

Annex B: Decision language for co-financing flexibilities approved by the Board in December 2019

In December 2019, the Board approved an approach to apply co-financing flexibilities for countries facing severe fiscal distress and/or a humanitarian crisis. The paragraphs below describe the approach that was submitted to the PPC and Board and approved.

Paragraphs 2.8 to 2.10 of Doc 04 to the PPC in October 2019

2.8 Definition: The proposed approach is summarised in **Figure 4**. Given the unpredictable nature of such events, it would not be possible to define a priori indicators and thresholds that would be universally valid to identify countries which might need co-financing flexibilities. However, it would be governed by clear principles. At its core are the underlying principles that Co-financing Policy flexibilities should only be envisaged in very rare, exceptional circumstances, created by severe economic and fiscal distress (significantly beyond the usual fluctuations of economic cycles, e.g., annual GNI drop of 30%) or humanitarian crises (i.e. widespread, large-scale conflict or disasters of such magnitude that profoundly hamper the delivery of health services). In the case of humanitarian crises, a country would only be considered for co-financing flexibilities if it were also contemplated under Gavi's Fragility, Emergencies and Refugee (FER) Policy¹ to align with a broader set of flexibilities they might access. To complement these principles, operational guidelines would be developed to promote process consistency. Detailed background analyses are summarised in **Appendix 4 of Doc 04 to the PPC in October 2019** and provide examples of indicators that could be leveraged at the operationalisation process to inform the identification of possible cases.

2.9 Support: Proposed flexibilities include:

- a) *Countries facing severe fiscal distress:* in these situations, co-financing obligations could be adjusted as per the rules prevailing in the country's previous phase. To illustrate this using current co-financing rules, this means that co-financing obligations for countries in preparatory transition phase would not increase (as for countries in initial self-financing), and countries in accelerated transition phase would see their year-on-year co-financing obligations increase by 15% (as for countries in the preparatory transition phase). Specific ramp-up rates will be reviewed as part of Phase II of the policy review.
- b) *In countries facing humanitarian crises:* as a reflection of the severity of the disruption in government functioning inflicted by a large humanitarian crisis, co-financing obligations would be temporarily waived on an annual basis.

2.10 Governance: It is envisaged that the decision-making process for the application of flexibilities would rely on a similar process as the one described for the mitigation of risk of unsuccessful transition (**Figure 3**). Although humanitarian crises or severe fiscal distress episodes are inherently difficult to predict, the PPC and the

Board would be kept abreast of any emerging risks. Based on recommendations from the Funding Policy Review Steering Committee, the Secretariat would be entrusted with the responsibility of identifying, in close consultation with partners and relevant technical experts (e.g. IMF/WB for Severe Fiscal Distress, and UNICEF/CSOs for Humanitarian Crises) any episodes for consideration. These should be consistent with any proposed policy flexibilities and principles and be based on a robust analysis of the prevailing political, security and economic conditions, the severity and exceptionality of circumstances, and their impact on the immunisation programme and health sector more broadly. Gavi's CEO would be responsible for approving the exceptions. The Board and PPC would also be kept regularly informed of the evolution of specific country situations and of all flexibilities granted, providing strategic oversight over the process as part of their regular institutional mandate. This approach, which would enable the Alliance to expediently address country needs, is summarised in **Figure 5**.

Figure 4: Proposed approach to co-financing flexibilities

	Humanitarian Crisis	Severe Fiscal Distress
Definition (criteria)	<ul style="list-style-type: none"> Very exceptional circumstances of subset of Gavi FER countries Policy will cover principles; supported by detailed operationalisation guidelines 	<ul style="list-style-type: none"> Very exceptional circumstances Policy will cover principles; supported by detailed operationalisation guidelines
Flexibility	<ul style="list-style-type: none"> Temporarily waive co-financing <ul style="list-style-type: none"> Annually-reviewed 	<ul style="list-style-type: none"> Apply co-financing rules (growth rate) from previous co-financing phase
Governance	<ul style="list-style-type: none"> A robust process to identify, vet and approve flexibilities based on a continuous assessment of country risks 	

Figure 5: Proposed governance approach to co-financing flexibilities

