

PROTECTING INVESTMENT IN TB VACCINE R&D AND HEALTH SYSTEMS AMID DEBT DISTRESS AND REFORM

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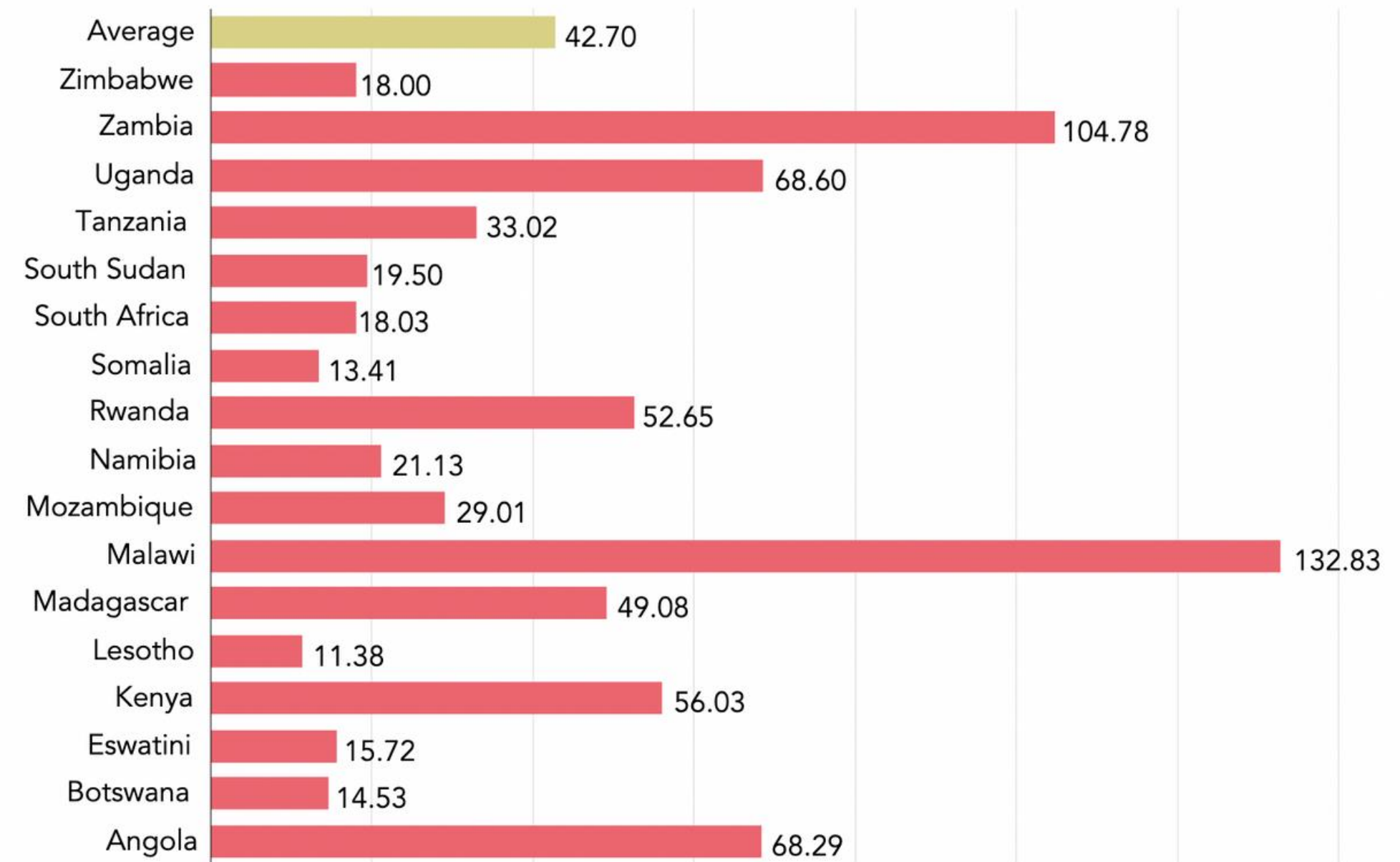
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Debt & Public Funding

- Public debt burden has risen drastically in recent years, surpassing previous debt highs.
- One-third of debt rise is directly attributed to COVID19 & related expenses.
 - In middle- and low-income countries, debt grew from 55% to 63.8% of GDP between 2019 and 2020.
 - Among 44 developing countries participating in the G20 Debt Service Suspension Initiative, debt rose from 39.6% to 66.3% of GDP between 2011 and 2020.
- In 2024, debt servicing absorbed an estimated 41.5% of budget revenues, 41.6% of spending, and 8.4% of GDP on average across 144 developing countries.
 - Decreases in expenditure on public services and government functions is associated with increased debt.

Figure 17.
Debt service as a percentage of revenues (2023)⁵³



Source: UNAIDS, *Domestic revenues, debt relief and development aid: Transformative pathways for ending AIDS by 2030 Report on Eastern and Southern Africa, 2024*

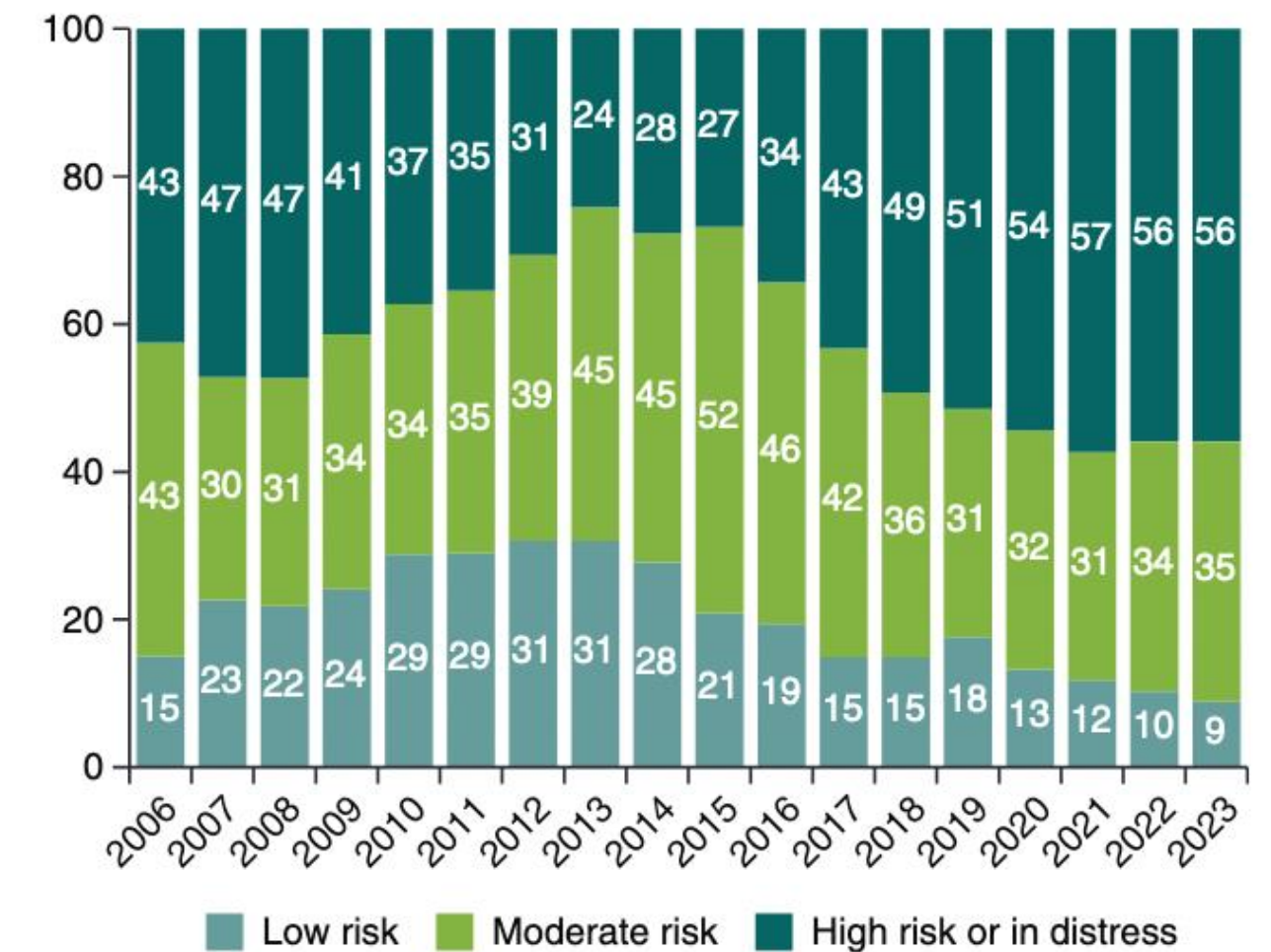
Burden of Debt Distress Globally

Debt Distress - point at which countries are unable to fulfill their financial and debt obligations

- Risk of debt distress has grown and is projected to continue to grow.
- The growth of debt burden & distress over the last decade cannot be attributed to unique factors in each country.
- 56% of low-income countries are either in debt distress or at high-risk.
 - From 2020 - 2023, 10 LMICs experienced 18 sovereign debt defaults.
 - Rate of sovereign defaults is higher than any point in 21st century.
- Debt threatens investment in and progress towards all sustainable development goals, **especially health**.

Figure 5.1 Risk of External Debt Distress among IDA-Eligible Countries, 2006–23

Percent of countries at risk



Source: Joint World Bank–International Monetary Fund Debt Sustainability Framework for Low-Income Countries (LIC DSF) database.

Note: The figure shows risk assessments for all IDA-eligible countries with an available LIC DSF risk rating as of August 2023. IDA = International Development Association.

In countries facing debt distress, an **estimated \$1 in every \$10 of revenue goes to health and \$4 in every \$10 of revenue goes to debt.**

TB & Debt

The cost of cuts: Agness

Agness Dalabu is a smallholder farmer and a visitor to Kapiri Community Hospital, Malawi.

"I would say things have really changed. Previously, the hospital would provide food and all the services here were for free, it seems the government was providing adequate support to hospitals, which is not the case now. We now have to fend for ourselves. The hospitals are slowly being privatized and may not be affordable and accessible for the poor like me in the near future." Agness explains.

"The government needs to provide more resources towards the health sector such as hospital here. Poor people need to accessible the services for free and government need to employ more health workers, buy more medical supplies and other resources such as ambulances so that we can enjoy the right to health."



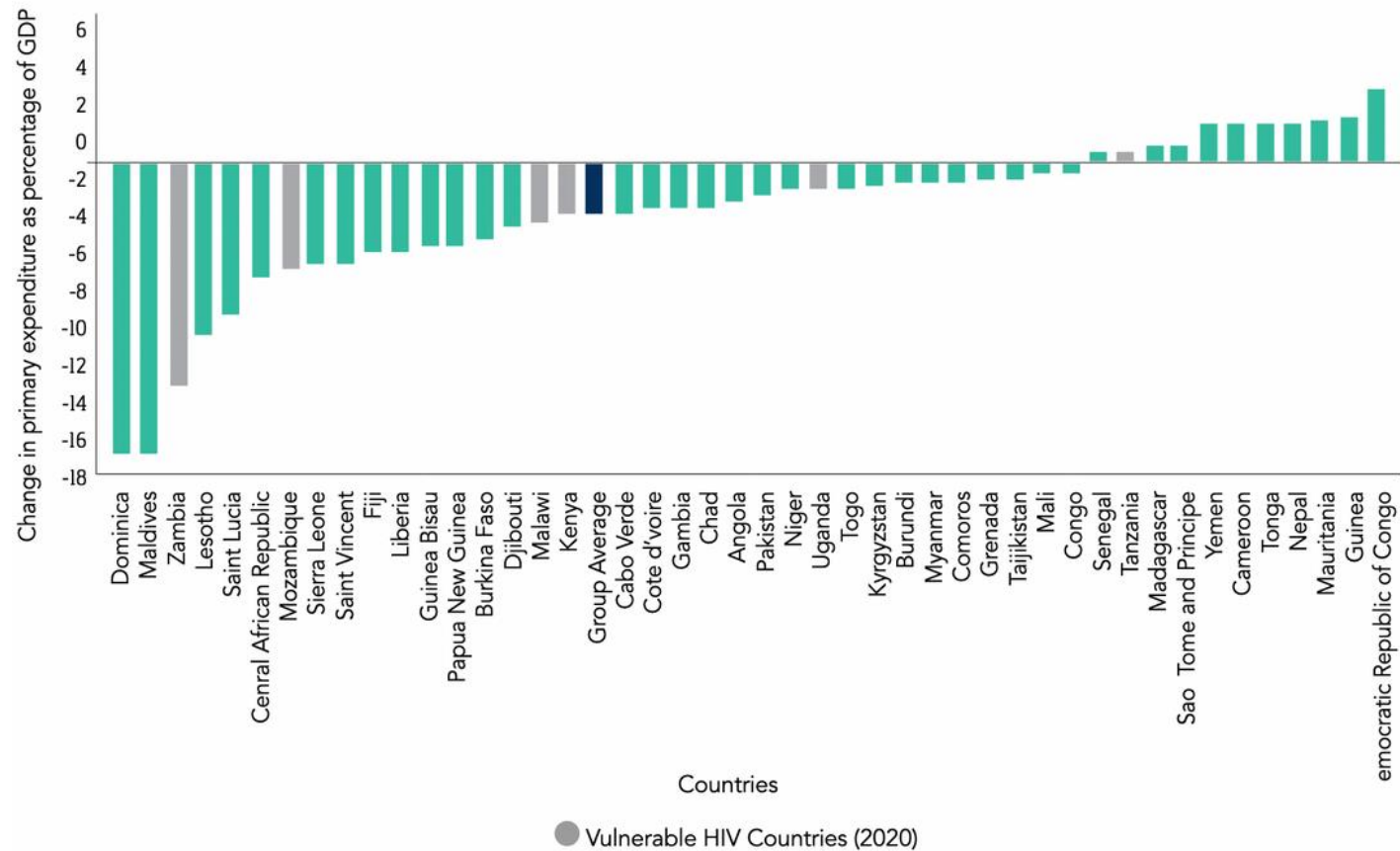
CREDIT: FLETCHER SIMWAKA

Source: act!onaid, Fifty Years of Failure: The International Monetary Fund, Debt and Austerity in Africa, 2023

- TB is largely funded by domestic budgets and TB care is accessed through national TB programs & health systems.
- 21 of 49 (43%) high-TB-burden countries are at risk of debt distress, and 11 will face Gavi ineligibility as new TB vaccines hit the market in 5+ years.
 - **Cameroon**, Central African Republic, **Republic of Congo**, Democratic Republic of Congo, Ethiopia, **Guinea**, Guinea-Bissau, **Kenya**, **Kyrgyzstan**, **Lesotho**, Liberia, Malawi, Mozambique, **Papua New Guinea**, Sierra Leone, Somalia, **Tajikistan**, **Tanzania**, Uganda, **Zambia**, **Zimbabwe**
- As funding is diverted from health systems during debt distress, the ability to diagnose, treat, and prevent TB is undermined.
- Lender imposed austerity measures exacerbate the risk of poverty and malnutrition in heavily indebted countries, driving up underlying risk factors for development of TB disease in underfunded health systems.

Debt in TB Vaccines and R&D

FIGURE 12 | PROJECTED CHANGE IN GOVERNMENT PRIMARY EXPENDITURE AS PERCENTAGE OF GDP, DSSI-PARTICIPANT COUNTRIES, 2020 TO 2026

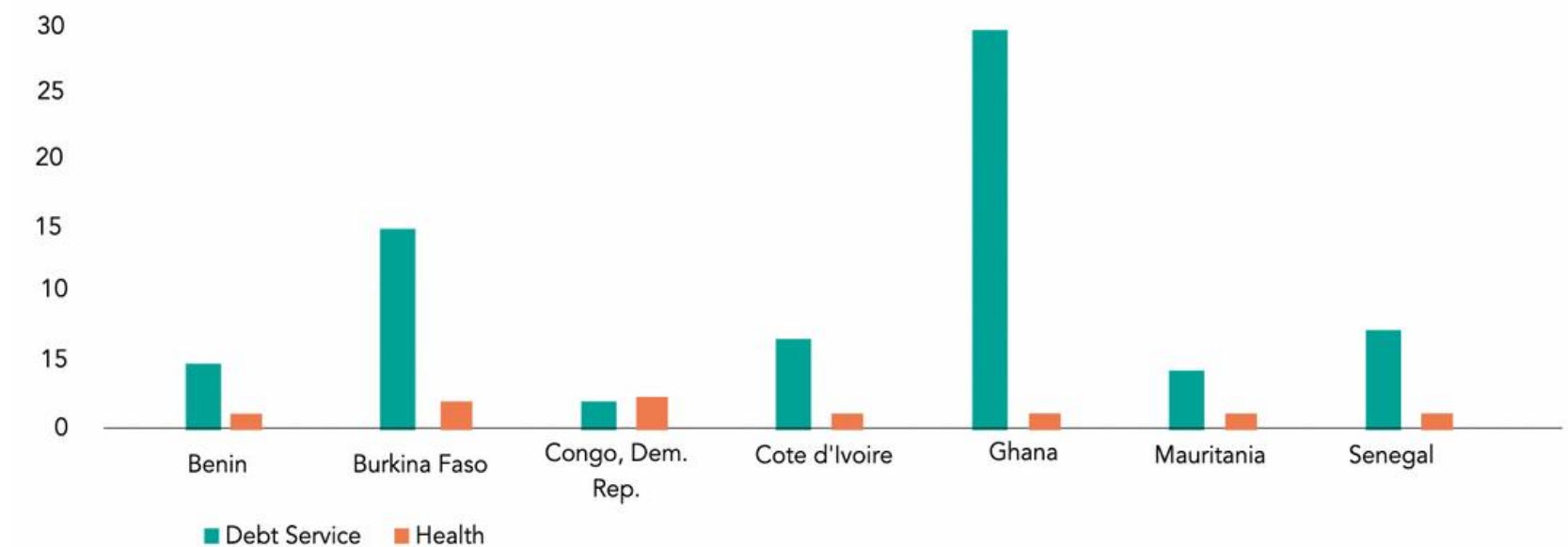


Source: World economic outlook: recovery during a pandemic. Health concerns, supply disruptions and price pressures. Washington (DC): International Monetary Fund; 2021.

Cuts to public expenditure on health weakens health systems in advance of a potential vaccine rollout - threatening efficacy of forthcoming TB vaccines.

Restrictions in primary spending and austerity measures restrict financial liquidity and fiscal space to invest in TB R&D and vaccination programs.

Figure 26. Debt service versus health expenditure in the western and central African region, 2026 (as a percentage of GDP, business as usual)



Source: UNAIDS, Domestic revenues, debt relief and development aid: Transformative pathways for ending AIDS by 2030 Report on Western and Central Africa, 2024

Sovereign Debt: Outdated and Unsustainable

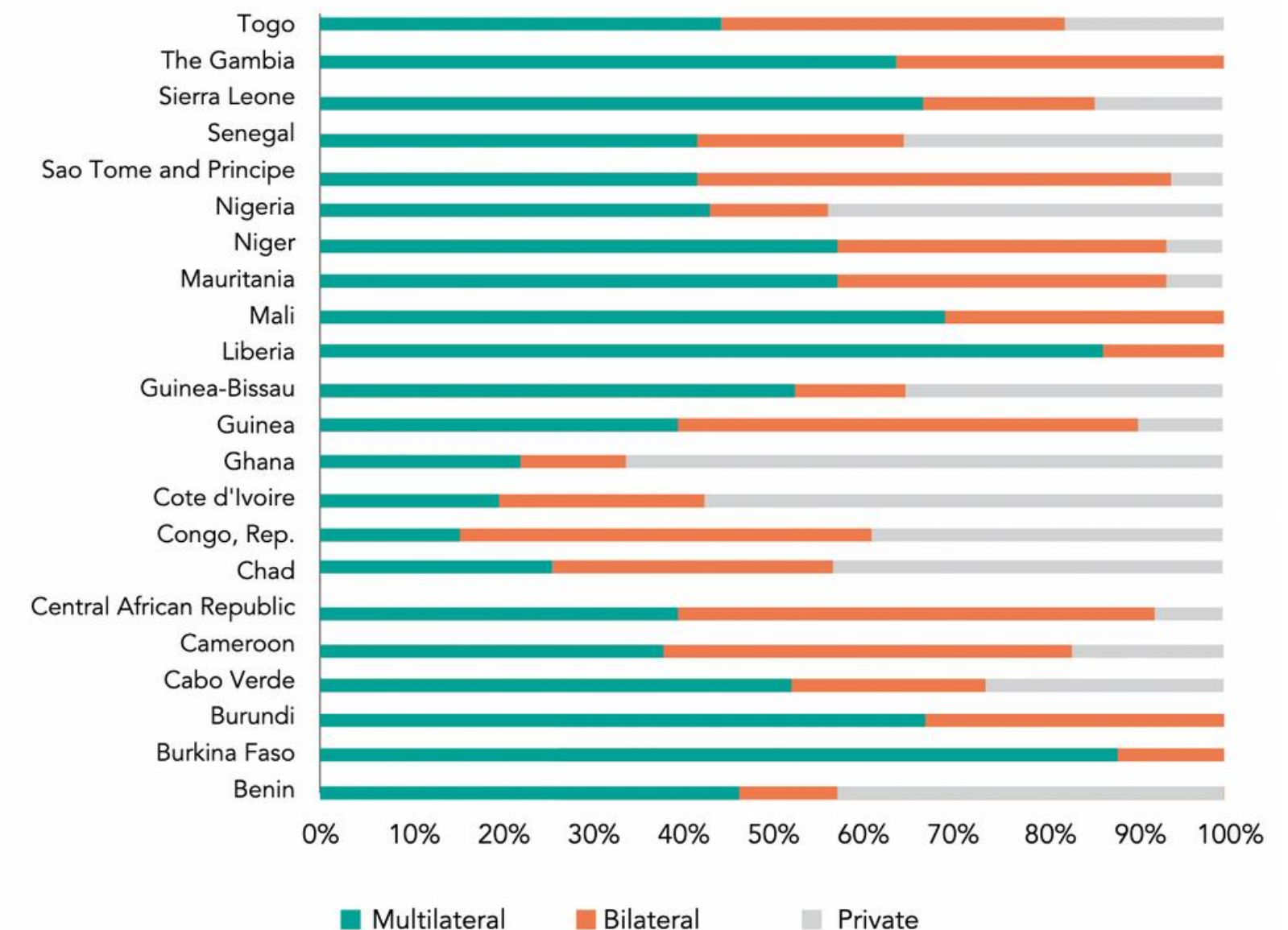


Debt is a financing mechanism that drives up TB burden today and limits the impact of future TB vaccines tomorrow.

Policy Pathways to Overcome Debt and Invest in TB

- 1 **Debt-for-Health Swaps:** refinancing of loans in exchange for measurable commitments to health targets.
- 2 **Concessional Loans:** below market-rate loans offered with protections against health divestment.
- 3 **Multilateral-Private Mix:** rebalancing debt-holders towards lenders willing to renegotiate and accept investment losses.
- 4 **Restructuring of Debt Contracts / Financial Architecture:** allowing declaration of bankruptcy by sovereign states and/or austerity carve outs to support sustained investment in public services.
- 5 **Use of Special Drawing Rights:** Allowing heavily indebted countries to leverage special drawing rights for development in lieu of debt.

Figure 20.
Composition of external debt in western and central African countries (2022)



Source: UNAIDS, *Domestic revenues, debt relief and development aid: Transformative pathways for ending AIDS by 2030 Report on Western and Central Africa, 2024*

Principles for Equitable & Just Financing

1

Prioritize sustainably reducing debt burden and risk of distress & investing in resources, expertise, and development to achieve SDGs.

2

Protect domestic revenues & investment in health, education, and other public goods & services.

3

Prioritize stable government function over loan repayment.

4

Reject systems of austerity and measures rooted in austerity principles.

5

Assess debt distress using indicators focused on divestment from social goods & allow uninhibited access to fiscal space during emergencies (e.g., COVID-19), regardless of debt status.

Building a Better Financing System for TB Vaccines & R&D



Vaccine community must be cognizant of macro-conditions that inform the capacity of countries to adopt new TB policies.



Researchers and policymakers must consider the needed resources and fiscal space to prepare for a TB vaccine and create the conditions to support quick adoption of new TB vaccines.



TB advocates should create the larger policy and funding support system needed to realize the full benefits of TB R&D and TB vaccines.



Financing the effort to deploy vaccines should consider debt and debt refinancing as a critical fiscal tool for both investing in TB R&D & broadening access to TB tools.

