

SUBJECT: GAVI 5.0: FUNDING POLICY REVIEW

Agenda item: 09

Category: For Decision

Section A: Executive Summary

As part of operationalising Gavi 5.0, the Secretariat is undertaking a two-phase review of Gavi's existing funding policies: **Eligibility & Transition Policy, Co-Financing Policy and the Health System & Immunisation Strengthening (HSIS) Support Framework**¹. The purpose of this paper is to seek Board approval on select policy changes as identified in the first phase of the review and recommended by the Programme and Policy Committee (PPC). These changes reflect **key strategic shifts in Gavi 5.0** and **lessons learned from Gavi 4.0**.

Implementation experience, evaluations, consultations and analyses have demonstrated that for the most part these Gavi policies function well. For example, eligibility based on gross national income (GNI) per capita, requirements for countries to co-finance a portion of vaccine procurement and the objectives for health systems strengthening (HSS) and other non-vaccine funding continue to support Gavi's mission and strategic goals.

However, new directions for Gavi 5.0 and lessons learned from Gavi 4.0 drive a proposed evolution of Gavi's funding policies, particularly in view of the following:

- An increased focus on **equity**
- A stronger emphasis on **programmatic sustainability**
- Greater **differentiation** to target and **tailor** support to countries, particularly fragile contexts
- **Simplification** and **country ownership**.

While the scope of this paper is focused on the proposed policy revisions, how these policies are implemented will also be a key driver of success in the next strategic period. The proposed policy changes are part of a much broader effort to operationalise Gavi 5.0 (see Strategy Progress Update at Doc 04 for other workstreams).

¹ The HSIS support framework operates in a similar manner as a Gavi policy, but with a greater level of detail. The funding policy review would seek to resolve this inconsistency with other Board-approved policies.

Section B: Funding Policy Review

1. Scope and context of the review

- 1.1 As one of the six workstreams to operationalise Gavi 5.0, the Secretariat is conducting an integrated Funding Policy Review (FPR) to update Gavi's core funding policies which define Gavi support to countries²: **the Eligibility & Transition Policy; the Co-financing Policy; and the Health System and Immunisation Strengthening (HSIS) Support Framework**³. Until now, these policies have been developed and updated individually and separately. This concurrent review will enable an aligned update to the funding policies, simplifying burdensome processes and realigning objectives and incentives.
- 1.2 **These three policies describe Gavi's principles and approach to the funding it provides.** Implementation experience indicates that **these policies largely function well**, and their principles and overall approach generally continue to be fit-for-purpose for the next strategic period.
- 1.3 The **Eligibility & Transition Policy** articulates which countries can access Gavi support and how this support phases out over time. It enshrines the key principles of time-limited and catalytic support focused on the poorest countries in the world, linked to a country's ability to pay as proxied by their gross national income per capita (GNI pc). It also provides a clear, institutionalised pathway for a country's eventual exit from Gavi support in conjunction with the co-financing policy. As of 2019, fifteen countries⁴ have already transitioned from Gavi support. **In this cohort of countries, available evidence indicates that all have continued to self-finance and procure all vaccines introduced with Gavi support.** Programmatically, fourteen of these fifteen countries have sustained above 90%, or not decreased their DTP3 coverage rates since transitioning⁵.
- 1.4 The **Co-financing Policy** helps build long-term financial sustainability of vaccines introduced with Gavi support by requiring countries to invest resources to procure a certain share of these vaccines. **Annual co-financing contributions have risen substantially** since the policy's introduction, bringing the total amount co-financed by countries over the 2008-2019 period to over US\$ 1 billion. In addition, the fifteen countries that have fully transitioned have invested an estimated additional US\$ 194 million since 2016, and India has also invested approximately

² While the Funding Policy Review will consider alignment of the funding for technical assistance under the Partners' Engagement Framework (PEF) with funding to countries, PEF will be considered in a separate 5.0 Operationalisation workstream on 'Partnerships'.

³ This includes health system strengthening (HSS) grants, vaccine introduction grants (VIGs) and operational support for campaigns (Ops). The review also covers the Cold Chain Equipment Optimisation Platform (CCEOP), which is not currently part of the HSIS framework.

⁴ Angola, Armenia, Azerbaijan, Bhutan, Bolivia, Cuba, Georgia, Guyana, Honduras, Indonesia, Kiribati, Moldova, Mongolia, Sri Lanka, Timor-Leste

⁵ Bolivia is the only country with DTP3 coverage below 90% where coverage has decreased since transitioning, by 1 percentage point.

US\$ 550 million in the procurement of Gavi-supported vaccines over the same period. **The number of countries not meeting their co-financing requirements in a timely manner has also fallen substantially**, from 17 in 2014 to 3 in 2018.

- 1.5 The **Health System and Immunisation Strengthening (HSIS) Support Framework** sets out the objectives, funding levels and essential requirements for HSIS support (including how health systems strengthening (HSS) support is allocated across countries), to contribute to sustainable improvements in equitable coverage of immunisation.⁶ Through the framework, countries have access to HSS support and other allocations which include support for vaccine introductions, operational support for campaigns and performance payments (performance-based funding). As explicitly encouraged in the framework, **countries are increasingly focusing HSIS grants on improving coverage and equity and nearly all countries have frameworks to assess grant performance**. Over 70% of active grants (and ~90% of grants approved since 2016) have a component targeting communities with particularly low immunisation coverage or a high number of under-immunised. Nearly 60% of investments are now in strategic focus areas, with over half of expenditure in new HSS grants focused on system strengthening rather than support.⁷
- 1.6 Overall, these three policies have facilitated Gavi's mission of saving lives by extending the breadth and reach of immunisation. However, in response to the new Gavi 5.0 strategy and lessons learned from Gavi 4.0, **Gavi's policies can continue to be selectively refined**.

2. Approach to the review

- 2.1 Examination of **strategic shifts for Gavi 5.0** and **lessons learned from Gavi 4.0** resulted in a set of **problem statements**, where Gavi's policies would benefit from a shift in approach (see further Appendix 1, Doc 04 to the PPC). The problem statements and proposed solutions were identified and validated through **consultations with partners and countries, external evaluations** and **extensive analyses** (see Appendixes 2-7) and draw from **Board deliberations on Gavi 5.0** (e.g. March 2019 Retreat). A Steering Committee (SC) was established to provide strategic guidance which includes representatives from the **Programme and Policy Committee (PPC)/Board, Alliance constituencies, peer organisations and technical experts** with relevant subject matter expertise (see Appendix 2). The SC met twice, in June and in September 2019, and will reconvene in 2020.

⁶ This is the second of Gavi's two major funding areas (alongside vaccine procurement support).

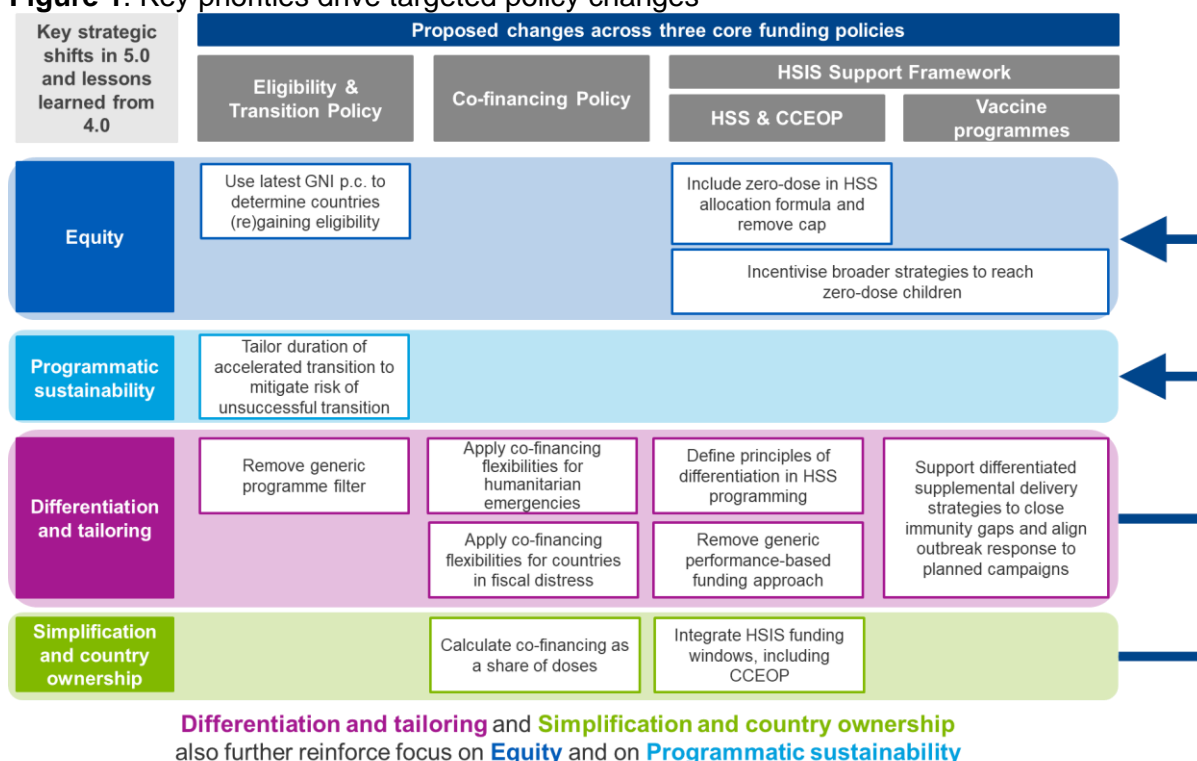
⁷ Support refers to short-term activities that address constraints within the system to improve outcomes, such as upgrading facilities and equipment or procuring immunisation inputs. System strengthening refers to long-term comprehensive changes to the system itself, such as policies and regulations, organisational structures, and relationships across the health system to motivate changes in behaviour and/or allow more effective use of resources.

2.2 The timeline for this two-phase review is June 2019 to June 2020. In the **first phase**, from June to December 2019, the problem statements were identified and validated. Select problem statements were analysed to develop proposed changes as covered in this paper. In the **second phase**, from January to June 2020, those proposed changes will be finalised and options for the remaining problem statements will be developed. An examination of cross-cutting issues, such as how incentives are aligned across policies, will also be conducted. Finally, all policy elements will be brought together in an **updated set of funding policies** at the end of the review for Board approval.

3. Strategic priorities driving policy changes

3.1 Strategic shifts under Gavi 5.0, in particular heightened focus on: **equity**, **programmatic sustainability**, **differentiation and tailoring** to country contexts, **simplification and stronger country ownership** have shaped the proposed policy changes. The application of these principles drives a set of policy changes as described in **Figure 1** and the following sections, and though mapped against specific strategic areas, together they reinforce the primary goals of equity and programmatic sustainability.

Figure 1. Key priorities drive targeted policy changes



4. Equity: increasing focus on access for all

4.1 The Board has identified equity as the ‘organising principle’ for Gavi 5.0 with a particular focus on reaching ‘zero-dose’ children⁸. The PPC reflected that the **allocation of HSS** could more strongly orient support to the countries

⁸ Zero-dose children defined as children who do not receive a first dose of DTP-containing vaccine.

and communities with the most zero-dose and underimmunised children. The PPC therefore recommended adjusting the current HSS allocation formula (based on three equally weighted criteria: birth cohort, GNI per capita and number of under-immunised) to include a fourth criterion of the number of zero-dose children, with all four criteria equally weighted. While not significantly shifting the magnitude of allocations at country level compared to the current formula, this would be a clear signal of the Alliance's intent to heighten focus on zero-dose children.

- 4.2 The PPC further recommended that Gavi **retain the US\$ 3 million 'floor'** (i.e. the minimum amount of HSS a country can receive) so that small countries continue to receive adequate amounts of funding, but **remove the US\$ 100 million 'cap'** as the three large countries that would be affected will account for ~40% of the under-immunised and zero-dose children in Gavi 5.0. Countries facing fragility will continue to have the ability to access up to 50% additional funding on top of their allocated amount through the Fragility, Emergencies and Refugees (FER) Policy. The PPC also welcomed the possibility of introducing mechanisms to flexibly allocate additional support to countries (e.g. those with demonstrated unmet needs, a commitment to focus on zero-dose children and strong programme performance). This will be further explored in the next phase of the review.
- 4.3 Both the PPC and the SC observed that in addition to an equity-focused allocation of HSS funding, it would be equally important to ensure that funding at country level is *well-programmed* to reach missed communities and zero-dose children, and to ensure sustainability of programmes. Increased guidance on differentiation of HSS and vaccine programming will be critical to enable countries to use Gavi resources effectively and efficiently.
- 4.4 Finally, while the introduction, in 2015, of the three-year GNI pc average to determine eligibility has been useful to give countries improved visibility and predictability about transition timelines as their economies increased, it did not account for the exceptional cases of countries facing severe, rapid drops in GNI pc. According to current policy, countries with falling GNI pc only (re)gain eligibility once the 3-year rolling average is below the eligibility threshold. This creates an inequity whereby an ineligible country may have a GNI pc level *below* that of countries receiving support but remains ineligible because its 3-year GNI pc average is still above Gavi's eligibility threshold. The PPC recommended addressing this inequity in access to support by additionally **including the most recent estimate of GNI pc to determine countries' eligibility** when their economies decrease, noting these circumstances have historically been rare (for example Congo Republic and Sudan fall in this category and have required case by case exemptions).

5. Programmatic sustainability: mitigating the risk of unsuccessful transition

- 5.1 Sustainability underpins Gavi's support model and will continue to be a distinguishing feature under Gavi 5.0. The Board, at its Retreat in March 2019, acknowledged that while GNI pc has proven to be a robust proxy for financial sustainability, it has worked less well as a proxy for programmatic sustainability. The Board advised that the Alliance should more systematically incorporate programmatic sustainability in its country engagement and decision-making processes to **mitigate the risk of unsuccessful transition**. In particular, it indicated that, while GNI pc should remain the indicator that determines country eligibility, additional programmatic sustainability considerations should be taken into account to **flexibly adjust the duration of the accelerated transition phase** in case of substantial transition challenges.
- 5.2 The PPC endorsed an approach whereby early and continuous dialogue and engagement with countries would help identify and tackle programmatic challenges to support successful transition. The Secretariat and Alliance partners would track country performance against a specified set of programmatic criteria which would provide 'early warning signals' and support early engagement for successful transitions. The PPC and Board would be regularly updated on this progress on country performance and would provide guidance on potential risks.
- 5.3 In specific rare cases, a country might still enter the accelerated transition phase at high risk of unsuccessful transition out of Gavi support. Working closely with Alliance partners, the Secretariat would be entrusted with identifying these countries at risk and proposing flexibilities. The countries at risk would be identified based on immunisation outcome-level criteria, and specific proposed flexibilities would be based on a robust health system component-level analysis (the specific criteria and flexibilities to be defined in the final Policy). Gavi's CEO would then be responsible for approving the necessary time-limited extension of the accelerated transition phase, and specific flexibilities. In addition to already being aware of countries at risk through regular country performance review, the PPC and Board would be informed of the application of these flexibilities. The PPC emphasised the importance of putting in place strong accountability frameworks for countries to avoid inadvertently incentivising low performance (see Annex B for further detail on this approach, amended as requested by the PPC). In the next phase of the review, the specific criteria (aligned with the Gavi strategic indicators) and flexibilities will be brought to the PPC and Board.

6. Differentiation and tailoring: responding to country contexts

- 6.1 Increasingly sophisticated and responsive engagement with countries will require a more differentiated policy approach. In some areas, Gavi's current policies rely on a standardised 'one size fits all' approach that is not effective. Specifically, a **generic programme filter** (i.e. coverage

threshold)⁹ for access to vaccine support disregards the diversity of vaccine delivery needs, while an independent review of the **universal performance-based funding approach** reveals it has not provided effective incentives suitable for each specific country context. The PPC recommended **removing these standardised approaches** in favour of more tailored approaches such as vaccine-specific programmatic criteria and country-specific incentive models.

- 6.2 A differentiated policy approach can also enable Gavi to more proactively respond to the needs of countries facing **exceptional circumstances**. Specifically, the current Co-financing Policy does not allow for Gavi to respond in a timely and flexible manner to countries facing **humanitarian emergencies** and **fiscal distress** and unable to meet their co-financing obligations. Gavi has previously waived co-financing for countries facing such challenges¹⁰ though these were transaction-heavy and slow processes. The PPC agreed that the policy should allow for more flexibility and responsiveness in order to support the few instances in which countries might face these circumstances. Given the unpredictable and unique nature of such events, it would not be possible to define *a priori* indicators and thresholds that would be universally valid to identify countries which might need **co-financing flexibilities**. However, as with flexibilities envisaged to mitigate the risk of unsuccessful transitions, the PPC emphasised the importance of ensuring strong consultation with and input of expert partners and clear reporting to and engagement with the PPC and the Board for oversight (see Annex B for further detail on this approach, amended as requested by the PPC).
- 6.3 Finally, the PPC also provided guidance on two additional areas to improve the policies through greater differentiation, which will be further examined in the next phase of the FPR. The PPC broadly agreed with a set of **principles for differentiating how HSS** should be programmed in line with country needs and capacity and Gavi's focus on zero dose children/equity as reflected in Gavi 5.0. The PPC also supported evolving Gavi's funding for operational costs for campaigns to encompass funding for **other supplemental delivery strategies** to close immunity gaps¹¹. This would enable the Alliance to better support countries to explore alternative and innovative approaches to close immunity gaps tailored to their context, as opposed to the current approach, which is skewed towards nationwide, non-selective campaigns and often miss the same children.

⁹ The programme filter requires 70% coverage of DTP-containing vaccine in order to apply for select vaccine introduction support. A number of exceptions have been made resulting in an inconsistent implementation that restricts a small number of countries from introducing rotavirus and pneumococcal vaccines.

¹⁰ Co-financing waivers due to Ebola crisis: Guinea (2014, 2015), Liberia (2015), Sierra Leone (2014, 2015). Co-financing waivers due to exceptional circumstances due to conflict: CAR (2013), South Sudan (2015, 2016, 2017, 2018), Yemen (2015, 2016).

¹¹ The definition of an immunity gap varies by factors like epidemiologic context, disease dynamics (e.g. herd immunity thresholds, population mixing, etc.) and disease objectives.

7. Simplification and country ownership: enabling improved planning and implementation

7.1 Finally, the PPC reflected that two elements of Gavi's funding approach could be adjusted to increase country ownership, a core principle of Gavi since its inception, and to reduce complexity.

7.2 *First*, regarding co-financing for vaccines, the PPC acknowledged that while the current Co-financing Policy has been largely successful in mobilising greater domestic investments in vaccines introduced with Gavi support, the complex calculation has hindered understanding and therefore full ownership by national stakeholders. It has perpetuated a reliance on the Secretariat to calculate co-financing requirements for each Gavi vaccine, creating a transition risk. The PPC noted that a **simplification of the calculation of co-financing requirements to a share of doses**¹² would empower country stakeholders to independently estimate their requirements for planning purposes. This change would also incentivise country managers to improve their vaccine forecasting, management and wastage. The basic principle that co-financing should increase in countries in preparatory and accelerated transition would remain unchanged. However, this simpler methodology would align the approach for calculating co-financing across vaccines and transition phases for greater coherence and provide better visibility for countries and other stakeholders on vaccine procurement requirements.

7.3 *Second*, regarding the multiple windows of support under the HSIS framework and the Cold Chain Equipment Optimisation Platform (CCEOP), the PPC found value in the proposed **integration of these funding streams** to enable more holistic planning and implementation across Gavi grants at country level. The PPC recommended integration of CCE funding into HSS but also cautioned not to inadvertently compromise the ability to shape the CCE market. They asked the Secretariat to further explore market-shaping risks and mitigation measures such as 'ring fencing' CCE funding within the core HSS grant. Finally, the PPC also supported in principle the integration of other HSIS windows (e.g. introduction grants, operational support for campaign) to strengthen systems, facilitate integrated dialogue by country stakeholders and unified budgeting and better leverage the collective strength of Gavi grants. They requested the Secretariat to investigate the proposed approach to ensure it would not create additional complexity, including exploration of a phased approach in a subset of countries.

8. Enabling a Collaboration Agenda

8.1 The PPC noted that these proposed policy shifts reflected the appropriate changes needed to improve Gavi's policies to support Gavi 5.0. They

¹² Countries would co-finance a specified percentage of the total number of doses needed, taking into account coverage, wastage rate, vaccine buffer and stock levels. The rest of the requirements would be procured by Gavi. Example: country co-finances 10% of the total number of doses needed.

advised to also articulate Gavi's role in the global health architecture (such as the **Global Action Plan (GAP) for Healthy Lives and Wellbeing for All**). Acknowledging the importance of more effective global coordination and alignment, Gavi has been heavily engaged in the design and implementation of the GAP. For example, the Secretariat co-leads the Financing Accelerator and is coordinating funding and piloting joint dialogue in a range of countries with several agencies signatory to the GAP. The PPC observed that Gavi's policies and funding approaches do not represent a barrier to this enhanced collaborative effort. Gavi's strategic focus on reaching zero-dose children can be a 'pathfinder' for identifying communities in need of a broader set of essential health services. Reaching these communities will require a significant set of resources beyond Gavi and provides an entry point to stronger collaboration with other global health and development actors.

Section C : Actions requested of the Board

The Gavi Alliance Programme and Policy Committee recommends to the Gavi Alliance Board that it **approve** the following, which will be incorporated into Gavi's policies in June 2020:

- a) using the latest point estimate of GNI per capita alongside the average GNI per capita over the past three years to determine countries' eligibility for support; and for countries (re)gaining eligibility, adoption of a tailored approach based on the country context;
- b) adoption of an approach to tailor the accelerated transition phase as described in Annex B¹³ to Doc 09;
- c) removing the programme filter requiring 70% or higher coverage of the 3rd dose of DTP-containing vaccine for a country to access new support for select vaccines (as set out in the Eligibility & Transition Policy);
- d) calculating **vaccine co-financing** for all countries based on the share of doses needed by a country;
- e) adopting an approach to apply co-financing flexibilities as described in Annex B¹² to Doc 09, in countries facing **severe fiscal distress** and countries facing a **humanitarian crisis**;
- f) allocating HSS resources according to four criteria: **equity** (number of zero-dose children), **coverage** (number of underimmunised children), **ability to pay** (GNI pc), and **population in need** (birth cohort), with all four criteria equally weighted;
- g) removing the **cap** of US\$ 100 million over five years currently applied to total country HSS ceilings, but retaining the floor of US\$ 3 million;

¹³ Note that Annex B reproduces the exact text from Paragraphs 1.8-1.13 of Doc 04 Part A to the PPC on the Eligibility and Transition Policy and Paragraphs 2.8-2.10 of Doc 4 Part B to the PPC on the Co-financing Policy, amended as requested by the PPC.

- h) **integrating** support for CCEOP into HSS support; and
- i) discontinuing the mechanism of awarding **Performance Payments** (as set out in the HSIS Support Framework).

Annexes

Annex A: Implications/Anticipated impact

Annex B: Paragraphs referenced in decision points for Eligibility & Transition and Co-financing Policies

Additional information available on BoardEffect

Appendix 1: (in October 2019 PPC meeting book) Report to the Programme and Policy Committee (Doc 04)

Appendix 2 (in PPC Library – Additional materials for October 2019 PPC meeting): Appendix 1 to Doc 04 Summary of Funding Policy Review Steering Committee meetings, terms of reference and membership

Appendix 3 (in PPC Library – Additional materials for October 2019 PPC meeting): Appendix 2 to Doc 04 Summary of Stakeholder Consultations

Appendix 4 (in PPC Library – Additional materials for October 2019 PPC meeting): Appendix 3 to Doc 04 Analyses for Eligibility & Transition Policy

Appendix 5 (in PPC Library – Additional materials for October 2019 PPC meeting): Appendix 4 to Doc 04 Analyses for Co-financing Policy

Appendix 6 (in PPC Library – Additional materials for October 2019 PPC meeting): Appendix 5 to Doc 04 Summary of Draft External Evaluation of the Eligibility & Transition and Co-financing Policies

Appendix 7 (in PPC Library – Additional materials for October 2019 PPC meeting): Appendix 6 to Doc 04 Analyses for Health Systems and Immunisation Strengthening

Appendix 8 (in PPC Library – Additional materials for October 2019 PPC meeting): Appendix 7 to Doc 04 Co-financing Policy

Appendix 9 (in PPC Library – Additional materials for October 2019 PPC meeting): Appendix 8 to Doc 04 Eligibility and Transition Policy

Appendix 10 (in PPC Library – Additional materials for October 2019 PPC meeting): Appendix 9 to Doc 04 Health System and Immunisation Strengthening Support Framework

Additional reference materials online:

External Reviews of HSS Support - <https://www.gavi.org/results/evaluations/hss/>