

Annex D: Update on Funding Policy Review

As part of operationalising Gavi 5.0, the Secretariat conducted a two-phase review of Gavi's existing funding policies: **Eligibility & Transition Policy, Co-Financing Policy and the Health System & Immunisation Strengthening (HSIS) Support Framework**¹. The purpose of this annex is to inform the Board of the status of this Funding Policy Review (FPR) in light of the COVID-19 pandemic, and to provide greater detail on the decision points in Doc 03.

1. Scope, Context and Approach

- 1.1 The FPR is an integrated review to update the core policies which define Gavi funding to countries². Until now, these policies have been developed and updated individually and separately. This concurrent review enabled an aligned update to the funding policies, simplifying burdensome processes and realigning objectives and incentives.
- 1.2 **These three policies describe Gavi's principles and approach to the funding it provides.** Implementation experience indicates that **these policies have functioned largely well under the stable 'standard' conditions for which they were developed**, alongside the Fragility, Emergencies, Refugees Policy³ and Gender Policy⁴.
- 1.3 The **Eligibility & Transition Policy** articulates which countries can access Gavi support and how this support phases out over time. It enshrines the key principles of time-limited and catalytic support focused on the poorest countries in the world, linked to a country's ability to pay as proxied by its gross national income per capita (GNI p.c.). It also provides a clear, institutionalised pathway for a country's eventual exit from Gavi support. In conjunction, the **Co-financing Policy** helps build long-term financial sustainability of vaccines introduced with Gavi support by requiring countries to invest resources to procure a certain share of these vaccines.
- 1.4 The **Health System and Immunisation Strengthening (HSIS) Support Framework** sets out the objectives, funding levels and essential requirements for HSIS support (including how health system strengthening (HSS) support is allocated across countries), to contribute to sustainable improvements in

¹ The HSIS support framework operates in a similar manner as a Gavi policy, but with a greater level of detail. The FPR seeks to resolve this inconsistency with other Board-approved policies. This includes health system strengthening (HSS) grants, vaccine introduction grants (VIGs) and operational support for campaigns (Ops). The review also covered the Cold Chain Equipment Optimisation Platform (CCEOP), which is not currently part of the HSIS framework.

² While the FPR recommends alignment of funding to countries with funding for technical assistance through the Partners' Engagement Framework (PEF), PEF itself is included in a separate 5.0 operationalisation workstream on 'Partnerships'.

³ The Fragility, Emergencies and Refugees Policy provides flexibilities to a country facing significant challenges due to exceptional circumstances as identified by humanitarian and emergency response partners. This policy went into effect in July 2017 and is not in scope for the FPR.

⁴ A revised Gender Policy (see Doc 04) is also being brought to the Board for approval at this meeting. It is a programmatic policy designed to ensure that a gender lens is taken in Gavi's approach to supporting countries and country programming of Gavi's support to ensure access to immunisation for all.

equitable coverage of immunisation. Through the framework, countries have access to HSS support and other allocations which include support for vaccine introductions, operational support for campaigns and performance payments (performance-based funding).

- 1.5 Overall, these three policies have facilitated Gavi's mission of saving lives by sustainably extending the breadth and reach of immunisation while focusing Gavi's support on the poorest countries in the world. However, **select refinement of Gavi's policies would further drive success towards its mission** in response to the new Gavi 5.0 strategy and lessons learned from Gavi 4.0.
- 1.6 The **timeline** for this two-phase review was from June 2019 to June 2020, with two touchpoints with the PPC and Board in October / December 2019 and May / June 2020. Examination of **strategic shifts for Gavi 5.0** and **lessons learned from Gavi 4.0** resulted in a set of **problem statements** where Gavi's policies would benefit from a shift in approach. The problem statements and proposed solutions were identified and validated through **consultations with partners and countries, external evaluations** and **extensive analyses** and drew from **Board deliberations on Gavi 5.0** (e.g. March 2019 Retreat). A Steering Committee (SC) was established to provide strategic guidance and includes representatives from the **PPC/Board, Alliance constituencies, peer organisations and technical experts** with relevant subject matter expertise. The SC met four times, in June and September 2019 and in March and April 2020.

2. COVID-19 Impact

- 2.1 While originally the revised policies would have been brought to the PPC and Board this cycle, the COVID-19 crisis has become a more critical concern with increasingly dire public health and economic consequences. The SC and PPC agreed that **this would not be the right time to enact policy changes** and considered four main circumstances that have changed since the start of the FPR:
 - a) **Gavi's policy model was designed for stable contexts, but in the rapidly changing environment of a pandemic it does not allow for timely and responsive decision-making.** For example, GNI p.c. informs country eligibility and phases of support, which determine levels of co-financing and funding for operational support for vaccine implementation (e.g., operational support for campaigns). However as GNI p.c. data are updated once a year from the previous year's data, the economic impact of COVID-19 in 2020 would only start to emerge in the data at its next release in June 2021, and would only influence eligibility and phase of support from 2022 onwards.⁵

⁵ For example, 2021 eligibility status is decided in mid 2020, based on 2019 actuals of GNI pc. This effectively creates a 2-year time lag. This approach is appropriate for a "steady state" of country development, but is less suitable for a context in which major and rapid shifts of GNI pc could take place in many countries.

- b) Countries are confronting a number of challenges in the face of COVID-19 as they attempt to implement control measures and divert health resources towards the pandemic while attempting to maintain essential health services, including immunisation. **Changes in policy at this stage would not be a priority for countries whose capacity is fully utilised to respond to COVID-19 and would instead add an undue burden.**
 - c) In addition, it is **difficult to predict the conditions of the post-COVID-19 world and which elements of the revised funding policies would still be relevant.** The policies would need re-review to identify any additional adjustments for changed circumstances prior to implementation.
 - d) Gavi has already initiated a response to COVID-19, including **an extension of flexibilities to countries** earlier in the year. A **broader response** to support countries with COVID-19 is also underway. Finally, at its call in May 2020, the Board also decided for **2021 to freeze countries in their 2020 transition phases and at 2020 co-financing levels.**
- 2.2 In light of these circumstances, the SC and PPC agreed to **pause the FPR at this time** and monitor the progression of the pandemic to determine the right moment to revisit the timeline. The intention would be to **re-start the FPR using the current status as the starting point** and taking into account lessons learnt that might emerge from COVID-19.
- ### 3. Summary of Outcomes from the First Phase
- 3.1 The Board in December 2019 approved an initial set of policy shifts, which would have been incorporated into revised policies. Developed in response to a selection of problem statements, these shifts will contribute to: an increased focus on **equity**, a stronger emphasis on **programmatic sustainability**, greater **differentiation** to target and tailor support to countries, particularly fragile contexts, and **simplification** and stronger **country ownership**. The specific shifts are detailed in Appendix 1.
- ### 4. Summary of Outcomes from the Second Phase
- 4.1 In the second phase of the FPR, further analyses were conducted to refine and finalise the approved policy shifts and to develop options against the problem statements which were not brought for approval in the first phase. A large multi-stakeholder consultation was also convened in February 2020, and the SC held its final meeting in April 2020.
- 4.2 The final step of the second phase was to bring together the policy elements into a set of updated policies. Given the pause on the FPR, the revised funding policies were not reviewed by the SC, and they will need to be revisited in light of changed circumstances post-COVID-19. Additional detail on the proposed structure of the updated policies can be found in Appendix 1.
- ### 5. Next Steps
- 5.1 While the SC recommended that the FPR be paused, members also recognised that some FPR provisions that the Board had approved in December 2019

should move forward alongside the broader COVID-19 response. Implementation of these provisions in advance of finalised approved policies would prevent interruptions in programmes and funding, align with funding cycles and facilitate countries' access to the full amount of funding. These provisions include:

- a) **Formula to allocate HSS and removal of the US\$ 100 million cap for HSS allocation ceilings:** This will allow Gavi to communicate the amount of HSS for which countries can apply for those entering the full portfolio planning phase this year. The Secretariat would also indicate to each country the portion of this allocation that is provided based on the number of zero-dose and underimmunised children and would therefore be expected to be programmed for equity, given the continued paramount importance of reaching these children and their communities. The PPC also noted the importance of engaging CSOs to achieve equity goals. The Secretariat will review its approach to CSO engagement and ensure that it is fit for purpose for Gavi 5.0.
- b) **Removing the performance-based funding (PBF) approach,** so that countries can utilise their full HSS ceiling, particularly those most negatively affected by the pandemic.
- c) **Integration of cold chain equipment (CCE) into the HSS envelope:** The PPC **endorsed** the principle of integrating CCE funding into the HSS envelope in the future. However, the timeline and modality of integration may need to be adjusted given immediate focus on rapidly scaling up cold chain equipment to support Gavi's efforts in accelerating and eventually deploying a COVID-19 vaccine and other commodities (see Doc 05). The PPC noted that it would be critical that such integration does not result in diversion of HSS resources away from other critical interventions. While this risk would be mitigated in part through the requirement to invest a minimum amount for equity and through robust in-country programming and independent review processes for new grants, the PPC requested the Secretariat ensure appropriate safeguards – including potentially a ceiling on the proportion of each grant that can be used for CCE – are in place to provide the right allocation balance.
- d) **Removing the generic programme filter:** While introducing new vaccines might not be a priority for most countries in the immediate term, removing the filter lowers barriers in equitable access for those countries that might prioritise introductions in the recovery period. The PPC recognised the important step of reducing unnecessary barriers to critical vaccine introductions and emphasised the need to utilise more relevant measures to ensure 'country readiness' for these introductions. This would be achieved through the inclusion of criteria more specific to individual vaccine programmes in operational guidance.

5.2 The PPC also considered whether to remove the requirement for joint investment in CCE. While they recognised that removing the requirement would reduce transaction costs for countries and speed deployment of CCE, they did not recommend a decision at this time. The Secretariat was requested to further

elaborate how sustainability and country ownership could be supported in the future, such as through requiring countries to fund maintenance for the equipment.

- 5.3 Finally, the Secretariat will continue to monitor the impact and progress of the COVID-19 pandemic to identify the best timing to revisit the FPR. Once the FPR is restarted, all policy shifts would be reviewed to determine if they are still fit-for-purpose for the post-COVID-19 world.