

SUBJECT: FINANCIAL FORECAST & PROGRAMME FUNDING REQUEST

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Agenda item: 06

Category: For Decision

Strategic goal: Alliance operations

Section A: Overview

1. Executive summary

- 1.1 This report informs the Gavi Alliance Board ("Board") of the updated Gavi financial forecast for 2011-2020, programme expenditure through 30 September 2015, and utilisation of the 2015 Programme Funding Envelopes.
- 1.2 This report requests the Board to approve a programme funding envelope for 2016 to be allotted to individual programmes by the Secretariat, in accordance with the Programme Funding Policy.
- 1.3 The forecast indicates that all the decisions recommended for approval at this Board meeting can be made in accordance with the Programme Funding Policy. These decisions are summarised in Figure 1, which also indicates potential future investments yet to be considered.
- 1.4 With regard to expenditure, the forecast provides for all currently anticipated expenditure needs through 2020. It incorporates the funding decisions to date and those requested at this Board meeting, and provides for future requests based on the latest demand estimates.
- 1.5 With regard to resources, the forecast includes amounts pledged to date, including in Berlin in January 2015. Further contributions are expected as donors complete pledging for all years through 2020. In advance of that, an allowance for further direct contributions not yet pledged is included, for programme approval purposes. This assumes that overall direct contributions in 2019 and 2020 will continue at their 2016-2018 level.
- 1.6 The forecast also indicates that up to US\$ 0.3 billion could be available through 2020 to meet needs beyond those currently included in the forecast. This is dependent on all donors completing their pledging through 2020 and contributing their pledges. Annex 1 explains terminology associated with the forecast.

Figure 1 Overview of resources to meet expenditure in 2016-2020

| US\$ million | | | | | Current Forecast - Dec 2015 Board | | |
|---|------------------------------|-----------------------|--------------------------------|--------------------------------|-----------------------------------|------------------------------------|------------------------------|
| | Post Berlin meeting Jan 2015 | Include IPV (2016-18) | Impact of June Board Decisions | Change upon updating estimates | Prior to proposed decisions | Impact of proposed Board decisions | Including proposed decisions |
| | US\$m | | US\$m | US\$m | US\$m | US\$m | US\$m |
| Resources Available | | | | | | | |
| Assured resources 2016 -2020 | 9,293 | 245 | | (651) | 8,887 | | 8,887 |
| Available from 2015 (forecast) | 200 | | | 244 | 444 | | 444 |
| | 9,493 | 245 | | (407) | 9,331 | | 9,331 |
| Allowance for additional contributions, not yet pledged | 523 | | | (4) | 519 | | 519 |
| A Qualifying Resources | 10,016 | 245 | | (411) | 9,850 | | 9,850 |
| | \$10.0 bn | | | (\$0.4 bn) | \$9.8 bn | | \$9.8 bn |
| Forecast Expenditure | | | | | | | |
| Vaccine programmes | 6,243 | 248 | 214 | (992) | 5,713 | 319 | 6,032 |
| Cash-based programmes | 1,509 | | 55 | 269 | 1,833 | 180 | 2,013 |
| Provision for Strategic Investments | 500 | | (269) | 0 | 231 | (231) | 0 |
| PEF and Secretariat engagement | 1,292 | 17 | | 164 | 1,473 | | 1,473 |
| B Forecast Expenditure | 9,544 | 265 | 0 | (559) | 9,250 | 268 | 9,518 |
| | \$9.5 bn | | | (\$0.6 bn) | \$9.3 bn | | \$9.5 bn |
| A-B Available for future investments | 472 | (20) | | 148 | 600 | (268) | 332 |
| | \$0.5 bn | | | \$0.1 bn | \$0.6 bn | (\$0.3 bn) | \$0.3 bn |

| Funding decisions for consideration now | | US\$m | Decision amount | Already in Forecast | Addition to forecast |
|--|--|-------|-----------------|---------------------|----------------------|
| 1 | Programme Funding Envelope for 2016 (in this paper) | | 2,827 | 2,827 | 0 |
| 2 | PEF budget 2016-2017 (Doc. 07) | | 348 | 348 | 0 |
| 3 | Secretariat budget 2016-2017 (Doc. 07) | | 211 | 211 | 0 |
| Strategic investments for consideration now | | | | | |
| 4 | Measles-Rubella strategy (Doc. 13) <i>Impact: ~320k additional deaths averted</i> | | 798 | 579 | 219 |
| 5 | India strategy (Doc. 14) <i>Impact: ~440-860k deaths averted with total India investment of \$500m</i> | | 500 | 220 | 280 |
| | | | | | 499 |

| Potential future investment opportunities | | US\$m | |
|---|---------|--|---|
| Cold Chain Equipment (2018-20) | 190-260 | } Was specifically outside the Replenishment Ask | Potentially much more, if all equipment is modernised |
| IPV post 2018 | 150 | | |
| Ebola | 55-255 | | |
| Malaria | ??? | | |

Note 1: In the "Post Berlin meeting" column, the amounts for Assured Resources and Available from 2015 are as computed immediately after the Berlin pledging conference in January 2015; and Forecast Expenditure is per the December 2014 financial forecast.

Note 2: The December 2014 financial forecast included a provision of US\$ 220 million for catalytic support to India that the Board might approve in the future.

2. Recommendations

2.1 To assist the Board in its decision making, the Audit and Finance Committee on the 6 November 2015 reviewed the forecast and the financial implications of the requested decisions and confirmed that they can be approved by the Board in accordance with the Programme Funding Policy.

2.2 The Gavi Board is requested to:

2016 Envelope for “unrestricted” countries

- **Approve** a 2016 Programme Funding Envelope for unrestricted countries from which the Secretariat, under the Programme Funding Policy, shall allot funding to programmes until 31 December 2016, to:
 - i. Endorse or adjust previously endorsed amounts of programme multi-year budgets for existing programmes and new cash programmes for an aggregate amount not exceeding US\$ 2,807 million. (These endorsements would constitute acknowledgement of such budget amounts at the time of allotment but would not constitute a funding approval, decision, obligation or commitment of the GAVI Alliance or its contributors.)
 - ii. Establish or adjust near-term liabilities of the GAVI Alliance in respect of endorsed programme budgets for periods ending no later than 31 December 2016 for an aggregate amount not exceeding US\$ 1,264 million. (These amounts are a sub-component of endorsed programme budgets.)

2.3 The Board in session without the participation of US citizens and residents is requested to:

2016 Envelope for “restricted” countries

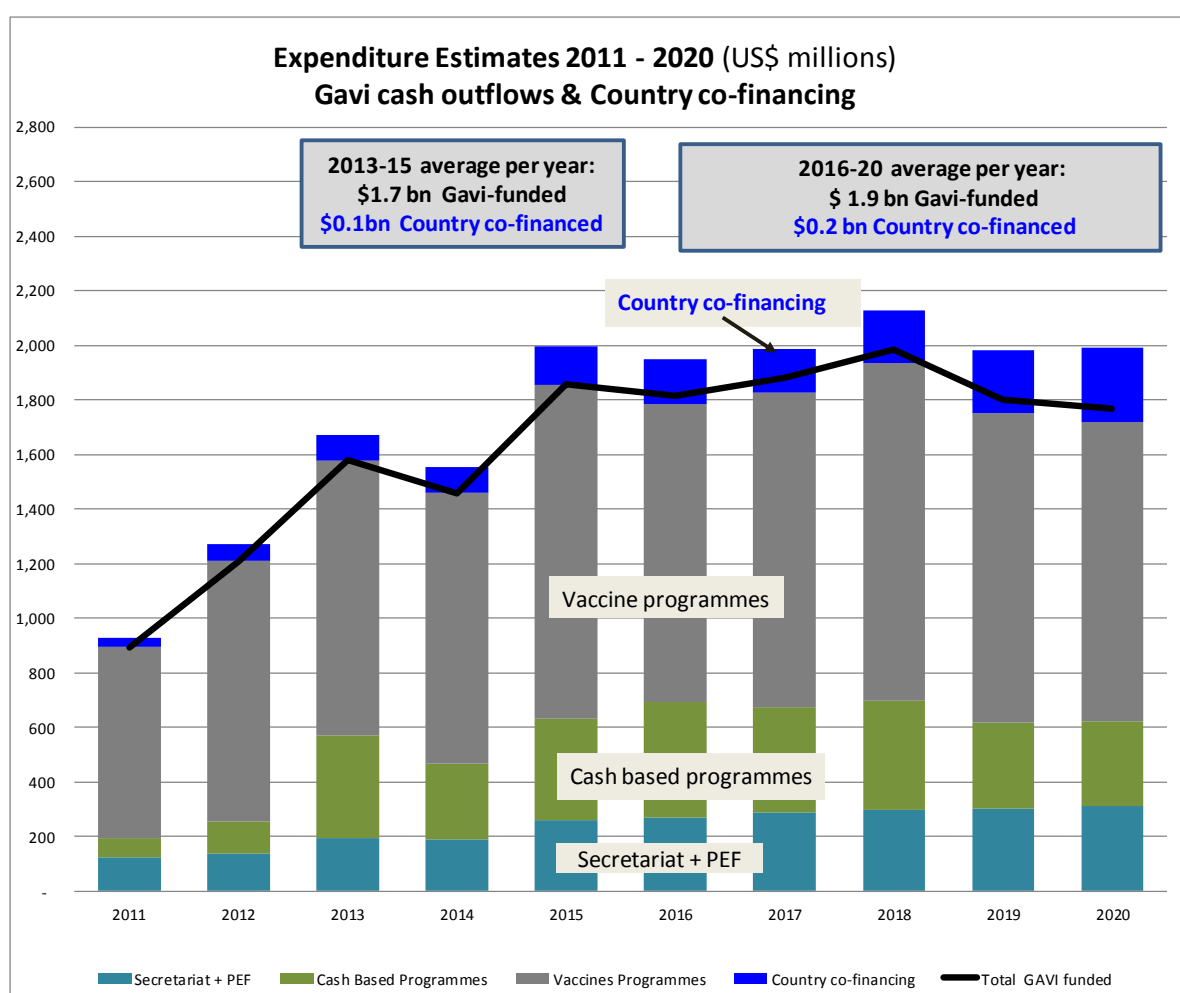
- **Approve** a 2016 Programme Funding Envelope for restricted countries from which the Secretariat, under the Programme Funding Policy, shall allot funding to programmes until 31 December 2016, to:
 - i. Endorse or adjust previously endorsed amounts of programme multi-year budgets for existing programmes and new cash programmes for an aggregate amount not exceeding US\$ 20 million. (These endorsements would constitute acknowledgement of such budget amounts at the time of allotment but would not constitute a funding approval, decision, obligation or commitment of the GAVI Alliance or its contributors.)
 - ii. Establish or adjust near-term liabilities of the GAVI Alliance in respect of endorsed programme budgets for periods ending no later than 31 December 2016 for an aggregate amount not exceeding US\$ 5 million. (These amounts are a sub-component of endorsed programme budgets.)

Section B: Forecast of needs and resources

3. Expenditure to meet country demand through 2020

- 3.1 The expenditure estimates in this forecast (version 12.0Fa) are based on the latest Adjusted Strategic Demand Forecast (version 12.0), issued in September 2015. The forecast reflects all previous funding decisions of the EC/Board. It incorporates updated implementation assumptions based on latest country and supplier information regarding country readiness and supply availability. Annex 1 explains terminology associated with the forecast.
- 3.2 The overview of projected expenditures for Gavi through 2020 per Figure 2 illustrates the scale-up of country demand, with Gavi-funded expenditure expected to reach a level of US\$ 1.7 billion per year on average in 2013-2015. This will reach a plateau of around US\$ 1.9 billion per year in 2016-2020.

Figure 2: Expenditure estimates



- 3.3 Figure 2 also illustrates the country co-financed amounts from 2011-2020 (at the top of each bar, above the trend line). Total estimated co-financing for 2011-2015 amounts to US\$ 0.4 billion. This will increase to US\$ 1.0 billion for 2016-2020.

Additional to this co-financing are the investments that the countries make in their immunisation programmes.

- 3.4 The estimates are based on current Gavi eligibility and graduation rules.¹ Details of the expenditure estimates for each five-year period are provided in Annex 2.
- 3.5 The expenditure estimates for 2016-2020 presented to the Board in December 2014 totalling US\$ 9.5 billion underpinned the amount asked of donors in the Berlin Replenishment. While estimates for components within that have changed, the overall amount remains at US\$ 9.5 billion per the current forecast.

Figure 3: Expenditure - evolution of estimates for 2016-2020

| US\$ million | Dec 2014 Board | Include IPV | June 2015* investment decisions | Change in estimates | Dec 2015 Board investment decisions | | Dec 2015 Board |
|-------------------------------------|-----------------|-----------------|---------------------------------|---------------------|-------------------------------------|-----------------|-----------------|
| | | | | | India** | Measles-Rubella | |
| Penta | 1,229 | | | (209) | | | 1,020 |
| Pneumo | 2,820 | | | (297) | (20) | | 2,503 |
| Rota | 907 | | | (215) | 60 | | 752 |
| Measles-Rubella | 291 | | | (19) | 110 | 139 | 521 |
| HPV | 367 | | | (40) | 30 | | 357 |
| Typhoid | 136 | | | (0) | | | 136 |
| IPV | | 248 | | (44) | | | 204 |
| Other vaccines | 493 | | | 45 | | | 538 |
| Across various vaccines | | | 214 | (214) | | | |
| Vaccine Programmes | 6,243 | 248 | 214 | (992) | 180 | 139 | 6,032 |
| Health Systems Strengthening | 960 | | 50 | 248 | 100 | | 1,358 |
| Campaign operating costs | 401 | | | (10) | | 76 | 467 |
| Vaccine introduction Grants | 124 | | | 14 | | 4 | 142 |
| Other | 24 | | 5 | 17 | | | 46 |
| Cash-based Programmes | 1,509 | | 55 | 269 | 100 | 80 | 2,013 |
| Total Programmes | 7,752 | 248 | 269 | (723) | 280 | 219 | 8,045 |
| Provision for Strategic Investments | 500 | | (269) | | (231) | | |
| Partners Engagement Framework | 778 | 9 | | 129 | | | 916 |
| Secretariat | 514 | 8 | | 35 | | | 557 |
| Expenditure | 9,544 | 265 | 0 | (559) | 49 | 219 | 9,518 |
| | \$9.5 bn | \$0.3 bn | | (\$0.6 bn) | \$0.3 bn | | \$9.5 bn |

* June 2015 Board decisions: Strengthening country transitions \$214m; Cold chain equipment 2016-17 \$50m; ATAP \$5m

** The investment allocation by vaccine for the India Strategy is indicative at this stage

- 3.6 Within the overall US\$ 9.5 billion for 2016-2020, expenditure estimates have evolved as follows:
- (a) A provision for expenditure on IPV through 2018 of US\$ 265 million was added in the June 2015 expenditure forecast, and IPV-specific funding pledged for 2016-2018 was added to the resource forecast, to incorporate IPV activity within the overall forecast, as requested by the Board.

¹ The estimates include provision for the opening of the envisaged new vaccine window for Typhoid from 2020.

- (b) Three strategic investments were approved in June, for strengthening country transitions out of Gavi support, cold chain equipment and access to affordable prices (ATAP). This consumed US\$ 0.3 billion of the US\$ 0.5 billion provision that was already included in the forecast.
 - (c) Estimates for vaccine programme expenditures have reduced by US\$ 992 million. Of this, about 60% relates to updated implementation assumptions, while 40% is due to changes in price and presentation assumptions. Provision for HSS support has been increased by US\$ 248 million. Estimated budgets through 2020 for the Partners' Engagement Framework and the Secretariat have increased by US\$ 164 million. In total, estimates for these expenditures have decreased by US\$ 0.6 billion.
 - (d) The two strategic investments for consideration now – for the Measles and Rubella strategy and the Alliance Partnership with India strategy – would add US\$ 0.3 billion to the expenditure estimates, after using-up the remainder of the provision for strategic investments (as illustrated in Figure 1).
- 3.7 The resources expected to be available towards meeting these needs are outlined below. Provided that pledges made in Berlin are contributed and that donors complete their pledging through 2020, resources would be sufficient to meet the needs as currently estimated and leave some scope for further needs yet to be considered.

4. Resources estimated to become available through 2020

- 4.1 Pledges made at the Berlin replenishment conference in January 2015, together with proceeds from prior pledges to Gavi's innovative financing mechanisms, investment income and resources expected to be available from 2015 were estimated to provide US\$ 9.5 billion towards meeting needs in 2016-2020.
- 4.2 After subsequently including pledges for IPV, making provision for movements in forecast currency exchange rates and updating other estimates since then, this amount now stands at US\$ 9.3 billion. This includes US\$ 0.4 billion expected to be available from the 2011-2015 strategic period. Further potential contributions, not yet pledged, could bring this amount to US\$ 9.8 billion, as summarised in Figure 4 and explained further below.

Figure 4: Resources - evolution of estimates for 2016-2020

| US\$ million | At Berlin | Include IPV | Change | Dec 2015 Board |
|--------------------------------|-----------------|----------------|--------------|-------------------|
| Direct contributions | 7,282 | 245 | (514) | 7,013 |
| IFFIm proceeds | 1,344 | | (30) | 1,314 |
| AMC proceeds | 417 | | (68) | 349 |
| Investment income | 160 | | 20 | 180 |
| Cash & investment drawdown | 90 | | (59) | 31 |
| | | | | 8,887 |
| Available from 2015 (forecast) | 200 | | 244 | 444 |
| Assured Resources | 9,493 | 245 | (407) | 9,331 |
| | \$9.5 bn | \$0.2 bn | (\$0.4 bn) | \$9.3 bn |

add: Allowance for Further Contributions, not yet pledged **519**

Qualifying Resources per current forecast **9,850**
\$9.8 bn

- 4.3 Direct contributions: The forecast relies on all pledged contributions being paid when due. The value of pledges made in currencies other than US dollar is calculated using the hedge rates where currency hedge contracts have been established, and otherwise using Bloomberg forecast future exchange rates through 2020. The forecast rates will fluctuate over time, and currently are lower than the forecast rates published at the time of replenishment. If the current rates were to apply when future pledges are contributed, their value would decline by US\$ 364 million. A further provision of US\$ 150 million is made for potential future declines, bringing the overall reduction of estimates to US\$ 514 million.
- 4.4 IFFIm proceeds: The forecast includes proceeds from existing IFFIm pledges, an estimate of US\$ 0.2 billion from new Berlin pledges, and takes into account the maximum amount that can be provided to Gavi based on the current leverage limit and the timing of Gavi's need for this funding. The ability to receive IFFIm proceeds when most needed for programme funding helps Gavi to match the timing of expenditure needs and the availability of resources. Any new pledges to IFFIm would increase these proceeds.
- 4.5 AMC proceeds are from existing pledges and fluctuate in line with estimates of expenditure on pneumococcal vaccine.
- 4.6 Allowance for further contributions: Because not all donors were able to pledge through to 2020, the resource forecast, in compliance with the Programme Funding Policy, includes an Allowance for Further Direct Contributions not yet pledged. The Allowance assumes, solely for the purpose of making programme funding decisions, that the overall level of direct contributions will be maintained at no less than the 2016-18 level of US\$ 1.5 billion per year in subsequent years (see Annex 1, paragraph b). The Secretariat expects that this will be achieved.

- 4.7 IPV contributions: Contributions to support IPV were pledged separately from the amounts pledged in Berlin, and were pledged by donors (DFID, Norway and Bill & Melinda Gates Foundation) for the period 2014-2018². A further funding commitment of approximately US\$ 31 million³ is being provided by BMGF, the Rotary Club and CDC to support the India IPV programme on a catalytic basis.
- 4.8 Available from 2011-2015: It is estimated that resources of US\$ 444 million will be available for carry-forward from the 2011-2015 period, after meeting all expenditure needs through 2015, as currently forecast (see Figure 5). This is greater than was forecast in December 2014 because of donors extending their pledges through 2015, and reductions within the expenditure estimates arising from updated implementation assumptions and changes in price and presentation assumptions.

Figure 5: Evolution of estimates for 2011-2015

| US\$ million | | | | |
|--|----------------------|-----------------------------|---|--|
| | Forecast Dec 2014 | Include IPV (2014-15) | Change upon updating estimates | Current Forecast - Dec 2015 Board |
| Resources Available | | | | |
| Assured resources 2011-2015 | US\$m 6,961 | 186 | US\$m 290 | US\$m 7,436 |
| Allowance for additional contributions, not yet pledged | 48 | | (48) | 0 |
| A Qualifying Resources | 7,008 | 186 | 242 | 7,436 |
| | \$7.0 bn | | \$0.2 bn | \$7.4 bn |
| Forecast Expenditure | | | | |
| Vaccine programmes | 4,936 | 95 | (159) | 4,873 |
| Cash-based programmes | 1,384 | 46 | (218) | 1,212 |
| PEF and Secretariat engagement | 930 | 25 | (47) | 908 |
| B Forecast Expenditure | 7,251 | 166 | (423) | 6,993 |
| | \$7.3 bn | | (\$0.4 bn) | \$7.0 bn |
| A-B Available for future investments | (242) | 21 | 665 | 444 |
| | (\$0.2 bn) | | \$0.7 bn | \$0.4 bn |

5. Capacity to meet demand through 2020

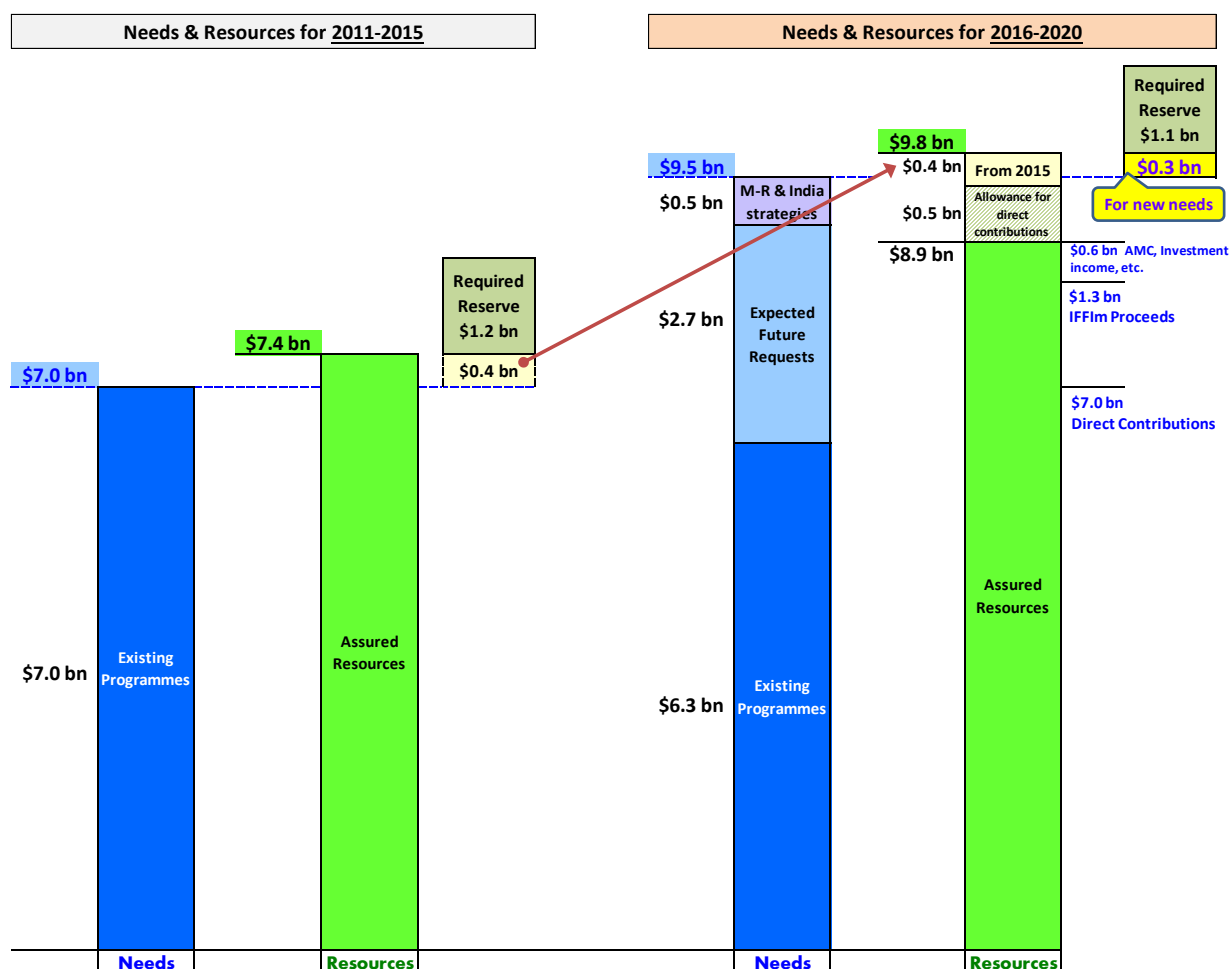
- 5.1 Figure 6 below illustrates the forecast capacity to meet the needs of existing and future programmes as outlined above, in each of the five-year Gavi strategic periods. Detail of the underlying components of needs is provided in Annex 1.
- 5.2 As outlined in paragraph 4.8, resources of US\$ 0.4 billion are expected to be available from the 2011-2015 period towards meeting needs in 2016-2020.

² Norway has pledged for IPV for the period 2014 to 2019. For the purpose of this forecast, the 2019 pledge of NOK 190 million (~US\$ 25 million) is excluded from the forecast to align with the expenditure forecast which only covers the period through 2018.

³ Gavi's financial forecast includes expenditure and income for India's IPV at US\$ 17 million with a further US\$ 12 million being provided by Rotary and CDC directly to UNICEF without passing through Gavi's books.

- 5.3 When that is taken into account, resources of US\$ 9.8 billion would be available in 2016-2020, provided all donors extend their pledges through 2020 (as mentioned in paragraph 4.6).
- 5.4 With expenditure needs currently estimated at US\$ 9.5 billion in 2016-2020 (including the funding decisions for consideration by the Board in December 2015), that would leave US\$ 0.3 billion available for new needs that the Board may decide to support in the future.

Figure 6: Overview of needs and resources



See Annex 2 'Terminology' for an explanation of terms used.

6. Coverage of the decisions proposed at this Board meeting

6.1 The GAVI Programme Funding Policy requires that:

- (a) As a prerequisite to the approval or endorsement of any new programmes, an amount of Qualifying Resources shall be set aside to fully cover all commitments arising in the period from the start of the then current year through the next two calendar years (the Defined Period), 2015-17; and

- (b) The Secretariat shall also provide the Board with a projection of commitments arising and Qualifying Resources in the three years subsequent to the Defined Period, i.e. 2018-20, so that the Board can take into account the longer-term implications when considering the funding of new programmes.
- 6.2 Hence, a 'rolling six-year' view is required. Figure 7 below provides a year-by-year view of the cash outflows to meet the needs of existing and future programmes, and the resource inflows to meet those needs, highlighting the two 3-year periods relevant to the Funding Policy: 2015-17 and 2018-20.
- 6.3 The cash flow impact of the 2016 Programme Funding Envelope decisions now recommended (see Section C) is included within the expenditure estimates and the proposed strategic investments are shown separately within Figure 7.

Figure 7: Cash flows by year

| Cash flow basis US\$ millions | Six-year period | | | | | | |
|--|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Expenditure to meet demand | | 1,855 | 1,815 | 1,879 | 1,986 | 1,801 | 1,769 |
| Proposed strategic investments | | | 54 | 54 | 54 | 54 | 54 |
| Total Expenditure | | 1,855 | 1,869 | 1,933 | 2,039 | 1,855 | 1,822 |
| Qualifying Resources available | | 1,651 | 1,761 | 1,818 | 2,055 | 1,884 | 1,888 |
| Additional available / (required) - for year | | (204) | (108) | (115) | 15 | 29 | 66 |
| Additional available - cumulative | 647 | 444 | 336 | 221 | 236 | 266 | 332 |
| | | → 2017 | | | → 2020 | | |

- 6.4 In 2015 and the two subsequent calendar years (i.e. 2016-17), the Defined Period for which full coverage of needs is a prerequisite, all currently foreseen needs are forecast to be fully covered
- 6.5 In the three following years (i.e. 2018-20), for which the longer term implications should be considered, all currently foreseen needs are also forecast to be fully covered.
- 6.6 In addition to the foregoing, a cash reserve equivalent to at least eight months' future expenditure is maintained, as required by the Policy.
- 6.7 Accordingly, the funding decisions now recommended can be approved in accordance with the Programme Funding Policy, as was confirmed by the Audit and Finance Committee on 6 November 2015

Section C: Programme Funding Request

7. 2016 Programme Funding Envelope

- 7.1 In December 2014, the Board approved a Programme Funding Envelope, from which the Secretariat can allot funding for the continuation and adjustment of funding for existing vaccine and cash programmes, and for new cash programmes, during 2015. This envelope will expire at the end of 2015, and hence a new envelope is now proposed for 2016.

7.2 Accordingly, the Board is now requested to approve a Programme Funding Envelope for 2016, from which the Secretariat, in accordance with the Programme Funding Policy, shall allot funding to programmes until 31 December 2016 to:

- (a) Endorse or adjust previously endorsed amounts of programme multi-year budgets for existing programmes and new cash programmes for an aggregate amount not exceeding US\$ 2,807 million for unrestricted countries and US\$ 20 million for restricted countries. (In total US\$ 2,827 million, per Figure 8, “1”).
- (b) Establish or adjust near-term liabilities of the GAVI Alliance in respect of endorsed programme budgets for periods ending no later than 31 December 2016 for an aggregate amount not exceeding US\$ 1,264 million for unrestricted countries and US\$ 5 million for restricted countries. (In total US\$ 1,269 million, per Figure 8, “2”).
- (c) The Board is requested to make the decisions that relate to restricted countries in session without the participation of US citizens and residents

Endorsed programme budget amounts

7.3 The funding envelope amount of US\$ 2,827 million for endorsed programme budgets covers the duration of multi-year plans of individual country programmes and is comprised of estimates for the components listed in Figure 8.

Figure 8: The envelope amounts for 2016

| PROGRAMME FUNDING ENVELOPE 2016 | | Endorsed Programme Budget Amounts | | | | | | | | | | | |
|--|--|-----------------------------------|------|-------|-------|-------|-------------|--------------|------------|------------|------------|------|--------------|
| Programme | Year basis | US\$ millions | | | | | | | | | | | Total |
| | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | |
| A | Already Endorsed Budgets as at 31 December 2015 | 627 | 881 | 1,296 | 1,339 | 1,604 | 1,245 | 266 | 90 | 40 | 0 | | 7,388 |
| Estimates for changes to endorsed amounts during 2016 | | | | | | | | | | | | | |
| | (a) Adjustments to existing cash & vaccine programmes | | | | | | (60) | (30) | (10) | | | | (100) |
| | (b) Extensions of existing vaccine programmes (excl IPV) | | | | | | | 755 | 605 | 441 | 234 | | 2,034 |
| | (c) Extensions of existing IPV programmes | | | | | | | 1 | 80 | 40 | | | 121 |
| | Total for changes to Existing Programmes | | | | | | (60) | 726 | 674 | 481 | 234 | | 2,055 |
| | (d) New Cash Programmes | | | | | | 231 | 174 | 69 | 48 | 56 | | 579 |
| | (e) New HPV demonstration programmes | | | | | | 1 | 0 | 0 | | | | 2 |
| | (f) New Campaign vaccine programmes*** | | | | | | 89 | 102 | | | | | 191 |
| | Total for Future Programmes | | | | | | 322 | 277 | 70 | 48 | 56 | | 772 |
| B | 2016 ENVELOPE for changes to endorsed amounts | | | | | | 262 | 1,003 | 744 | 528 | 290 | | 2,827 |
| | Estimated split: Unrestricted countries | | | | | | 262 | 998 | 739 | 523 | 285 | | 2,807 |
| | Restricted countries | | | | | | | 5 | 5 | 5 | 5 | | 20 |
| A+B | Forecast Endorsed budgets at end 2016 | 627 | 881 | 1,296 | 1,339 | 1,604 | 1,507 | 1,269 | 834 | 568 | 290 | | 10,215 |
| 2016 ENVELOPE for changes to near-term liabilities (for 2017) | | | | | | | | | | | | | |
| | Unrestricted countries | | | | | | | 1,269 | | | | | 1,264 |
| | Restricted countries | | | | | | | | | | | | 5 |

7.4 As explained in paragraph 6.3, the cash flows arising from changes to endorsed programme budgets for the envelope amount are included within the expenditure

forecast, for which adequate Qualifying Resources exist in conformity with the Programme Funding Policy.

Section C: Programme Expenditure Report for 2015

8. Disbursements in 2015

- 8.1 The current financial forecast estimates programme disbursements in 2015 at US\$ 1.6 billion which is 6.7% less than the estimate presented to the Board in December 2014.
- 8.2 In the first nine months of 2015, GAVI has disbursed US\$ 1,077 million of programme expenditure, representing 63% of the currently estimated amount for all of 2015. This compares with US\$ 848 million disbursed in the corresponding period of 2014.
- 8.3 Further details, see document AFC-2015-Mtg-4-Doc 02 (on myGavi).

9. Utilisation of 2015 Programme Funding Envelopes

- 9.1 The Board has approved programme funding envelopes from which the Secretariat can allot funding to programmes, as follows:
 - (a) In December 2014 the Board approved an envelope for 2015 of US\$ 2,472 million for multi-year budget amounts to be endorsed for new cash programmes, HPV demonstration projects and extensions and adjustments of existing programmes.
 - (b) In November 2013 and subsequently in December 2014 the Board approved an envelope for 2014 and 2015 of a cumulative amount of US\$ 389 million for multi-year budget amounts to be endorsed for IPV programmes (new and the extension and adjustment of existing programmes).
 - (c) In December 2014 the Board approved an envelope of US\$ 390 million for multi-year budget amounts to be endorsed for Ebola programmes, towards which Gavi funding of US\$ 100 million was made available. Expenditure beyond that amount is dependent on additional funds being raised. Accordingly, the current forecast includes expenditure of US\$ 100 million, through 2020.
- 9.2 The utilisation to date of these funding envelopes is shown in Figure 9 below, and further details are provided in document AFC-2015-Mtg-4-Doc 02 (on myGavi).
- 9.3 There is no carry-forward of any unutilised amounts from the core annual envelope from one year to the subsequent year.

Figure 9: 2015 Programme Funding Envelope utilisation (through September 2015)

September 2015)

| Envelope for 2015 (approved Dec 2014) | | | | | | |
|---|---------------------|---------------|----------------------|----------------------|---------------|------|
| Envelope amount | Allotted to date | % Allotted | Est Q4 Allotments | Estimate for year | % Allotted | |
| | 30.09.15 | | | | | |
| a) New cash programmes | 758 | 329 | 43% | 6 | 335 | 44% |
| b) Envelope for HPV demo Projects | 3 | 2 | 60% | 0 | 2 | 67% |
| c) Extensions of existing vaccine programmes | 1,911 | 66 | 3% | 697 | 763 | 40% |
| | 2,672 | 396 | 15% | 704 | 1,101 | 41% |
| d) Adjustments to existing programmes (incl. variances) | -200 | 79 | -40% | -15 | 64 | -32% |
| | 2,472 | 475 | 19% | 689 | 1,164 | 47% |
| Core Programme Envelope for 2015 | | | | | | |
| IPV Envelope for 2014 and 2015 (cumulative) | | | | | | |
| | 389 | 278 | 71% | 28 | 306 | 79% |
| Ebola Envelope | | | | | | |
| | 390 | 15 | 4% | 0 | 15 | 4% |

Section D: Risk implications and mitigation

Factors that may impact the expenditure forecast include:

- 10.1 Adjustments arising from reviews of Annual Progress Reports and Secretariat adjustments for updated implementation assumptions have historically resulted in the reduction of endorsed programme budgets in light of actual implementation progress. However no reduction has been made in the forecast for 2016-2020 reflecting a prudent approach.
- 10.2 The forecast takes account of expected supply availability and country readiness for vaccines, as currently anticipated.
- 10.3 Expenditure reductions may also be achieved through future vaccine price reductions and more efficient stock management at country level that cannot yet be counted in the forecast.
- 10.4 The introduction of new vaccines would increase expenditure, as would any changes to the recommended age catchments for vaccine campaigns.

Factors that may impact the forecast of resources available include:

- 10.5 Proceeds to Gavi from IFFIm: In 2013, the IFFIm Board enhanced IFFIm's overall risk profile in a manner that will be beneficial to Gavi for the longer term, while postponing proceeds to Gavi in the near-term. No further such adjustments are currently anticipated that would affect the resources available to Gavi. The forecast includes incremental proceeds of US\$ 0.2 billion for the period 2016-2020 from new donor pledges of US\$ 0.3 billion made in Berlin. If these pledges are converted into contribution agreements to IFFIm then Gavi available resources would be decreased by a corresponding amount.

- 10.6 Foreign currency exchange (FX) rates: In Berlin, donors pledged US\$ 4.8 billion of the US\$ 7.5 billion in non-US dollar currencies for the 2016–2020 period. Non-US dollar pledges were expressed in US dollar equivalents using the forecasted FX rates for the period as reported in Bloomberg on 23 January 2015. With 95% of forecasted expenditures in US dollars, Gavi seeks to mitigate the risk of fluctuations in currency exchange rates by purchasing hedging instruments in line with Gavi's currency hedging policy. If, when paid to Gavi, the unhedged non-US dollar pledges were converted to US dollars at lower exchange rates than the forecasted rates, Gavi would have less resources available. To allow for such an eventuality, a provision of US\$ 150 million (representing approximately 5% of these pledges) has been deducted in arriving at the forecast value of proceeds from these pledges.

Risk mitigation

- 10.7 Should the net effect of risk factors materially impact the forecast, the following are important measures towards mitigating that risk:
- (a) The Cash and Investments Reserve, equivalent to eight months' future expenditure, provides a cushion for adverse fluctuations in resources and expenditures.
 - (b) For each year, a surplus is forecast after meeting the needs of Existing Programmes, which is available towards funding Expected Future Requests for programme funding. When, in the future, such requests are considered for funding, endorsement can be declined or deferred in the light of resource availability as foreseen at that time.

Section E: Other implications

11. Impact on countries

- 11.1 The additional support now requested will enable countries to advance their immunisation plans.

12. Impact on Secretariat

- 12.1 None.

13. Legal and governance implications

- 13.1 There are no legal or governance implications.

14. Consultation

- 14.1 The Strategic Demand Forecast (SDF) is produced by Gavi's Market Shaping Team in collaboration with Vaccine Implementation and partner agencies represented on the SDF sub team and vaccine-specific sub teams of the Vaccine Implementation Management Team (VIMT). It is reviewed and endorsed by the Head of Market Shaping and the VIMT.
- 14.2 The forecast was reviewed by and discussed with the Audit and Finance Committee at its meeting on 6 November 2015.

15. Gender implications

15.1 None.

Section F: Annexes

Annex 1: Terminology and rounding

Annex 2: Projected expenditure to meet demand - detail

Annex 1: Terminology and rounding

Terms used in this paper have the meanings described below:

- (a) Assured Resources comprise:
 - Cash and investments of Gavi, in the amount that exceeds the Cash and Investments Reserve (see (g) below)
 - Expected proceeds from IFFIm, based on existing donor pledges
 - Expected AMC and any other contributions that are contingent on programmatic expenditure included in the expenditure forecast
 - Confirmed direct contributions to GAVI Alliance that are pledged under already-signed agreements or otherwise confirmed in writing.
 - Projected investment income
- (b) Allowance for Further Direct Contributions (for the purpose of approving programme funding): An allowance for further expected direct contributions from existing donors who have not confirmed their pledges for each year, based on current overall contribution levels. The allowance is mandated by the Programme Funding Policy and is important towards enabling programme funding decisions to be made while pledges have yet to be completed for particular years. The allowance assumes that in years where currently confirmed direct contributions total less than the current level, further contributions will bring the total to that level. With Berlin pledges included, the projected level is US\$ 1.5 billion for the year, which equates to the annual average of confirmed pledges for 2016-2018.
- (c) Qualifying Resources: The sum of Assured Resources and the Allowance for Further Direct Contributions (i.e. (a) plus (b) above)
- (d) Existing Programmes: Country programmes (for vaccine and cash-based programmes and investment cases) that have already been approved for support by Gavi, the Partners' Engagement Framework and the Secretariat budget.
- (e) New Requests: Projected demand from country applications that are currently being recommended by the Independent Review Committee for approval.
- (f) Expected Future Requests: Projected demand from countries expected to request Gavi support in the future for the currently approved portfolio of vaccines and cash-based programmes. It does not include any additional vaccines that Gavi may consider for support in the future (such as Malaria).
- (g) Cash and Investments Reserve: The reserve required by the Programme Funding Policy to be maintained at minimum equalling eight months of expected annual expenditures.

Rounding:

In text and tables throughout this paper, numbers may be rounded to shorter, significant numbers in order to enhance readability and ease of reference. Individual numbers and the totals they comprise are rounded independently. Consequently, the individual numbers may appear not to sum to their total because of rounding.

Annex 2: Projected expenditure to meet demand - detail

| Expenditure estimate 2011-2015 | Existing Programmes | | Estimate for future demand | Total | |
|--|---------------------|--------------------------|----------------------------|-----------------|-------------|
| | Endorsed | Provision for Extensions | | | |
| Cash flow basis, US\$ million | | | | | |
| Programmes: | | | | | |
| Penta | 1,538 | 58 | - | 1,597 | 26% |
| Pneumo | 2,167 | 109 | - | 2,276 | 37% |
| Rota | 337 | 17 | 0 | 354 | 6% |
| Measles-Rubella | 143 | - | - | 143 | 2% |
| Measles SIA | 47 | - | - | 47 | 1% |
| HPV - routine & demo | 17 | - | - | 17 | 0% |
| Typhoid | - | - | - | - | - |
| IPV/Polio | 129 | - | - | 129 | 2% |
| Other vaccines | 307 | 3 | - | 310 | 5% |
| Total Vaccine Programmes | 4,686 | 187 | 0 | 4,873 | 80% |
| Health systems strengthening | 568 | - | - | 568 | |
| Campaign operational costs | 284 | - | - | 284 | |
| Vaccine introduction grants | 86 | - | - | 86 | |
| VIG - IPV | 44 | - | - | 44 | |
| Measles SIA operational costs | 83 | - | - | 83 | |
| All other cash (ISS, CSO, HPV etc) | 148 | - | - | 148 | |
| Total Cash-based Programmes | 1,212 | - | - | 1,212 | 20% |
| Total Programmes | 5,898 | 187 | 0 | 6,085 | 100% |
| Provision for Strategic Investments | | | - | - | |
| PEF & Secretariat (Business plan) | 908 | | - | 908 | |
| Total Expenditure | 6,806 | 187 | 0 | 6,993 | |
| 2011-2015 | \$7.0 bn | | \$0.0 bn | \$7.0 bn | |

| 2011 | 2012 | 2013 | 2014 | 2015 |
|------------|--------------|--------------|--------------|--------------|
| 295 | 356 | 290 | 248 | 408 |
| 354 | 396 | 471 | 533 | 523 |
| 11 | 136 | 96 | 33 | 78 |
| - | 4 | 57 | 54 | 28 |
| - | 3 | 29 | 2 | 14 |
| - | - | 3 | 4 | 10 |
| - | - | - | - | - |
| - | - | - | 45 | 84 |
| 40 | 56 | 62 | 72 | 80 |
| 700 | 951 | 1,008 | 989 | 1,224 |
| 44 | 52 | 119 | 145 | 208 |
| 8 | 29 | 107 | 85 | 55 |
| 6 | 15 | 28 | 19 | 18 |
| - | - | - | 13 | 31 |
| - | - | 58 | 1 | 23 |
| 11 | 22 | 64 | 15 | 36 |
| 68 | 118 | 377 | 278 | 372 |
| 768 | 1,069 | 1,385 | 1,267 | 1,596 |
| - | - | - | - | - |
| 125 | 139 | 194 | 191 | 259 |
| 893 | 1,208 | 1,579 | 1,458 | 1,855 |

| Expenditure estimate 2016-2020 (tentative) | Existing Programmes | | Estimate for future demand | Total | |
|---|---------------------|--------------------------|----------------------------|-----------------|-------------|
| | Endorsed | Provision for Extensions | | | |
| Cash flow basis, US\$ million | | | | | |
| Programmes: | | | | | |
| Penta | 61 | 959 | - | 1,020 | 14% |
| Pneumo | 147 | 2,124 | 251 | 2,523 | 33% |
| Rota | 38 | 415 | 239 | 692 | 9% |
| Measles-Rubella | 1 | - | 271 | 272 | 4% |
| Measles SIA | 4 | - | 6 | 10 | 0% |
| HPV - routine | 10 | 36 | 281 | 327 | 4% |
| Typhoid | - | - | 136 | 136 | 2% |
| IPV/Polio | 84 | 121 | - | 204 | 3% |
| Other vaccines | 160 | 95 | 274 | 528 | 7.0% |
| Total Vaccine Programmes | 505 | 3,750 | 1,458 | 5,713 | 76% |
| Health systems strengthening | 501 | - | 756 | 1,258 | |
| Campaign operational costs | 53 | - | 339 | 391 | |
| Vaccine introduction grants (incl. IPV) | 4 | - | 133 | 138 | |
| Measles SIA operational costs | 8 | - | 1 | 9 | |
| All other cash (ISS, CSO, HPV etc) | 28 | - | 10 | 37 | |
| Total Cash-based Programmes | 594 | - | 1,239 | 1,833 | 24% |
| Total Programmes | 1,099 | 3,750 | 2,697 | 7,546 | 100% |
| Provision for Strategic Investments | | | 231 | 231 | |
| PEF & Secretariat (Business plan) | | 1,473 | - | 1,473 | |
| Total Expenditure | 1,099 | 5,223 | 2,928 | 9,250 | |
| 2016-2020 | \$6.3 bn | | \$2.9 bn | \$9.3 bn | |

| 2016 | 2017 | 2018 | 2019 | 2020 |
|--------------|--------------|--------------|--------------|--------------|
| 247 | 205 | 198 | 190 | 180 |
| 468 | 494 | 535 | 552 | 474 |
| 96 | 134 | 140 | 154 | 168 |
| 66 | 85 | 89 | 25 | 8 |
| 9 | 1 | - | - | - |
| 28 | 51 | 68 | 86 | 93 |
| - | - | - | 34 | 102 |
| 38 | 80 | 63 | 23 | - |
| 140 | 102 | 144 | 70 | 71 |
| 1,092 | 1,152 | 1,237 | 1,135 | 1,097 |
| 280 | 236 | 240 | 256 | 245 |
| 96 | 92 | 122 | 38 | 43 |
| 22 | 44 | 35 | 17 | 20 |
| 4 | 5 | - | - | - |
| 19 | 12 | 6 | 0 | 0 |
| 422 | 389 | 403 | 312 | 308 |
| 1,514 | 1,541 | 1,640 | 1,446 | 1,405 |
| 29 | 52 | 50 | 50 | 50 |
| 272 | 287 | 296 | 305 | 314 |
| 1,815 | 1,879 | 1,986 | 1,801 | 1,769 |

| | |
|------------------------|------------------|
| Total 2011-2020 | \$16.2 bn |
|------------------------|------------------|

Strategic Investments: Programme funding decisions to be taken at the December 2015 Board meeting for India and Measles Rubella are additional to the above estimates by an amount of US\$ 268 million in 2016-2020.

Projected cash flows above are presented on a cash flow basis and hence take into account adjustments for procurement lead times as well as specific supplier payment terms (e.g. pneumococcal firm order commitment and Rotavirus specific payment schedule).