

## FOR DECISION

At the recent Programme and Policy Committee (PPC) meeting a number of Board members suggested that it would be useful to have a discussion on the balance between cash-based support (a variety of instruments and windows at present) and vaccine support (vaccine procurement, programme support and preparatory work).

Noting that whilst keeping a vaccine focus, an integrated vision of vaccines and system building has become core to the GAVI mission and a powerful tool for fundraising, the right balance needs to be struck. The issue is in part highlighted by the prioritisation discussions and by the decision before the Board on the use of the remaining notional Health Systems Strengthening (HSS) funds. Two decisions are presented for the Board's consideration:

First, the Board is asked to decide the funding share allocated to cash-based programmes – a decision that is necessary to conduct the prioritisation exercise which the Board has requested. Specifically, the Board is requested to consider the following options for the **maximum share of funding for cash-based programmes** in a given proposal round and to also consider as an alternative, option 4 - that a range be set (and what that range might be) given that there has been considerable variance year on year to date, reflecting for example, country demand, and vaccine availability:

- Option 1: 15%
- Option 2: 20%
- Option 3: 25%
- Option 4: a. 10-20% or b. 15-25%

Second, the Board is asked to decide how the notional US\$ 179 million, which has not yet been allocated to countries from the US\$ 747 million estimated spending for HSS, should be handled:

- Option 1: Remove from the forward projections for HSS;
- Option 2: Retain for the existing HSS window, subject to availability of funds and in line with maintaining the appropriate balance between vaccine and cash programmes.

## Resource Envelope and Spending between Cash-based and Vaccine Programmes

### Funding share

GAVI provides financial support in two broad areas:

1. **Cash based programmes.** This includes vaccine introduction grants to countries; Immunisation Systems Support (rewards-based)); Health Systems Strengthening Support; support to Civil Society.

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2. **(i) Vaccine procurement costs** for the specific vaccine commodities themselves for routine immunisation (e.g. Hep B, Hib, yellow fever, pentavalent vaccines) as well as for one off investment case vaccines (e.g. for Polio, Measles, and Meningitis A vaccines). Also included here are the costs of the commodities associated with vaccines (e.g. needles, safety boxes)<sup>1</sup> as well as the freight costs to transfer vaccines from manufacturers to ports of entry in countries.

**(ii) Vaccine programme support and preparatory work** for vaccine introduction and delivery. This has included activities reflected in the investment case operational costs and work plan (largely to WHO, UNICEF and the World Bank and the Secretariat); the Hib initiative, the ADIPs and the Accelerated Vaccine Initiative (AVI);

At the recent Programme and Policy Committee (PPC) meeting, the PPC agreed to recommend to the Board a pilot prioritisation mechanism to rank country proposals. In order to allow the mechanism to be used, the PPC is also recommending that GAVI define relative funding shares for cash-based programmes and new vaccine support (NVS)<sup>2</sup>. The ‘funding share’ in this context refers the proportion of resources in any given proposal round that would be made available for a specific broad area of GAVI support.<sup>3</sup>

Various issues that should be considered when defining the magnitude of funding shares are detailed below.

### Definition and scope

Given the three broad areas of financial support mentioned above, for the purpose of this work, the Secretariat proposes that GAVI actually set a maximum funding share or a range for cash-based programmes. The focus on cash programmes reflects the fact that the core of GAVI’s business remains vaccines so this would define a *maximum share or range*<sup>4</sup> of funding that would be available for cash-based programmes.

It is proposed that funding share be *applied prospectively* to inform future funding decisions (including the outstanding October 2009 applications).

It is also proposed that funding for proposals submitted through the new Health systems Funding Platform (HSFP) are not considered as part of the funding share for cash-based programmes<sup>5</sup>. This is because the HSFP proposals are likely to be funded from a separate source of funding, not all donors can contribute through this mechanism, and several donors have indicated the desirability of keeping a separate GAVI HSS window open. However, the Health System Strengthening (HSS) applications recommended and currently outstanding in the October 2009 application round would be considered within the scope of this share.

<sup>1</sup> Given this, we have also included Injection Safety Support (now discontinued) here

<sup>2</sup> This allowed prioritisation objectives and criteria to be tailored to the different types of funding.

<sup>3</sup> Please refer to June 2010 Board paper “GAVI Alliance Pilot Prioritisation Mechanism” for further details

<sup>4</sup> Maximum share as opposed to *target* for GAVI’s future expenditures.

<sup>5</sup> Please refer to the June 2010 Board paper “HSS Resource Allocation” for further details

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It is proposed that the funding share for cash-based programmes be set now and held constant over the period of the pilot prioritisation mechanism; i.e. two application rounds where the first round would be the October 2009 applications while the timing of the subsequent application round has yet to be determined. This would allow the Board to simultaneously pilot both the mechanism to rank new proposals as well as the relative funding shares, and then review and possibly revise the approaches at some point in the future.

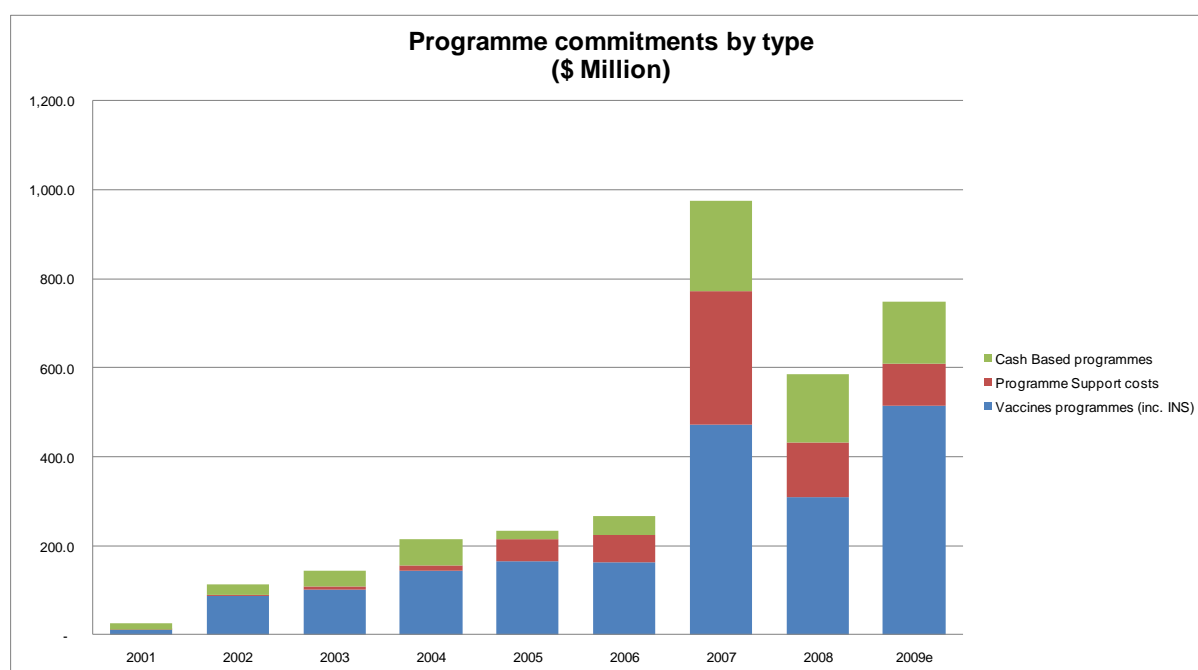
Spending history

Apart from historic expenditure averages, there is little analytical work that can inform the relative shares of funding for vaccines and cash-based programmes. When the monies invested to date in HSS applications over the period 2006-present are considered as part of the historic cash-based programme expenditures, the average investment for the period 2000-2009 in to cash-based programmes as compared to vaccine procurement/programmes is roughly 20%: 80%.

[For comparison in the first phase of GAVI (2000-2005) the split was 15%: 85% and for the years 2006-2009 the split was 21%: 79%]

The proportion of expenditures spent year by year is as follows:

	Basis	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009e	Total
1 Cash Based programmes	Prog Yr	-	14.7	22.2	37.0	59.1	18.8	44.0	203.2	155.0	138.7	692.8
2 (i) Vaccines programmes (inc. INS)	Prog Yr	-	10.7	86.3	100.5	144.0	166.0	163.6	471.2	310.3	515.8	1,968.5
2(ii) Programme Support costs	Cash	-	0.6	4.1	7.3	12.3	49.6	60.1	301.2	121.1	94.6	650.8
<b>* Total Programme costs</b>		<b>-</b>	<b>26.1</b>	<b>112.6</b>	<b>144.8</b>	<b>215.4</b>	<b>234.4</b>	<b>267.8</b>	<b>975.6</b>	<b>586.5</b>	<b>749.2</b>	<b>3312.1</b>
1 Cash Based programmes			56.5%	19.7%	25.6%	27.4%	8.0%	16.4%	20.8%	26.4%	18.5%	20.9%
2 (i) Vaccines programmes			41.2%	76.7%	69.4%	66.9%	70.8%	61.1%	48.3%	52.9%	68.9%	59.4%
2(ii) Programme Support costs			2.3%	3.6%	5.0%	5.7%	21.2%	22.4%	30.9%	20.7%	12.6%	19.6%



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The Board is asked to make a decision on either the minimum share of funding for cash based programmes, or on what might be an acceptable range for cash-based versus vaccine procurement/vaccine programme support. There is of course no right or wrong answer and no formula against which to base such a decision. This can only be a judgement call but in the light of the Board's decision, the Secretariat will be able to model future support and fundraising.

### Funding share options

Given the historic averages, the Secretariat proposes four options for the maximum share of funding allocated to cash-based programme proposals in a particular proposal round:

- Option 1: 15% of available funding
- Option 2: 20% of available funding
- Option 3: 25% of available funding
- Option 4: a. 10-20% or b. 15-25%

NB: The exact dollar value of the share for cash-based support would depend on the Qualifying Resources made available for particular proposal round (See GAVI's Programme Funding Policy document).

### **Health System Strengthening (HSS) window and unspent allocation**

In December 2005, the Board approved an 'up to' a US\$ 500 million commitment for a new HSS window<sup>6</sup>; later revising this number to a total of \$800 million<sup>7</sup> to allow all GAVI countries to apply. The investment case was regarded as consistent with GAVI principles and made links with all the health MDGs by making the case for immunisation leading to better maternal and child health outcomes. Since mid-2009 GAVI's financial estimates have included US\$747 million for HSS, reflecting commitments made plus an estimate of future spending.

By end 2007, almost \$403 million had been committed to 29 countries for multiyear grants. By October 2009 IRC, 45 countries had been approved. This represented a multi-year commitment of \$525 million until 2015. All proposals were aligned to the duration of national planning cycles.

The October 2009 IRC recommended nine more countries for approval, which represents a multi-year commitment of \$43.5 million. The Nepal \$14.5 million application, which the Board approved on 20 April 2010<sup>8</sup>, is included in this \$43.5 million figure. If the Board were to approve the other eight recommended proposals, this would mean a total of \$568.5 million (\$525 million+\$43.5 million) committed in multi-year HSS grants. A balance \$179 million (\$747 million-\$568.5 million) would remain from the original HSS window.

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<sup>6</sup> Section 5 from the 6-7 December 2005 Minutes

<sup>7</sup> Section 1 from the 26 February 2008 Minutes

<sup>8</sup> Section 1 of the 20 April 2010 minutes

## **FOR DECISION**

The Board is asked to determine whether the notional \$179 million, as yet unallocated to countries for the HSS window, should be retained and decide between the two following options:

- Option 1: Remove from the forward projections
- Option 2: Retain for the existing HSS window, subject to an assessment of the availability funds and in line with maintaining the balance between vaccine and cash programmes (defined above).