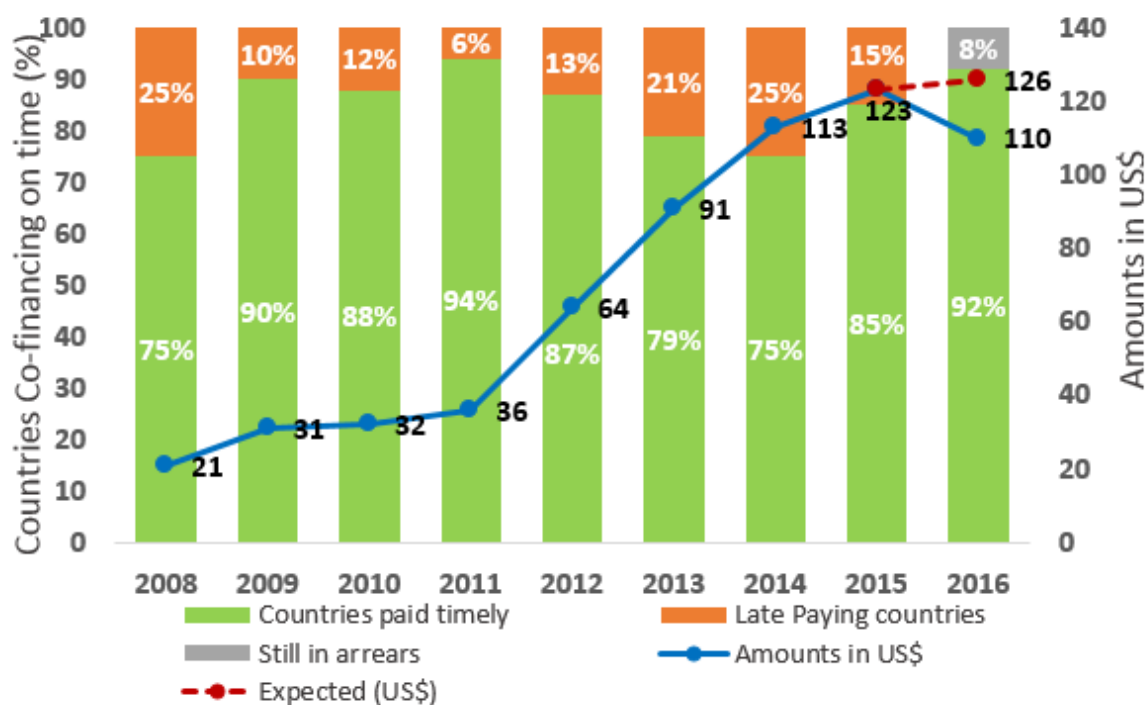


Annex C: Improve sustainability of national immunisation programmes: Update on Co-financing Performance

1.1 In terms of co-financing performance, 2016 has been the best year since the beginning of the previous strategic period. Of the 63¹ countries that were required to fulfil their co-financing requirements by the end of the 2016 calendar year, 58 fulfilled their co-financing requirements on time, which is the highest share since 2011 (92%, see graph 1) despite country obligations having increased five-fold. Only five countries defaulted on their 2016 obligations (DRC, Ghana, Madagascar, South Sudan and Niger), and one will request an extension of the waiver granted by the Board for its 2015 co-financing requirements (Yemen).² Two of the countries in default (DRC and Madagascar) already resolved their arrears.

Graph 1 – Country co-financing performance



1.2 In 2016, countries financed or co-financed 184 vaccine programmes that were introduced with Gavi support, which is an 11% increase from 2015³. The total amount co-financed on time also increased by 25% from US\$ 88 million by the end of 2015, to US\$ 110 million by December 2016. In addition, 14 countries fully self-financed approximately US\$ 20 million in 21 vaccine programmes which were originally introduced with Gavi support. This means that 15% of all

¹ The figure excludes Yemen which is requesting an extension of the co-financing waiver.

² Originally also South Sudan was expected to continue the extension of the co-financing waiver but the country committed to fulfill its obligations.

³ It includes the vaccine programmes in Yemen.

vaccine programmes introduced with Gavi support are now successfully being fully self-financed by countries.

- 1.3 The strong co-financing performance illustrate countries' strong commitment and ownership towards immunisation. Nonetheless, ensuring timely payment remains challenging with many countries delaying to the last quarter of the year. To address this, the Alliance continued to apply novel tools and approaches to support countries. One key tool is UNICEF's Vaccine Independence Initiative (VII). VII is a revolving fund that provides short-term financing to subscribing countries to bridge the timing gap between when funds are needed to initiate procurement of vaccines through UNICEF SD and when country funding is available to pay for those vaccines, often after delivery. It provides countries that have payment constraints with a solution that allows them to continue procuring vaccine through UNICEF SD and thereby contribute to the sustainability of their immunisation programmes. For Gavi countries, VII can be a valuable tool in helping countries to meet both their co-financing obligations while Gavi-eligible and their vaccine procurement payment terms after they become fully self-financing. Given these potential benefits, particularly for countries during and post transition, the Gavi Board approved a catalytic investment of US\$ 5 million towards the capitalisation of the VII in 2015⁴. The Secretariat committed to provide the PPC in 2017 with an update on the performance of the VII investment and to review the need to adjust the investment amount.⁵
- 1.4 Over the past two years, VII pre-financed 2015 co-financing for both Kenya (US\$ 3.6 million) and Niger (US\$ 1.1 million) and 2016 co-financing in Myanmar, Djibouti and CAR. Kenya and Myanmar have already repaid their VII obligations, while the other countries have payment plans or agreed repayment dates and in some cases have made partial repayments. VII has been offered and discussed in other Gavi-supported countries and even though these countries did not use it for co-financing this dialogue helped to trigger the co-financing payments. In addition to co-financing, current subscribing countries continue to use it to pre-finance their traditional vaccine needs. VII capital has also been used for other ad-hoc pre-financing transactions in support of Gavi countries, primarily for immunisation-related commodities to address outbreaks and campaigns (polio and yellow fever). UNICEF has also utilised VII to structure ad hoc transactions to assure that bOPV purchase orders were placed on time. This allowed several countries to secure supply availability on time for the April 2016 switch: Niger (temporarily increased ceiling), Tajikistan, Uzbekistan, Uganda, and Lesotho (all countries have repaid their commitments). Of the countries that have transitioned to full self-financing, only Kiribati is currently subscribed to VII. It has used pre-financing for pooled procurement of vaccines, injection devices and cold chain equipment jointly with twelve other Pacific Island Countries. VII pre-financing in some countries

⁴ The funds were disbursed in 4Q 2015.

⁵ Gavi support for access to appropriate pricing for Gavi graduate countries, Report to the 10-11 June Board 2015.

is complemented with PEF support to provide technical assistance to improve the predictability of funding in these countries. Following such work, both Uzbekistan and Cote d'Ivoire are now fully subscribing to the initiative and will be accessing the revolving fund in 2017. Additionally, in 2017, UNICEF anticipates VII submissions/approvals for Tajikistan, Chad, Myanmar and potentially Burkina Faso while progress has stalled in Ghana and Cameroon, despite initial interest from those countries.

- 1.5 To date, therefore, some Gavi countries are starting to take advantage of VII and they are a mix of transitioning and non-transitioning countries. However, country interest appears to be growing. It is too early to have a precise assessment of future demand and the value of VII for Gavi eligible and transitioning countries. The Secretariat will continue to work with UNICEF SD and to monitor the utilisation of VII and will come back to the PPC should there be a need to adjust the funding.
- 1.6 The Secretariat has also increased its engagement and dialogue with countries around immunisation financing. One key improvement that the Secretariat is piloting is to align co-financing requirements to countries' fiscal years (rather than calendar years). Kenya and Pakistan are both co-financing in line with their fiscal year, which runs from July to June, and therefore have until the end of June to meet the co-financing requirements. The completion of the 2016-2017 fiscal year in June 2017 would signify the end of the second year in which this approach has been tested in these two countries. Following the successful implementation of this pilot, the Secretariat might roll out this approach in other countries as well this year. Several other countries have highlighted that alignment between Gavi's co-financing requirements and their fiscal cycle could aid their budgeting process.
- 1.7 Although fewer countries have defaulted in 2016 than in previous years, those that remain are challenging cases
 - Last year Madagascar made partial payment, which amount to approximately half of the 2016 co-financing requirements and in May of this year the country fulfilled the remaining requirements for 2016. Furthermore, Madagascar also paid in May their 2017 co-financing requirements.
 - DRC is expected to come out of default shortly. As part of a broader plan, the World Bank (WB) has committed to pay for the country's 2016 co-financing requirements, conditional on the country coming out of default for 2015, which it did towards the end of 2016. While DRC remains in default for 2016, it has been able to consistently increase vaccine financing each year since the country tailored approach was introduced in 2014. The MoU between the WB and UNICEF SD is being finalised.

- Niger has only paid off UNICEF's VII for 2015, and might not have funding available until the start of its new fiscal year (July-June). Gavi will start the development of a payment plan while continuing to follow-up and advocate to the government, including high-level bilateral meetings on the side of the World Health Assembly.
- Ghana is struggling with severe budget constraints, which is particularly worrying given that it entered the accelerated transition phase in 2017. The Secretariat received in late May written confirmation from the Minister of Health of their commitment to fulfil the 2016 and 2017 co-financing obligations before the end of the year.
- South Sudan is facing a protracted civil war and while the Ministry of Health requested the payment to be executed, the coordination with the Ministry of Finance appears to be a challenge. Gavi will start the development of a payment plan while continuing to follow-up and advocate to the government, including high-level bilateral meetings on the side of the World Health Assembly.
- Yemen, as discussed in the main paper has also remained in default and has requested an extension of the waiver. As part of the development of the fragility policy, a framework will be developed to offer longer term flexibilities for countries in protracted crises.