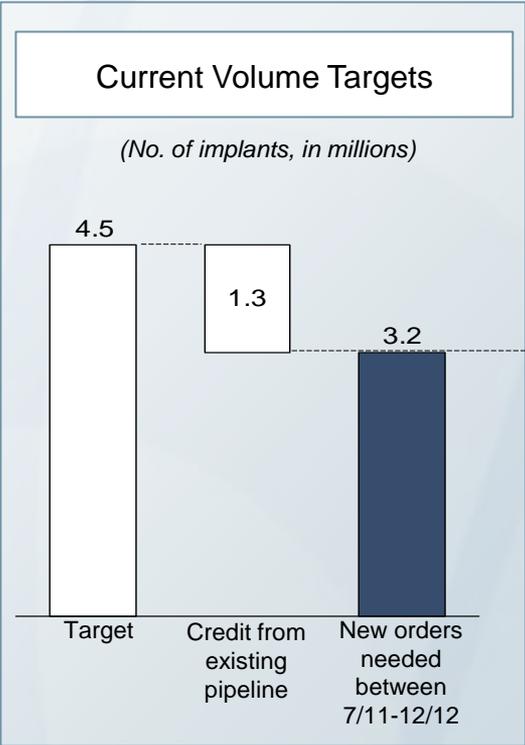
- ❑ To incentivize greater access, Manufacturer will forward a **\$1.50 rebate per unit** for orders made between Jul 2011 and Dec 2012 if sales exceed 4.5 million in disadvantaged countries
- ❑ To further assist, **Manufacturer is partnering with PGH** to offer a delayed invoice structure where 50% of invoices are due in 90 days and 50% in 365 days enabling buyers to **accelerate delivery**

Complication: Trends show target volumes will not be met with current funding envelope

To incentivize greater access, Mfg has offered to provide a **retroactive price discount if implant orders exceed 4.5 million by Dec 2012...**

...however, historical trends suggest that **buyers will not be able to meet the volume target ...**

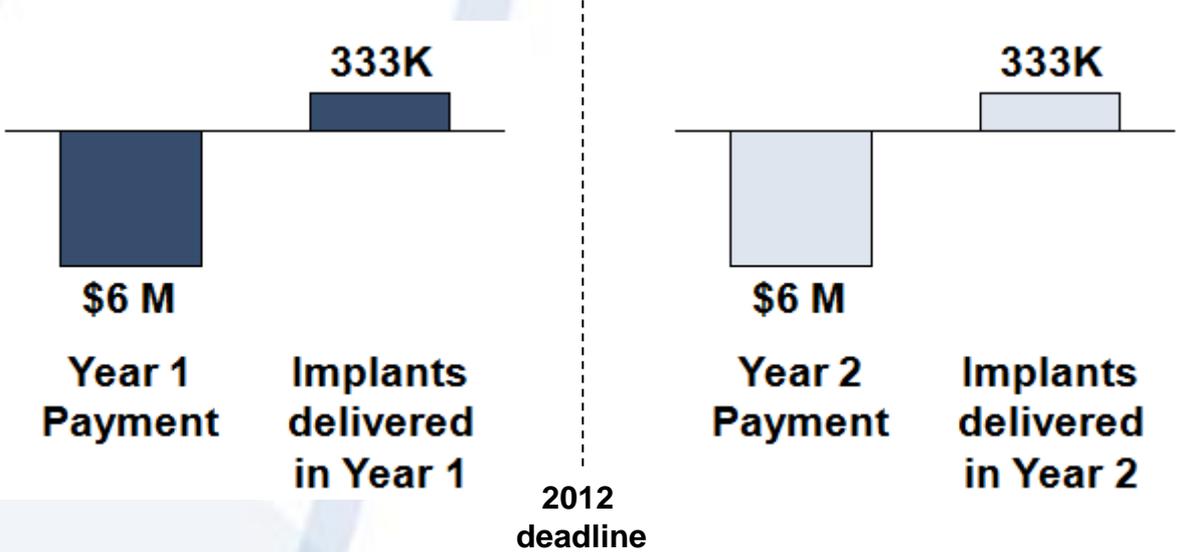
...donors **would need to increase funding by 31%** in order to purchase enough implant to reach target volumes and trigger the price discount



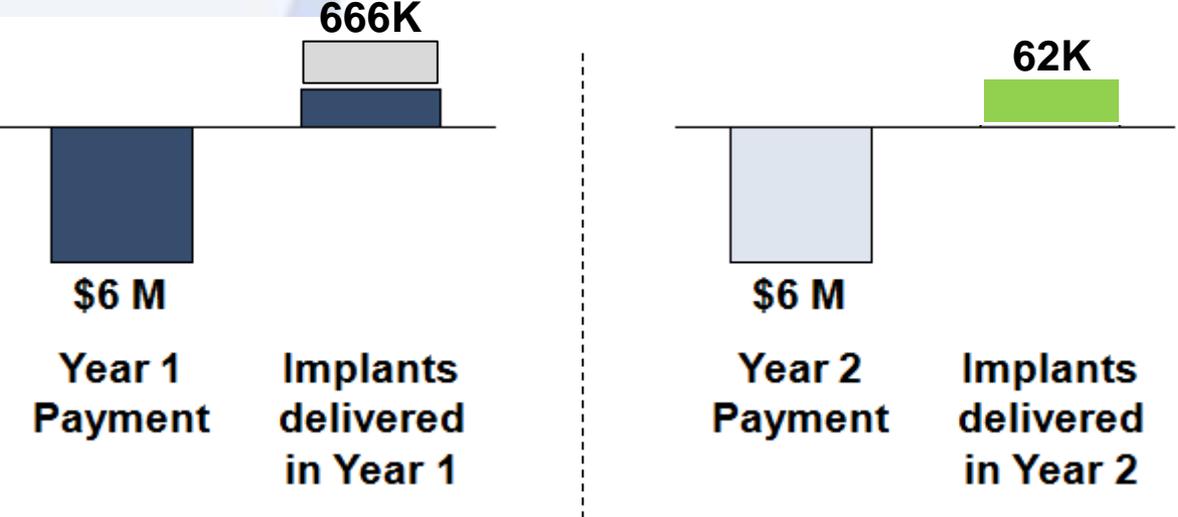
Solution: Without increasing funding, PGH can help accelerate access to Implants and take advantage of the rebate option

- Year 1
- Year 2
- Rebate

Traditional



Innovative Financing thru PGH



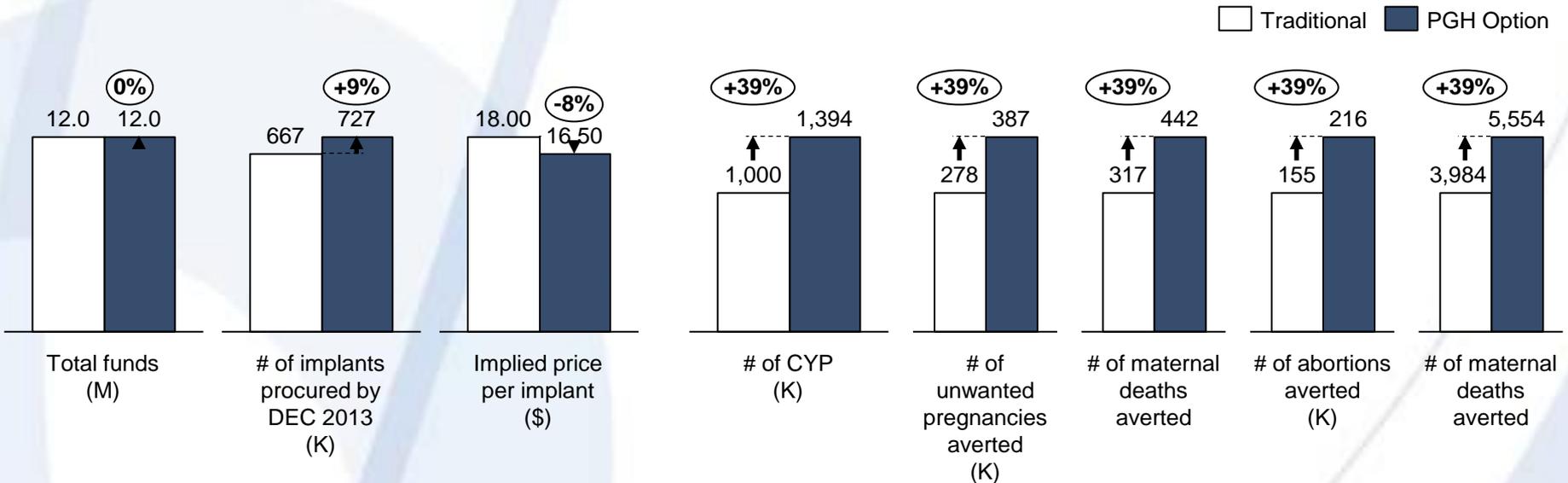
Impact: PGH allows countries to reach higher health outcomes with less money

Assuming...

- ❑ 1 implant can provide 3 CYP (couple years of protection) for a woman
- ❑ Every 3.6 couple years of protection with Implant will result in 1 unwanted pregnancy averted
- ❑ Every 3153 couple years of protection with Implant will result in 1 maternal death averted
- ❑ Every 6.45 couple years of protection with Implant will result in 1 unwanted abortion averted
- ❑ Every 251 couple years of protection with Implant will result in 1 infant death averted

...the PGH option can deliver 9% more supplies at 7% lower costs...

...and because more supplies are delivered earlier, the PGH option increases CYP and health outcomes by 39%



Assumptions formed from interviews with Reproductive Health Supplies Coalition

Note: Assumes 24 month period from 1/2012-12/2013 for funding commitment and implant procurement. Assumes only the PGH option can reach the target volume triggering the rebate which is used to procure more supplies. Assumes a \$1M annual funding envelope. Assumes a price of \$18 for the traditional and \$18.31 for the PGH option with an expected donor disbursement at 180 days .

Summary: Innovative financing enables countries to increase aid effectiveness and obtain better health outcomes

