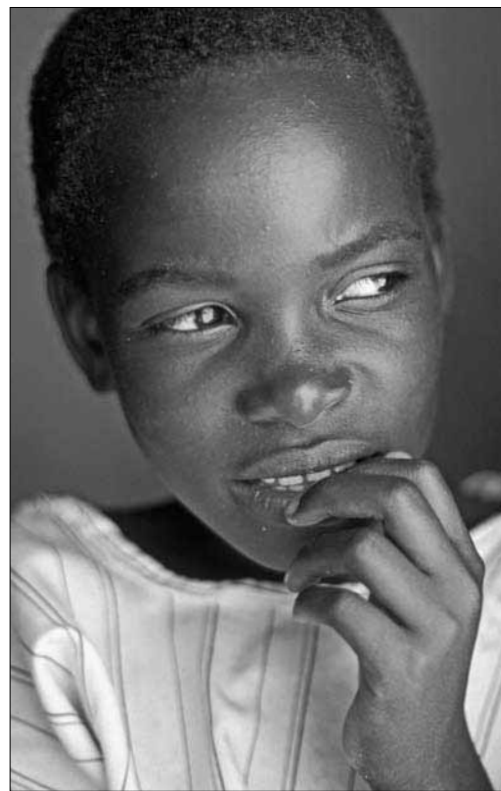


Funding Innovation

PATH'S USE OF FLEXIBLE FUNDING IN 2007



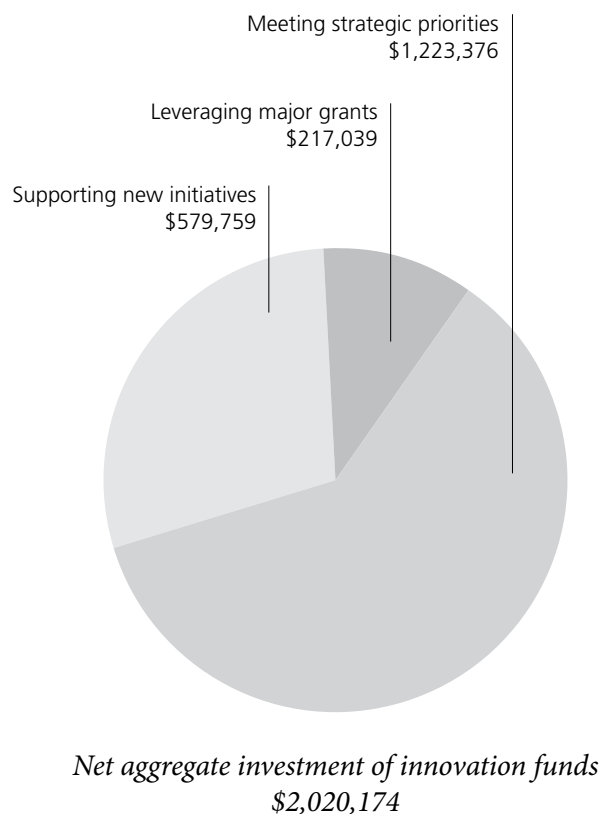
The impact of innovation funding

The journey from an innovative idea to a program with worldwide impact is long. PATH is distinguished by our determination to carry good ideas from the first spark to sustainable, widespread impact. We rely on individual donors at every step along the way.

Individual donations to PATH's Catalyst Fund provide our base of innovation funding—the money that allows us to launch new initiatives and expand pilot projects through communities, countries, and beyond; leverage major contributions from governments and foundations; and support strategic priorities that help us improve the lives of people around the world. Such funding makes up less than 4 percent of our annual budget and yet is the spark for some of our largest and most effective programs.

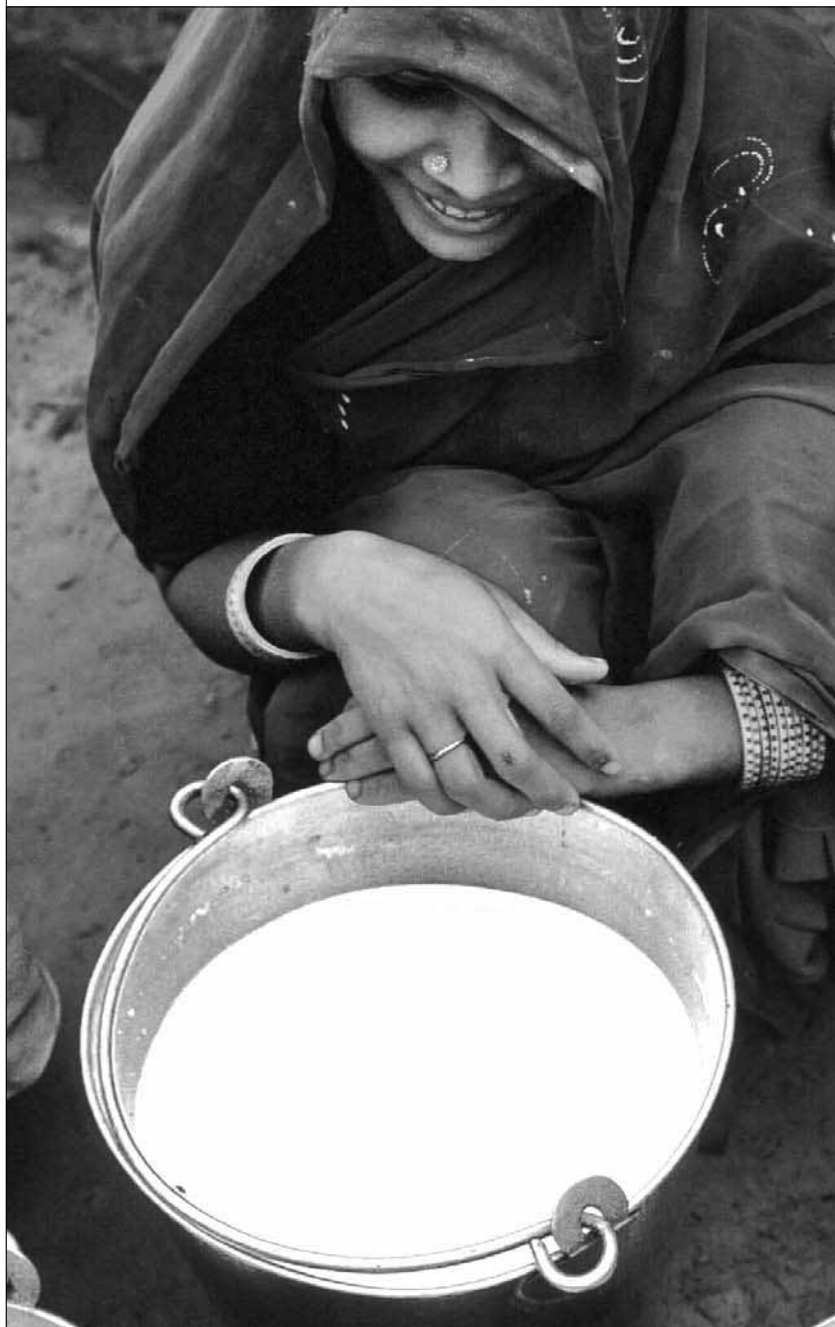
This report includes a selected list of projects supported by the Catalyst Fund and other sources of innovation funding. We issue this report on a yearly basis to update you on our use of your investment and your impact on the health of people around the world. PATH's total revenues and operating expenses are reported through our IRS 990 form and our annual progress report, available on request or electronically at www.path.org; here, we report solely our net aggregate investment of innovation funding.

PATH focuses on developing-country needs for affordable, appropriate technologies; better health care for mothers and their infants; information and services that improve reproductive health; the sweeping protection of vaccines and immunization; and reliable prevention and treatment of infectious diseases. Innovation funding is essential to this work. Our ability to be innovative and responsive to global health needs depends on your support. ■



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Innovation funding in action



Courtesy of the David and Lucile Packard Foundation

In 2007, innovation funding played a critical role in PATH's mission. We used such funds to bring lifesaving projects to mothers and children in India, win support for HIV prevention in South Africa, and prepare to turn back a rising tuberculosis epidemic. These and other highlights are described below.

Supporting new initiatives

Innovation funding allows us to conduct preliminary research; develop and test prototypes for cutting-edge technologies; and pilot new projects in the field, proving their viability before expanding them nationally and beyond.

Lifesaving systems in India

PATH has used support from individual donors to bring in world-class leadership and build a strong base for expanding our work in India. Since 2003, the size of our India program has more than doubled, touching on vaccinations for childhood illnesses, HIV care and prevention, and lifesaving projects for mothers and babies in urban slums. Among other initiatives, with innovation funding, we are:

- **Partnering for stronger disease diagnosis:** Amid a growing and dynamic diagnostics industry, PATH is bolstering India's efforts to develop fast and inexpensive tools for diagnosing important diseases around the world.

- **Providing clean, safe water for the world's poorest homes:** In a country where raw sewage and other pollutants contaminate the groundwater, PATH is establishing a commercial market that may put water treatment and storage options within reach of the country's poor and reduce the risk of life-threatening disease.

Cervical cancer prevention

In 1991, PATH began its work on cervical cancer on a shoestring budget, with just \$25,000 of innovation funding. Over the next eight years, we leveraged more than \$50 million in additional support for PATH

Innovation funding is essential to projects bringing vaccination and screening for cervical cancer to the developing world.

and our partners to launch the Alliance for Cervical Cancer Prevention. The Alliance brought cervical cancer screening to almost half a million women in the developing world, and treatment to many more. Its legacy of prevention is still alive. In 2007, innovation funding continued to provide essential support to projects bringing vaccination and screening for cervical cancer to the developing world, including:

- **A rapid screening test:** A quick method for diagnosing human papillomavirus (HPV), the virus that causes most cervical cancer, means women don't have to make multiple visits to a distant clinic to find out whether they are at risk for the preventable disease. In many cases, those who show signs of pre-cancer can be treated right away.
- **HPV vaccine for those who need it most:** New vaccines can protect girls against HPV and, ultimately, cervical cancer, but in the developing world, adolescents rarely use health services unless they are ill. They are also less likely to be screened for cervical cancer as they get older and to receive treatment in time. To ensure those girls are protected, PATH is carrying out field research in India, Peru, Uganda, and



PATH/Mike Wang



Vietnam to evaluate different strategies for vaccine delivery, and we are educating and mobilizing communities in support of these life-protecting vaccines.

Addressing violence against women

Women face the threat of gender-based violence every day. Around the world, this very real health issue causes not just immediate wounds but pervasive and severe health problems that affect families, communities, and economies. Understanding and quantifying the violence can help the health sector strengthen its response. PATH has invested innovation funding in Honduras to build health professionals' capacity to respond to violence against women. These efforts are laying the groundwork for advocacy and training among health providers throughout Latin America and in other parts of the world.

Identifying risk to prevent infection

Herpes simplex virus type 2 is a major cause of genital ulcer disease in the developing world—and a doorway for HIV, increasing the risk of infection by as much as three times. Those exposed to one virus likely are at risk for both, including the many women who have little negotiating power when it comes to

sex. Rates of herpes also are especially high in regions hit hard by HIV, such as Africa.

Most people infected with herpes in the developing world never receive the antiviral medications that can reduce their risk of HIV—simply because appropriate tools for herpes diagnosis are not available. PATH is applying innovation funding to the development of an appropriate and inexpensive test for herpes simplex virus 2. Our goal is a simple strip test, similar to a take-home pregnancy test, that will be affordable and easy to use.

Simple methods that strengthen disease detection

Viruses such as HIV, dengue, and influenza are major causes of disease in the developing world. However, it can be difficult to test for these viruses in low-resource settings where delicate blood samples must last days or weeks before they reach a laboratory with the right diagnostic equipment. With innovation funding, PATH is developing new techniques that will allow health workers to keep blood samples stable while the samples are sent to centralized laboratory facilities. Even individuals who fall sick in areas far from a lab will be able to get reliable results—and the treatment they need. ■



Natawit Thani

Leveraging major grants

Winning significant support from governments and foundations requires more than a good idea. Institutional donors often predicate their support on a commitment from PATH—one that we can only meet with the aid of innovation funding. PATH uses innovation funding to fulfill co-funding requirements, demonstrating our commitment to and faith in our projects; build a regional presence ahead of major grant opportunities; and support innovative structures for investment fundraising.

Such opportunities can exponentially increase the impact of an individual gift: these funds not only directly drive our work, but also open the door to projects that otherwise might never win the necessary commitments from major funders. Each of the projects described below attracted support from institutional or government sources through targeted use of PATH's pool of innovation funds.

Health information and care for teens in Bangkok

Thailand's National Health Security Office (NHSO) requested in 2007 that PATH develop a model network of services for reproductive health for low-income teens, including voluntary counseling and testing for HIV and other essential adolescent health needs. HIV and other sexually transmitted infections are increasing among Thailand's youth, especially in urban areas among poor and low-income families. This is a unique opportunity to help improve the health of young people in Bangkok—and head off HIV before it gains a foothold. PATH's successful Teenpath project has already demonstrated the power of education and accessible health care for teenagers in the region.

With only \$2,000 of innovation funding, we met the NHSO co-funding requirement and won \$166,000; other institutional donors (the United Nations Population Fund [UNFPA] and the Thai Health Promotion Foundation) contributed another \$120,000. A small



Natawit Thani

PATH is using innovation funding to draw venture capital to global health solutions.

investment of funding from individual donors is bringing almost \$300,000 total to youth in need in Asia. PATH will begin work this year to initiate new service delivery models and community outreach that will fill the gap for a vulnerable youth population.

Winning support for HIV prevention in South Africa

In 2006, PATH applied for support from the President's Emergency Plan for AIDS Relief (PEPFAR) for an important program in South Africa—one that would give pregnant women and mothers with HIV the tools they need to protect their babies against infection. A critical element of our application was having a stable presence on the ground: staff to carry out the work, support systems, and good relationships with potential local partners.

With \$32,000 of innovation funding, PATH hired a project lead with a strong history in the region and in HIV prevention and care. This support made it possible for us to establish an office in Eastern Cape Province, bring in other experts to plan and manage the

proposed work, and begin assessing the need and exploring possible solutions. In 2007, we received a PEPFAR award for \$7.5 million. Innovation funding is making it possible for us to hit the ground running, with minimal delay.

Innovation capital for poor countries

From 2001 to 2004, more than \$13 billion was spent worldwide on research and development for diseases specific to the developing world. None of this came from institutional venture capital—a critical driver of innovation in the industrial world. Changing that ratio is essential to bringing the full potential of advances in technology and science to low-resource settings.

PATH is using innovation funding to draw venture capital to global health solutions. Through a collaboration with Global Health Ventures—a new venture capital fund targeting companies with products that could benefit poor populations—we are working to support entrepreneurial businesses in adapting and introducing health technology products to low-resource markets. PATH provides a unique perspective and the ability to assess the potential social impact of technologies proposed for investment, help companies adapt and introduce their products, and evaluate progress toward social impact.

Global Health Ventures' goal is to raise \$75 million of new investment capital for global health from foundations, social investment institutions, and high-net-worth individuals. Innovation funding of less than \$200,000 from PATH provides critical start-up funds. The potential in lives saved is immense. ■



PATH/Mike Wang

Meeting strategic priorities

Innovation funding provides the resources PATH needs to remain one of the most effective organizations working to improve health around the world. With these funds, we hire world-class experts ahead of the curve to lead our programs, set strategies for maximum impact, and keep effective programs going in the bridge period between initial and long-term funding.

Preparing to face the oldest epidemic

Once on the decline, tuberculosis (TB) is now staging a frightening comeback—especially in Africa, where high rates of HIV and AIDS open the door to other highly infectious diseases, and in Eastern Europe, where high rates of drug resistance mean treatment fails for many. PATH is using innovation funding to make sure our experts are a step ahead of the fast-moving epidemic: developing systems that will allow staff to quickly exchange effective ideas across projects and countries (Cambodia, India, Kenya, South Africa, Tanzania, Ukraine, Vietnam); identifying the areas of need in which PATH can have the

greatest impact; and preparing training that reflects the best work within our organization and across the global health community. Our goal is to create a core of highly trained experts who can respond immediately and decisively to the urgent need for TB and TB-HIV control.

Support for the field: China and Vietnam

In 2005 and 2006, innovation funding was key to expanding PATH's presence in China and Vietnam, resulting in immediate increases in our work in women's health, maternal and child health, and HIV and other infectious diseases in both countries. With continued support from innovation funding, we have strengthened these programs' capacity.

Highlights from 2007 include:

- Developing new partnership models, especially for vaccine development, to promote innovation and commercialization of affordable, accessible, and available vaccines for China and from China to other developing countries.
- Beginning exportation of Japanese encephalitis vaccine from our local partner



Innovation funding provides the resources PATH needs to remain one of the most effective organizations working to improve health around the world.

in China to India for use in widespread immunization programs.

- Launching a new project to reduce the impact of rotavirus, a leading cause of serious childhood disease in China.
- Securing funding from two significant institutional donors new to PATH in Vietnam.
- Initiating work with Vietnam's private health sector in response to expanding tuberculosis and HIV epidemics.
- Expanding our pharmacy-strengthening activities to eight new areas in Vietnam.

Strong leaders in health equity

Over the course of 30 years, PATH's reach has grown, and now encompasses health technologies, healthy mothers and children, women's and reproductive health, vaccines and immunization, and emerging and epidemic diseases. Innovation funding is helping us bring in and build leaders who can pull the best from all of PATH's projects and deliver the greatest impact to the people we serve. Last year, innovation funding:

- Supported a new position to ensure coordination between PATH's wide-reaching programs—for example, between HIV and tuberculosis, and between childhood vaccines and childhood nutrition. A new initiative will improve PATH's ability to assess the true impact of the work we do across the board—for individuals, countries, and the world.
- Brought in leadership to support the growth of our work in HIV and AIDS, which has already resulted in new projects in Ethiopia, Namibia, and Tanzania, as the first step in much broader expansion of effective programs to regions in great need.
- Launched a program to strengthen leadership among up-and-coming PATH staff. This initiative helps individuals whose ingenuity and dedication have had immense impact in the developing world build the skills they need to increase their effectiveness.

Expanding our vision overseas

Global solutions require collaboration across borders, not only with the countries that PATH serves, but with our colleagues in the rest of the developed world. We are making strategic use of innovation funding to build strong relationships in the United Kingdom and to reach out to other European countries and the European Union. Through these connections, we contribute to cross-cutting issues, policy dialogue, and advocacy—and serve as a voice for the ideas and concerns of our partners in the field. ■



PATH/Julie Jacobson

The catalyst funds

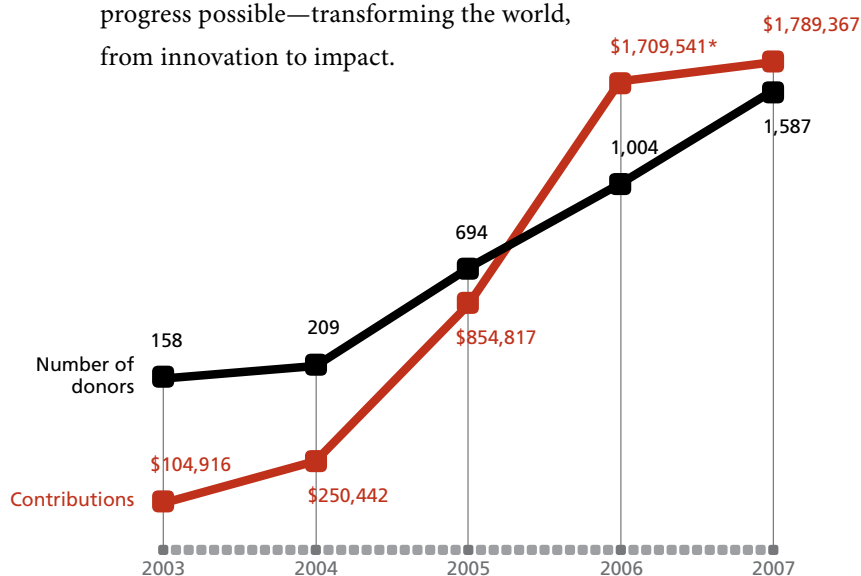
Using individual gifts effectively

With the help of individuals who share our vision, we maintain the Catalyst Fund, which channels commitments from donors into some of the world's most innovative solutions. The Catalyst Fund is our primary source of innovation funding—and much more: a home at PATH for supporters who believe that everyone deserves a chance to be healthy, regardless of where they are born.

In 2007, the number of donors contributing to the fund increased by more than half, from about 1,000 to more than 1,500. The Catalyst Circle, a special group of donors who pledge at least \$1,000 a year for five years, reached more than 80 members, contributing almost \$1 million to PATH's work.

PATH recently received the highest possible rating for sound fiscal management from Charity Navigator for the fourth consecutive year—an honor accorded fewer than 5 percent of rated charities. We are committed to maintaining the highest standards of stewardship of donor funds. Last year, approximately 86 percent of donor dollars went directly to our programs in the field.

It takes many people like you to turn a good idea into global change: from a hand-drawn design to widespread adoption; from a vaccine candidate to a health worker's hand. Your support of the Catalyst Fund makes this progress possible—transforming the world, from innovation to impact.



*In 2006, one extended family made nearly \$700,000 of extraordinary one-time contributions.

Fund for Health Technologies

Our Fund for Health Technologies is another significant source of innovation funding. Driven by donors with a special commitment to health technologies for the developing world, this fund helps us maintain the critical assembly of skilled personnel, specialized facilities, and networks necessary to develop and introduce technologies with resounding impact.



“This exceptional designation . . . differentiates PATH from its peers and demonstrates to the public it is worthy of their trust.”— Trent Stamp, president of Charity Navigator

Contact us

For more information about the Catalyst Fund or any of the projects described in this report, please contact Janet (Jan) Aldrich Jacobs, CFRE, Director of Donor Relations, at 206.788.2492 or jajacobs@path.org.



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Cover photos (L-R): PATH/Molly Mort; PATH/Julie Jacobson; Richard Lord

May 2008



Printed on recycled paper.