

SUBJECT: RESOURCE MOBILISATION AND PRIVATE SECTOR PARTNERSHIPS UPDATE

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Category: For Information

Strategic goal: SG3 - Financing: global predictability/nat'l sustainability

Section A: Overview

1. Purpose of the Report

- 1.1 This report provides an update on fundraising efforts at the Secretariat notably: (i) to close the 2011-2015 period (ii) to convert pledges announced at the pledging conference into legally binding agreements; and (iii) to secure and extend resources from both sovereign and private sector partners.

2. Executive Summary

- 2.1 Following Gavi's "Reach Every Child" pledging conference in Berlin, over US\$ 7.5 billion was pledged for the 2016-2020 period by 31 public and private sector donors. The replenishment was successful in broadening the donor base with a more sustainable burden share spread among 12 core donors, and increasing new donors (see Figure 1). The diversification was achieved over time with tremendous growth in Europe, the Americas and the Middle East. Expansion in Asia-Pacific is still ongoing with Japan's pledge being finalised in the context of their G7 presidency (see Figure 2).
- 2.2 Negotiations of pledges have been planned in 3 rounds: the first two rounds focused on securing multi-year pledges with a target signature of 75% by year-end while the remaining 25% pledges will be signed annually. A key characteristic of the negotiations has been their complexity as agreements draw on various multilateral, bilateral and innovative finance sources and involve a variety of agencies with different requirements and procedures. In total, roughly 50 agreements will need to be signed over the period to firm up pledges.

- 2.3 To date, agreements representing 32% of pledged amounts have been signed with an additional 43% to be secured by year-end. The level of 75% could be reached by December notably by securing the two remaining largest agreements. Closing on these grants would enable Gavi to hedge against further currency fluctuations that could otherwise impact the level of assured resources for the 2016-2020 period. A third batch representing the remainder (i.e. 25%) of pledges announced in Berlin is expected to be signed throughout the period with a peak in 2017. These are for the most part pledges (i) underlying long-term contributions either requiring annual agreements signing or approval such as the European Commission (EC) and Germany; (ii) straight annual pledges such as Sweden and the United States of America (USA); and (iii) latest International Financing Facility for Immunisation (IFFIm) pledges requiring longer lead time for negotiation given technical and legal processes. All donors but one have been engaged and provided clarity on pledges signing and disbursement. Negotiations with Japan are actively being pursued with a promising outlook: the inclusion of Gavi in Japan's G7 presidency agenda and negotiation of Gavi contribution as part of a G7 supplemental budget.
- 2.4 In the coming year, significant changes and events affecting the development aid landscape will require dedicated attention to secure resources. Key challenges have already been identified notably: (i) the possible diversion of resources resulting from the largest refugee crisis facing primarily Europe and related recent announcement of aid budget cuts to respond to the crisis; (ii) increased focus on pandemics and security (iii) and significant currency volatility. Alongside these shifting development priorities, several governments representing 51% of Gavi resources for the upcoming period, face national elections with a peak period between Q4-2016 and Q3-2017. In this context, increased efforts and attention in the next months will be devoted to sustainability of resources: intensified donor advocacy to secure bi-partisan base but also extend the pledges through 2020, increased outreach to further deepen emerging markets share and accelerated efforts to attract complimentary private sector engagement.

Section B: Content

3. Status of fundraising efforts

Closing the 2011-2015 period

- 3.1 To date for the 2011-2015 cycle, US\$ 7.4 billion¹ were received out of a total amount of resources raised for this period of US\$ 7.5 billion. Extended contributions were also received in 2015 from donors such as Australia, Japan and the USA, who had not originally pledged through the period.

Outcomes of the replenishment

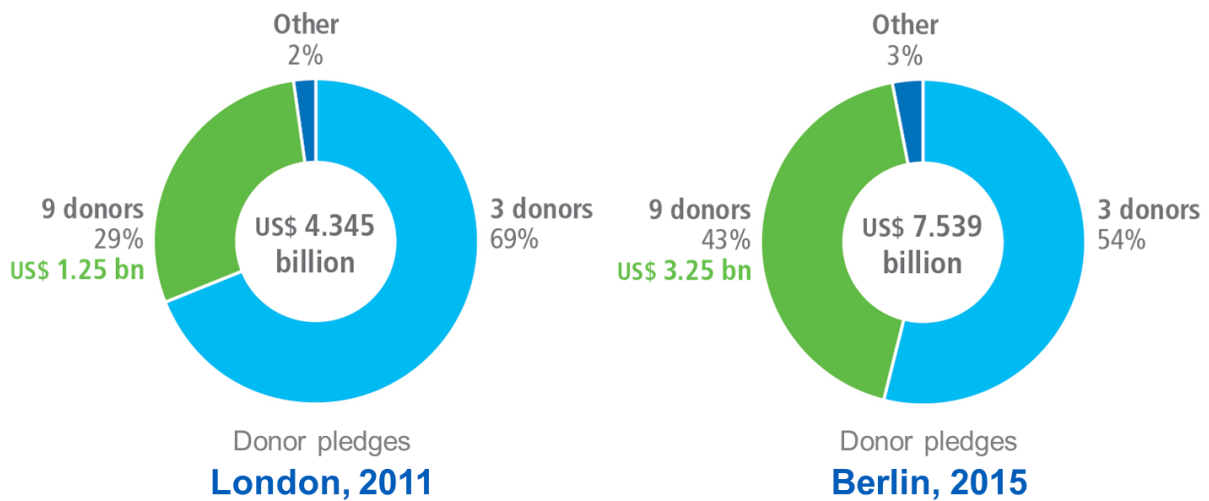
- 3.2 On 26-27 January 2015, as the first event of Germany's G7 presidency, world leaders gathered in Berlin to make history together. Gavi's 'Reach

¹ Cash receipts to-date.

Every Child' pledging conference celebrated the tremendous progress in immunisation to date, honoured the women and men who go to great lengths to deliver vaccines to all corners of the world, and highlighted the growing political commitment of developing and donor countries – and all of members of the Vaccine Alliance – who are making the vision of reaching every child with life-saving vaccines a reality.

- 3.3 Over US\$ 7.5 billion was pledged by 31 public and private sector donors, including 19 sovereign donors, with many donors increasing their contributions by two or three fold compared to the 2011-15 period. Four new donors, China, Oman, Qatar and Saudi Arabia, made pledges to Gavi for the first time. China's engagement has already accelerated rapidly with the Chinese government agreeing to host the April 2016 Gavi Board retreat in Beijing.
- 3.4 Innovative financing was reinforced as a key pillar of Gavi's funding strategy with France, the Netherlands, and Australia all committing new pledges to IFFIm valued at over US\$ 280 million for 2016-2026. The Netherlands also joined the Bill & Melinda Gates Foundation and the UK as the newest supporter of Gavi's Matching Fund to match private sector commitments through the next strategic period. France - a founding donor of IFFIm - once again proved to be at the forefront of innovative financing by pioneering a concessional loan structure (loan buy-down) to purchase vaccines for the Sahel region. This model was built in collaboration with the Bill & Melinda Gates Foundation and was launched in June 2015 in the presence of French Foreign Minister Laurent Fabius and Bill Gates. This concessional loan model is now being considered for replication in emerging markets.
- 3.5 Underlying Gavi's successful second replenishment are a dynamic resource mobilisation model and a long term fundraising strategy. The key objectives of the fundraising strategy were met: 1) maintaining the contributions of leading donors (the Bill & Melinda Gates Foundation, Norway, and the United Kingdom); 2) increasing the contributions from other major donors (Australia, Canada, European Commission, France, Germany, Japan, the Netherlands, Sweden, and USA) to build a critical mass of donors; 3) securing new funding from emerging donors (Middle East and BRICS) and the private sector; 4) and building upon a history of successful innovative financing solutions like the IFFIm, Advance Market Commitment (AMC), and the Gavi Matching Fund.
- 3.6 The second replenishment particularly saw the success of a diversification strategy launched as early as 2012 to progressively build donors pledges. The strategy resulted in expanding the support of key donors with many doubling or tripling their pledge level. As a result the split between the top 3 donors and other key donors is roughly 50/50 (please see Figure 1). Gavi now has a much more sustainable burden share among donors that provides even greater long-term security to Gavi-countries.

Figure 1: Diversification of donor base

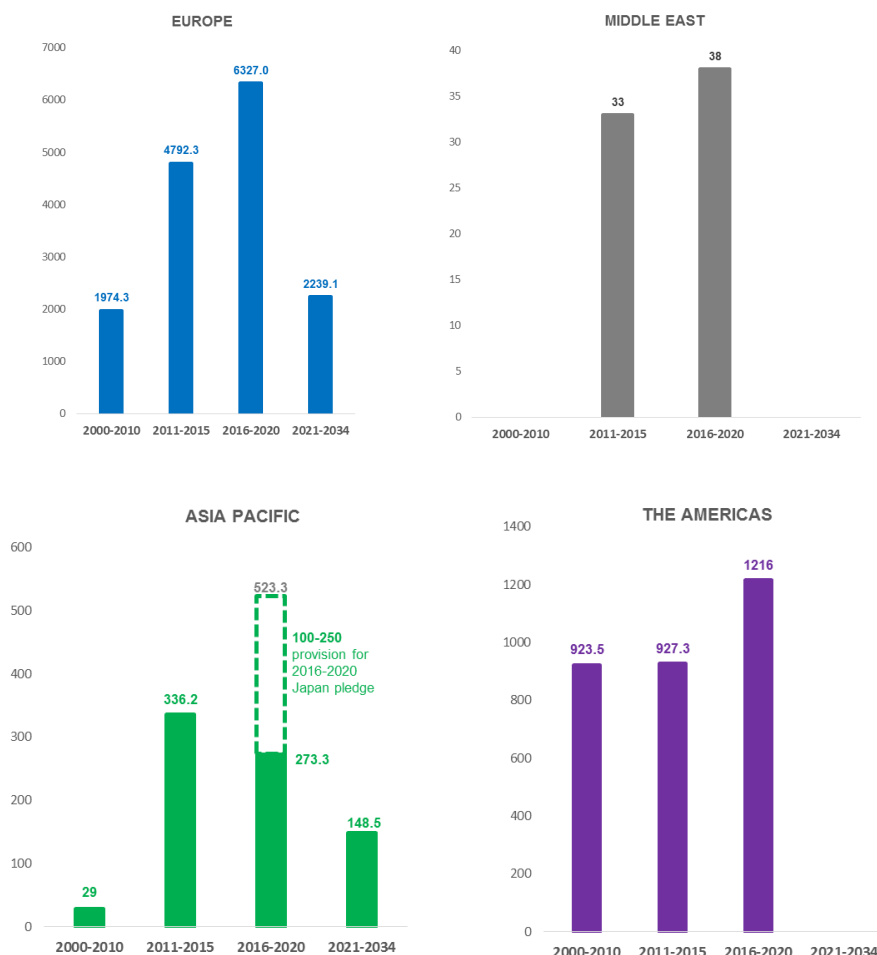


- 3.7 Lessons learned from this diversification indicate that it can take five years or more for moderate or new donors to mature into key contributors. For example, Germany began as a moderate donor to the Vaccine Alliance in 2006, with annual contributions of circa EUR€ 4 million per year and gradually increased their level of support – pledging a total of EUR€ 148 million for 2011-2015. As the host of the 2016-2020 pledging conference, Germany significantly increased their level of commitment by pledging EUR€ 600 million, quadrupling their 2011-2015 pledge. Korea is also a growing partner with health and children emerging as a priority for their development cooperation policy. Korea began as a small donor in 2010 donating US\$ 0.4 million on a yearly basis, and has increased to US\$ 4 million per year for the 2015-2017 period. Korea's total commitment to Gavi since 2010 now stands at US\$ 15 million, including a recent top-up agreement signed in October.
- 3.8 Gavi's donor base expansion and diversification was achieved with tremendous growth over time in Europe, the Americas, and the Middle East (see Figure 2). In Asia Pacific, work is still underway to secure Japan's 2016-2020 pledge especially as the government will inherit the G7 presidency from Germany for 2016.

Figure 2: Gavi's sovereign donor trends by region

(Total for 2000-2030: US\$ 19.5 Billion²)

US\$ Millions



4. Securing the replenishment outcomes

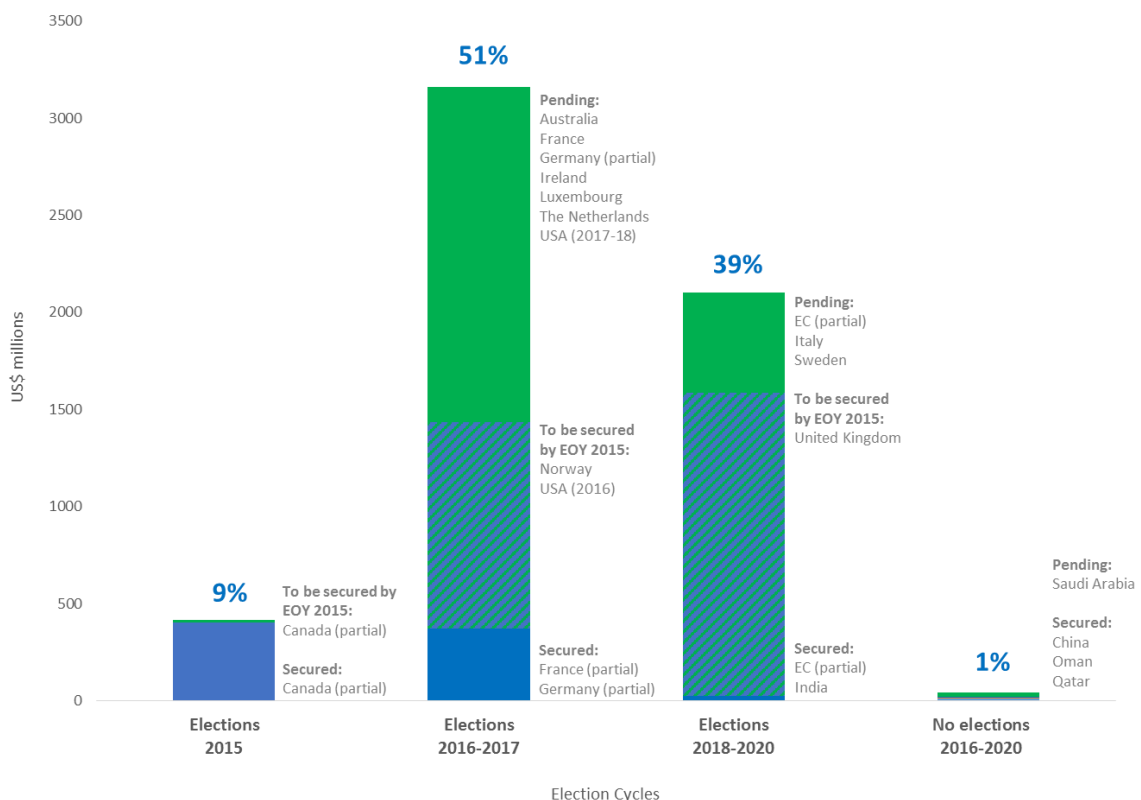
- 4.1 Building upon the increase in pledges for 2016-2020 the Secretariat is now working closely with donor administrations to negotiate individual grant agreements and ensure political commitments materialise into secured resources. Given the diversity of donors, the complexity of the various financing mechanisms, and the limitations of some donors to commit to multi-year agreements, multiple grants per some donors are required. In total and including the private sector, the Secretariat is negotiating nearly 50 grant agreements for the 2016-2020 period.
- 4.2 To ensure the greatest financial visibility in support of Gavi's programmes and to hedge against currency fluctuations, the Secretariat has prioritised

² Figures as of September 30, 2015, including 2016-2020 provision for Japan pledge, negotiations are ongoing with a low scenario of US\$ 20 million/year (100) and a high scenario of US\$ 50 million/year (250).

securing the most significant and long-term grants as soon as possible. These grants represent approximately 75% of the total cash value of the pledges announced in Berlin and are nearly finalised. With three significant grants (UK, the Netherlands and Norway) expected to be closed by the end of 2015 the 75% target should be reached. Given the annual nature of the other 25% of the Berlin pledges, the remaining agreements will be secured throughout the 2016-2020 period and will require continued engagement. (For more details please see Annex 1).

- 4.3 In particular, with shifting global development priorities and upcoming electoral agenda, bi-partisan support will need to be actively garnered: efforts from all stakeholders will be encouraged to keep Gavi and immunisation investments at the forefront. Many donors who pledged in Berlin but have not yet signed all of their agreements for 2016-2020 are facing national elections in the next two years including Australia (2016/17), Germany (2017), Ireland (2016), Luxembourg (2017), Netherlands (2017), Norway (2017), and the United States (2016), (Please see figure 3).

Figure 3: Pledges & secured resources by donor election cycles



- 4.4 In order to mitigate the above risks, Gavi plans to redouble efforts in these markets with continuing advocacy and civil society engagement to build bi-partisan support and increase the sustainability of long-term commitments. In the past months, the Secretariat, Gavi executive leadership, and the board chair have all been actively working to ensure Berlin pledges are delivered.

- 4.5 Building upon the high level moment in Berlin, Gavi continued its engagement with global leaders at the UN General Assembly in mid-September and – following sustained and successful efforts to place immunisation within the Sustainable Development Goals – is now well positioned on the global development agenda. In the margins of the UNGA meetings in New York in September, the governments of Germany, Norway and Ghana, in collaboration with the World Health Organization (WHO), the World Bank Group (WB) and the Bill & Melinda Gates Foundation (BMGF), hosted the event “Securing a Healthy Future: Resilient Health Systems to Fight Epidemics and Ensure Healthy Lives” where Gavi was featured as a central partner.
- 4.6 Also in September, Gavi’s CEO visited Berlin for meetings with Members of Parliament and civil society organisations to express the gratitude of the entire Vaccine Alliance for Germany’s incredible support in the lead up to replenishment and beyond as part of their G7 presidency. At a time when the new German budget, expected to incorporate the Chancellor’s announcement at the pledging conference, was about to be discussed in Parliament, Dr Berkley was invited to testify before the Ausschuss für wirtschaftliche Zusammenarbeit und Entwicklung (AWZ) – Germany’s development committee. There, he thanked parliamentary leaders for their personal commitment to Gavi’s mission, reported back on Gavi’s progress to date and future directions, and encouraged continued collaboration moving forward. The following month, during Germany’s 2016 budget negotiations, Gavi’s Board Chair met in Berlin with parliamentarians crucial to securing German MPs’ commitment to Chancellor Merkel’s pledge. On the same day, he presented Gavi at a key note panel to 1,300 health experts at the Berlin-based World Health Summit.
- 4.7 In light of the November 2016 US Presidential and Congressional election, Gavi continues to work intensively to secure the full US pledge amounts for fiscal years 2016-2018 and build the foundation for a continued US-Gavi partnership beyond 2018 (2019-2020 pledge extensions). Gavi’s CEO travelled to Washington DC in September for high level meetings on the 2017 pledge and Gavi leadership will remain engaged throughout the coming years at critical points in the US negotiation and appropriation processes. As part of continued efforts to build a stronger partnership with Japan, Gavi’s CEO will participate in the International Conference on Universal Health Coverage (UHC) in the New Development Era on 16 December in Tokyo. The conference will highlight the role of UHC in transition from MDGs to SDGs and will be an important milestone for the 2016 G7 under Japan’s leadership.
- 4.8 Country missions to deepen donor relationships continue with a growing number being carried out in collaboration with the Global Fund (GF) and other partners. A joint Gavi-GF high level mission in Ethiopia including the European Commission, the United Kingdom’s Department for International Development (DFID), Italy and other partners, reflected the importance of scaling up systemic changes under way in Ethiopia and explored how to further increase efficiency and synergies between the agencies. Upon

invitation by Gavi and the Minister of Health of Mozambique, a delegation of Members of Parliament (MPs) from Norway and Sweden visited Mozambique on 11-14 October 2015. The purpose of the visit was to allow MPs to meet with government officials, representatives from WHO, UNICEF, civil society, as well as their parliamentary colleagues in Mozambique and to witness vaccination sessions in both rural and urban areas to learn first-hand about the power of vaccines, the results that Mozambique has achieved in reducing child mortality, the benefits of working in an Alliance, as well as all the challenges that the country still faces.

- 4.9 Gavi's Board Chair has been instrumental in maintaining and deepening the Vaccine Alliance's strategic relationships in donor markets. Just after chairing the Gavi pledging conference, Dagfinn Høybråten travelled to the USA for several high level meetings, including with leaders in the new congressional majority to ensure continued bi-partisan support, and most recently travelled to China for ministerial level meetings to solidify the growing China-Gavi partnership. The Gavi Secretariat remain grateful for the Chair's unwavering personal commitment and look forward to engaging the incoming Board chair in a similar capacity.
- 4.10 In addition to ongoing efforts to secure the 2016-2020 grant agreements, the Secretariat is also undergoing various donor reviews and responding to regular donor reporting requirements stipulated in existing agreements. The 2015 UK Multilateral Aid Review is ongoing and expected to be published in April 2016. Gavi has once again been selected as one of the organisations that will be assessed by MOPAN in 2015-2016. A newly expanded MOPAN methodology will examine organisational performance and results/development effectiveness, using multiple lines of evidence and data sources and will assess organisations against the following performance areas: strategic management, relationship management, operational management, performance management, and results. Gavi welcomes MOPAN's integrated approach which streamlines the assessment needs of 14 of Gavi's sovereign donors.

Gavi's private sector approach

- 4.11 To further mitigate risks around long-term donor engagement and ensure the greatest level of financial sustainability, Gavi continues to explore how to both leverage and support sovereign relationships through strategic engagement of the private sector in select markets. Acknowledging the outcomes of the Addis Ababa Financing for Development, the newly adopted Sustainable Development Goals, and the growing call for more investment by the private sector in international development, Gavi's private sector approach is now focused on building relationships that can lead to greater efficiency and more blended financing and operational support of Gavi's 2016-2020 strategic objectives.
- 4.12 The Resource Mobilisation and Private Sector Partnerships (RMPSP) teams merged in April 2015. Since then the RMPSP team has focused its initial efforts on mainstreaming private sector engagement across the

organisation, refining the private sector approach, and bringing the successful team of donor managers to bear on the challenge of securing greater engagement from the private sector.

- 4.13 Central to Gavi's private sector approach is the vision of placing Gavi at the forefront of development thinking by leveraging private sector investments and expertise at scale - with the aim of delivering fast progress and permanent impact. Gavi is seeking to 1) leverage private sector expertise to a) enable greater coverage and equity at country level, and b) achieve greater efficiencies in terms of cost savings for the Vaccine Alliance and support-countries, and 2) secure higher levels of financing from the private sector to support immunisation.
- 4.14 In addition to direct private sector engagement, Gavi's is aiming to more meaningfully engage global private sector platforms including but not limited to the World Economic Forum. The Secretariat is forging more integrated and beneficial partnerships with these platforms to identify and cultivate opportunities for their members to contribute to Gavi's work, and tap into their constituencies to help enable and introduce adaptive implementation innovations at country level.

Looking Forward

- 4.15 In addition to the key priority of converting donor pledges into secured agreements, responding to donor reporting and evaluation needs including IFFIm and AMC, maintaining and expanding bi-partisan support to ensure financial sustainability, and expanding Gavi's engagement with the private sector, the Secretariat is also developing specific fundraising approaches that may be needed for emerging strategic priorities not already funded through the replenishment. Gavi is also coordinating closely with partner organisations, such as the Global fund, GPEI, regional banks and the World Bank to ensure coordination on fundraising and external relations. Furthermore, Gavi is seeking to learn from the success and challenges of its 2015 Pledging Conference and replenishment process. An assessment of the process is underway and lessons learned will be shared at a later stage.

Section C: Risk implication and mitigation and Financial implications

5. Gavi faces several risks related to converting donor pledges for the 2016-2020 period. Pressure on international aid budgets are being faced in many donor countries as they seek to cope with unforeseen crises and emergencies, election cycles, and competing development priorities. For more on Gavi's mitigation please see section 4 above.

6. Due to substantial currency fluctuations since the time of the Berlin pledges, the Vaccine Alliance is also facing ongoing currency risks. Pledges cannot be hedged until legal agreements are signed so Gavi has been working to accelerate the signing of the largest pledges.

Section D: Implications

7. Impact on Secretariat

- 7.1 After the success of the Berlin pledging conference the Secretariat has to manage an increasing number of donors (nearly doubled since 2011) with many using multiple agencies and mechanisms (nearly 50 unique grant agreements for 2016-2020). This increase also leads to more complexity and frequency of reporting, evaluations and information demands, (with approximately 8-12 grant reports and major evaluations per year), and related involvement in governance. In addition, the Berlin experience has proven the power of articulating sound civil society strategies in donor markets and continued engagement is now required to maintain relationships in support of Gavi's work in the next strategic period.

8. Legal and governance implications

- 8.1 With respect to ensuring continued engagement from new donors, it should be noted that a number of donors are asking for meaningful involvement at the Board. Another challenge emerging from discussions with some donors is that the Alliance's status does not meet their definition of an International Organisation, hence creating additional barriers to entry, making Gavi more vulnerable to aid budget cuts, and making it more difficult to craft simple and robust legal agreements. Considerable work is also being undertaken with donors who have extended pledges to IFFIm. Particular efforts have gone into ensuring that non US dollar denominated pledges can be managed appropriately thereby limiting currency risk exposure.

9. Consultation

- 9.1 Throughout the year, the Secretariat has been intensively engaged with a wide coalition of donors, CSOs, and partners in donor market and regional advocacy to advance the immunisation agenda and ensure secured resources.

10. Gender implications

- 10.1 This update has no implications on gender

Section E: Annex

Annex 1: Status of Secured/Signed vs. Pledged as of Q3-2015

Annex 1: Status of Secured/Signed vs. Pledged as of Q3-2015

SIGNED (BATCH 1)	LC	Amount (millions)	USD Equivalent (millions)
Alwaleed Philanthropies	USD	1	1
The Bill & Melinda Gates Foundation	USD	1550	1550
Canada	CAD	500	416
China	USD	5	5
European Commission-8	EUR	10	11.4
European Commission-8 Appendix 1	EUR	10	11.4
France (DC)	EUR	100	112.8
Germany (BMZ multilateral)	EUR	150	168.6
Korea (top-up)	USD	9	9
Oman	USD	3	3
Qatar	USD	10	10
Total			2298
% signed vs 2016-2020 pledged (denominator 7.184). The denominator is different as the USD equivalents of the LC pledges made will float with the latest published FX rates as/until they are actually contributed.			32%
TO BE SIGNED (BATCH 2) by EOY 2015	LC	Amount (millions)	USD Equivalent (millions)
Australia	AUD	250	185
Canada	CAD	20	16
France (IFFIm)	EUR	150	169.1
Germany (BMZ multilateral) *parliament approved	EUR	120	135.4
Japan (top-up)	USD	0.2	0.2
Kingdom of Saudi Arabia	USD	25	25
LDS Charities (annual contract)	USD	1	1
Luxembourg	EUR	4.1	4.6
Norway *parliament approved	NOK	6250	828.1
The Netherlands (DC)	EUR	180	203.0
The Netherlands (MF) *approved	EUR	10	11.3
United Kingdom	GBP	1000	1559.7
Total			3138
% signed vs 2016-2020 pledged (denominator 7.184). The denominator is different as the USD equivalents of the LC pledges made will float with the latest published FX rates as/until they are actually contributed.			43%
New percentage of signed vs pledged by year end if Batch 2 is signed			75%
PENDING (BATCH 3)	LC	Amount (millions)	USD Equivalent (millions)
European Commission-8 Appendix 2	EUR	10	11.3
European Commission-9	EUR	105	118.4
European Commission-10	EUR	40	45.1
European Commission-11	EUR	25	28.2
Germany (BMZ Multilateral 2020)	EUR	60	67.7
Germany (KfW bilateral)	EUR	270	304.4
International Federation of Pharmaceutical Wholesalers (IFPW)	USD	0.8	0.8
Ireland	EUR	18	20.9
Italy	EUR	100	112.8
Japan (pending pledge)	USD	-	-
LDS Charities (annual contract) *annual negotiations	USD	4.0	4.0
Sweden (annually)	SEK	250	31.8
Sweden (annually) * remaining 4 years	SEK	1250	159.1
The Netherlands (IFFIm) *tentative	EUR	60	67.7
USA (annually)	USD	235	235
USA (annually) *remaining 2 years	USD	565	565
Total			1772
% signed vs 2016-2020 pledged (denominator 7.184). The denominator is different as the USD equivalents of the LC pledges made will float with the latest published FX rates as/until they are actually contributed.			25%
New percentage of signed vs pledged if all three batches signed			100%

NOTE: The above table is based on the latest conversations with donors and is subject to change related to shifting timelines, parliamentary processes, and legal proceedings. Given the complexity of grant agreements and the involvement of multiple donor agencies and funding mechanisms, some pledges have been split into multiple agreements per donor while others are considered as one agreement for the purposes of this table. The latest conversations with donors indicate that there will be nearly 50 unique grant agreements processed for the 2016-2020 period.

Acronyms: LC: local currency; DC: Direct contribution; MF: Matching Fund