

Appendix 2: General Overview: Forecast Process and Governance including anticipated impact

Impact on countries

Approval of the Financial Forecast enables funding to be allotted to programmes in accordance with the Programme Funding Policy.

Risk implication and mitigation, including information on the risks of inaction

Determination of Gavi's financial capacity to approve the recommended decisions relies on the Financial Forecast.

Macro risks that may impact the reliability of the financial forecast are described below, as well as the mitigation strategies in place to address these risks. Please refer to the main paper for detail and range forecasts of specific risks and opportunities to the forecast.

One of those risks arises from exposure to foreign currency exchange rate fluctuations. In the forecast, non-USD pledges are valued at their USD equivalents using the Bloomberg spot exchange rates when compiling the forecast (consistent with the approach agreed with donors) or, where hedged, at the hedge rate. Pledges are hedged progressively in accordance with the Board approved Treasury policy.

Gavi's Cash and Investments Reserve provides a cushion for adverse fluctuations in resources and expenditures. Gavi can also decline or defer funding requests based on resource availability.

Risks associated with the financial forecast and mitigation

Factors that may impact the expenditure forecast include:

Demand volumes can vary significantly based on small changes in country introduction assumptions. While the introduction assumptions made in the current forecasts leverage the information readily available, there remains an inherent high degree of uncertainty on these assumptions. In addition, the assumptions on introduction timing are often dependent on projections of when a country will no longer be eligible for new Gavi support. This forecast represents the application of the current Board approved Eligibility and Transition Policy. Changes or exceptions to this policy could vary demand significantly.

The expenditure forecast adjusts for performance risk at the portfolio level reflecting the Secretariat's current estimate of overall needs based on historic trends and forecast country absorptive capacity. However actual expenditure could be higher or lower than the financial forecast depending on actual country demand. Should performance risk be lower than forecast, Gavi can decline or defer funding requests based on resource availability.

Price forecasts reflect expected market dynamics specific to each vaccine and the outcome of recent tenders. The point forecast represents a moderate most likely scenario estimate among a range of possible estimates and reflects information available at the time of preparation.

The forecast includes assumptions for supply availability as currently anticipated and assumes no widespread or macro impact to supplier capacity or pricing, reflecting the outcome of recent tenders and no indications to date of any widespread disruption to suppliers which could impact Gavi's core vaccine programmes.

The successful and timely execution of Gavi programmes depends on appropriate capacity in the Secretariat, Alliance partners, Ministries of Health (MOH) and other in-country partners.

Expenditure reductions may also be achieved through future vaccine price reductions beyond what has already been incorporated into the price forecast and more efficient stock management at country level that has not yet been reflected in the forecast.

Factors that may impact the forecast of resources available include:

Since Gavi's inception, approximately 99% of all donor pledges have been honoured by donors. Any non-payment of amounts pledged or failure to extend pledges would adversely impact the forecast of resources.

Risk mitigation

Should the net effect of risk factors materially impact the forecast the following are important measures towards mitigating that risk:

- The Cash and Investments Reserve, equivalent to at least eight months' future expenditure (currently nine months), provides a cushion for adverse fluctuations in resources and expenditures.
- In each year, a cumulative surplus is forecasted 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, approval can be declined or deferred in the light of resource availability as foreseen at that time.

Terminology and rounding

Terms used in this paper have the meanings described below and are relevant to Gavi's Programme Funding Policy:

- 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 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 funding decisions): 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.
- 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 (balance of 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.
- g) Cash and Investments Reserve: The reserve required by the Programme Funding Policy to be maintained at a 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.