

Appendix to the report of the Chief Executive Officer

Overview of potential investments to operationalise the Gavi 2016-2020 strategy and other upcoming Board decisions with financial implications

Over the coming 18 months, the Board will be requested to consider a number of decisions which will have financial implications. This includes investments needed to implement the 2016-20 strategy by strengthening the coverage, equity and sustainability of immunisation programmes, as well as potential approval of new or expanded vaccine programmes. The purpose of this document is to describe each of these and, where details are already known, explain how they will be funded to help the Board determine how to prioritise its decisions (if required) within the available financial resources.

The investments which the Board will be asked to consider over the coming 18 months have three objectives:

- 1. New approaches to ensure the sustainability of Gavi-supported immunisation programmes:** With nearly one third of Gavi countries set to graduate by 2020, investing in sustainability is critical to protect Gavi's investment to date. The proposed investments are designed to support the Alliance to engage with countries on sustainability issues sooner, provide risk mitigation to address challenges of graduation where risks are clear and provide an enabling environment to maximise the probability that graduating countries transition successfully out of Gavi support.
- 2. New approaches to improve coverage and equity of immunisation in Gavi-supported countries:** After the significant scale-up in vaccine introductions during this strategic period, the Alliance has prioritised ensuring those vaccines reach every child over the coming years. This will require bold and innovative approaches which go beyond business as usual in a range of strategic focus areas, and further tailoring of country specific programmes.
- 3. New or expanded vaccine programmes:** The Board may choose to approve new vaccine programmes, or significantly expand existing programmes, in the next few years. This may include a new measles strategy, which will come to the Board for decision in December 2015; Gavi's engagement in Ebola, which the Board did not fully fund when it

made its original decision in December 2014; support for a malaria vaccine, which the Board agreed to consider in the last Vaccine Investment Strategy once the vaccine is licensed, recommended for use and prequalified; and extension of Gavi's support for inactivated polio vaccine beyond 2018 when Gavi's current funding ends.¹

Gavi's Replenishment investment case included a provision of US \$500 million² to ensure the Board had the flexibility to approve new investments in support of the 2016-20 strategy in addition to fully funding projected country demand for vaccines. In addition, the latest financial forecast indicates that due to recent cost savings, Gavi could have a further US \$450 million available through 2020 (if all donors honour their existing Berlin pledges and those who have not yet pledged for the entire 2016-2020 period extend at projected support levels). As described below, these resources should provide the Board with the financial flexibility to approve both the full set of new initiatives needed to implement Gavi's strategy (which the Secretariat believes should be highest priority) and some changes to Gavi's existing programmes. In addition, based on historical levels of donor contributions and programme expenditure (including timing of implementation), further funds may become available later in the strategic period.

Overview of potential investments to support implementation of the 2016-20 strategy

The new Gavi strategy 2016-2020 sets ambitious goals to increase coverage and equity of immunisation and improve the sustainability of immunisation programmes in Gavi countries. Delivering on these ambitions, and protecting Gavi's investments to date, will require the Alliance to engage and invest differently, going beyond "business as usual" in order to achieve its ambitious and challenging goals. The Alliance is currently reviewing its existing policies and defining new approaches in key strategic focus areas (SFAs) in order to move the needle on the sustainability, coverage and equity of immunisation. A number of these will have financial implications, with new investment provided through either HSS, the Partners' Engagement Framework or new mechanisms. The initiatives which are expected to come to the Board for decision over the next 18 months, and may require incremental investment, include:

¹ The UK and Bill & Melinda Gates Foundation have committed funding for IPV through to 2018. Norway committed funding until 2019 with NOK 190 million (~US \$24m) being pledged for 2019.

² In addition to the funding required to fully meet projected country demand for Gavi's current vaccine programmes plus ~22% of Gavi's funds invested in cash programmes (e.g. health system strengthening, vaccine introduction grants), within the range of previous Board guidance.

1. New approaches to ensure the sustainability of Gavi-supported immunisation programmes

- a. *A revised Eligibility and Transition policy to replace the previous Eligibility and Graduation policies:* The Board will consider this new policy at its June 2015 meeting
- b. *An approach to ensure countries have access to appropriate pricing (ATAP) after they transition out of Gavi support:* The Board will consider the proposed approach at its June 2015 meeting

2. New approaches to improve coverage and equity of immunisation in Gavi-supported countries:

- a. *Cold Chain Optimisation Platform:* The Board will consider this at its June 2015 meeting
- b. *Comprehensive strategy for Gavi support to India 2016-20:* The Board is due to consider this at its December 2015 meeting
- c. *Other investments in strategic focus areas:* The Board will consider these over the next 18 months with a number of items due to be considered in December 2015
 - i. Strengthening country supply chains (investments in areas of the strategy beyond the CCE Optimisation Platform)
 - ii. Strengthening data systems, measurement and use
 - iii. Generating demand for immunisation from parents and communities
 - iv. Securing political will related to equity, coverage and sustainability of immunisation programmes
 - v. Strengthening countries' leadership, management and coordination capacity
 - vi. Targeted coverage and equity investments in priority countries to address bottlenecks not covered by current HSS

It is critical to address these areas collectively as an Alliance in order to achieve our ambitions in terms of sustainability and coverage and equity. The purpose of these proposals is to deliver transformational impact beyond what can be achieved through the Alliance's existing investments. Work to develop many of these areas is at an early stage, but preliminary indications are that total incremental investment of approximately US \$620-935 million will be required. The May 2015 PPC has already recommended the new Eligibility and Transition policy, ATAP and the Cold Chain Equipment Optimisation Platform for decision at this Board meeting, with a total budget of between US \$269 and 285 million.

The following table provides more details on each of these investments, their expected impact and estimated cost. Some of these are still at a relatively early stage of development so the descriptions are necessarily more approximate.

Element	Summary and projected Impact	Estimated Cost
1. New approaches to ensure the sustainability of Gavi-supported immunisation programmes and protect Gavi's investment to date		
Policy review: Strengthening country transitions out of Gavi support (See Board Paper #05 for full details)	<p>The PPC-endorsed Eligibility and Transition Policy provides for more active transition planning, greater predictability of the start of graduation and mitigation of risks for countries facing a challenging exit from Gavi support,. It is designed to increase the probability of successful transitions and protect Gavi's investments to date. The PPC also endorsed catalytic support for introduction of 'late arrival' vaccines in a small sub-set of graduating countries which could not apply due to the later opening of the support windows.</p> <p>Gavi-attributable impact from all vaccine programmes in countries affected by the new Eligibility and Transition policy, and which potentially could be at risk if immunisation programmes were not sustained, is estimated to be 600-700,000 deaths averted 2016-2020. An additional 30,000 deaths could be averted over the next five years from graduating countries introducing late arrival vaccines.</p>	US\$ 214-230 million
Access to Appropriate Pricing (ATAP) (See Board Paper #07 for full details)	<p>Ensuring countries have access to appropriate pricing after they transition out of Gavi support is critical for them to sustain their immunisation programmes and continue to introduce vaccines after Gavi financial support ends.</p> <p>The proposed approach mitigates the risk of unsustainable increases in pricing for vaccines including:</p> <ul style="list-style-type: none"> 10.8 million children vaccinated with rotavirus vaccine 2016-20 	US\$ 5 million (one-time, catalytic investment to support the Vaccine Independence Initiative as a payment mechanism for Gavi countries)

	<ul style="list-style-type: none"> 2.1 million individuals vaccinated with HPV vaccine 2016-20 	
2. New approaches to improve coverage and equity of immunisation in Gavi-supported countries		
Cold Chain Equipment Optimisation Platform (See Board Paper #12 for full details)	Key component of implementing Gavi's supply chain strategy. Designed to address funding constraints for cold chain equipment, shape the market and accelerate deployment of new, more reliable and sustainable technologies. Will be important foundation for increasing coverage and equity and also help protect Gavi's vaccine investments. Specific impact includes: <ul style="list-style-type: none"> Upgrading cold chain equipment in up to 90,000 health facilities (over a normal replacement cycle) Newly equipping up to 45,000 additional health facilities Helping to protect US \$6 billion of vaccine investments in countries eligible for support 	US\$ 50 million ³
Comprehensive strategy for Gavi support to India 2016-20	Gavi is developing a comprehensive strategy for Alliance engagement with India 2016-20. India is projected to cross Gavi's eligibility threshold in 2015 and is eligible for Gavi support for another five years. However, due to the unique catalytic funding model which Gavi has used for India, all current Gavi support is currently due to end in late 2016. India accounts for one third of the world's under-immunised children and its progress is essential for the Alliance to achieve its coverage and equity goals.	US\$ 100-250 million (in addition to US\$ 220 million of vaccine funding already budgeted for India)

³ The PPC recommended a US\$ 50 million investment for the first two years, to be reassessed and potentially increased based on initial applications. The Secretariat will report back to the PPC and Board in 2017. Several donors have indicated an interest in providing new resources if required.

	<p>Given momentum under the new Indian government, targeted catalytic investments in India can help accelerate improvements in coverage and equity and introduction of new vaccines. The PPC endorsed the principles and proposed high-level approach to develop a strategy for India at its May 2015 meeting.</p>	
<p>Other investments in strategic focus areas</p>	<p>Implementation of the 2016-2020 strategy will require new, bold and innovative approaches in key strategic focus areas. Each of these areas needs to be addressed in order to move the needle on coverage, equity and sustainability of immunisation. Much of the investment in these areas will be through existing resources as part of HSS and the PEF but some investments through other channels may be required to have transformative impact. Work to develop these approaches is in early stages, but the following SFAs have been identified:</p> <ul style="list-style-type: none"> i. Strengthening country supply chains: Investments to support implementation of the supply chain strategy and improve the efficiency, reliability and sustainability of supply chains. Beyond the CCE Optimisation Platform described above, we anticipate that additional catalytic investments may be required to support other transformational initiatives such as redesign of supply chains and rolling out electronic logistics management information systems (eLMIS). in pilot countries. These could then be scaled up through HSS. ii. Strengthening data systems, measurement and use for 	<p>US\$ 250-400 million (figures to be refined in advance of any Board decision)</p>

	<p>improved decision-making, programme management and risk mitigation: Areas of focus include data on immunisation delivery, coverage & equity, disease surveillance and vaccine safety surveillance and response. Improved quality and use of data are critical to inform decision-making and strategies to reach unreached populations. Improved quality and use of surveillance and safety data are important to mitigate risk to programmes. The PPC endorsed the principles and proposed high-level approach to develop these investments at its May 2015 meeting.</p> <p>iii. Generating demand for immunisation from parents and communities: Testing and scaling innovative approaches, including new partnerships (e.g., with private sector) to catalyse demand for immunisation from parents and communities. This will have impact on both the number of parents seeking to access immunisation services, and drop-out rates if parents understand the importance of a full course of vaccination.</p> <p>iv. Securing political will related to equity, coverage and sustainability of immunisation programmes: The anticipated impact is high-level political commitment to build and sustain a national (or sub-national) immunisation programme that ensures the full range of appropriate vaccines reach all of the targeted population.</p> <p>v. Strengthening countries' leadership, management &</p>	
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	<p>coordination capacity: Investments to strengthen management and monitoring capacity of EPI staff at national and sub-national level and to improve the effectiveness of the national coordination forums (including ICCs). Impact is to improve management of immunisation programmes, enhance stewardship of resources and facilitate enhanced coordination among partners.</p> <p>vi. Targeted coverage and equity investments in priority countries to address bottlenecks not covered by current HSS: This will help accelerate scale-up of innovative and proven approaches to improve coverage and equity in focus countries, where these cannot be immediately funded through existing resources.</p>	
Total		~US\$ 620-935 million

New or expanding Gavi-supported vaccine programmes

The Board will consider approving new vaccine programmes or substantially expanding existing ones over the next 18 months. While the design of each programme is currently being developed (and is subject to Board guidance and decision), the following provides an indicative overview and range of costs.

- Measles:** The May PPC recommended that the Board approve funding for two additional supplementary immunisation activities (SIAs) in Ethiopia and DR Congo at this meeting. The US\$ 30 million cost of these SIAs is already included as an expected future request in Gavi's financial forecast. The PPC also requested that the Secretariat develop a comprehensive strategy for Gavi's engagement in measles and rubella which the Board will consider at its December meeting. Gavi is already projected to invest a further US\$ 800 million in measles and rubella through its approved programmes (of which US\$ 625 million is projected to occur 2016-20) and it is currently unclear if the new strategy would require incremental resources or only reallocation

of budgeted resources. One decision which could require additional resources is if the Board decides to apply Gavi's standard co-financing policy to routine measles rubella and Japanese Encephalitis vaccines (as discussed in the co-financing policy review). This would cost approximately US\$ 100-150 million.

- **Inactivated polio vaccine (IPV):** Donors have already fully funded Gavi's IPV costs through the end of 2018 from the Polio Endgame budget. Gavi expects that additional funding for IPV after 2018 – if required – would continue to be provided to Gavi through donor commitments to the Global Polio Eradication Initiative (GPEI) in its next fundraising round.
- **Ebola:** US\$ 150 million has already been secured to support Gavi's Ebola programme (including a pending US\$ 50 million pledge from the African Development Bank). Depending on the scope of the final programme approved by the Executive Committee or Board, our current estimate is that Gavi will need a further US\$ 55-255 million. The Secretariat has prepared an investment case for Ebola which will be shared with donors shortly, for consideration primarily using their existing Ebola funding.
- **Malaria:** The potential cost of support for malaria vaccine will depend on WHO's recommendation for use. Gavi will provide an estimate of this cost, based on the WHO recommendation, when it is brought to the Board for decision. Gavi and the Global Fund currently plan to conduct separate but coordinated fundraising for this vaccine.

Sources and prioritisation of funding

In addition to the US\$ 500 million provision for strategic initiatives, the latest Gavi financial forecast⁴ provided to the Board indicates that due to greater cost savings related primarily to projected vaccine price reductions and efficiency gains from optimising in-country stock levels, Gavi will be able to save nearly US\$ 350 million by 2020. Given these savings and other adjustments in the financial forecast, Gavi could be able to re-allocate an additional US\$ 450 million to fund the proposals described in this document. This is dependent on all donors honouring their existing Berlin pledges and those who have not yet pledged for the entire 2016-2020 period extending at projected levels of support. This amount taken in combination with the US\$ 500 million provision for strategic investments means that a total of US\$ 950 million will likely be available for investment.

The Secretariat recommends that the Board prioritise investment of these resources in implementation of the 2016-20 strategy. As discussed above, the total cost of these investments is projected to be approximately US\$ 620-935 million. Therefore, this can be afforded within Gavi's forecasted resources, while providing some funds to approve new or expanded programmes or other initiatives which the

⁴ Please see Gavi Board Document 15 - Financial forecast and programme funding request

Board may consider over the remainder of this strategic period. If significant additional resources are required for any new or expanded vaccine programmes, these would require additional fundraising.

Potential opportunity costs of proposed investments

As described above, the latest financial forecast projects that the Alliance will have at least US\$ 950 million available after having fully funded all projected country demand for vaccines and all HSS programmes within current ceilings (as described in the Replenishment Prospectus). This paper recommends that the Board prioritise investing these funds in initiatives to implement the 2016-20 strategy and achieve the Alliance's sustainability and coverage and equity goals. However, there are two other potential uses for the available funds:

1. *Increase non-targeted investment in Gavi's HSS grants.* Some of the above investments will flow through HSS so will already increase Gavi's HSS expenditure in targeted areas. However, the Board could decide to raise Gavi's investment in HSS without seeking to direct those funds at specific areas. Increasing spending on cash programmes (of which HSS is a component) from 22% to the maximum level approved by the Board of 25% would cost US\$ 300 million 2016-2020. However an increase in HSS funds would be constrained by absorptive capacity in some countries, and if this additional investment is not targeted it is unlikely to deliver the transformative change needed at to achieve Gavi's 2016-2020 goals.
2. *Reserve funds for other programmatic needs / future investments:* The Board could choose to reserve more funds to pay for the new or expanded programmes identified above, or other future initiatives which have not yet been identified (these may otherwise require additional fundraising). This would be conservative since Board approval of these programmes, and their final design and cost, remains uncertain and the Board will be able to influence the scope and cost of these investments. Moreover, this would require the Board to prioritise these new or expanded programmes over implementation of the Board-approved 2016-20 strategy.

One question that has been raised is how investing in these initiatives might impact the distribution of Gavi support between low and middle income countries. Latest forecasts project that nearly two thirds of Gavi vaccine support will flow to low-income countries, which currently account for one third of the Gavi birth cohort. Since Gavi provides support in response to country demand, this ratio reflects both countries' decisions on which vaccines to introduce and the different co-financing requirements for low-income and middle-income countries. These initiatives are highly to change the ratio by more than a few percentage points and low income countries will certainly continue to receive the large majority of Gavi support despite representing a minority of Gavi's total birth cohort.